START SAVING PROGRAM

FREQUENTLY ASKED QUESTIONS
(Revised 1-01-11)

1. Why is it important to begin saving now for a child's college education even though the child may be only an infant?

The cost of a college education has been rising dramatically for several years. By the time that infant is eighteen, it could cost the parent of that infant as much as $174,000 to pay the costs of attending a Louisiana public university just for an undergraduate degree. In the past, parents relied on family income, grants, scholarships, and loans to pay expenses for postsecondary education; however, these resources can no longer be counted on to cover all educational needs. Today, planned savings are necessary to cope with rising educational costs. It is important that parents understand this and begin to save early. Saving money for college expenses is what the START Saving Program is all about.

Return to top

2. How does the START Saving Program work?

The START Saving Program was created by the State of Louisiana. Its main purpose is to help families contend with the future high costs of their children's or grandchildren's college or vocational education. Parents, grandparents, and others who want to assist in funding a child's education are encouraged to establish an education savings account through the START Saving Program for each child (the account beneficiary) and to make regular deposits to those accounts. In addition to deposits made by account owners, the state allocates Earnings Enhancements (state matching grant dollars) to eligible accounts. Both account owner deposits and Earnings Enhancements are invested to earn interest and maximize the value of every dollar saved. Account owners may select one or more investment funds ranging from the very conservative Principal Protection Fund (fixed income) to more aggressive equity funds offered through the Vanguard Group. Upon the beneficiary's enrollment into an approved postsecondary institution, funds are disbursed to cover their Qualified Higher Education Expenses (QHEE), which include tuition, fees, books, supplies, certain required equipment, reasonable charges for room and board (*see* Question 46), and special needs services.

Return to top

3. Who administers the START Saving Program?

The Louisiana Tuition Trust Authority (LATTA) was created by statute to implement and oversee the administration of the Program. LATTA has twenty-three (23) members including the State Treasurer and representatives from the banking community, the Legislature, and all levels of the education community. The Louisiana Office of Student Financial Assistance (LOSFA) is responsible for the day-to-day administration of the Program.

Return to top

4. Do I have to be a parent or grandparent to open an account?

No. There are six (6) different account categories based on the relationship of the account owner to the beneficiary. The choice of account category may limit or eliminate the Earnings Enhancement.

Return to top

5. What are the account categories?

There are six categories:

- Category I: Parents, grandparents, court-ordered custodians, persons claiming the beneficiary as a dependent on their federal income tax return, if, at the time the Account Application is submitted, the account owner or beneficiary is a resident of the state.
- Category II: A person or persons determined by LOSFA to be a Member of the Family of the beneficiary and, at the time the Account Application is submitted, the account owner or beneficiary is a resident of the state. Members of the family include, in addition to the beneficiary's spouse, adults related to the beneficiary as brothers, sisters, aunts, uncles, first cousins, in-laws, step-parents, step-siblings, and spouses of these listed persons.
- Category III: An Independent Student who is a resident of the state.
- Category IV: Any other person or Legal Entity if, at the time the Account Application is submitted, the beneficiary is a resident of the state.
- Category V: Any other person or Legal Entity that, at the time the Account Application is submitted, is a resident of the state and the beneficiary is not a resident of the state.
- Category VI: Any other person or Legal Entity or any government entity, and at the time of the submission of the Account Application:
    - (i) The beneficiary is a resident of the state;
    - (ii) The federal adjusted income of the beneficiary's family is less than $30,000 or the beneficiary is eligible for a free lunch under the Richard B. Russell National School Act (42 U.S.C. 1751 *et seq*.); and
    - (iii) The beneficiary is not a member of the account owner's family and is not a member of the family of any member or employee of LATTA or LOSFA.

Return to top

6. What is an "Earnings Enhancement"?

As an incentive to save, the State of Louisiana provides funds to match a portion of the deposits to an account called "Earnings Enhancements." For eligible accounts, the state match ranges from two percent (2%) to fourteen percent (14%) of the annual deposits to the account. The rate depends on the account category and the account owner's federal adjusted gross income.

Return to top

7. How is the Earnings Enhancement calculated?

The actual amount of the Earnings Enhancement is calculated by multiplying the annual deposits to an account by the Earnings Enhancement rate applicable to the account category (See Question 5.).

