

# Kids Grow up Fast.

*But they never outgrow a college education.*



**COLLEGE SAVINGS**  
**PLANS OF MARYLAND**

*Save here. Go anywhere.®*

## Here's How to Start Saving:

1. Read this booklet first.
2. Read the enclosed Disclosure Statement for the Plan(s) of your choice.
3. Any questions? Check the Frequently Asked Questions or call us at 888.4MD.GRAD (463.4723).
4. Ready to Enroll? You can enroll online at [CollegeSavingsMD.org](http://CollegeSavingsMD.org) or complete the form in the middle of your Disclosure Statement. Send it in and you're set.

**Enrollment Highlights Brochure**

**2011-2012 MARYLAND 529 PLANS**

**Maryland Prepaid College Trust | Maryland College Investment Plan**



## COLLEGE SAVINGS PLANS OF MARYLAND

*Save here. Go anywhere.®*

### Dear Friends:

For our children to succeed, a college education is no longer a point of advantage; it's almost mandatory for entry into today's competitive marketplace. But with college costs continuing to rise, paying for college is becoming increasingly difficult. Doing so requires thoughtful planning and starting your college savings as early as possible.

It is our mission to help Maryland families give their children a college education without accumulating significant debt. That's why we're pleased to offer the College Savings Plans of Maryland, which offer tax-free earnings, a generous Maryland State income deduction, affordable payment plans, flexible investment options, and many other benefits.

In this booklet, you'll find information about both options offered by the State of Maryland: the Maryland Prepaid College Trust and the Maryland College Investment Plan. Since each is based on a different savings strategy and offers distinct benefits, we've provided easy-to-read charts and tools to help you decide which is best for you. You may even choose to enroll in both of them. When you're finished, you'll also find everything you need to open an account.

Sincerely,

### College Savings Plans of Maryland Board

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**Peter Franchot**

State Comptroller

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**Russell V. Kelley, Ph.D.**

*Enrolling in the College Savings Plans of Maryland is an important decision for you and your family. Please read the entire **Enrollment Kit** carefully before deciding to enroll. Section 529 plans offered by other states may offer tax or other benefits to taxpayers or residents of those states that are not available under the College Savings Plans of Maryland. If you live outside of Maryland, you should consider any college savings program offered by your home state or your Beneficiary's home state prior to making a decision to invest in the College Savings Plans of Maryland. 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.*

# Give your child the gift that never stops growing: a college education

Your child will outgrow his favorite toy. His favorite sneakers. His favorite blanket. But there's one investment you can give him that will last: his college education. The College Savings Plans of Maryland makes saving for college easy and affordable.

## Save here, study anywhere

The College Savings Plans of Maryland can be used towards nearly any accredited college nationwide—public or private, two-year or four-year. Your child can also use the money at U.S. schools that have campuses outside the country.

## Affordability

Because the College Savings Plans of Maryland offer so many choices, you're sure to find an option that suits your budget. You can start saving with as little as \$25, using automatic monthly contributions in the College Investment Plan, or purchase our community college plan in the Prepaid College Trust.

## Flexibility

The Plans also let you choose when and how you use them. Should your child want to delay the start of school, there's flexibility as to when you use your account. And in addition to tuition, we have options you can use to pay for room and board, books and other eligible college expenses—even graduate school.

## Tax benefits

The College Savings Plans of Maryland offer hard-to-beat tax benefits, including tax-free earnings when used toward eligible college expenses, plus an annual Maryland State income deduction on contributions of up to \$2,500 per account or beneficiary, depending on the Plan you choose. The College Savings Plans of Maryland are the only 529 plans that offer this State income deduction for Maryland taxpayers.

**Within the College Savings Plans of Maryland, there are two State-sponsored options to choose from:**

**The Maryland Prepaid College Trust** locks in tomorrow's tuition at today's prices and offers affordable payment options and the security of a Legislative Guarantee.

**The Maryland College Investment Plan**, managed by T. Rowe Price, offers a variety of investment portfolios, flexible contribution amounts, and no sales loads, commissions, or enrollment fee.

