American Funds®

CollegeAmerica is sponsored by Virginia College Savings Plan℠

The benefits of 529 savings plans and CollegeAmerica

Tax-deferred growth potential, diversified investment options and flexible features are among the highlights of our 529 savings plan.

- The features of all 529 savings plans
- Why tax-free investing?
- CollegeAmerica's unique investment options and features
- Getting started early
- A few things to note about 529 savings plans

Whether you are saving for a family member, a friend or yourself, a 529 college savings plan offers a tax-advantaged way to save for higher education. While many plans are available, only CollegeAmerica® – sponsored by Virginia College Savings Plan – offers you American Funds.

The features of all 529 savings plans

A 529 college savings plan provides those saving for college with an unmatched combination of benefits, including:

Flexibility

- You can open a 529 plan for anyone — your child, grandchild, spouse, a friend or even yourself.
- There are no income limits. You can contribute no matter how much you earn.
- Assets in a 529 plan can be used to pay for a variety of higher education expenses, including tuition, room and board, books, supplies and certain other fees and expenses.
- Though plans are administered by individual states, investors can choose from any plan, regardless of where they live.
- Investors can use a 529 plan to pay qualified higher education expenses at any eligible educational institution, not just schools in the state sponsoring your plan.

Oversight

- The account owner rather than the beneficiary maintains control of account assets and determines the timing and amount of distributions.
- Account owners can change beneficiaries without penalty provided the new beneficiary is a member of the previous beneficiary's family.

Back to top

Tax advantages

- Earnings in 529 accounts can grow free from federal tax.
- A number of states allow a deduction from (or a credit against) state taxes for all or part of a contribution to certain 529 plans.
- Withdrawals for qualified higher education expenses are free from federal tax.

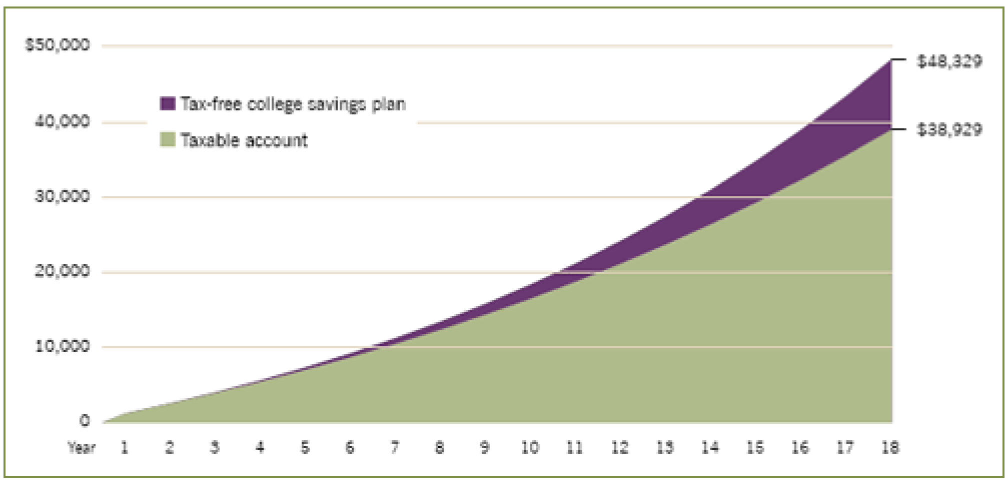
Back to top

Why tax-free investing?

With 529 plans, dividends and capital gains are not taxed as long as plan assets are used to pay qualified educational expenses. This means that a 529 plan can offer significant advantages over saving for college in a taxable account — namely, an opportunity for a bigger college savings nest egg.

As you can see in the table below, after 18 years a hypothetical $100-per-month investment in a 529 plan would be about 24% larger than the equivalent amount invested in a taxable account, thanks to favorable tax treatment.

The tax-free advantage



This hypothetical example assumes an 8% average annual rate of return (compounded monthly) for both investments. The taxable example above assumes an investor pays 25% in taxes. (The typical mutual fund investor falls into the 25% tax bracket.) Your tax rate may vary. The current minimum tax rates on capital gains and dividends could make the taxable investment return higher, thus reducing the difference between the two ending values in the chart. The results shown here are not intended to represent an investment in a specific fund and, of course, a program of regular investing does not guarantee a profit or protect against loss. Your investment experience will differ.

Back to top

CollegeAmerica’s unique investment options and features

CollegeAmerica is available nationwide and is the only 529 college savings plan to feature the American Funds. With CollegeAmerica, investors get:

A program designed for use with your adviser

When it comes to investing for college, you'll want the advice of a professional. CollegeAmerica was designed to bring you together with your financial adviser to customize a program suited to your needs.

Low expenses

You don't want your returns eroded by high plan and fund expenses. CollegeAmerica's operating expenses are among the lowest in the mutual fund industry.

Diverse investment options

Investors can select from many of the American Funds and work with their advisers to build portfolios suited to their risk tolerance, objectives and time horizon.