- For account Categories I, II and III, the Earnings Enhancement rate is based on the account owner's reported federal adjusted gross income (AGI) for the preceding taxable year (the AGI for tax year 2010 will be used to calculate Earnings Enhancements for

2011 deposits), according to the following schedule:

Reported AGI Rate	Earnings Enhancement
$0 to $29,999	14%
$30,000 to $44,999	12%
$45,000 to $59,999	9%
$60,000 to $74,999	6%
$75,000 to $99,999	4%
$100,000 and above	2%

- For account Category IV the Earnings Enhancements are based on the two percent (2%) rate.
- For account Category V, no Earnings Enhancement is paid.
- For account Category VI, the Earnings Enhancements are based on the federal AGI reported for the previous year by the beneficiary's family and are paid to the same rate schedule as used for account Categories I, II and III.
- For account Categories I, II, III and VI that do not provide documentation of the federal AGI, the Earnings Enhancements are based on the two percent (2%) rate.

Earnings Enhancements are awarded annually and posted to individual accounts as of December 31 of each year.

Return to top

8. How does the START saving Program know what I reported as my federal AGI?

When you open your account, you agree that the Program can obtain your tax information from the Louisiana Department of Revenue. Since the Louisiana income tax is based on the federal adjusted gross income, the AGI number is available for most account owners.

If your AGI is not available from the Department of Revenue, you must provide copies of your federal income tax returns no later than February 15 following the year the deposits were made.

For instance, if you did not file a Louisiana income tax return for 2009, you must provide your federal tax return for 2009 no later than February 15, 2011 to receive more than a 2% (if you qualify) Earnings Enhancement for deposits made in 2010.

Return to top

9. Why is opening an account with the START Savings Program different than opening a savings account at a bank or investing in the stock market?

There are distinct benefits of a START Saving Program account, including:

- Ten (10) investment funds are offered to meet the unique circumstances of each account owner. These funds range from very conservative to very aggressive.
- A deposit in the Principal Protection Fund is guaranteed by the State of Louisiana.
- The State of Louisiana will match up to fourteen percent (14%) of deposits each year with Earnings Enhancements.
- Deposits made to an account may be excluded from taxable income reported on the account owner's Louisiana tax return, up to $2,400.00 per year, per beneficiary, for single

account owners and up to $4,800 per year, per beneficiary, for married account owners filing jointly. Any unused exclusion may be carried forward to subsequent tax years.

- The Current Value of an account may be used to pay the Qualified Higher Education Expenses of the beneficiary at any accredited college or university (in or out-of-state), and at campuses of the Louisiana Technical College and state-approved proprietary schools.
- No fees are charged to participants in the START Saving Program. The START Saving Program is charged management fees on moneys that it invests in mutual funds offered by The Vanguard Group. The fees are very low relative to what is charged by other funds.
- As a Qualified Tuition Program, the START Saving Program is exempt from federal taxes, which means the program does not pay taxes that could reduce your return on investments.
- Deposits can be made through automatic bank debit, payroll deduction, or direct payment (including lump sums). There is no limitation on the frequency of deposits and the minimum deposit amount is only $10.
- Earnings are tax deferred while in the account and are exempt from state and federal taxes when used to pay Qualified Higher Education Expenses, which include tuition, fees, room, board, books, supplies, certain required equipment, and special needs services.

Return to top

10. Are there tax advantages to a START account?

Earnings on START accounts are tax deferred until withdrawn. If the funds are used to pay Qualified Higher Education Expenses, the earnings are exempt from both state and federal taxes. Deposits to START accounts are deductible from reported Louisiana income, up to $2,400 per year, per beneficiary. Unused portions may be carried forward to subsequent tax years. Married couples filing jointly may deduct deposits to START accounts from Louisiana State Taxable Income up to a maximum of $4,800 per year, per beneficiary, and any unused portion may be carried forward to subsequent tax years. An account owner of a Category VI account (*see* Question 5, above) may deduct twice the amount deposited per account per taxable year, up to $2,400 in donations. If the Category VI account owner does not use the full $4,800 exemption in any tax year, any unused exemption may be rolled forward to be used in future tax years.

Return to top

11. Who is eligible to open an account?

A START Account may be opened by any person or legal entity. Legal entities include groups, trusts, estates, associations, organizations, partnerships, and corporations that are incorporated, organized, established, or authorized to conduct business in accordance with the laws of one or more states or territories of the United States. Whoever opens the account, owns the account.

Return to top

12. Can my spouse and I set up a joint account?

No. One individual or entity must own each account. You and your spouse may each establish separate accounts for the same beneficiary or for different beneficiaries. You may name your spouse as your successor owner in the event you die, if you so desire. If you and your spouse open separate accounts and file your Louisiana Income Tax Return jointly, you will be able to deduct deposits to START accounts from Louisiana State Taxable Income up to a maximum of $4,800 per year, per beneficiary.

Return to top

13. Who can be a beneficiary?

A START Account may be opened for any person with a social security number of any age, from newborn through any age. Independent students may designate themselves as the beneficiary. Once the beneficiary enrolls into the postsecondary institution of choice, the account funds may be disbursed to the beneficiary, to the account owner, or to the school as directed by the account owner to pay eligible higher education expenses.

