



Now, it's Easier than  
Ever to *Find Your Way*  
to College Savings

## Introducing the New Montana Family Education Savings Program

Beginning December 9, 2010, exciting changes are in store for college savers. The Montana Family Education Savings Program (MFESP) will offer two ways to save for higher education: the MFESP Bank Plan will feature Certificates of Deposit (CDs) and a savings account offered by College Savings Bank; the new MFESP Investment Plan will feature a lineup of investments using mutual funds from The Vanguard Group, Inc., lower overall costs, more online tools, and innovative features that can help you save even more.

**There's nothing you need to do at this time.** College Savings Bank will continue to serve as the Program Manager and your account information, including records and assets, will automatically move to the new investment options.

This newsletter explains how the transition will work and highlights the features and benefits of the new MFESP.





## In This Newsletter...

On the following pages you'll find important information about the transition of your Pacific Life Funds 529 College Savings Plan (Pacific Life Plan) accounts and assets to the Bank Plan and/or the new Investment Plan, including:

- An overview of the new investment options
- A summary of the new features
- How your money will move automatically to the new investment options
- A timeline of key dates

## Partners in Your College Savings Journey

The MFESP and College Savings Bank are pleased to welcome a new partnership with leaders in investing and college savings. The Vanguard Group, Inc. (Vanguard), a leader in money management, will provide its mutual funds as the underlying investments for the Investment Plan's new, lower-cost investment lineup. Upromise Investments, Inc. and Upromise Investment Advisors, LLC (together, Upromise Investments), a leader in 529 plan administration, will provide distribution, recordkeeping, and administrative services for the Investment Plan.

**NOTE:** All changes to your account resulting from the transition will be automatic and will not count as your once-per-year exchange. Please note, however, that in order to facilitate the transition, any systematic investment plan transactions (i.e., Automatic Investment Plan (AIP) and Electronic Funds Transfer (EFT) transactions) with debit dates of Friday, December 10, 2010 through Sunday, December 12, 2010, will be processed on Monday, December 13, 2010. In addition, you will not be able to initiate transactions (including contributions, withdrawals, rollovers, or investment option changes) from 4 pm ET on Thursday, December 9, 2010 through 9 am ET on Monday, December 13, 2010 to enable the accurate transfer of your assets.

# Your Journey to College Savings Just Got Better



## Some of the Exciting New Features Offered by the MFESP

### ➤ New investment options

The Bank Plan will feature an FDIC-insured Savings Account in addition to various CD options that provide principal protection. The Investment Plan will offer five investment options featuring mutual funds from Vanguard, a global investment management company.

### ➤ Lower overall fees and expenses

The Bank Plan will continue to be offered without fees or expenses and the \$25 annual account maintenance fee will be waived for all Bank Plan account owners. Investment Plan portfolios will have annual asset-based fees ranging from 0.83%–0.99% (depending on which investments you choose). In addition, the annual account maintenance fee of \$25 will continue to be waived for account owners who are Montana residents and for account owners who use AIP, take advantage of payroll deduction through their employer, or who maintain an account balance of at least \$25,000.

### ➤ Simplified online account management

Website enhancements for the Investment Plan will allow you to manage your accounts at your convenience. Now you can make additional contributions, investment reallocations, and qualified withdrawals; change your address; manage your contribution method; and more, all online. You'll also be able to sign up for e-delivery of statements and other materials, so you can reduce paperwork clutter and help the environment.

### ➤ Innovative programs to help you save more

The MFESP is pleased to offer two popular features to our Investment Plan account owners: Ugift and Upromise.

**Ugift®** Put college savings on your wish list! With Ugift, you can invite family and friends to celebrate occasions by making a gift contribution to your Investment Plan account. Simply log on to [www.montanasaves.com](http://www.montanasaves.com), click on the Ugift link, and follow the simple directions to create an email invitation.