Experienced investment management

When it comes to managing critical assets, it's important to select a time-tested manager like American Funds that has experience in all types of market conditions.

Low start-up amounts

You can open a CollegeAmerica account with as little as $50 using an automatic monthly investment plan, or by making a $250 start-up contribution.

Back to top

Getting started early

When it comes to college savings, getting an early start is key. However, it's never too late to begin saving for the educational objectives of those you care about. Doing so can make a meaningful difference – by potentially reducing the amount you or the account beneficiary may need to borrow to pay for school.

How your monthly investment can grow

	Account value at age 18 if your beneficiary is currently a ...		
Monthly investment	Newborn	6-year-old	12-year-old
$100	$48,329	$24,211	$9,264
$200	$96,657	$48,422	$18,528
$300	$144,986	$72,634	$27,792
$400	$193,315	$96,845	$37,056
$500	$241,643	$121,056	$46,319

Examples assume an 8% average annual rate of return. The results shown are not intended to represent an investment in a specific fund. Your investment experience will differ. Regular investing does not ensure a profit or protect against loss. Investors should consider their willingness to keep investing when share prices are declining.

Back to top

A few things to note about 529 savings plans

- If you withdraw money from your 529 college savings plan account for purposes other than higher education, your earnings will be subject to federal income tax and possibly a 10% federal tax penalty.
- Your 529 college savings plan holdings could impact your beneficiary's ability to qualify for grants and student loans. Ask your financial adviser for details.
- Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through CollegeAmerica. Talk to your tax adviser.

Talk to your financial adviser about how you can begin saving for college with a CollegeAmerica account. For more information, read the CollegeAmerica Program Description.

Back to top

CollegeAmerica is sponsored by Virginia College Savings Plan. **Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through CollegeAmerica.** Before investing in any state's 529 plan, you should consult your tax adviser.

* Source for industry averages: Lipper.

Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds and CollegeAmerica. This and other important information is contained in each fund's summary prospectus and/or prospectus and the CollegeAmerica Program Description, which can be obtained from a financial professional and should be read carefully before investing. CollegeAmerica is distributed by American Funds Distributors® and sold through unaffiliated intermediaries.

American Funds® CollegeAmerica is sponsored by Virginia College Savings Plan℠

Managing your CollegeAmerica account

From setting up your account to redeeming assets, here's how to get the most from your CollegeAmerica® savings plan.

- Set up your account
- Purchase additional shares
- Rollovers and transfers into CollegeAmerica
- Exchange shares
- Redeem shares
- Change beneficiaries
- For more information

Set up your account

- You may invest in one or more of the American Funds available in CollegeAmerica through our Class 529-A, 529-C and 529-F-1 shares. (Class 529-C shares of American Funds Money Market Fund℠, Intermediate Bond Fund of America® and Short-Term Bond Fund of America℠ may be acquired only by exchanging from 529-C shares of other American Funds.) If your employer offers an employer-sponsored option, you may also purchase 529-E shares. You may invest as little as $250 per fund ($1,000 for American Funds Money Market Fund). For an employer-sponsored program, you may invest as little as $25 per fund. Visit investment options for a complete list of available funds.

- CollegeAmerica is available only through your financial adviser. If you do not have a financial adviser, please call us for assistance with locating one in your area.

- The account owner sets up the account, directs all beneficiary designations and withdrawals, directs rollovers, selects investments and receives account statements. The account owner must be a U.S. citizen or legal U.S. resident. Joint accounts are not permitted.

Back to top

Purchase additional shares

- Once your account is set up, you may purchase shares on our website through FundsLink® — a free service that links your American Funds account(s) to your checking or savings account. To buy shares online, you need to enroll in FundsLink by completing our online form or by downloading the FundsLink form for non-retirement accounts (PDF*), retirement accounts (PDF) or CollegeAmerica accounts (PDF). If you have an account and are already enrolled in FundsLink, you can buy shares now.

- You can also purchase additional shares at any time through your financial adviser or by sending a letter and check payable to CollegeAmerica to the American Funds Service Company address in your region.

- Dividends and capital gains paid by funds in your 529 account must be reinvested.

- Subsequent investments to a CollegeAmerica account for all funds should not be less than $50, unless the account is part of an employer-sponsored retirement plan. In these cases, the minimum subsequent investment should not be less than $25.

- The maximum contribution limit for each beneficiary is $350,000. The $350,000-per-beneficiary limit applies across all plans administered by Virginia College Savings Plan, including CollegeAmerica, Virginia Education Savings Trust, Virginia Prepaid Education Program and CollegeWealth. Multiple accounts for the same beneficiary will be combined to determine if the maximum account value has been reached. Once the total balance (including any earnings) reaches $350,000, we will not accept additional contributions or rollovers. If the total account value is below $350,000, you can continue to contribute regardless of how much you have already contributed.

* Requires Adobe® Reader®. For best results, use Reader 7.0 or above. Download the latest version free from Adobe's website.

