North Dakota’s 529 College Savings Plan

Today's Agenda

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- The Cost of College
- How North Dakota's 529 College SAVE Plan Can Help
- Investment Choices
- Programs to Help You Save Even More
- To Learn More…

The Cost of College

The Cost of College is Rising...

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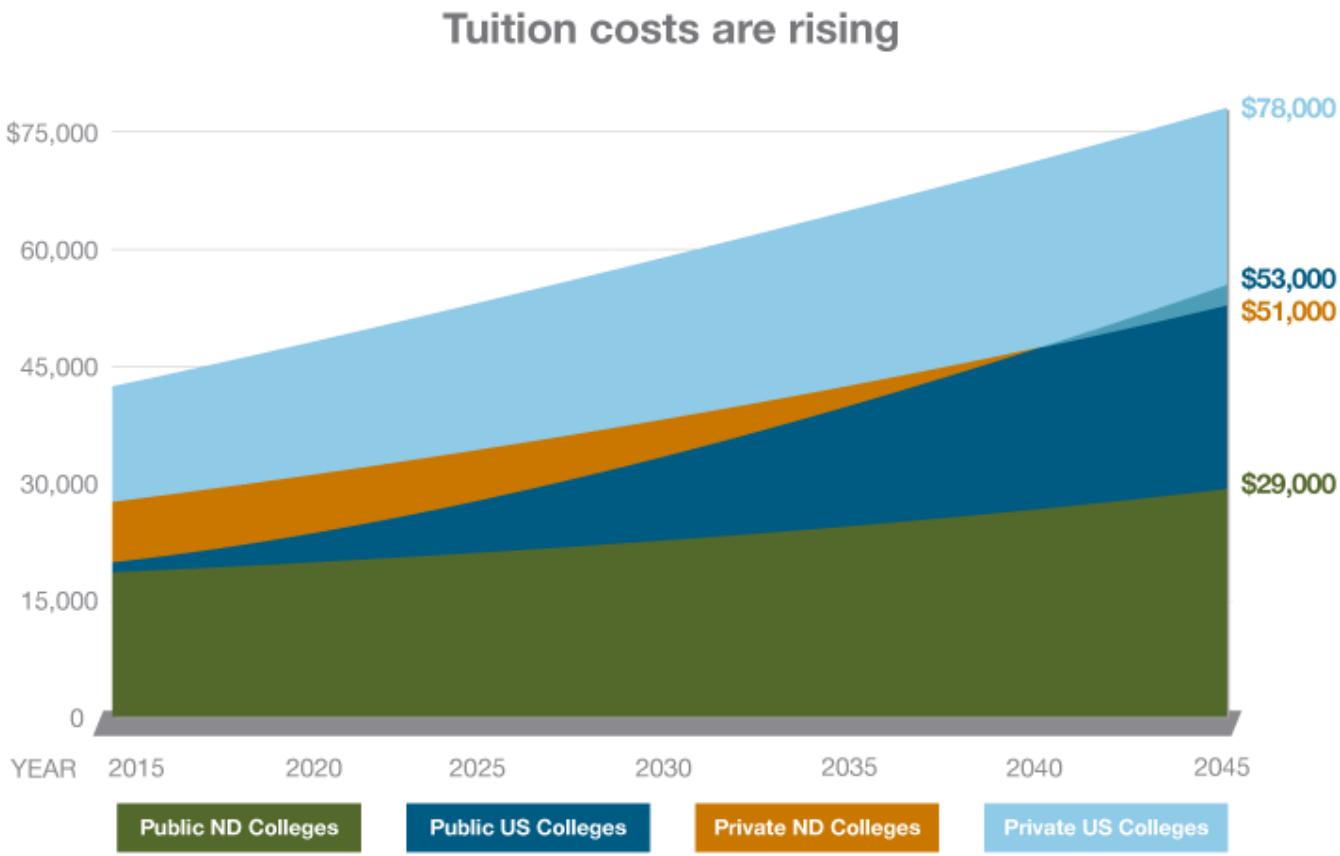
College tuition has risen at an average annual rate of **5.2%** over the past 10 years, higher than the overall rate of inflation.*



Costs based on College Board: Trends in College Pricing, 2015 and North Dakota resident on-campus budgets for 2015-2016 with a **5%** annual rate of inflation. North Dakota higher education average of **$3,400** for the combination of personal, recreational, and miscellaneous fees and **$1,000** for books and supplies is included in the cost. Future costs based on initial costs from this source have been computed using a **6%** annual inflation rate to provide a closer comparison with overall U.S. costs.

