Give the Gift of Education With a 529 College Savings Plan

A contribution to a 529 College Savings Plan makes the perfect gift for the future college graduate, whether your child or grandchild. And what better time to get started than the day of his or her arrival and future birthday celebrations.

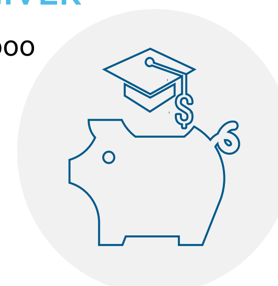
THE VALUE OF A GIFT OVER TIME

It is important to note that earnings on investments accrue without federal or state income tax. Qualified withdrawals are free from federal income tax, and may also be free from state tax.[1] The chart below depicts what gifts of various amounts can mean over time:

GIFT GROWTH POTENTIAL[2]

Gift Value	5 Years	10 Years	18 Years
$1,000	$1,276	$1,629	$2,407
$5,000	$6,381	$8,144	$12,033
$10,000	$12,763	$16,289	$24,066
$14,000	$17,868	$22,805	$33,693
$28,000	$35,736	$45,609	$67,385

BENEFITS FOR THE GIFT GIVER



- You can give as much as $14,000 a year ($28,000 for married couples) without incurring gift tax.
- Special 529 rules enable you to make five years of gifts in one—that's as much as $70,000 for an individual filer or $140,000 for a married couple filing jointly (per beneficiary).[3]
- Contributions are a completed gift; gifts are excluded from your estate.
- The account owner maintains complete control of the account regardless of the age of the beneficiary.
- Some states offer a state income tax deduction for using their plan.

1. Qualified expenses include tuition, fees, room and board, books and supplies.
2. Assumes a one-time gift and 5% annual return.
3. No further annual exclusion gifts and/or generation-skipping transfers to the same beneficiary may be made over the same five-year period, and the transfer must be reported as a series of five equal annual transfers. If the donor dies within the five year period, a portion of the transferred amount will be included in the donor's estate for estate tax purposes.

Disclosures

Investors should carefully read the Program Disclosure statement, which contains more information on investment options, risk factors, fees and expenses, and possible tax consequences before purchasing a 529 plan. You can obtain a copy of the Program Disclosure Statement from the 529 plan sponsor or your Financial Advisor.

Assets can accumulate and be withdrawn federally tax-free only if they are used to pay for qualified expenses. Earnings on nonqualified distributions will be subject to income tax and a 10% federal income tax penalty.

Contribution limits vary by state. Refer to the individual plan for specific contribution guidelines.

Before investing, investors should consider whether tax or other benefits are only available for investments in the investor's home state 529 college savings plan. If an account owner or the beneficiary resides in or pays income taxes to a state that offers its own 529 college savings or pre-paid tuition plan (an "In-State Plan"), that state may offer state or local tax benefits. These tax benefits may include deductible contributions, deferral of taxes on earnings and/or tax-free withdrawals. In addition, some states waive or discount fees or offer other benefits for state residents or taxpayers who participate in the In-State Plan. An account owner may be denied any or all state or local tax benefits or expense reductions by investing in another state's plan (an "Out-of-State Plan"). In addition, an account owner's state or locality may seek to recover the value of tax benefits (by assessing income or penalty taxes) should an account owner rollover or transfer assets from an In-State Plan to an Out-of-State Plan. While state and local tax consequences and plan expenses are not the only factors to consider when investing in a 529 Plan, they are important to an account owner's investment return and should be taken into account when selecting a 529 plan.

Tax laws are complex and are subject to change. This information is based upon current tax rules in effect at the time this was written. Morgan Stanley Smith Barney and its Financial Advisors do not provide tax or legal advice. Individuals should always check with their tax or legal advisor before engaging in any transaction involving 529 Plans, Education Savings Accounts and other tax-advantaged investments.

Investments in a 529 Plan are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so an individual may lose money. Investors should review a Program Disclosure Statement, which contains more information on investment options, risks factors, fees and expenses and possible tax consequences. Investors should read the Program Disclosure Statement carefully before investing.