

4TH QUARTER 2015

COLLEGE COUNTS 529 EARNS MORNINGSTAR RECOGNITION

"Alabama's CollegeCounts 529 Fund hits the mark for residents and nonresident do-it-yourselfers, earning it a Morningstar Analyst Rating of Bronze."

"The age-based options and six static balanced portfolios invest in straightforward, high-quality strategies."

"The plan also offers an exceptional selection of individual options for investors to create customized portfolios."

"Alabamans' \$5,000 (single) or \$10,000 (joint) income tax deduction on contributions gives residents little reason to look elsewhere. The plan also deserves a look from nonresidents, particularly do-it-yourselfers."

"CollegeCounts on Elite List: Direct-Sold 529 Plans for Investors Looking Nationwide."

—Morningstar, October 2015

Morningstar, a leading provider of independent investment research, announced new Analyst Ratings and reports for 63 of the nation's largest 529 college-savings plans. Morningstar has identified 29 plans that are likely to outperform their peers on a risk-adjusted basis over a market cycle of at least five years. The five-tiered, qualitative Morningstar Analyst Rating™ scale has

three positive levels—Gold, Silver, and Bronze—in addition to Neutral and Negative ratings. The three positive ratings indicate Morningstar Medalists. This year, Morningstar manager research analysts awarded four Gold ratings, seven Silver ratings, 18 Bronze ratings, 32 Neutral ratings, and two Negative ratings to 529 college-savings plans.

Since 2012, ratings for 529 plans use the same scale as the Morningstar Analyst Rating for mutual funds. Both Analyst Rating methodologies consider the same five factors to arrive at the final rating, though the 529 ratings reflect the quality of the entire plan—not a single investment, as is the case for the fund rating. To arrive at an Analyst Rating for 529 plans, analysts consider:

- **Process:** Did the plan hire an experienced asset allocator to design a thoughtful, well-diversified glide path for the age-based portfolios? What suite of investment options is offered?
- **People:** What is Morningstar's assessment of the underlying money managers' talent, tenure, and resources?
- **Parent:** Is the program manager a good caretaker of college savers' capital? Is the state managing the plan professionally?
- **Performance:** Have the plan's options earned their keep with solid risk-adjusted returns over relevant time periods? How is the plan expected to perform going forward?
- **Price:** Are the investment options a good value?

529 LAW CHANGES

On December 18th, the President signed HR 2029 into law which included the following changes to 529 plans:

- **Qualified Expenses Expanded:** Effective for taxable years beginning after December 31, 2014, the definition of qualified higher education expenses is expanded to include: expenses for the purchase of any computer and any related peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution.

- **Special Rule for Contributions of Refunded Amounts:** Refunds of any qualified higher education expenses from an eligible educational institution are excludible from gross income if re-contributed within 60 days (after the date of such refund) back into the 529 account. This provision is effective with respect to refunds of qualified higher education expenses after December 31, 2014.

For additional details, please see the enclosed Program Disclosure Statement Supplement.

INVEST *in*
WHAT'S NEXT

COLLEGE COUNTS 529.FUND | 866.529.2228



Offered by the
State of Alabama

UBT 529 SERVICES, a division of

UBT
Union Bank & Trust
Program Manager

2015 TAX REPORTING

Contributions: Make sure to include your contributions on your Alabama State Income Tax Return. Contributions can help reduce your taxable income for Alabama state income tax purposes – helping you save taxes!

Rollover Contributions: If you rolled an out-of-state 529 plan into CollegeCounts, the amount of the rollover may be deductible for Alabama state income tax purposes (\$5,000 individual and \$10,000 for joint filers).

Form 40: This form includes a section to report your contributions to CollegeCounts (Alabama Form 40 – Part II Adjustments to Income).