**Upromise®** Want to earn even more money for college? When you sign up for the Upromise service, things you do every day can add to your college savings: shopping, eating out, filling your gas tank, traveling, and more. This service costs nothing to join, and when you link your Upromise and Investment Plan accounts, your earnings will be automatically transferred on a periodic basis (\$25 minimum). <sup>1</sup>

### Montana Taxpayers: Use contributions to the MFESP to save on your state income taxes!

MFESP account owners (whether in the Bank Plan, the Investment Plan, or both) who are Montana taxpayers are entitled up to a yearly \$3,000 (\$6,000 if married, filing jointly) deduction to adjusted gross income per taxpayer, in computing their Montana State income tax, based on contributions to the MFESP. <sup>2</sup>

<sup>1</sup> Upromise is an optional service offered by Upromise, Inc., is separate from the MFESP and is not affiliated with the State of Montana or the Program Manager. Terms and conditions apply to the Upromise service. Participating companies, contribution levels, and terms and conditions are subject to change at any time without notice. Go to [www.upromise.com](http://www.upromise.com) to learn more.

<sup>2</sup> Contributions to an MFESP account are deductible in computing Montana adjusted gross income for the tax year in which they are made. Contributions may be subject to recapture in certain circumstances, such as a non-qualified withdrawal or a withdrawal or distribution from an account that was opened within three years prior to the date of the withdrawal or distribution (Recaptured Withdrawal). If the account owner is no longer a Montana taxpayer at the time of a Recaptured Withdrawal, the Program Manager or its service provider may withhold the potential recapture tax from the Recaptured Withdrawal.

## Choose Your Direction for College Savings: Investments

Beginning in December, the MFESP will offer college savers a choice of two types of investments through two separate plans.

Both plans are offered directly to investors. This means that you will work directly with the MFESP to maintain your account, select new investment options, make additional contributions, take withdrawals, and open additional accounts.

**NOTE:** Because the Bank Plan and the Investment Plan are two separate plans, if you wish to participate in both, you will need to open two accounts, one for each plan.

### ➤ MFESP Bank Plan: Investment Options from College Savings Bank

Investment Options from College Savings Bank	Savings Options	Maturity (years)	FDIC Insured <sup>3</sup>	Description
Three FDIC-insured CD products and one FDIC-insured savings account product offered by College Savings Bank through the Bank Plan <sup>3</sup>	<b>Savings Account</b>	N/A	Yes	Interest rate tied to the federal funds target rate
	<b>CollegeSure<sup>®</sup> CD</b>	1 to 22 years	Yes	A variable rate CD indexed to a measure of college inflation
	<b>InvestorSure<sup>®</sup> CD</b>	5 years	Yes	A variable rate CD indexed to the average increase in the S&P 500 <sup>®</sup> based on a formula
	<b>Fixed Rate CD</b>	1 and 3 years	Yes	Designed to keep pace with competitive rates offered over the term of the CD

### ➤ MFESP Investment Plan: Investment Options from Vanguard

Investment Options from Vanguard	Investment Options	Asset Class	Allocation	Category
Five portfolios featuring Vanguard mutual funds through the Investment Plan	<b>Vanguard LifeStrategy<sup>®</sup> Conservative Growth Portfolio</b>	Balanced	25% - 50% Stock 30% - 55% Bond 20% - 45% Short-Term Fixed-Income Investments <sup>4</sup>	Conservative Allocation
	<b>Vanguard LifeStrategy<sup>®</sup> Moderate Growth Portfolio</b>	Balanced	45% - 70% Stock 30% - 55% Bond 0% - 25% Short-Term Fixed-Income Investments <sup>4</sup>	Moderate Allocation
	<b>Vanguard LifeStrategy<sup>®</sup> Growth Portfolio</b>	Balanced	65% - 90% Stock 10% - 35% Bond 0% - 25% Short-Term Fixed-Income Investments <sup>4</sup>	Moderate Allocation
	<b>Vanguard Total Stock Market Index Portfolio</b>	Stock	100% Stock (Domestic)	Large Blend
	<b>Vanguard Total International Stock Index Portfolio</b>	International	100% Stock (International)	Foreign Large Blend

<sup>3</sup> The Federal Deposit Insurance Corporation (FDIC) generally insures, with respect to each FDIC-insured institution, deposit accounts (including principal and accrued interest) that are held in the same right and capacity up to the maximum amount set by federal law, currently \$250,000. Contributions to the Bank Plan (including principal and any accrued interest) are insured by the FDIC on a pass-through basis to each account owner up to the maximum amount. Under applicable FDIC regulations, accounts that have the same owner and the same designated beneficiary will be deemed to be held in the same right and capacity and will be combined for purposes of the \$250,000 limitation.