*College Board: *Trends in College Pricing*, 2015.

…But There Is Hope

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- Most students receive some form of **financial aid** – either grants, scholarships, work-study, or student loans
- In the 2014 - 2015 academic year, full-time students received an average of **$14,210** in aid (including $8,170 in grant aid and $4,800 in federal loans)*
- Congress has enabled states to create savings plans under Section **529** of the Internal Revenue Code
- 529 plans provide **tax-deferred** earnings for the life of the investment and tax free qualified withdrawals**

*The College Board, *Trends in Student Aid* 2015.
** Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

A Partnership for North Dakota

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Program Administered by:

BND
Bank of North Dakota

Program Management by:
Ascensus College Savings, Inc.

Investment Management by:
The Vanguard Group

ascensus™ | college savings

Vanguard®

How North Dakota's College SAVE Plan Can Help

Key Features and Benefits of the Program

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- Significant federal and state **tax advantages**
- Broad eligibility and flexibility
- **Low fees** and minimums
- High contribution limit
- Plan management by Ascensus College Savings, Inc.
- Professional investment management by Vanguard
- Programs to help families **save even more**:
  - Upromise®
  - Ugift ®
- Convenient online account opening and account management
- **ND Matching grant** for qualified North Dakota participants
- Children FIRST Grant Program

Federal and State Income Tax-Deferred Growth

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- Earnings grow federal and state income **tax deferred** until withdrawn*
- Withdrawals for tuition, fees, certain room and board costs, computers, books, and required supplies are all **qualified expenses**
- **Any** eligible post-secondary institution in the U.S. and abroad, including public and private colleges and universities, 2- and 4-year programs, and vocational schools

* Earnings on non-qualified withdrawals are subject to federal income tax and may be subject to a 10% federal penalty tax, as well as state and local income taxes. The availability of tax or other benefits may be contingent on meeting other requirements.

Take Advantage of Favorable Tax Treatment

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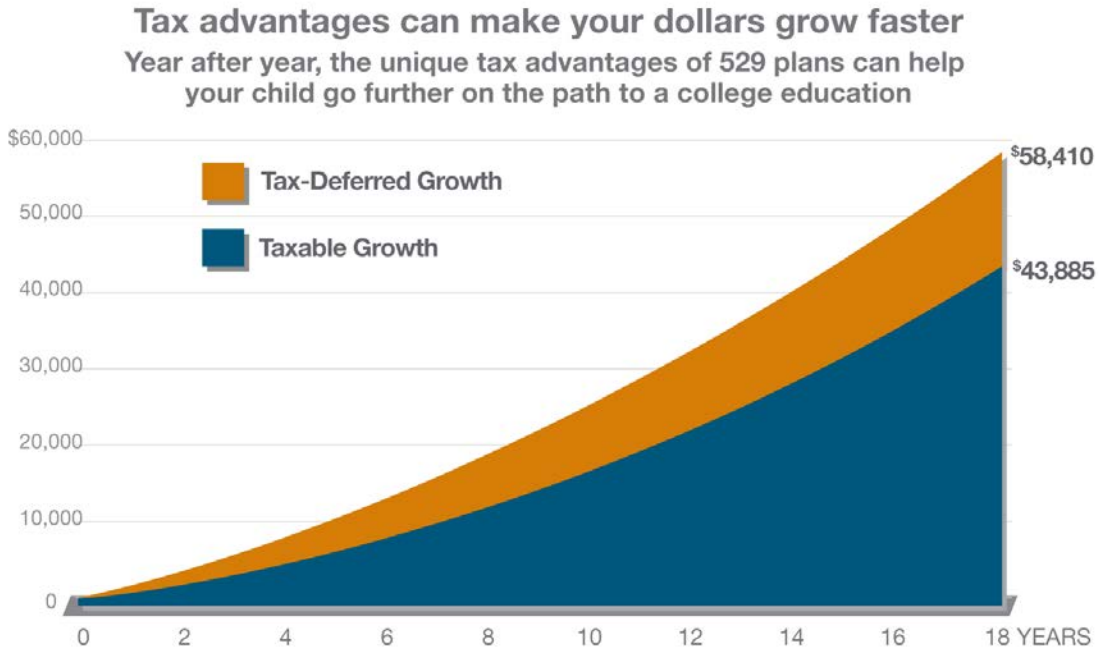
- The earnings of a 529 plan grow tax-deferred
- Both the taxable and tax-deferred accounts in the example below begin with an initial investment of $2,500 with monthly contributions of $100. After 18 years, the tax-deferred account is worth significantly more*