Return to top

14. Can a person be the beneficiary of more than one START account?

Multiple accounts may be opened by different account owners for the same beneficiary. However, the total amount deposited in all accounts may not exceed the "Maximum Allowable Account Balance." (See Question 51.)

Return to top

15. Can I set up an account for myself?

To open an account and name yourself as beneficiary, you must be classified as an "Independent Student."

Return to top

16. Who is eligible to be classified as an Independent Student?

Generally, to be classified as an Independent Student, the applicant must be 24 years old by January 1 of the year the account is opened. There are exceptions for orphans, certain emancipated minors, certain unaccompanied youths, students with a dependent, veterans, graduate or professional students, veterans and married students. In all cases, an Independent student must be 18 years or older to open an account.

Return to top

17. What happens to my account if I die?

If you die, ownership of your account will be transferred to the person you name as successor account owner. If your primary successor owner dies before you do, your account will be transferred to your contingent successor owner. If you do not have a named successor owner who is alive on your death, your account will become part of your estate and will be distributed as designated in your will or, if you do not have a will, as required by law.

You are required to name at least one primary and one contingent successor owner of your account. You may name additional successor owners.

Return to top

18. Can I name the beneficiary of the account as a successor owner?

Yes. This is one way to ensure that deposits you have made for your beneficiary's education are available to the beneficiary if you die. If your beneficiary is a minor when you die, the beneficiary's parents or custodian will be responsible for the account management until the beneficiary is 18.

Return to top

19. Should I name more than one successor owner?

You are required to name at least your primary and contingent successor owner. This will ensure that the funds in the account are used to pay the beneficiary's higher education expenses. We recommend that one successor owner be at least one generation younger. The contingent successor could be the beneficiary or one of the parents of the beneficiary or someone else you trust to manage the account.

Having two successor owners reduces the risk to the account. For instance, if the account owner names his/her spouse as the primary successor owner and both die in a motor vehicle accident, the account would be transferred to the contingent successor owner. Otherwise, the account would be transferred to the estate of the deceased account owner and possibly none of the money in the account could be used by the beneficiary. Also, if the funds are withdrawn from the account and not used for qualified higher education expenses, the earnings enhancement and the interest thereon would be lost and there would be tax penalties.

Another possibility is that the primary successor becomes mentally incapable of handling the account. If this were to happen, the contingent successor could manage the account.

Account owners can add additional successor account owners online at www.startsaving.la.gov or by calling LOSFA at 1-800-259-5626 Ext. 1012.

Return to top

20. Can I change the beneficiary?

Yes. The account owner can change the beneficiary at any time. However, the new beneficiary must be a member of the current beneficiary's family.

Return to top

21. Who is considered to be a member of the beneficiary's family?

The new beneficiary must be a "Member of the Family" of the current beneficiary in order to prevent a non-qualified disbursement. A "Member of Family" must be related to the current beneficiary as one of the following:

- Father or mother, or an ancestor of either
- Stepfather or stepmother, but not their ancestors
- Brother or sister of the father or mother, but not of a step-parent
- Brother, sister, stepbrother or stepsister
- Son or daughter, or descendant of either father-in-law or mother-in-law
- Stepson or stepdaughter
- Son or daughter of a brother or sister, but not of a step-sibling
- Spouse of the designated beneficiary or any of the above individuals
- Brother-in-law, sister-in-law, son-in-law, daughter-in-law
- First Cousin

Return to top

22. What happens if I change the beneficiary to someone that is not a member of the family?

The change would be treated the same as a refund and the Earnings Enhancements and the interest thereon will be forfeited. In addition, this change could be considered by the state and IRS to be a non-qualified disbursement for which the *earnings portion* of the withdrawal would be taxable to the account owner and subject to an additional ten percent (10%) federal tax.

Return to top

23. What are the requirements for opening an account?

Both the account owner and beneficiary must be citizens of the United States and/or permanent residents of the United States as defined by the U.S. Citizenship and Immigration Services. Either the account owner or the beneficiary must be a Louisiana resident at the time the account is opened. An initial deposit of $10.00 or more must be made within 180 days after receipt of notification the account has been approved. New account owners using the paper application should send their first deposit with their application.

After the account is established, neither the account owner nor the beneficiary are required to maintain Louisiana residency for continued participation in the program. Accounts may be opened at any time.

Return to top

24. How do I open an account?

To open an account, simply complete the application online at www.startsaving.la.gov or complete the paper Application and submit it to: START Saving Program, P.O. Box 91271, Baton Rouge, LA 70821-9271. Upon acceptance of your application, make saving a habit by making regular monthly deposits.