Each Plan is based on a different savings strategy and offers distinct benefits. This Enrollment Kit describes both Plans in detail, along with their similarities and differences, and includes definitions of special terms. This information will help you make the decision that's best for you, whether it's one Plan or a combination of both.

“As educators, my husband and I know that although college is expensive, it will provide a critical foundation for our six children. As parents, we provide academic/spiritual support, while the Plans help us provide financial support. We hope for scholarships, and if that happens, our savings can be transferred from one child to another. **We are proof that even with a big family, it's possible to make financial contributions for our children's futures!**”

Ashanti Foster – Mother of Bryant, (21 months, pictured), Quincy (11), Joshua (7), Savannah (5), Helaynah (5) and Sidney (3)



# Maryland Prepaid College Trust

*Tomorrow's tuition at today's prices*

With the Maryland Prepaid College Trust, you lock in future college tuition at today's prices, and your account can be used at nearly any college nationwide! You also get impressive Maryland State and federal tax benefits and peace of mind knowing that the Prepaid College Trust is backed by a Maryland Legislative Guarantee.

Over the last decade, we've seen tuition costs increase at public and private colleges nationwide. Even though these costs may continue to change by the time your child is ready for college, your account will pay for the number of years purchased as follows:

## At a Maryland public college

- Full in-state or in-county tuition and mandatory fees, as defined in the Disclosure Statement

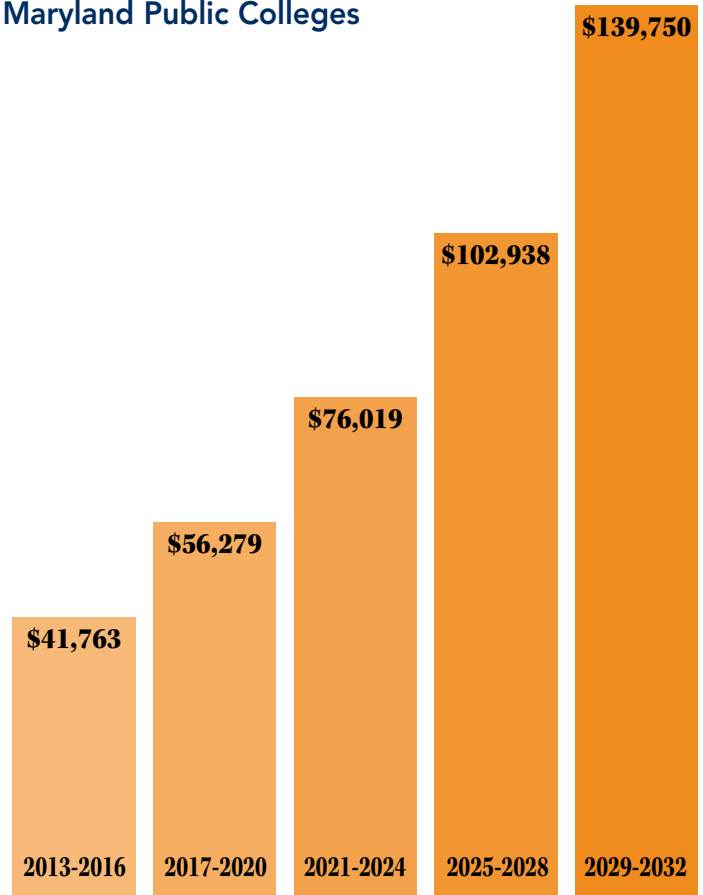
## At an eligible private or out-of-state college or graduate school

- Up to that year's Weighted Average Tuition of the Maryland public colleges toward the tuition and mandatory fees at the selected college

And don't worry – if Tuition does not rise as projected, you are eligible for a Minimum Benefit equal to the payments you make plus a reasonable rate of return. Also, if your child receives a scholarship or grant, you can use your account toward other eligible college expenses such as room and board, books, course-specific fees, etc.