*Assumptions: $2,500 initial investment with subsequent monthly investments of $100 for a period of 18 years; annual rate of return on investment of 5% and no funds withdrawn during the time period specified; taxpayer is in the 30% federal income tax bracket for each account at the time of contributions and distribution. This hypothetical is for illustrative purposes only. It does not reflect an actual investment in any particular 529 plan or any taxes payable upon non-qualified distribution. Actual investment returns may be higher or lower than that shown and are not guaranteed.

State Tax Considerations

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College SAVE is the only 529 plan in the country that offers North Dakota taxpayers a state tax deduction

- Single individuals can deduct up to $5,000 from their state taxable income for qualified contributions **each year**.*
- Married couples filing jointly can deduct up to $10,000 from their state taxable income for qualified contributions **each year**.*

* Rollovers from another state's 529 plan are not considered eligible for the state income tax deduction.

Tax Benefits Can Mean More Dollars for College

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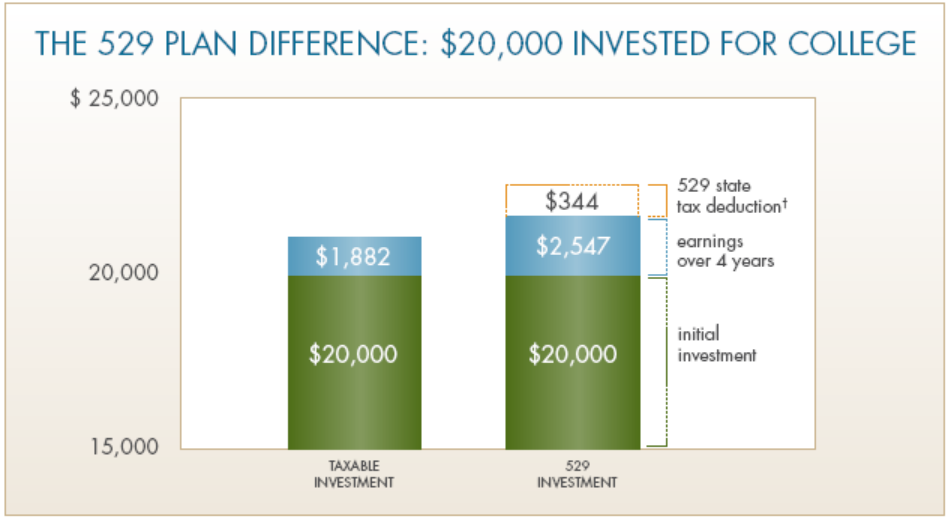
Invest $20,000 in a conservative investment at a 3% annual rate of return for 4 years:

- The tax-deferred amount in the 529 investment: $22,547
- The taxable amount in a comparable conservative investment: $21,882
- The difference: Nearly $700, which could pay for most of the required books and supplies for the student's first year
- ND State tax savings: $344†



Assumptions: This hypothetical is for illustrative purposes only. It does not reflect an actual investment in any particular 529 plan, the effect of fees and expenses, or any taxes payable upon withdrawal. For all options at the time of contributions, distribution, and deduction, taxpayer is in the 25% federal income tax bracket, is subject to the North Dakota state marginal tax rate of 3.44%, and has taxable income of $100,000. Please consult your tax advisor. Actual investment returns may be higher or lower than that shown and are not guaranteed.

† State tax savings may increase federal income taxes. Please consult your tax advisor for more information.

What If My Student Doesn't Go to College?