Back to top

Rollovers and transfers into CollegeAmerica

- **From another 529 savings plan —** You may roll over funds from a 529 savings plan or prepaid plan to CollegeAmerica for the same beneficiary once every 12 months without federal income tax consequences. You may roll over funds at any time without tax consequences if you change the beneficiary. The new beneficiary must be a member of the previous beneficiary's family, which includes children, siblings, spouses, nieces, nephews, aunts, uncles, cousins and in-laws.

  You will need to complete a CollegeAmerica account application and provide appropriate documentation from the transferring institution that shows the earnings portion of the rollover. If you do not provide documentation, the entire rollover will be treated as earnings. If you withdraw funds from another 529 savings plan with the intention of contributing these funds to CollegeAmerica, you must do so within 60 days of the initial withdrawal in order to retain the tax-free treatment of the rollover. Please see your financial adviser for more information.

- **From a Coverdell Education Savings Account —** You may transfer funds from a Coverdell Education Savings Account into CollegeAmerica without adverse tax consequences. You will need to complete a CollegeAmerica account application and provide appropriate documentation in the form of a statement or letter from the transferring institution that shows the earnings and contribution breakdown of the distribution (a.k.a., the transfer).

  If you do not provide the documentation, the entire transfer will be treated as earnings. If money taken out of a Coverdell is contributed to a 529 plan, that contribution is considered a withdrawal from the Coverdell to pay for qualified education expenses. Since money transferred from a Coverdell to a 529 is not technically considered a rollover, the 60-day rollover window does not apply; however, the money must be contributed to the 529 in the same calendar year in which it is withdrawn from the Coverdell. Please see your financial adviser for more information.

- **From a qualified U.S. savings bond —** U.S. savings bonds are government debt securities issued by the U.S. Treasury Department and are backed by the full faith and credit of the United States government. Interest paid on these bonds is exempt from state and local income taxes.

  You may transfer funds from a qualified U.S. savings bond to CollegeAmerica. Qualified U.S. savings bonds are any Series EE Bond issued after 1989 and all Series I Bonds. Additionally, the owner must be at least 24 years old before the bond's issue date. All or a portion of the interest earned on qualified

U.S. savings bonds may be excluded from federal income tax if the proceeds are used for qualified higher education expenses and if the savings bond owner meets certain modified adjusted gross income (MAGI) limits. For 2009, the exclusion begins to be phased out when your MAGI is greater than $69,950 ($104,900 for joint filers) and is eliminated completely for MAGIs equal to or greater than $84,950 ($134,900 for joint filers).

You will need to complete a CollegeAmerica account application and provide appropriate documentation, such as a 1099-INT or a written statement from the financial institution that redeemed the qualified U.S. savings bonds, that shows the earnings portion of the transfer. If such documentation is not provided, the entire transfer will be treated as earnings. Please see your financial adviser for more information.

- **From an UGMA/UTMA account —** You may transfer assets from an UGMA/UTMA account into CollegeAmerica, but there are significant legal and tax considerations. Because the custodian of an UGMA/UTMA must first sell the assets in the UGMA/UTMA account, the sale of the UGMA/UTMA assets will be taxable. When the custodian invests in CollegeAmerica, the beneficiary of the CollegeAmerica account must be the same as the beneficiary of the UGMA/UTMA account and cannot be changed. Upon receipt of notification that the beneficiary has reached the age of majority (18 or 21 in most states), the beneficiary may assume control over the account. Your financial adviser's firm may restrict transfers from UGMA/UTMA accounts. Please consult with your financial adviser before making such a transfer.

Back to top

Exchange shares

- The account owner may reallocate the CollegeAmerica investment once per calendar year and upon a change in the beneficiary of the account. However, special IRS rules allow **two changes in investment strategy for calendar year 2009**. For purposes of the investment change rule, all accounts maintained by the account owner for the same beneficiary in CollegeAmerica, Virginia Education Savings Trust (VEST) and CollegeWealth will be aggregated. Changing the allocation of future automatic investments does not count towards the one-year investment allocation restriction.
- Once an investment change is made in one account, a subsequent investment change in that account or in another account maintained for the same beneficiary in CollegeAmerica, VEST or CollegeWealth within the same calendar year will be treated as a withdrawal. The account owner may, however, change the investments in more than one account for the same beneficiary once per calendar year without tax consequences, provided that the change to all accounts is made at the same time. Keep in mind, special IRS rules allow **two changes in investment strategy for calendar year 2009**.
- You can exchange shares online or by contacting your financial adviser, sending a letter to the American Funds Service Company address in your region, or calling us.
- The exchange privilege can be terminated or changed at any time upon 60 days' notice.

Back to top

Redeem shares

- Assets in the CollegeAmerica account can be withdrawn free of federal taxes if used for qualified higher education expenses. Earnings withdrawn for any use other than qualified higher education expenses are subject to a 10% federal tax penalty in addition to federal and, if applicable, state income tax.

- Qualified higher education expenses include tuition, room and board, books and certain other fees and expenses at an eligible educational institution.
- An IRS Form 1099-Q will be issued when assets are withdrawn from a CollegeAmerica account. It is the responsibility of the account owner or beneficiary to determine whether a withdrawal is qualified or non-qualified and whether taxes and a penalty apply.
- You can redeem shares online, or by contacting your financial adviser, sending a letter to the American Funds Service Company address in your region, or calling us.