## Projected 4-Year Average Tuition Cost

### Maryland Public Colleges



*This chart shows the anticipated Weighted Average Tuition for four years at a four-year college based on our projected Weighted Average Tuition for 2012-2013 of \$8,645 at Maryland's public colleges, which is a 7% increase in tuition over the prior year. This chart assumes future annual increases in tuition of 7% annually for each following academic year. A projected 10% annual increase in mandatory fees is also included. Using these assumptions, the Weighted Average Tuition for four years of college beginning in 2013 would be \$41,763, while the four-year Weighted Average Tuition starting in 2029 would be \$139,750.*



“After hearing about the Plans from my sister-in-law, and receiving an inheritance from my parents, our first priority was to open Prepaid College Trust accounts for our two sons. **It is important to us to save now so they won't have to borrow in the future.** And, my parents greatly valued education; they would have been pleased to know they helped shape their grandsons' future.”

Judy O'Connor (pictured, right) – Mother of Ryan (8, also pictured) and Troy (6)

# Flexible *tuition plans and payment options*

## Tuition Plans

The Prepaid College Trust offers you a variety of tuition plans, which include payment of tuition and mandatory fees.

- **University Plan:** Purchase one semester or one, two, three, four, or five years at a four-year college or university.
- **Community College Plan: *Our most affordable plan.*** Purchase one or two years at a community college. However, this plan does not require your child to attend a community college. If he or she attends a four-year college, in or out of Maryland, this plan will pay up to that year's Weighted Average Tuition of Maryland's community colleges towards the tuition and mandatory fees at the selected college.
- **Two-Plus-Two Plan:** Purchase two years at a community college and two years at a four-year college.

## Payment Options

The Prepaid College Trust also offers several payment options to help you find one to fit your budget.

- **Lump Sum:** A one-time payment.
- **Annual:** Equal yearly payments.
- **Five-Year Monthly:** 60 equal monthly payments.
- **Extended Monthly:** Equal monthly payments for a specified number of months that generally continue through July 1 of the projected year of the child's college enrollment (or initial year of eligible use for current 10th–12th graders).
- **Down Payments:** 25%, 40%, or 55% of the lump sum, with the remaining amount paid by either monthly or annual payments, as described above.

## Legislative Guarantee

In the event that the Trust ever experiences a financial shortfall, Maryland law requires the Governor to include funds in the State budget to allow the Trust to pay your full benefits. As with the entire State budget, the Maryland General Assembly has final approval.



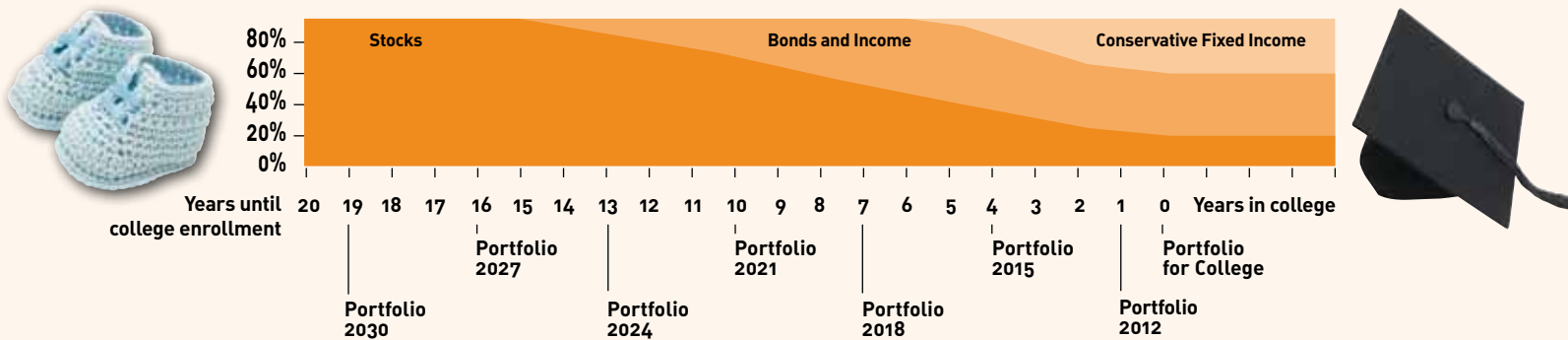
# Maryland College Investment Plan

## Professionally managed by T. Rowe Price

The College Investment Plan offers a broad range of investment options for your child's future managed by T. Rowe Price, an investment leader with more than 70 years of experience. You can choose from two different approaches or use a combination of both.