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You have **3** options:

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- Leave money in account for future use
  - There is no age - or time - limit for using the money
- Change beneficiary to a qualifying member of the family
  - Can be done at any time
- Take a non-qualified withdrawal for other uses
  - Only the **earnings** are subject to federal / state income taxes and may be subject to 10% federal penalty tax

Low Fees, Low Minimums, and High Maximum

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- Annual maintenance fees **waived** for North Dakota residents and beneficiaries
  - Out-of-state participants pay only $20 per year
- **Low** management fee
  - 0.85% of your investment annually
- **Low** minimum contribution amounts
  - $25 for initial and ongoing contributions (EFT or check)
- **High** maximum contribution limit
  - Contribute until the total balance of all Program accounts for the same beneficiary reaches the aggregate maximum of $269,000 (earnings can continue to accrue after reaching the maximum)

Statistics

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- By 2020, **65%** of all jobs in the economy will require postsecondary education and training beyond high school.*

- **89%** of parents believe college is an important investment in their child's future**

- Students who have money earmarked for higher education "are almost **four times** more likely to attend a four-year college than youth with no account." ***

*Georgetown University Center on Education & the Workforce, *Recovery: Job Growth & Education Requirements through 2020*
**Sallie Mae, *How America Saves for College 2015*
*** The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance

Saving vs. Borrowing

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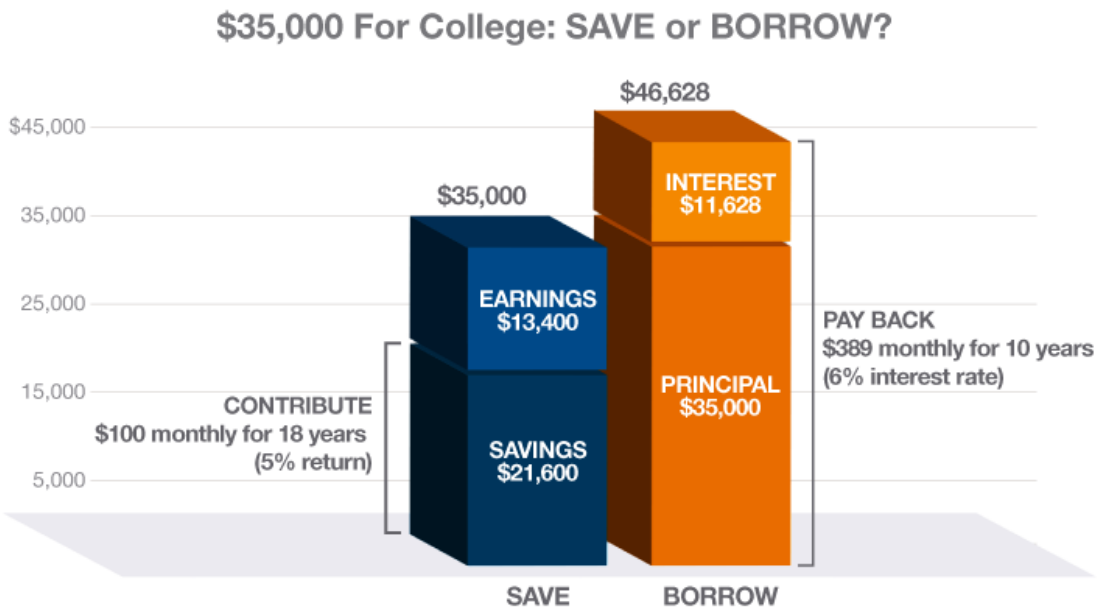

- **Scenario 1:** Terry's parents start investing $100 a month into a 529 plan account right after Terry's birth. In 18 years (assuming a 5% annual rate of return), they could potentially **save over $35,000**.*

- **Scenario 2:** Terry has to borrow $35,000 to attend college. Based on a private student loan rate of 6% APR, Terry could be faced with a monthly payment of $389 for 10 years (or **$46,628**).

This hypothetical example is for illustrative purposes only and assumes no withdrawals made during the period shown. It does not represent an actual investment in any particular 529 plan and does not reflect the effect of fees and expenses or any taxes payable upon withdrawal. Your actual investment return may be higher or lower than that shown and is not guaranteed. The loan repayment terms are also hypothetical.

* A plan of regular investment cannot assure a profit or protect against a loss in a declining market.

Student Loan Debt in North Dakota

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The average undergraduate student in North Dakota has $27,425 in student loan debt upon graduation!