Return to top

25. How do I make deposits?

You may elect to mail your deposits directly to the program administrator by mailing them to the Louisiana START Saving Program, PO Box 91271, Baton Rouge, Louisiana 70821-9271; however, we encourage you to use one of the more convenient options available to you:

- Electronic Funds Transfer from your personal savings or checking account; or
- Employer deductions from your paycheck.

Cash deposits are NOT accepted.

Return to top

26. How can I keep up with my account?

You can view your account balance and transactions at any time by accessing your account at www.startsaving.la.gov. In addition, you will receive an annual statement, listing all transactions affecting your account for the previous year. Your statement will show your progress in saving the amount that will be needed to pay your beneficiary's educational expenses. Your annual statement will also show the amount of Earnings Enhancements allocated to your beneficiary.

Return to top

27. How do I access my account via the Internet?

You must first create a logon profile at www.startsaving.la.gov. To create a logon profile, you must have an active START Account, your date of birth must be in your START account records, and you must know your account number. Follow these steps:

Create your own User ID and Password by clicking on "My Account" located on the left panel of the START homepage and then click on "Create Logon." Use letters or numbers, not to exceed 10 characters, for your User ID and Password.

Create your logon profile by entering the required information. This profile asks you for a "Password Question" and a "Password Answer." These are a challenge question and answer to be used in case you forget your password. Some suggested Password Questions are: Mother's maiden name, favorite automobile or father's birthday.

Return to top

28. What do I do if I forget my password?

If you forget your password, enter your User ID and click on "Forgot Your Password." If you have provided an e-mail address in your profile you will be asked whether you want us to mail your password or to e-mail it to you. If you have NOT provided an e-mail address in your profile, we will mail your password to you at the address you have provided for your account.

Return to top

29. How do I change my password?

If you would like to change your Password, go to www.startsaving.la.gov and click on "My Account" located on the left panel of the START homepage and then click on "Create Logon." Use letters or numbers, not to exceed 10 characters, for your User ID and Password and enter the required information. This new logon profile will supersede the old profile.

Return to top

30. How do we find out more about the START program?

You can either send an e-mail to START@osfa.la.gov or call 1-800-259-5626, extension 1012. START Saving Program representatives will be happy to answer any questions you might have and send you additional information or an application.

Return to top

31. Are deposits to a START account tax deductible?

Deposits to a START account are deductible from Louisiana State Taxable Income up to a maximum of $2,400 per year, per account, and any unused portion may be carried forward to subsequent tax years on individual returns. Married couples filing jointly may deduct deposits to a START account from Louisiana State Taxable Income up to a maximum of $4,800 per year, per beneficiary, and any unused portion may be carried forward to subsequent tax years. Annual deposits in excess of the maximum are not deductible in subsequent years.

Return to top

32. How much must I deposit to open an account?

The minimum amount to open a START account is $10.

Return to top

33. What is the minimum/maximum deposit?

The minimum deposit to a START account is $10. The maximum is the Maximum Allowable Account Balance. (See Question 51.) All deposits must be in whole dollars.

Return to top

34. Can I transfer investments currently in another 529 Plan to a START account?

Yes, but all contributions must be liquidated and converted to a check, money order, or wire transfer for deposit in the START account.

Return to top

35. Can an account owner mail in a payment at any time even though another deposit method has been chosen?

YES! Please mail to: START Saving Program
P.O. Box 91271
Baton Rouge, Louisiana 70821-9271

36. What are the START investment funds?

Louisiana Principal Protection Fund (Fixed Earnings). This fund is the most conservative fund and is managed by the Louisiana State Treasurer. This fund invests 100% of deposits and interest earned thereon in fixed earnings investments such as government and corporate bonds, notes, and certificates of deposit. The State guarantees the return of your principal so you cannot lose money, but does not guarantee any particular investment return. Every other fund involves some risk of loss of principal.

