A DOZEN COMMON QUESTIONS ON COLLEGE SAVINGS

Florida Prepaid College Plans offers two types of college savings plans: the Florida Prepaid College Plan and the Florida 529 Savings Plan.*

The **Florida Prepaid College Plan** is guaranteed to cover the cost of tuition and most mandatory fees at a Florida university or college, depending on the plan type.

The **Florida 529 Savings Plan** is another flexible, affordable option for families to save for a wide variety of costs associated with a college education.

"The important thing is never to stop questioning."
- Albert Einstein

1. Why save in a Florida 529 Savings Plan?

**Prepaid Plan:** The Florida Prepaid College Plan is an easy, safe and secure way for families to prepay higher education tuition, fees and even housing costs. Because they are tax-free savings tools financially guaranteed by the state of Florida, families do not have to worry about losing their investment in the stock market.

Prepaid plans are a great value because the earlier families start saving, the more time their funds have to grow. By prepaying higher education costs, families lock in future college expenses at today’s plan prices. Prepaid plans offer a disciplined tool to help conquer college costs. The Florida Prepaid College Board offers four plan options, allowing each family to tailor their college savings investment strategy to fit their budget and higher education savings needs.

**Florida 529 Savings Plan:** The Florida 529 Savings Plan allows families to save at their own pace. Even if a family can only afford to contribute $25 per month, the investment plan is a good option for them to stock away money for higher education costs.

2. What is covered?

**Prepaid Plan:** When enrolling, purchasers should take time to review the plans offered and choose from four different prepaid plan options that cover tuition and most required fees. Account owners also have the option to add a University Dormitory Plan to cover housing costs.

- **2-Year Florida College Plan** (formerly known as Community College Plan): consists of 60 lower division hours of tuition, registration fees and local fees at a Florida College (formerly known as a community college).
- **4-Year Florida College Plan:** prepays the tuition, registration fees, and local fees for 60 lower division as well as 60 upper division hours at a Florida College (formerly known as a community college).
- **2+2 Florida College Plan:** provides 60 lower division hours of tuition, registration fees and local fees at a Florida College (formerly known as a community college) and 60 upper division credit hours of tuition, registration fees, tuition differential fee and local fees at a Florida state university.
- **4-Year Florida University Plan:** prepays tuition, registration fees, the tuition differential and local fees for 120 semester hours at any of the 11 state universities in Florida.

**Florida 529 Savings Plan:** Purchasers may use earnings to pay for any qualified higher education expense, including tuition, fees, room and board, books, computers, supplies and equipment, required by the college, university or graduate school.
3. Who can participate?

**Prepaid Plan:** Anyone who is at least 18 years old may purchase a plan. The beneficiary (student) or beneficiary’s parent/guardian must have resided in Florida for the past 12 consecutive months prior to purchase. The beneficiary must be a child in the 11th grade or below. The account owner and beneficiary must be U.S. citizens or resident aliens. The beneficiary must be born before a plan can be purchased in his/her name. Businesses may purchase plans too.

**Florida 529 Savings Plan:** Anyone who is at least 18 years old may open an account. Florida residency is not required of the account owner or the beneficiary (student), but both must be U.S. citizens or resident aliens. Anyone can open an account for a child or adult, including themselves. The beneficiary must be born before a plan can be purchased in his/her name.

4. Where can students use it?

**Prepaid Plan:** The different plans can be used at Florida’s 12 state universities and/or 28 Florida Colleges and all eligible educational institutions, as defined by the 529 Internal Revenue Code. The value of the plan, the same amount paid to a public college in Florida, may be transferred to most private and out-of-state colleges. College admission or graduation is not guaranteed.

**Florida 529 Savings Plan:** The plan may be used at most accredited public or private universities and colleges in the U.S., including graduate or professional schools. College admission or graduation is not guaranteed.

5. How and when can plans be opened?

**Prepaid Plan:** The open enrollment period for purchasing prepaid plans begins October 15, 2012 and ends January 31, 2013. During this season, families can sign up online or can call to request an Enrollment Kit.

**Florida 529 Savings Plan:** Families can sign up and start investing in the Florida College Investment Plan at any time online or can call and speak with a Florida 529 Savings Plan expert. There is no open enrollment period for this plan.

6. What are the tax benefits?

**Prepaid Plan:** This is a 529 plan, a tax-free college savings plan under federal tax code. When used for qualified higher education expenses, earnings are exempt from federal income tax and State of Florida taxes. There are gift tax benefits too.

**Florida 529 Savings Plan:** This is a 529 plan, a tax-free college savings plan under federal tax code. Earnings on qualified withdrawals for higher education expenses are exempt from federal income tax and State of Florida taxes. There are gift tax benefits too.
7. How much does it cost?

**Prepaid Plan:** Plan prices depend on the type of plan selected and the age/grade of the child at the time of plan purchase. Purchasers may make a lump-sum payment, or choose a five-year payment or monthly payment plan.