<sup>4</sup> Short-Term Fixed-Income Investments consist of the bonds held by the Vanguard Short-Term Investment-Grade Fund and any money market instruments held by the Vanguard Asset Allocation Fund, two of the underlying Vanguard funds in which the Vanguard LifeStrategy Portfolios invest.

## Mapping Your Investments to the New MFESP

As you can see from the following tables, the new portfolios have risk profiles, asset allocations, and investment styles that are similar—but not identical—to the Pacific Life Plan portfolios from which your assets will be transferred. At the time of the transition, your assets will automatically move (“map”) to the new investment and/or savings options that most closely match your current investments, as indicated below.

**NOTE:** Depending on your existing investments, there may be cases in which your assets are mapped into accounts in both the Bank Plan and the Investment Plan.

### Investment Mapping: Pacific Life Plan Portfolio Optimization Funds/Money Market

If you are currently invested in ...	Your assets will be moved to:	
	Bank Plan	Investment Plan
PL Portfolio Optimization Aggressive Fund		Vanguard LifeStrategy (LS) Growth Portfolio
PL Portfolio Optimization Moderate Aggressive Fund		50/50 Blend of Vanguard LifeStrategy (LS) Moderate Growth and Vanguard LifeStrategy (LS) Growth Portfolio
PL Portfolio Optimization Moderate Fund		Vanguard LifeStrategy (LS) Moderate Growth Portfolio
PL Portfolio Optimization Moderate-Conservative Fund		Vanguard LifeStrategy (LS) Conservative Growth Portfolio
PL Portfolio Optimization Conservative Fund	College Savings Bank Savings Account	
PL Money Market Fund		

### Investment Mapping: Other Pacific Life Funds

As of July 2, 2010, assets invested in certain other Pacific Life Plan portfolios were moved to the College Savings Bank Savings Account as an interim action. If you were invested in the Pacific Life Funds listed below, following the transition your assets will be moved to new investment portfolios available under the Bank Plan or the Investment Plan that most closely match your original investment goals.

If, as of July 2, 2010, you were invested in...	Your assets are currently invested in:	Following the transition, your assets will be moved to:	
		Bank Plan	Investment Plan
Small-Cap Growth, Mid-Cap Growth, Large-Cap Growth, Growth LT, Large-Cap Value, Mid-Cap Equity, Real Estate, Comstock	College Savings Bank Savings Account		Vanguard Total Stock Market Index Portfolio
International Large Cap, International Value	College Savings Bank Savings Account		Vanguard Total International Stock Index Portfolio
Inflation Managed, Short Duration Bond, Managed Bond	College Savings Bank Savings Account	College Savings Bank Savings Account	

### An Important Note About Changing Your Investment Options

Federal law permits you to move existing 529 plan account assets to a different mix of investment options once each calendar year—or whenever you change the account beneficiary. Because the transition from the investment options offered under the Pacific Life Plan to the investment options available under the Bank Plan and the new Investment Plan is a program-initiated change, it will not be considered your annual exchange.

# Transition FAQs

For a complete set of Transition FAQs (frequently asked questions), please visit our website at [www.mfesp.com](http://www.mfesp.com).

## ➤ Do I have to do anything for my assets to move to the new MFESP?

No. All changes to your assets will be automatic.

## ➤ How will I know if my assets were transferred successfully?

You will receive confirmation statements prior to and after the transition:

- A confirmation statement from Pacific Life will reflect the activity in your Pacific Life Plan accounts on the day of the transition.
- A confirmation statement from College Savings Bank and/or Upromise Investments will detail the transition of your assets into the Bank Plan and/or the Investment Plan, as appropriate. The new statement(s) will confirm your account balance and specify how your assets have been invested following the transition.
- The transaction amount indicated on your closing statement from Pacific Life will match your aggregate opening account balance on the statements from College Savings Bank and/or Upromise Investments.

