



STARTING LINE

News from START, Louisiana's tax-advantaged 529 college savings program

Growth of 529 plan nets lower investment management fees

START announces change in investment product



At its Dec. 1 meeting, the Louisiana Tuition Trust Authority (LATTA) approved an equity-investment funds portfolio change for accounts managed by The Vanguard Group, resulting in a 20-

percent reduction in investment management fees paid by the Student Tuition Assistance and Revenue Trust (START) Saving Program.

Negotiated by the state treasurer, the change from Vanguard Total Stock Market Index Fund - *Admiral Shares* to Vanguard Total Stock Market Index Fund - *Institutional Shares* will immediately reduce Vanguard's fees for the management, administration and record keeping of the funds.

According to the state treasurer, the primary difference between the Admiral Shares and the Institutional Shares is the minimum investment required to purchase and manage the funds.

While Admiral Shares require a minimum initial investment of only \$100,000, the Institutional Shares require a hefty minimum initial investment of \$5 million. As a result of the rapid growth and success of the program, START is now able to meet the minimum initial investment required to purchase the lower-fee Institutional Shares.

The treasurer has stated that both funds utilize the identical benchmark, have identical holdings and are managed by the same portfolio manager. However, with the change in funds, account management fees charged by Vanguard will drop from 10 basis points (0.10 percent) to 8 basis points (0.08 percent), starting in January 2006.

START is Louisiana's qualified program under Section 529 of the federal tax code. Deposits, state matching funds (Earnings Enhancements) and interest earned on these funds may be used to pay for tuition, books, supplies, housing, meals and other qualified higher-education expenses at accredited colleges and graduate or professional schools located either in Louisiana or out of state. The interest earned on funds deposited to an account is exempt from federal and state taxes when used to pay for college. Account owners can deduct up to \$2,400 in deposits per account, per year, or \$4,800 per beneficiary if filing jointly, from income normally reported on state tax returns.

A START account may be opened by any member of the beneficiary's family (parents, grandparents, brothers and sisters, aunts and uncles, spouses, cousins, step-relatives) or any other person or legal entity (such as a business, organization, church or association).

For more information, please contact START at (800) 259-5626, Ext. 1012.

START SAVING PROGRAM
Average Annual Returns
10/31/2005

	Vanguard Total Stock Market Index Admiral Shares Since Inception 11-13-2000	Vanguard LifeStrategy Moderate Growth Portfolio Since Inception 9-30-94	Vanguard LifeStrategy Conservative Growth Portfolio Since Inception 9-30-94	Vanguard LifeStrategy Income Portfolio Since Inception 9-30-94
1 Year	10.50%	7.97%	5.77%	3.39%
3 Year	14.73%	11.71%	9.03%	6.46%
5 Year	N/A	2.91%	3.76%	4.65%
10 Year	N/A	8.28%	7.67%	7.09%
Since Inception	0.69%	9.30%	8.63%	8.05%
Annual Total Return 2004	12.61%	10.57%	8.02%	6.01%

Louisiana Principal Protection Option & Earnings Enhancement Fund
Updated Annually As of 12/31/04

	Louisiana Principal Protection Since Inception 1997	Earnings Enhancement Fund* Since Inception 1997
1 Year	4.72%	5.12%
3 Year	5.29%	5.40%
5 Year	5.74%	6.28%
10 Year	N/A	N/A
Since Inception	5.85%	5.95%
Annual Total Return 2004	4.72%	5.12%

*All Earnings Enhancements are invested in Louisiana Principal Protection and not at the option of the account owner.

NOTE: Performance data shown represents past performance, which is not a guarantee of future results. Investment returns and principal value will fluctuate. Deposits to an investment option that include a Vanguard fund, when redeemed, may be worth more or less than their original cost.

This chart provides a breakdown of the START Saving Program's annual investment returns for the four Vanguard equity options (which yield variable rates) as well as for the Louisiana Principal Protection option (which yields a fixed rate).

The Earnings Enhancement Fund exists solely for the purpose of investing state matching funds (Earnings Enhancements) in a separate, fixed-return fund.

For comparison purposes, the annual returns of the five START investment options, plus the Earnings Enhancement Fund, are indicated at the first, third, fifth and tenth years of the funds' operation.

Please note, as indicated in the cover story of this issue of STARTing Line (see page one), that the Vanguard Total Stock Market Index Fund - *Admiral Shares* is in the process of being converted to the Vanguard Total Stock Market Index Fund - *Institutional Shares*. However, the profile of the option's stock portfolio will remain the same.

In addition, on page three (opposite), following Notes From The Desk of Carol Fulco, a year-by-year breakdown of the earnings history of the Louisiana Principal Protection option is provided, beginning with the inception of the START Saving Program in 1998. A similar breakdown of the Earnings Enhancements (EE) Fund interest rates is also included.

Notes from the desk of Carol Fulco



START Director Carol Fulco (left) prepares end-of-the-year notes and important reminders for START account owners as 2005 draws to a close.

Fulco said, "In spite of the devastation our state experienced as the result of Hurricanes Katrina and Rita, this has been a year of solid growth for START, with an increase in new accounts and a steady rise in deposits."

☛ Up to \$2,400 per account, or \$4,800 per beneficiary if filing a joint tax return, in deposits made during calendar year 2005 can be deducted from income reported on the 2005 Louisiana Tax Return, if deposits are received (not postmarked) by noon on Friday, Dec. 30.

☛ Earnings Enhancements for 2005 will be credited to accounts effective Dec. 31, 2005.

☛ Out-of-state residents who are START account owners and who do not file a Louisiana Tax Return must mail a copy of their 2004 tax return to START at P.O. Box 91271, Baton Rouge, LA 70821-9202, since Earnings Enhancements for 2005 are based on income reported during the 2004 tax year.

☛ The 2005 START Annual Statements may be sent electronically to account owners who elect to receive them via that medium and provide START with an e-mail address. If you wish to participate in this service, please update your e-mail address by visiting the START Web site located at www.startsaving.la.gov.

☛ As of Nov. 29, 2005, \$88 million has been invested into 18,582 START accounts.

☛ START Account Owners may now make electronic deposits to an account by visiting the Web site located at www.startsaving.la.gov.

Earnings History: Louisiana Principal Protection Option

Year	Annual Interest Rate
2004	4.72 %
2003	5.33%
2002	5.82%
2001	6.33%
2000	6.36%
1999	5.86%
1998	6.12%

Earnings Enhancements (EE) Fund Interest Rates

Year	EE Interest Rate
2004	5.12%
2003	5.17%
2002	5.91%
2001	6.38%
2000	6.86%
1999	6.02%
1998	6.25%

NOTICE TO ACCOUNT OWNERS

In the interest of online security, Social Security Numbers are no longer used for START accounts. When a new application is received, the START programming system randomly generates an account number and assigns it to the owner. This account number — not the beneficiary's or owner's Social Security Number — must be recorded on all payments and correspondence concerning the account.

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