The first payment is due the April after the purchase of a plan. At time of purchase, only a nonrefundable $50 application fee is due, which is discounted to $30 if the plan holder also opens or has a Florida College Investment Plan for the same beneficiary. There are no management fees, commissions or sales charges.

**Florida 529 Savings Plan:** To open an account, investors make an initial deposit of at least $250 or set up a $25 per month automatic bank withdrawal. There is a one-time nonrefundable $50 application, which is discounted to $30 if the plan holder also opens or has a Florida Prepaid College Plan for the same beneficiary. Investment plan holders may decide how much and how often to contribute to best match their savings goals. There is a low annual administration fee of ¾ of one percent (75 basis points or 0.0075) of the account balance.

8. What are the risks?

**Prepaid Plan:** The State of Florida financially guarantees the Florida Prepaid College Plan under Section 1009.98 (7) of the Florida Statutes, so all plan holders cannot lose money. The Florida Prepaid College Plan covers the applicable tuition, registration, the tuition differential fee and local fees when a child attends college. Florida’s Colleges and state universities may impose fees not covered by The Florida Prepaid College Plan.

**Florida 529 Savings Plan:** With the Florida 529 Savings Plan, investment returns will fluctuate and are not guaranteed by the state. Plan holders may decide how to invest money from among five investment options available that have different levels of risk. Investors may select the investment option(s) with a level of risk that is comfortable for them; investors could lose all or a portion of their investment.

9. What investment options are available?

**Prepaid Plan:** The Florida Prepaid College Board makes investment decisions based on years of professional experience so plan holders do not have to worry about the stock market. Their expertise and conservative investment strategy has created the largest and longest continuous operating prepaid plan in the nation over the past 24 years.

**Florida 529 Savings Plan:** Plan holders may choose from any combination of five different investment options, and have the opportunity to switch their options twice per year.

- Fixed Income Investment Option
- U.S. Equity Investment Option
- Balanced Investment Option
- Age Based/Years To Enrollment Investment Option
- Money Market Investment Option

10. What refunds or withdrawals are available?

**Prepaid Plan:** Anyone may get a refund of the amount paid in to the plan at any time, for any reason. There is a cancellation fee of up to $50.

**Florida 529 Savings Plan:** Anyone may withdraw contributions and earnings at any time, for any reason. There is a $50 cancellation fee, and certain tax consequences may apply if funds are not spent on qualified higher education expenses including an additional 10% for non-qualified withdrawals. For more information, refer to the Florida 529 Plan Disclosure Statement and Participation Agreement.
11. How much college savings can be accumulated?

**Prepaid Plan:** Owners may prepay the cost of tuition, the tuition differential fee, local fees, and dormitory housing at the fixed plan prices available within the plan portfolio. The plans guarantee coverage of chosen costs at a Florida state university or Florida College once the child is enrolled.

**Florida 529 Savings Plan:** How much is saved is up to the investor. With the maximum total contributed set at $405,000 per student (including contributions to a Florida Prepaid College Plan, if applicable). Together, the prepaid plans for tuition, local fees and dormitory housing cover a little more than half the total costs of sending a child to a public college in Florida, with the remaining costs including textbooks, food, transportation and miscellaneous fees.

12. What if the student receives a scholarship, delays enrolling in college or decides not to go to college?

**Prepaid Plan:** If a child earns a scholarship, such as Florida Bright Futures, one can still use the full value of the Florida Prepaid College Plan. The combination of the scholarship and the prepaid plan will work in tandem to cover more fully the student's college expenses. Other alternatives are to request a scholarship refund or to transfer the prepaid plan to another family member. The student has 10 years beyond the projected college enrollment date to use prepaid plan benefits, and that time period can be extended upon request. There is no time limit for using prepaid benefits if the beneficiary has been serving in the military.

**Florida 529 Savings Plan:** If a child earns a scholarship, the investment plan may be used for any qualified higher education expenses not covered by the scholarship. An investment account will not be closed unless there have been no contributions or withdrawals for 25 years, and that time period can be extended simply upon request. The time a beneficiary spends on active military duty is not included in the 25-year period. The account also may be transferred to another beneficiary.

www.myfloridaprepaid.com

**Media Contacts:**
Ivette Faulkner, APR or Christa Hudson  
Phone: (850) 668-2222  
Email: ifaulkner@zimmerman.com / chudson@zimmerman.com

Susan James  
The Florida Prepaid College Board  
Phone: (850) 488-8514  
Email: susan.james@myfloridaprepaid.com

* The Florida Prepaid College Board does not provide tax or investment advice regarding its Prepaid College Plan or its College Investment Plan. The Florida Prepaid College Plan may not cover certain imposed fees by state universities and state colleges. The Florida College Investment Plan is subject to market conditions.

Please carefully review the Disclosure Statement and Participation Agreement and consult with your advisor(s) about risks before investing in your child’s education.