* Debt.com; *Student Loan Debt: The 2014 Map*

Two Options to Enroll

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There are **2 ways** to open a College SAVE account:

1. Financial Advisor
   - Over 400 North Dakota advisors
   - Nearly **50** firms and growing!
   - No additional cost to account owner

2. Direct
   - Account owners sign up directly
     - Online – **www.collegesave4u.com**
     - Paper Application

Investment Choices

Three Age-Based Vanguard Investment Options

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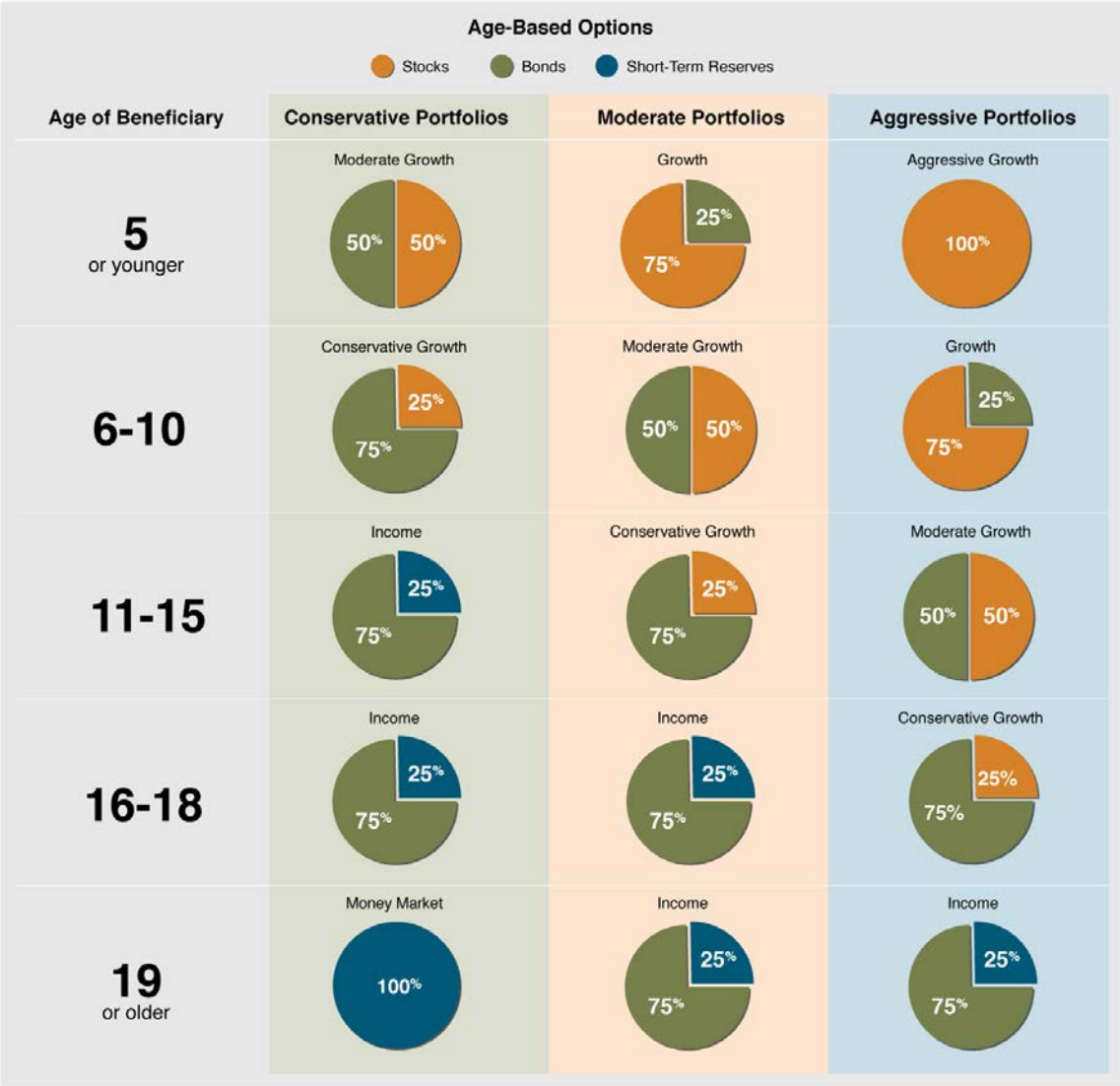

- Conservative, moderate, and aggressive options
- Contributions are invested according to your risk tolerance and the age of your beneficiary
- As your beneficiary ages, your assets automatically shift to more conservative investments which seek to protect your capital