Back to top

Change beneficiaries

- The account owner may change the beneficiary of the CollegeAmerica account at any time and may transfer all or a portion of the account to the new beneficiary. To avoid federal income tax and a 10% federal tax penalty on earnings, the new beneficiary must be a member of the family of the previous beneficiary, which includes children, siblings, spouses, nieces, nephews, aunts, uncles, cousins and in-laws. A permissible change of the beneficiary will be treated as a gift from the previous beneficiary to the new beneficiary if the new beneficiary is one or more generations younger than the beneficiary being replaced. If the account owner changes the beneficiary to a new beneficiary who is more than one generation younger than the previous beneficiary, the generation-skipping transfer tax may be triggered. You should talk to your tax and financial advisers.

Back to top

For more information

If you have further questions regarding your CollegeAmerica account, contact your financial adviser, refer to your prospectus and program description, visit our frequently asked questions section, or call us at **800/421-0180**, Monday through Friday, between 8 a.m. and 8 p.m. Eastern time. If you are outside the U.S., contact your operator to call us collect at **757/670-4900** between 8 a.m. and 5 p.m. Eastern time, or **949/975-5000** between 11 a.m. and 8 p.m., Monday through Friday.

Back to top

CollegeAmerica is sponsored by Virginia College Savings Plan. **Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through CollegeAmerica.** Before investing in any state’s 529 plan, you should consult your tax adviser.

Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds and CollegeAmerica. This and other important information is contained in each fund’s summary prospectus and/or prospectus and the CollegeAmerica Program Description, which can be obtained from a financial professional and should be read carefully before investing. CollegeAmerica is distributed by American Funds Distributors® and sold through unaffiliated intermediaries.

American Funds®

CollegeAmerica is sponsored by Virginia College Savings Plan℠

CollegeAmerica investment options

With more than 20 American Funds available in CollegeAmerica®, you and your financial adviser can design a college savings program to match your individual needs.

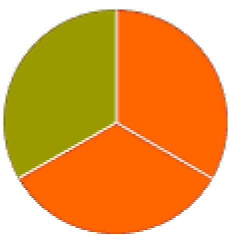
Building your plan

When creating your CollegeAmerica plan, it's important to work with your financial adviser to choose one or more of the American Funds appropriate for your needs. Or, if it fits your situation, you can select one of the following investment mixes.

See a listing of all American Funds available in CollegeAmerica by fund objective.

If enrollment is a long way off, consider:

Conservative Equity Foundation

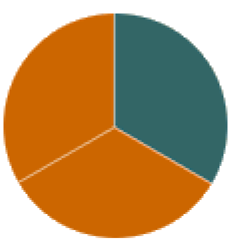


- 1/3 **American Mutual Fund ®** (growth-and-income fund)
- 1/3 **Capital World Growth and Income Fund ℠** (growth-and-income fund)
- 1/3 **American Balanced Fund ®** (balanced fund)

Through investments in three equity-oriented funds, Conservative Equity Foundation gives prudent investors an opportunity for growth while also seeking reduced volatility.

If your time horizon is shorter or you are seeking increased stability, consider:

Income Foundation



- 1/3 **The Bond Fund of America℠** (bond fund)
- 1/3 **The Income Fund of America®** (equity-income fund)
- 1/3 **Capital Income Builder®** (equity-income fund)

With an emphasis on income and featuring the potential for growth, Income Foundation can help meet the investing objectives of those whom college is still a few years away.

If enrollment is near, consider:

ABC Foundation

- 1/4 **American High-Income Trust℠** (bond fund)
- 1/4 **Capital World Bond Fund®** (bond fund)
- 1/2 **The Bond Fund of America** (bond fund)

The combination of three complimentary bond funds can make ABC Foundation a solid choice for those nearing enrollment, when income and capital preservation become more important.

Of course, you and your adviser may conclude that other American Funds are more appropriate for your specific situation. Whichever your choice, as the beneficiary gets closer to enrollment, it is important that your investment mix evolves. Your adviser can help guide you.

American Funds by fund objective

American Funds available in CollegeAmerica:

Growth funds

AMCAP Fund®
EuroPacific Growth Fund®
The Growth Fund of America®
The New Economy Fund®
New Perspective Fund®
New World Fund℠
SMALLCAP World Fund®

Growth-and-income funds

American Mutual Fund
Capital World Growth and Income Fund
Fundamental Investors℠
International Growth and Income Fund℠
The Investment Company of America®
Washington Mutual Investors Fund℠

Equity-income funds

Capital Income Builder
The Income Fund of America

Balanced fund

American Balanced Fund

Bond funds

American High-Income Trust
The Bond Fund of America
Capital World Bond Fund®
Intermediate Bond Fund of America®
Short-Term Bond Fund of America℠
U.S. Government Securities Fund℠

Money market fund

American Funds Money Market Fund℠

CollegeAmerica is sponsored by Virginia College Savings Plan. **Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through CollegeAmerica.** Before investing in any state's 529 plan, you should consult your tax adviser.