IRS Form 1099-Q: If you received a withdrawal from CollegeCounts in 2015, watch for a Form 1099-Q from us in late January 2016. The 1099 will include the amount of the distribution along with a breakdown of the earnings portion. If the withdrawal was paid to the beneficiary or directly to the college, the beneficiary will receive the 1099-Q.

IRS Form 709: If you made large gifts in 2015 (generally \$14,000 and above), make sure to ask your tax professional if you are required to file a Form 709 Gift Tax Return.

Resources: Visit the following sites for additional tax information.

- CollegeCounts529.com – “Tax Center”
- revenue.alabama.gov
- IRS.gov

Please consult with your tax professional for guidance and assistance.

SCHOLARSHIP PROGRAM

The CollegeCounts Scholarship Program is a needs-based program designed for Alabama students going to Alabama colleges. Award amounts are \$4,000 for four-year college enrollees and \$2,000 for two-year college enrollees.

Scholarships are determined through an application process and awards are applied to tuition, fees and books required for course load. So if you know a senior starting college Fall 2016, direct them to CollegeCountsAlabama.com for more information or to apply.

INVESTING FOR LONG TERM SUCCESS

Invest for the long term and do not chase the markets – that wisdom can apply in good markets and in bad. Several years back the Dow Jones Industrial Average (“Dow”) hit a low point of 6,443 (March 6, 2009). Last month (mid-December 2015) the Dow closed over 17,500. With the nice market run, it is likely that we will see market volatility and pullbacks. Discipline, diversification, and patience have historically been rewarded when investing.

Even the experts say it is very, very difficult, if not nearly impossible to predict the markets highs and lows consistently. Based on that wisdom, we suggest investors select an asset allocation (or mix of investments) that matches their tolerance for risk, invest on an ongoing basis through a monthly investment plan, and stick with it through good and bad times. The investors that get hurt are those that jump in and out of the markets.

Invest for the long haul, stay the course, and keep your eye on the long term goal of helping your child with their future college expenses.

CREATIVE WAYS TO SAVE MORE FOR COLLEGE

Looking for additional ways to save a little more for college? Consider one or a combination of the following:

- **Invest your tax refund:** Consider investing a portion or all of your Alabama or federal tax refund into CollegeCounts. Call us or visit the CollegeCounts529.com “Tax Center” for the details.
- **Start or increase your monthly savings:** Log into your account and start or increase a monthly savings amount. This can help you accumulate additional contributions into your account.
- **Apply for a CollegeCounts Visa:** Earn 1.529% on your everyday purchases with this rewards Visa card. This is a great way to have additional contributions added to your account. Apply online.
- **Send a GiftED e-vite:** Don’t forget to invite family and friends to contribute to your account. This can be a great birthday, holiday, or special occasion gift.

Consistent, small steps can help with your college savings. Explore all these options to help with your college savings goals.

The CollegeCounts 529 Fund is a qualified tuition program under Section 529 of the Internal Revenue Code that is offered by the State of Alabama, administered by the Board of Trustees of the ACES Trust Fund (the “Trust” and plan issuer), marketed as the CollegeCounts 529 Fund, and Union Bank & Trust Company serves as Program Manager. Accounts and investments under the CollegeCounts 529 Fund are not insured or guaranteed by the FDIC, the State of Alabama, the State of Alabama Treasurer, the Board, the Trust, the Program, Union Bank & Trust Company, or any other entity. Investment returns are not guaranteed, and you could lose money by investing in the Plan.

An investor should consider the investment objectives, risks, and charges and expenses associated with municipal fund securities before investing. This and other important information is contained in the fund prospectuses and the CollegeCounts 529 Fund Program Disclosure Statement (issuer’s official statement), which can be obtained by calling 866.529.2228 and at CollegeCounts529.com and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement.

An investor should consider, before investing, whether the investor’s or designated beneficiary’s home state offers any state tax or other benefits that are only available for investments in such state’s 529 plan. Investors should consult a tax advisor for investments in such state’s qualified tuition program.