6 Vanguard Individual Portfolios

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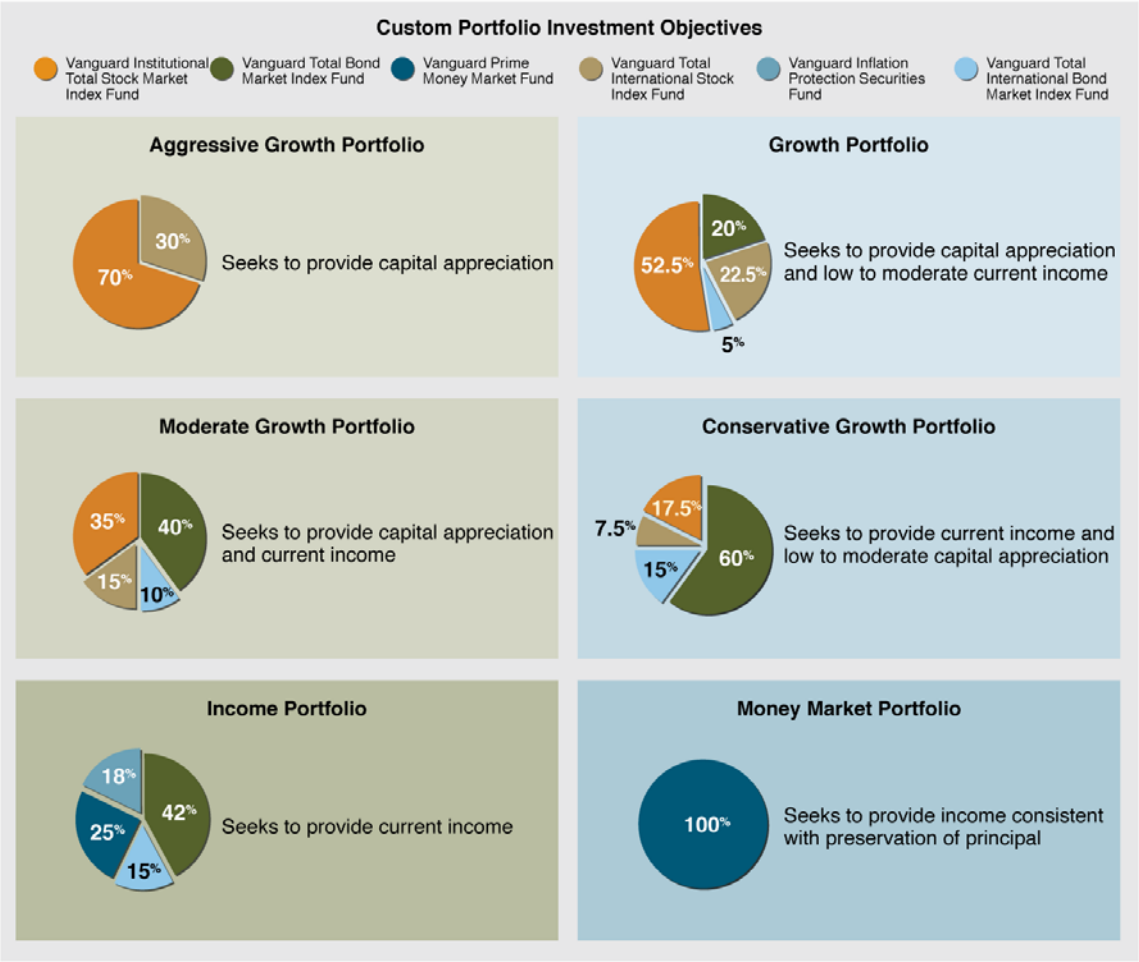

- Choose from among these options if you wish to be more aggressive or more conservative than the age-based options allow
- Unlike the age-based options, your allocation among individual portfolios will remain fixed until you instruct the Program to change it

*The Plan's Portfolios, although they invest in mutual funds, are not mutual funds. Units of the Portfolios are municipal fund securities and the value of units will vary with market conditions.

**The Income and Money Market Portfolios' investments in Vanguard Prime Money Market Fund are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of the investment at $1 per share, it is possible that the Portfolios may lose money by investing in the Fund.

Programs to Help You Save Even More

ND Matching Grant Program

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- College SAVE investors who are North Dakota residents may qualify for a matching grant of up to $300 from Bank of North Dakota*
- Grandparents may qualify for the matching grant due to lower retirement income

Your adjusted gross income (previous tax year):	**You are eligible for:**
$60,000 or less if single, or **$80,000** or less if married, filing jointly	**$300** for up to three years
$80,000 or less if single, or **$120,000** or less if married, filing jointly	**$300** for one year

Your beneficiary – the person you are saving for – must be 15 years old or younger.