Interests in CollegeAmerica are sold through unaffiliated intermediaries.

Investing outside the U.S. (especially in developing countries) entails additional risks, such as currency fluctuations, as does investing in smaller companies, as more fully described in the prospectuses. Lower-rated bonds are subject to greater fluctuations in value and risk of loss of income and principal. **Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity. Although the money market fund seeks to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the money market fund.** The return of principal for bond funds and for the bond holdings in American Balanced Fund, Capital Income Builder, The Income Fund of America and New World Fund is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds and CollegeAmerica. This and other important information is contained in each fund's summary prospectus and/or prospectus and the CollegeAmerica Program Description, which can be obtained from a financial professional and should be read carefully before investing. CollegeAmerica is distributed by American Funds Distributors® and sold through unaffiliated intermediaries. There may be state tax implications.

The Capital Group Companies
American Funds   Capital Research and Management   Capital International   Capital Guardian   Capital Bank and Trust

PRIVACY | Business continuity | Career opportunities | Contact us

American Funds® CollegeAmerica is sponsored by Virginia College Savings Plan℠

CollegeAmerica FAQs

This handy reference clarifies some key points about CollegeAmerica®.

- Getting started with CollegeAmerica
- Contributing to CollegeAmerica
- Account owners
- Beneficiaries
- Using your CollegeAmerica account
- Investments
- Fees and expenses
- Rollovers and transfers
- Income tax considerations
- Gift-tax considerations
- Estate-tax and generation-skipping transfer tax considerations
- Financial aid considerations

Please note: The Department of the Treasury and the IRS recently provided advance notice of possible upcoming changes to the rules governing 529 plans. For details, please review the CollegeAmerica Program Description.

Getting started with CollegeAmerica

Q: What is CollegeAmerica?

A: CollegeAmerica is a 529 college savings plan offered by Virginia College Savings Plan, an independent agency of the Commonwealth of Virginia, and American Funds. CollegeAmerica allows you to save for higher education expenses through a tax-advantaged account invested in the American Funds. 529 plans are named after the section of the Internal Revenue Code that created them. Learn more about the features and benefits of CollegeAmerica.

Q: How do I open a CollegeAmerica account?

A: You may open an account by contacting any broker or financial adviser authorized to sell the American Funds and CollegeAmerica.

Back to top

Contributing to CollegeAmerica

Q: How much do I need to open a CollegeAmerica account?

A: You may invest as little as $250 per fund ($1,000 for American Funds Money Market Fund℠). For an employer-sponsored program, you may invest as little as $25 per fund.

Q: What is the maximum I can contribute to a CollegeAmerica account?

A: The maximum contribution limit is $350,000 for each beneficiary. The $350,000-per-beneficiary limit applies across all plans administered by Virginia College Savings Plan, including CollegeAmerica, the

Virginia Education Savings Trust, the Virginia Prepaid Education Program and CollegeWealth. Multiple accounts for the same beneficiary will be combined to determine if the maximum contribution amount has been reached. Once the total account balance (including any earnings) reaches $350,000, we will not accept additional contributions or rollovers. If the total account value is below $350,000, you can continue to contribute regardless of how much you have already contributed.

Q: What type of assets can I contribute to my CollegeAmerica account?

A: You may contribute funds by check, wire transfer or an automatic purchase plan. You cannot contribute securities or other property. For an employer-sponsored program, contributions generally must be made through an automatic purchase plan.

Q: Can someone other than the account owner contribute to the CollegeAmerica account?

A: Yes. Anyone can contribute to the account. However, only the account owner can make decisions regarding the account, including taking withdrawals from the account, changing the account's investments and changing the beneficiary.

Q: Does my contributing to CollegeAmerica guarantee that my beneficiary will be admitted to his or her college of choice?

A: No. Having a CollegeAmerica account does not guarantee admission to a college in Virginia or elsewhere.

Q: Can I contribute to CollegeAmerica and a Coverdell Education Savings Account in the same year?

A: Yes. Contributing to CollegeAmerica will not affect your ability to invest in other education savings vehicles, such as a Coverdell Education Savings Account.

Back to top

Account owners

Q: Who can set up a CollegeAmerica account?

A: Anyone who is a U.S. citizen or legal U.S. resident can establish a CollegeAmerica account. You do not have to be a resident of Virginia.

Q: Can a child establish a CollegeAmerica account?

A: Yes. A child can establish a CollegeAmerica account. If the account owner is a minor, however, a parent or guardian must sign the account application.

Q: May a trust establish a CollegeAmerica account?

A: Yes. However, there may be legal considerations. It is the responsibility of the trustee of a trust to determine whether any provision of the trust is inconsistent with the requirements of Section 529.