Age-Based Moderate Track Fund (Variable Earnings and Fixed Earnings). The Moderate Track represents the least aggressive track of the three Age-Based Investment Tracks and may be appropriate for account owners who are comfortable sacrificing the potential for greater returns in exchange for the potential for less risk. This track initially invests in the Vanguard LifeStrategy Moderate Growth Fund (VSMGX), which seeks to provide capital appreciation and a low to moderate level of current income. The LifeStrategy Moderate Growth Fund invests in a mutual fund that over time should reflect an asset allocation of about 60% common stocks and 40% bonds. When the beneficiary reaches six (6) years of age, the Moderate Track transitions to the Vanguard LifeStrategy Conservative Growth Fund (VSCGX), which invests in a mutual fund that over time should reflect an asset allocation of about 40% bonds, 20% short-term fixed income investments, and 40% common stocks. When the beneficiary reaches eleven (11) years of age, the Moderate Track transitions to the Vanguard LifeStrategy Income Fund (VASIX), which invests in a mutual fund that over time should reflect an asset allocation of about 60% bonds, 20% short-term fixed income investments, and 20% common stocks. When the beneficiary reaches sixteen (16) years of age, all monies invested in the Moderate Track move to the Louisiana Principal Protection Fund (See description, above). IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Age-Based Growth Track Fund (Variable Earnings and Fixed Earnings). Somewhat more aggressive than the Moderate Track, the Growth Track initially invests in the Vanguard LifeStrategy Growth Fund (VASGX), which seeks to provide capital appreciation and some current income. The LifeStrategy Growth Fund invests in a mutual fund that over time should reflect an asset allocation of about 80% common stocks and 20% bonds. When the beneficiary reaches six (6) years of age, the Growth Track transitions to the Vanguard LifeStrategy Moderate Growth Fund (VSMGX), which invests in a mutual fund that over time should reflect an asset allocation of about 60% common stocks and 40% bonds. When the beneficiary reaches eleven (11) years of age, the Growth Track transitions to the Vanguard LifeStrategy Conservative Growth Fund (VSCGX), which seeks to provide current income and low to moderate capital appreciation. The LifeStrategy Conservative Growth Fund invests in a mutual fund that over time should reflect an asset allocation of about 40% bonds, 20% short-term fixed income investments, and 40% common stocks When the beneficiary reaches sixteen (16) years of age, all monies invested in the Growth Track move to the Louisiana Principal Protection Fund (See description, above). IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Age-Based Aggressive Track Fund (Variable Earnings and Fixed Earnings). The Aggressive Track, the most aggressive of the three Age-Based Investment Tracks, is designed for account owners who are willing to accept greater risk in exchange for the possibility of a higher rate of return. The Aggressive Track Fund uses the same funds used by the Growth Track Fund, but allows the principal to remain in the riskier funds longer. The Aggressive Track initially invests in the Vanguard LifeStrategy Growth Fund (VASGX), which seeks to provide capital appreciation and some current income. The LifeStrategy Growth Fund invests in a mutual fund that over time should reflect an asset allocation of about 80% common stocks and 20% bonds. When the beneficiary reaches nine (9) years of age, the Aggressive Track transitions to the Vanguard LifeStrategy Moderate Growth Fund (VSMGX), which invests in a mutual fund that over time should reflect an asset allocation of about 60% common stocks and 40% bonds. When the beneficiary reaches thirteen (13) years of age, the Aggressive Track transitions to the Vanguard LifeStrategy Conservative Growth Fund (VSCGX), which seeks to provide current income and low to moderate capital appreciation. The LifeStrategy Conservative Growth Fund invests in a mutual fund that over time should reflect an asset allocation of about 40% bonds, 20% short-term fixed income investments, and 40% common stocks When the beneficiary reaches sixteen (16) years of age, all monies invested in the Aggressive Track move to the Louisiana Principal Protection Fund (See description, above). IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE MONEY.

Vanguard Total World Stock Index Fund, Investor Shares (VTWSX) (Variable Earnings).

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks of companies located in developed and emerging markets around the world.
- **Primary Investment Strategies.** The Fund employs a “passive management” —or indexing—investment approach designed to track the performance of the FTSE® All-World Index, a free-float-adjusted, market-capitalization-weighted index designed to measure the market performance of large- and mid-capitalization stocks of companies located around the world. The Index includes approximately 2,800 stocks of companies located in 47 countries, including both developed and emerging markets. As of October 31, 2009, the largest markets covered in the Index were the United States, the United Kingdom, Japan, France, and Australia (which made up approximately 40%, 9%, 8%, 5%, and 4%, respectively, of the Index’s market capitalization). The Fund typically holds approximately 2,000 stocks in its target Index (covering nearly 99% of the Index’s total market capitalization) and a representative sample of the remaining stocks. The Fund holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings, country weightings, and market capitalization, as well as certain financial measures, such as price/earnings ratio

and dividend yield.

IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Vanguard Total Stock Market Index Fund, Institutional Shares (VITSX) (Variable Earnings)

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of the overall stock market.
- **Primary Investment Strategies.** The Fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI® US Broad Market Index, which represents 99.5% or more of the total market capitalization of all the U.S. common stocks regularly traded on the New York Stock Exchange and the NASDAQ over-the-counter market. The Fund typically holds 1,200–1,300 of the stocks in its target index (covering nearly 95% of the Index's total market capitalization) and a representative sample of the remaining stocks. The Fund holds a broadly diversified collection of securities that, in the aggregate, approximates the full Index in terms of key characteristics. These key characteristics include industry weightings and market capitalization, as well as certain financial measures, such as price/earnings ratio and dividend yield.

IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Vanguard Total International Stock Index Fund, Investor Shares (VGTSX) (Variable Earnings)

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of stocks issued by companies located in Europe, the Pacific region, and emerging markets countries.
- **Primary Investment Strategies.** The Fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI® EAFE® + Emerging Markets Index, an index designed to measure the performance of stocks of companies located in Europe, the Pacific region, and emerging markets countries. The Index includes approximately 1,700 stocks of companies located in 43 countries. As of October 31, 2009, the largest markets covered in the Index were the United Kingdom, Japan, France, Australia, Germany, and Switzerland (which made up approximately 16%, 16%, 8%, 6%, 6%, and 6% respectively, of the Index's market capitalization). The Fund invests substantially all of its assets in the common stocks included in its target index, while employing a form of sampling to reduce risk.

IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Vanguard Small-Cap Index Fund, Investor Shares (NAESX) (Variable Earnings)

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of small-capitalization stocks.
- **Primary Investment Strategies.** The Fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI® US Small Cap 1750 Index, a broadly diversified index of stocks of smaller U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Vanguard Mid-Cap Index Fund, Investor Shares (VIMSX) (Variable Earnings)

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of mid-capitalization stocks.
- **Primary Investment Strategies.** The Fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI® US Mid Cap 450 Index, a broadly diversified index of stocks of medium-size U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Vanguard Large-Cap Index Fund, Investor Shares (VLACX) (Variable Earnings)

- **Investment Objective.** The Fund seeks to track the performance of a benchmark index that measures the investment return of large-capitalization stocks.
- **Primary Investment Strategies.** The Fund employs a "passive management"—or indexing—investment approach designed to track the performance of the MSCI® US Prime Market 750 Index, a broadly diversified index predominantly made up of stocks of large U.S. companies. The Fund attempts to replicate the target index by investing all, or substantially all, of its assets in the stocks that make up the Index, holding each stock in approximately the same proportion as its weighting in the Index.

IT IS POSSIBLE THAT MONEYS INVESTED IN THIS FUND WILL LOSE VALUE.

Return to top

37. Can I change my investment fund(s)?

START account owners currently have the opportunity to change the investment funds for their existing deposits once each calendar year.

When changing investment funds, all deposits (existing and future) must be included in the new fund(s).

You can select different investment funds for new deposits each time you make a deposit. Your selected investment fund(s) for new deposits will remain the same until you select different investment funds.

Return to top

38. Can I invest in more than one investment fund offered by START?

Yes. Account owners may select one age-based track and one or more of the investment funds offered by START. There are currently three (3) age-based tracks and seven (7) other investment funds available.

Return to top

39. What are the fees charged for investing in the START Saving Program?

All costs of LATTA or the Louisiana Office of Student Financial Assistance or the Louisiana State Treasurer in administering the START Saving Program and managing monies deposited in the Louisiana Principal Protection Fund have been assumed by the State of Louisiana and paid from funds appropriated for that purpose. No fees or administrative costs are currently charged to an account owner or a beneficiary or to the START Saving Program for monies deposited in the Louisiana Principal Protection Fund and none are anticipated.

The START Saving Program is charged an investment management fee on the moneys it invests in mutual funds managed by The Vanguard Group. This fee, known as the underlying fund expense ratio, varies with each mutual fund. These fees are subject to change without notice. A fee of 0.27% would equal $2.70 per $1,000 invested per year. These fees are deducted prior to the valuation of the mutual funds' net asset value, thereby reducing the value of the START Saving Program's investments, which reduces the return to account owners who selected Variable Earnings funds.

See the Program Fee Disclosure Chart, below.

Return to top

40. If my child receives a scholarship, does not plan to attend college or has money left over after completion of his/her education, what becomes of the money in the account?

If the beneficiary does not use all or some of the monies in his/her START account, the funds may be transferred to an account for another beneficiary who is a family member of the original beneficiary, or the funds may be refunded. If the monies are refunded, the earnings included in the refunded amount become taxable by the federal and state governments and may be subject to a 10% (of earnings) penalty tax imposed by the IRS. Monies withdrawn up to the value of scholarships will not be subject to the 10% additional tax. Refunds will not include any Earnings Enhancements.

Return to top

41. Is there a minimum time period during which monies must be held in the account before they can be withdrawn?

No. Funds may be disbursed to pay Qualified Higher Education Expenses at any time after being deposited. Accounts may be closed at any time after the first deposit; however, (1) if the account has been open less than 12 months and the deposits are invested in the Principal Protection Fund, the refund is limited to deposits made; (2) if the account has been open less than 12 months and the deposits are invested in one of the equity plans, the refund is limited to the redemption value of the account; and (3) any earnings included in the refunded amount become taxable by the federal and state governments and may be subject to a 10% (of earnings) penalty tax imposed by the IRS. Refunds will not include any Earnings Enhancements.