## ➤ Can I continue to take my annual Montana income tax deduction?

Yes. Account owners who are Montana taxpayers are entitled up to a yearly \$3,000 (\$6,000 if married, filing jointly) deduction to adjusted gross income per taxpayer, in computing their Montana State income tax, based on contributions to the MFESP.<sup>5</sup>

## ➤ How can I make future contributions to my accounts?

You can contribute in a variety of ways: check, Electronic Funds Transfer (EFT), Automatic Investment Plan (AIP), or payroll deduction (if offered by your employer).<sup>6</sup> You can also contribute through a rollover or transfer of assets from another education savings vehicle, like a Coverdell Education Savings Account, an UGMA/UTMA account, or another qualified tuition program. Please be sure to make all future checks payable to “MFESP, CSB as Manager” or “MFESP Investment Plan” depending on the MFESP Plan to which you’re contributing. (**NOTE:** Contributions by check made payable to “Pacific Life Funds” received after 4 pm ET on December 9, 2010 will not be processed and will be returned to the sender.)

## ➤ Are these investments guaranteed?

- **Investment Plan:** Investment returns are not guaranteed, and you could lose money by investing in the Investment Plan. For additional information following the transition, please refer to the MFESP Investment Plan Disclosure Statement.
- **Bank Plan:** Contributions to the Bank Plan are principal protected and FDIC insured. Contributions, including principal and any accrued interest, are insured by the FDIC on a pass-through basis to each account owner up to the maximum amount allowed by law, currently \$250,000. Under applicable FDIC regulations, accounts that have the same owner and the same designated beneficiary will be deemed to be held in the same right and capacity and will be combined for purposes of the \$250,000 limitation.



## Online Tools to Help Your Savings Journey

Beginning Tuesday, December 14, 2010, the new MFESP website ([www.mfesp.com](http://www.mfesp.com)) will let you access information about both the Bank Plan and the new Investment Plan:

- For the Bank Plan, you can continue to open your account and make contributions online.
- For the Investment Plan, you will be able to access account information and perform transactions online including:
  - View and print account activity
  - Open a new account
  - Add or change your account information
  - Set up an Automatic Investment Plan (AIP)
  - Change your future investment choices
  - Transfer money from your bank
  - Make qualified withdrawals
  - Arrange for e-delivery of statements and confirmations

➤ **Will my AIP instructions carry over to my new MFESP account(s)?**

If you have active AIP instructions at the time of the transition, those instructions will automatically carry over to the new MFESP Plans. However, if any clarification of or change to your AIP instructions becomes necessary in connection with the transition, the MFESP will contact you.<sup>6</sup>

➤ **How can I access my account online following the transition?**

There will be a new website for the MFESP ([www.mfesp.com](http://www.mfesp.com)) where you can access your MFESP accounts online and learn more about the Bank Plan and the Investment Plan.

In addition, visit [www.montanasaves.com](http://www.montanasaves.com) for the Investment Plan. The first time you log on, you'll need to re-register with your new account number and create a new password. You will need your Zip Code, Social Security number, and your account number from either your old Pacific Life Plan account or your new Investment Plan account.

➤ **Who do I contact if I have additional questions?**

For more information about the MFESP Plans, call **1-800-888-2723** or, following the transition, visit us online at [www.mfesp.com](http://www.mfesp.com).

<sup>5</sup> Contributions to an MFESP account are deductible in computing Montana adjusted gross income for the tax year in which they are made. Contributions may be subject to recapture in certain circumstances, such as a non-qualified withdrawal or a withdrawal or distribution from an account that was opened within three years prior to the date of the withdrawal or distribution (Recaptured Withdrawal). If the account owner is no longer a Montana taxpayer at the time of a Recaptured Withdrawal, the Program Manager or its service provider may withhold the potential recapture tax from the Recaptured Withdrawal.

<sup>6</sup> A plan of regular investment cannot assure a profit or protect against a loss in a declining market.

## Key Transition Dates

The following table details some key dates and actions during this period.