As a general matter, an investment in a 529 account may not be appropriate for many trusts. For an investor who wishes to eliminate the need for probate of assets set aside for the higher education of family members or friends, direct ownership of a CollegeAmerica account may be a better alternative than ownership of a CollegeAmerica account through a trust. A CollegeAmerica account is generally not an asset of the probate estate of the account owner upon death.

Q: Can a CollegeAmerica account be owned jointly?

A: No. Joint ownership is not permitted.

Q: Can the account owner specify a successor account owner?

A: Yes. The account owner is strongly encouraged to designate a successor account owner. However, a successor account owner cannot be named for an UGMA/UTMA account or an account owned by a trust or other entity. If the original account owner dies or is declared legally incompetent, the designated successor becomes the account owner. If there is no successor account owner, the estate of the deceased account owner becomes the new account owner.

Back to top

Beneficiaries

Q: Who can be a beneficiary?

A: The account can be opened for the benefit of any U.S. citizen or legal U.S. resident, including the account owner. The beneficiary does not need to be related to the account owner.

Q: Are there age limitations for a CollegeAmerica account beneficiary?

A: No. The beneficiary can be any age.

Q: Can I change the beneficiary on my CollegeAmerica account?

A: Yes. The account owner can change the beneficiary of a CollegeAmerica account at any time. To avoid federal income tax and a 10% federal tax penalty on earnings, the new beneficiary must be a member of the family of the previous beneficiary.

Q: Who qualifies as a member of the family?

A: Generally, a member of the family includes the beneficiary's immediate family. The following individuals are considered to be members of the family:

- a son or daughter or a descendant of either
- a stepson or stepdaughter
- a brother, sister, stepbrother or stepsister
- a father or mother or an ancestor of either
- a stepfather or stepmother
- a brother or sister of the father or mother
- a son or daughter of a brother or sister
- a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law
- the spouse of the beneficiary or the spouse of any individuals described above
- a first cousin of the beneficiary

A legally adopted child is treated as the child of the adoptive parent as if by blood. The terms "brother" and "sister" include half brothers and half sisters.

Q: What are the gift and transfer tax implications of changing the beneficiary?

A: A permissible change of the beneficiary will be treated as a gift from the previous beneficiary to the new beneficiary if the new beneficiary is one or more generations younger than the beneficiary being replaced. If the Account Owner changes the beneficiary to a new beneficiary who is more than one generation younger than the previous beneficiary, the generation-skipping transfer tax may be triggered.

Q: What happens if the beneficiary receives a scholarship, becomes disabled or dies?

A: The account owner can withdraw the assets if the beneficiary receives a scholarship, becomes disabled or dies. A withdrawal on account of the beneficiary's death, disability or receipt of a scholarship (to the extent of the scholarship award) is subject to federal income tax but no federal tax penalty.

Q: What if the beneficiary does not use the account for higher education expenses?

A: The account owner may select a new beneficiary who is a member of the family of the previous beneficiary without income tax or penalty. In the alternative, the account owner may withdraw the funds, but will have to pay federal income tax and a 10% federal tax penalty on the earnings.

Q: Can two individuals be named as joint beneficiaries on a single account?

A: No. Only one individual can be designated as the beneficiary of an account.

Back to top

Using your CollegeAmerica account

Q: How can I use the funds in my CollegeAmerica account?

A: You can use the assets in your CollegeAmerica account to pay for the beneficiary's qualified higher education expenses. Earnings withdrawn for any use other than qualified higher education expenses are subject to federal income tax and a 10% federal tax penalty. However, a withdrawal on account of the beneficiary's death, disability or receipt of a scholarship (to the extent of the scholarship award) is subject to federal income tax but no federal tax penalty.

Q: What is considered a qualified higher education expense?

A: Qualified higher education expenses include tuition, room and board, books and certain other fees and expenses at an eligible educational institution.

For 2009 and 2010, computer technology or equipment or Internet access and related services, even if not required by the school, are considered qualified higher education expenses.

Q: What is an eligible educational institution?

A: An eligible educational institution is one that is accredited and eligible to participate in a student financial aid program under Title IV of the Higher Education Act of 1965. Most community colleges, public and private colleges, universities and vocational schools in the United States are eligible educational institutions. Some foreign institutions are also eligible. To find out if a school is eligible, go to the Department of Education's website.

Q: Who is responsible for determining that a withdrawal was made for qualified higher education expenses?

A: The account owner or the beneficiary makes the determination and must retain appropriate documentation to show that a withdrawal was made for qualified higher education expenses.

Q: Can I use my CollegeAmerica assets to pay for graduate school?

A: Yes. You can use the assets for undergraduate and graduate school as well as specialized training, such as medical school or law school.

Q: Can I pay tuition at a private elementary or high school with my CollegeAmerica assets?

A: CollegeAmerica is designed to pay higher education expenses. Therefore, a withdrawal used for tuition at a private elementary or high school will be subject to federal income tax and a 10% federal tax penalty on earnings.

Q: Is there a minimum number of credit hours that the beneficiary must take in order to use CollegeAmerica funds?

A: There is no minimum level of study. If, however, the student is enrolled on a less than half-time basis, withdrawals for room and board will not be considered qualified higher education expenses.