Return to top

42. How will a 529 plan affect my child's chances to qualify for financial aid?

The impact of a START account on financial aid will depend upon the circumstances of the beneficiary's family at the time the beneficiary enrolls in school, as well as on the policies of the governmental agencies, school, or private organizations to which the beneficiary (and/or the beneficiary's family) applies for financial assistance. Since saving for college will increase the financial resources available to the beneficiary, it could potentially have some effect on the beneficiary's eligibility. However, these policies vary at different institutions and can change over time. For further guidance, you should consult with the financial aid office at the institution the beneficiary has selected.

Your START Savings account is treated as an asset of the parent or other account owner in determining eligibility for federal financial aid. Beginning with the 2009-2010 school year, Dependent Student-owned and UGMA/UTMA-owned 529 accounts are no longer excluded from the Free Application for Federal Student Aid (FAFSA) but are instead to be reported as parental assets. On the FAFSA, parental assets have a relatively small impact in calculating financial aid eligibility. In determining a student's Expected Family Contribution (EFC), parental assets are currently assessed at a maximum 5.64% rate while non-529 plan assets are assessed at a rate of 20%. In addition, qualified withdrawals from an ESA are not counted as income in calculating a student's financial aid eligibility.

The value of a START Saving Account has no impact on eligibility for a Taylor Opportunity Program for Students (TOPS) award.

An ESA may have a limited effect on eligibility for certain state-based financial aid programs. Eligibility for the Louisiana GO Grant is based on Pell Grant eligibility. The Leveraging Educational Assistance Partnership (LEAP) award, which is available to certain students with substantial financial need may be affected.

Return to top

43. Who controls the money in a START Account?

The account owner maintains control over all of the money invested in a START Account unless the account owner dies, in which case the successor owner will take over the account. The beneficiary does not have any control over the account while the account owner is alive, unless the beneficiary is the account owner or if the account owner dies and the beneficiary is the successor account owner.

Return to top

44. How do I withdraw monies to pay for college?

You may withdraw funds by submitting a "Request for Disbursement" form or by accessing your account online at www.startsaving.la.gov. The request for disbursement should be made at least thirty (30) days prior to the date the funds are due.

Several months prior to the projected first date of enrollment, the account owner will be notified by letter via U.S. Mail to the address of record that the beneficiary is scheduled to attend college during the upcoming academic year. The letter will list the postsecondary school of record, and the Qualified Higher Education Expenses (QHEE) amount for that school. Attached to the letter will be a "Request for Disbursement" form, along with instructions to complete and mail it to the START Saving Program. Additional forms may be downloaded from the START Web site by clicking on "Forms."

To make a disbursement online, the account owner must logon to his account at the START Web site and follow these steps:

- Click on "Withdrawal Forms."
- Click on Request for Disbursement "Online."
- Select the account from which the disbursement is requested.
- Enter the information requested for the disbursement.
- Enter the amount requested. Note that the amount may not exceed QHEE.
- Read the disclosures and, if you agree, click on "I Certify."
- Click on "Continue." This will constitute your electronic "signature" and is binding to the same extent a written signature.
- Click on the account number for the disbursement request to open an electronic copy of your disbursement request form

- Print a copy of the form for your records.

Return to top

45. Are my START funds disbursed directly to the college?

Funds may be disbursed directly to the college; however, you may also direct disbursement to you and/or the beneficiary.

Return to top

46. What are the expenses that can be paid with START account funds?

These funds may be used to pay Qualified Higher Education Expenses, which are limited to the following:

- Tuition
- Fees
- Books
- Supplies
- Equipment
- Room and Board (if the student is attending on at least a half-time basis)
- Expenses for "special needs"

Return to top

47. Are there limitations on room and board expenses?

Beneficiaries must be enrolled at least half-time at a postsecondary institution for room and board to be considered a qualified higher education expense. Room and board expenses amounts are determined by each college campus. Room and board expenses for students who live off-campus or at home with their parent(s) cannot exceed the amount included for room and board in the school's "cost of attendance." For those students living on-campus, room and board expenses are limited to the amount included for room and board in the school's "cost of attendance," or the actual invoice amount billed to the student, whichever is greater. Schools typically publish cost of attendance figures for all three student living arrangements.

To learn the recent reported cost of attendance amounts at a particular school, go to the college navigator at http://nces.ed.gov/collegenavigator, enter the school name, click on the school and then click on "estimated student expenses (before aid)." You should contact the school financial aid office to learn this information for the current or upcoming academic year. If a student living off-campus or at home actually incurs room and board expenses that exceed the amount published by the school, he/she may request that the school approve the higher amount. Congress has delegated to the school's financial aid administrator the authority to compensate for special circumstances on case-by-case basis with adequate documentation.