Key Dates	Action
Ongoing	Contact the College Savings Bank Call Center at 1-800-888-2723 if you have any questions regarding your account. Select option 3 for questions regarding the transition.
December 9, 2010	Pacific Life Funds will no longer accept contributions, transactions, or maintenance requests, including withdrawals or investment option changes, after 4 pm ET.
December 10–12, 2010	Account records are transferred. You will not have access to your account during this weekend.
December 13, 2010	First day of transaction processing by Upromise Investments. Transaction requests received in good order after 4 pm ET on Thursday, December 9 and by 4 pm ET on Monday, December 13 will be processed using unit values as of 4 pm ET on Monday, December 13.  Customer service teams at College Savings Bank and Upromise Investments will be available to assist you at 1-800-888-2723.
December 14, 2010	New and improved website is available, featuring online account management for Investment Plan account owners.
December, 2010	You will receive a confirmation statement from Pacific Life detailing your account activity as of the date of the transition.  You will receive a confirmation statement from Upromise Investments regarding your new investments in the Investment Plan and/or from College Savings Bank regarding your new investments in the Bank Plan (depending on how your assets move).
2011	You will begin receiving quarterly statements from the new MFESP. College Savings Bank mails quarterly statements in February, May, August, and November. Upromise Investments mails quarterly statements in January, April, July, and October.

**NOTE:** On Friday, December 10, 2010, Pacific Life Funds will calculate your current account balances, and the MFESP will reinvest those balances in your new investment options. At the time of transition, your assets may be out of the market for one or more days until the assets are invested in the new investment options. Should this occur, you will not receive any earnings or incur any losses based on the markets.

# Questions?

If you have questions about the transition, contact your customer service teams:

 **1-800-888-2723**

 **[www.collegesavings.com/montana](http://www.collegesavings.com/montana)**



**For more information about the MFESP, call 1-800-888-2723 or visit [www.mfesp.com](http://www.mfesp.com) after the transition to obtain an Enrollment Kit. Each Enrollment Kit includes a Disclosure Statement that discusses investment objectives, risks, charges, expenses, and other important information; read and consider it carefully before investing. If you are not a Montana taxpayer, consider before investing whether your or the beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. In addition, you should periodically assess, and if appropriate, adjust your Section 529 Plan investment choices with your time horizon, risk tolerance, and investment objectives in mind.**

The MFESP is sponsored by the State of Montana and administered by the Montana Board of Regents of Higher Education (Board), as sole trustee of the Montana Family Education Savings Trust (Trust). The Board selected College Savings Bank to serve as Program Manager for the MFESP. Following the transition, the MFESP will consist of two Section 529 Plans, the MFESP Bank Plan (Bank Plan) and the MFESP Investment Plan (Investment Plan). When you invest in these plans, you are purchasing portfolio units issued by the Trust.

Following the transition, College Savings Bank will continue to serve as the MFESP Program Manager. Upromise Investments, Inc. (UII) will provide distribution services and Upromise Investment Advisors, LLC (UIA) will provide recordkeeping and administrative support services for the Investment Plan. UII, UIA, and Upromise, Inc. are affiliates. Vanguard will serve as the investment manager for the underlying mutual funds comprising the Investment Plan's portfolios. The portfolios, although they invest in mutual funds, are not mutual funds. Investment returns are not guaranteed, and you could lose money by investing in the Investment Plan. For additional information following the transition, please refer to the Investment Plan Disclosure Statement.

College Savings Bank, as Program Manager, will continue to support all aspects of the day-to-day operations of the Bank Plan, including marketing, recordkeeping, and administrative support. The Bank Plan offers four portfolios that invest in either a College Savings Bank-issued CD or a savings account. CDs may be subject to early withdrawal penalties. Generally, contributions to the Bank Plan, including principal and accrued interest, are insured by the FDIC on a pass-through basis to each account owner up to the maximum amount set by federal law, currently \$250,000. Under applicable FDIC regulations, accounts that have the same owner and the same designated beneficiary will be deemed to be held in the same right and capacity and, as such, will be combined for purposes of the \$250,000 limitation. Please refer to the MFESP 529 Plan Disclosure Statement and the College Savings Bank Product Disclosure Statement for additional information.

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