Q: Is there a time limit for using the assets in a CollegeAmerica account?

A: Yes. The account owner must use the assets in the account or designate a new beneficiary within 30 years after the beneficiary graduates from high school or within 30 years after opening the account, whichever comes later. Requests for an extension of this time limit will be considered on a case-by-case basis.

Q: Must the beneficiary attend school in Virginia?

A: No. The account owner can use a CollegeAmerica account to pay for qualified higher education expenses at an eligible educational institution in any state.

Back to top

Investments

Q: What investment options does CollegeAmerica offer?

A: You may invest in one or more of the American Funds available in CollegeAmerica. CollegeAmerica is designed for you and your financial adviser to choose an investment portfolio that fits your financial plan, time horizon and tolerance for risk. Visit the CollegeAmerica investment options page for a complete list of funds available in CollegeAmerica.

Q: Who manages the CollegeAmerica investment options?

A: Capital Research and Management Company, one of the oldest and most respected investment management firms in the United States, serves as investment adviser to the American Funds available as investment options in CollegeAmerica.

Q: Can I purchase different share classes through CollegeAmerica?

A: Yes. You may purchase Class 529-A, 529-C or 529-F-1 shares through your financial adviser. Class 529-B or 529-C shares of American Funds Money Market Fund, Intermediate Bond Fund of America® and Short-Term Bond Fund of America℠ may be acquired only by exchanging from Class 529-B or 529-C shares of other American Funds. If your employer offers an employer-sponsored option, you may also purchase Class 529-E shares.

Effective April 21, 2009, Class 529-B shares may not be purchased or acquired by exchange from share classes other than Class 529-B shares. Any investment received by the fund on or after this date that is intended for Class 529-B shares will instead be invested in Class 529-A shares and subject to any applicable sales charges. For additional information on Class 529-B and other 529 share classes, see Appendix C to the CollegeAmerica Program Description.

Each fund share class has different fees and expenses. Please consult your financial adviser to determine which share class is best for you.

Q: Can I change my account's investment allocation?

A: Yes. You can change investments once every calendar year (or twice for calendar year 2009) or when you change the beneficiary. If you have accounts for the same beneficiary with the Virginia Education Savings Trust, CollegeAmerica and CollegeWealth, you may change the investments in any account once per calendar year (or twice for calendar year 2009) without tax consequences, provided that any change to more than one account is made at the same time.

Q: Is my CollegeAmerica investment guaranteed?

A: No. CollegeAmerica accounts are not deposits or obligations of, or insured or guaranteed by, the Commonwealth of Virginia or any instrumentality of the Commonwealth, the United States government, the program manager, any financial institution, the Federal Deposit Insurance Corporation or any other federal or state governmental agency, entity or person.

Q: Does my contributing to CollegeAmerica guarantee that I will be able to pay for college?

A: No. There is no guarantee that the money in the account will be sufficient to cover the higher education expenses of the beneficiary.

Back to top

Fees and expenses

Q: What fees are charged by CollegeAmerica?

A: You will be charged a $10 fee for opening an account with CollegeAmerica, as well as an annual $10 account maintenance fee. In addition, you will be charged fees and expenses associated with the applicable American Funds share class, as more fully described in each fund's prospectus.

Back to top

Rollovers and transfers

Q: Can I roll over funds from another 529 plan to CollegeAmerica?

A: Yes. CollegeAmerica will accept funds from other 529 plans.

Q: How often can I roll over my assets from one 529 plan to another without federal income tax consequences?

A: You are permitted to roll over funds without federal income tax consequences from one 529 plan to another 529 plan for the same beneficiary once every 12 months.

Q: Can I transfer a Coverdell Education Savings Account or proceeds from qualified U.S. savings bonds to CollegeAmerica?

A: Yes. You may transfer your Coverdell account or proceeds from qualified U.S. savings bonds into CollegeAmerica without adverse tax consequences. You may need to meet income limits to avoid federal income tax on any savings bonds you redeem.

Q: Can assets from an UGMA/UTMA account be transferred to CollegeAmerica?

A: Yes, but there are significant legal and tax considerations. The custodian of a Uniform Gifts to Minors Act (UGMA) or Uniform Transfers to Minors Act (UTMA) account may be required to sell the assets in the UGMA/UTMA account — a taxable event. Generally, when the custodian invests the cash proceeds of the

UGMA/UTMA account in a CollegeAmerica Account, the beneficiary of the UGMA/UTMA account must also be the beneficiary of the CollegeAmerica Account and cannot be changed.

Account owners wishing to change beneficiaries should seek legal advice as funds held in UGMA/UTMA accounts represent an irrevocable gift to a specific individual. Moreover, upon receipt of notification that the beneficiary has reached the age of majority (18 or 21 in most states), the beneficiary may assume control over the Account.

Your financial adviser's firm may restrict transfers from UGMA/UTMA accounts. We urge you to consult your financial adviser before making a transfer from an UGMA/UTMA account to CollegeAmerica.