* Grant programs may be subject to certain limitations by Bank of North Dakota. In addition, grant programs are subject to the availability of funds and can be reduced or stopped at Bank of North Dakota's discretion.

Children FIRST Program

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- Any North Dakota newborn has until they turn 12-months old to qualify.
- Bank of North Dakota will contribute up to $200 for the baby
- There are NO income requirements to qualify

- Account owner's contributions of up to $200 is matched within the first 12 months of opening the account
- Account owners may qualify for BOTH Match Programs!
  - First $200 goes toward Children FIRST, next $300 toward the ND Matching Grant

* Grant programs may be subject to certain limitations by Bank of North Dakota. In addition, grant programs are subject to the availability of funds and can be reduced or stopped at Bank of North Dakota's discretion.

Ugift® – Give College Savings

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- Innovative, automated online program allows College SAVE participants to invite family and friends to contribute to a child's 529 plan
- Perfect for any event in a child's life
- Excellent way to encourage gift contributions to boost 529 savings*

"Finally, a birthday gift that's fiscally responsible."

- *Kiplinger's Personal Finance* magazine, September 2008

*Contributions are subject to a $25 minimum, and certain terms and conditions apply. Please see Plan Disclosure Statement for more details.

Additional Savings with Upromise® Rewards

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- Upromise is a free, optional partnership service that can add to your college savings*
  - Join Upromise for free through www.collegesave4u.com
  - Register your credit, debit, grocery, and drug store cards
  - Get money back for college when you make qualified purchases on items like dining out, shopping online, buying groceries, and more
  - Link your Upromise account to your College SAVE account and your earnings are transferred automatically on a periodic basis (subject to a $25 minimum)
- Hundreds of leading companies can help you save for college

...and many more

* Upromise is an optional service offered by Upromise, Inc., an affiliate of Upromise Investments, Inc. It is separate from the College SAVE Plan and is not affiliated with the State of North Dakota and Bank of North Dakota. Specific terms and conditions apply. Participating companies, contribution levels, terms and conditions subject to change without notice. Transfers subject to $25 minimum.

No Guarantee & Other Important Program Disclosures

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For more information about North Dakota's College SAVE Plan (College SAVE), call 1-866-SAVE-529 (1-866-728-3529) or visit www.collegesave4u.com to obtain a Plan Disclosure Statement. Investment objectives, risks, charges, expenses, and other important information are included in the Plan Disclosure Statement; read and consider it carefully before investing. Ascensus Broker Dealer Services, Inc. (ABD) is Distributor of the Plan.

If you are not a North Dakota taxpayer; consider before investing whether your or the Designated Beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program.

College SAVE is a 529 plan established by the State of North Dakota. Bank of North Dakota (Bank) acts as trustee of College SAVE Trust, a North Dakota Trust, and is responsible for administering College SAVE Trust and College SAVE. ABD, the Plan Manager, and its affiliates, have overall responsibility for the day-to-day operations of College SAVE, including recordkeeping and marketing. The Vanguard Group, Inc. (Vanguard) provides underlying investments for the Plan. College SAVE's Portfolios, although they invest in mutual funds, are not mutual funds. Units of the Portfolios are municipal securities and the value of units will vary with market conditions.

Investment returns are not guaranteed and you could lose money by investing in College SAVE. Participants assume all investment risks, including the potential for loss of principal, as well as responsibility for any federal and state consequences. responsibility for any federal or state tax consequences.

To Learn More...

We're Here to Help!

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- Visit **www.collegesave4u.com** to learn more about the Plan, request an information kit, and enroll online in just 10 minutes
- Call **1-866-728-3529** to speak with a Plan representative
  - Monday through Friday, 8 a.m. to 8 p.m.
- Questions?

Make A Smart Move

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- Seminar, Health Fair, All-Employee Meeting, Lunch and Learn
  - Help employees realize dreams
  - Ease financial burden through saving or refinancing
  - Stretch their hard earned money further
- College SAVE Direct Deposit
  - $15 minimum per pay period
  - Processed as ACH direct deposit
- No or Low Cost Benefit

Make A Smart Move

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- Employees are parents and grandparents too
- Microsoft, Flint Communications, WCCO Belting, TMI, NDSU, UND and many others have said YES!
- Materials readily available
  - A variety of free literature
  - Employer and employee instructions
  - Available on our website
- See us at our booth