Return to top

48. Can START funds be used to pay for graduate school?

Yes. Principal, earnings, Earnings Enhancements, and interest thereon may be disbursed for Qualified Higher Education Expenses for students enrolled in a graduate or professional degree program (e.g., law, medicine, etc.) at an eligible institution. (*See* Question 53.)

Return to top

49. Who pays the taxes when the money is distributed from a 529 plan account to cover non-qualified educational expenses?

The person receiving the disbursement is responsible for the taxes.

Return to top

50. What is the "Earnings Enhancement Cap"?

"**Earnings Enhancement Cap**" refers to the maximum of deposits in an account for which Earnings Enhancements will be paid. The Earnings Enhancement Cap is reached when an account has a current value that is equal to or exceeds five (5) times the annual Qualified Higher Education Expenses at the highest cost Louisiana public college or university, projected to the Scheduled Date of First Enrollment. For the purpose of determining the Earnings Enhancement Cap amount, the Tuition component of Qualified Higher Education Expenses is limited to undergraduate enrollment. The projected Qualified Higher Education Expenses at each Eligible Educational Institution is updated annually by the Louisiana Tuition Trust Authority (LATTA). On the date of the beneficiary's first enrollment in an Eligible Educational Institution, the Earnings Enhancement Cap will be fixed at five (5) times the annual Qualified Higher Education Expenses at the highest cost Louisiana public college or university, for the academic year of enrollment or the projected amount, whichever is greater."

Once the Earnings Enhancement Cap is reached, the account owner may continue to make deposits up to the Maximum Allowable Account Balance; however, no Earnings Enhancements will be paid on the deposits. The deposits may be deducted from the account owner's Louisiana Taxable Income (*See* Question 28).

Return to top

51. What is the "Maximum Allowable Account Balance"?

It is an amount equal to five times the annual Qualified Higher Education Expenses at the highest cost Louisiana university. This amount is adjusted on August 1 of each year. Deposits will not be accepted once the account balance reaches this amount.

Return to top

52. If I move to a different state, can I change to a different 529 plan?

Once an account owner and/or beneficiary establish Louisiana residency and the START account is opened, continued Louisiana residency is not required to participate in the START Saving Program with all benefits including Earnings Enhancements. You can roll over your START account to another 529 plan but all Earning Enhancements and interest thereon will be forfeited.

Return to top

53. Where can my beneficiary use START funds?

The beneficiary can use START funds at any eligible educational institution. For START Saving Program purposes, an "eligible educational institution" is:

a. any state college or university or a technical college or institute or an independent college or university located in Louisiana that is accredited by a regional accrediting association, or its successor, approved by the U.S. Secretary of Education and eligible to participate in a program under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1088), as amended; or

b. a public or independent college or a university located outside of Louisiana that is accredited by one of the regional accrediting associations, or its successor, approved by the U.S. Secretary of Education and eligible to participate in a program under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1088), as amended; or

c. a Louisiana licensed proprietary school, licensed pursuant to R.S. Chapter 24-A of Title 17, and any subsequent amendments thereto and is eligible to participate in a program under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1088), as amended.

Return to top

54. Can START funds be used to enroll in college outside the United States?

Yes, as long as the school is accredited by one of the regional accrediting associations, or its successor approved by the U.S. Secretary of Education and is eligible to participate in a program under Title IV of the Higher Education Act of 1965 (20 U.S.C. 1088), as amended.

There are colleges and universities around the world that meet these criteria. All institutions approved to participate in the Title IV federal student aid programs are assigned a "federal school code" by USDE. You can look up a particular institution the following website: http://ifap.ed.gov/ifap/fedSchoolCodeList.jsp. If the school you want to attend has a federal school code, you may contact the school directly and inquire whether it has been accredited by one of the USDE recognized regional accrediting associations.

Return to top

55. Can START funds be used to pay for study-abroad or exchange programs?

As part of such a program, if you are actually enrolled in an eligible educational institution (*see* Question 53) then START funds may be used to pay for the program. The school at which you actually *enroll* as part of such a program (not necessarily the school where the classes are held) will be the school that determines “cost of attendance” (*see* Question 47).

Return to top

56. What are the USDE recognized regional accrediting organizations?

Currently, USDE recognizes the following organizations:

1. Middle States Association of Colleges and Schools
2. New England Association of Schools and Colleges
3. North Central Association of Colleges and Schools
4. Northwest Commission on Colleges and Universities
5. Southern Association of Colleges and Schools
6. Western Association of Schools and Colleges

Return to top