Back to top

Income tax considerations

Residents of states other than Virginia: Please see the state income tax section of the CollegeAmerica Program Description for additional information.

Q: How are the earnings in my CollegeAmerica account taxed?

A: Earnings in a CollegeAmerica account can grow free from federal income tax. You may exclude the earnings on withdrawals used to pay qualified higher education expenses from income for federal tax purposes.

Q: Is there a federal tax deduction for contributions?

A: No. Contributions to CollegeAmerica are made with after-tax dollars.

Q: Is there a state tax deduction for contributions to a CollegeAmerica account?

A: If you are a resident of Virginia, there is a deduction for CollegeAmerica contributions. If you reside in a state other than Virginia, please consult your financial adviser for state tax information.

Q: What is the Virginia state tax deduction for contributions to a CollegeAmerica account?

A: A resident of Virginia who is the owner of a CollegeAmerica account may deduct contributions of up to $4,000 from his or her state taxable income. If more than $4,000 is contributed in one year, the remainder may be carried forward and deducted in future tax years. For account owners age 70 and older, the entire amount of any contribution may be deducted in the year contributed or in a future year.

Q: What if I deduct my CollegeAmerica contributions in computing my Virginia taxes, then withdraw some or all of the funds in my account for a purpose other than to pay qualified higher education expenses?

A: Your deduction is subject to recapture in the year a withdrawal is made for any reason other than to pay qualified higher education expenses or due to the beneficiary's death, disability or receipt of a scholarship (to the extent of the scholarship award).

Back to top

Gift-tax considerations

Q: What are the federal gift-tax consequences of contributing to CollegeAmerica?

A: Individuals can take advantage of the annual gift-tax exclusion by contributing up to $13,000 ($26,000 for married couples) per year per beneficiary without having to file a gift-tax return or pay gift taxes.

A special rule applicable only to 529 plans allows an individual to accelerate up to five years' worth of annual exclusions by contributing up to $65,000 ($130,000 for married couples) in one calendar year. While no gift taxes are payable, the donor can only take advantage of this rule by making an election on a federal gift-tax return, IRS Form 709. If you take full advantage of this special rule, additional contributions or other gifts to the same individual during that calendar year or the next four calendar years may exceed the annual gift-tax exclusion.

Contributions made to a 529 plan in excess of the annual gift-tax exclusion will not cause gift taxes to be payable unless the contributions (together with all other gifts) that exceed the annual gift tax exclusion are greater than the contributor's lifetime gift tax exemption of $1 million.

Back to top

Estate-tax and generation-skipping transfer tax considerations

Q: What are the federal estate-tax consequences if the account owner dies?

A: The value of the account is not included in the account owner's estate for estate-tax calculation purposes unless the account owner dies within five calendar years of making an election to take advantage of the special annual gift-tax exclusion rule. In that case, the portion of the contribution allocable to years after the year of the account owner's death will be included in the account owner's estate for estate-tax calculation purposes.

Q: When may the generation-skipping transfer tax apply?

A: The generation-skipping transfer tax may apply either when an individual contributes to an account for someone who is more than one generation younger than the contributor, such as a grandchild, or when the account owner changes the beneficiary to a new beneficiary who is more than one generation younger than the previous beneficiary. Consult your tax and financial advisers.

Back to top

Financial aid considerations

Q: What effect does having a CollegeAmerica account have on the beneficiary's eligibility for federal financial aid?

A: CollegeAmerica accounts may affect a beneficiary's ability to qualify for federal need-based financial aid. Effective July 1, 2009, a 529 account, such as a CollegeAmerica account, will be regarded as an asset of the student if the student is an independent student and an asset of the parent if the student is a dependent student. An independent student generally includes an individual who:

- is age 24 by December 31 of the award year,
- is an orphan, in foster care or a ward of the court (other rules may apply),
- is an emancipated minor,
- is a war veteran,
- is a graduate or professional student,
- is married,
- has legal dependents other than a spouse,
- is homeless (other rules may apply), or
- has special and unusual circumstances which can be documented to his or her financial aid administrator.

Back to top

If you have further questions regarding CollegeAmerica, contact your financial adviser, refer to your prospectus and program description, or call us at **800/421-0180**, Monday through Friday, between 8 a.m. and 8 p.m. Eastern time. If you are outside the U.S., contact your operator to call us collect at **757/670-4900** between 8 a.m. and 5 p.m. Eastern time, or **949/975-5000** between 11 a.m. and 8 p.m., Monday through Friday.

CollegeAmerica is sponsored by Virginia College Savings Plan. **Depending on your state of residence, there may be an in-state plan that provides tax and other benefits not available through CollegeAmerica.** Before investing in any state's 529 plan, you should consult your tax adviser.

Investors should carefully consider the investment objectives, risks, charges and expenses of the American Funds and CollegeAmerica. This and other important information is contained in each fund's summary prospectus and/or prospectus and the CollegeAmerica Program Description, which can be obtained from a financial professional and should be read carefully before investing. CollegeAmerica is distributed by American Funds Distributors® and sold through unaffiliated intermediaries.