### Enrollment Based Portfolios — *Change automatically with your child's time horizon*

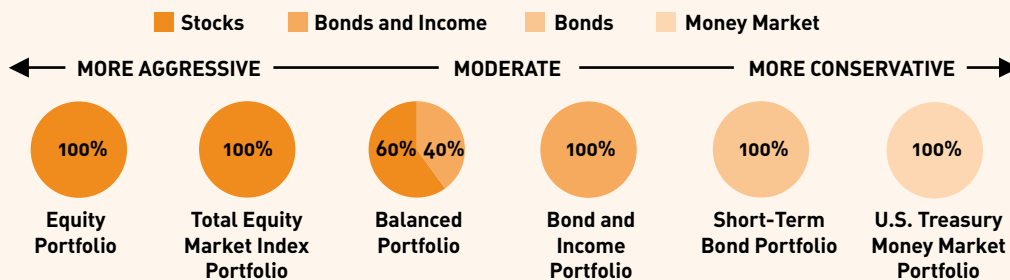
You simply select a portfolio based on the year closest to when your child is expected to enter college. Portfolios for younger students emphasize stock mutual funds to help assets grow over time, and then shift to an emphasis on bond and money market funds as students approach college age.



Target allocations as of 10/1/11.

### Fixed Portfolios — *Make your own investment decisions*

You can choose from six portfolios that invest in a mix of stocks, bonds, or money market mutual funds. Portfolios with greater allocations to stock funds generally carry higher risk and the opportunity for higher returns, while portfolios with more bond and money market funds generally offer less risk and lower returns. These portfolios do not change their investment mix based on your child's age.

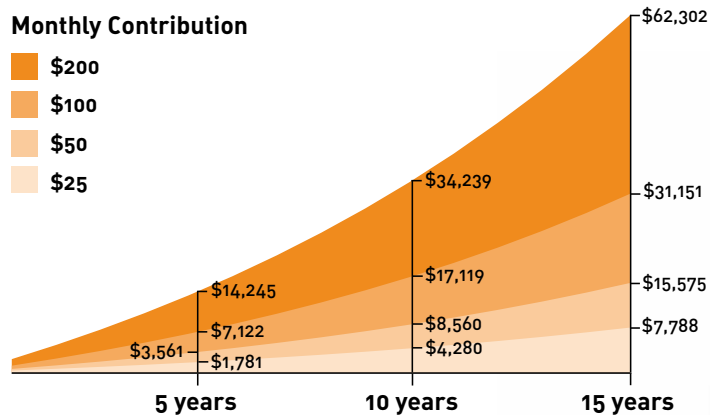


“As every parent, I hope to provide my children with the best education and financial start that I can. Having used loans to pay for my own college, I know how important it is to save. We started my oldest daughter's account later than I had hoped, but are on track to see her graduate without student loans!”

Stephanie Harte – Mother of Alexis (18), Natalie (5, pictured) and Chelsea (3)

# Saving more now *can make a big difference later*

**The advantage of starting early.** The chart below shows what a difference starting early and saving monthly can make over time. Investing \$25 a month or more could go a long way toward expanding your child's educational options.



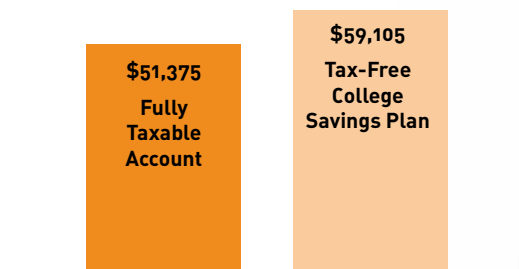
Use the College Cost Calculator at [CollegeSavingsMD.org](http://CollegeSavingsMD.org) to understand the future cost of college and to estimate how much you will need to save to reach your college investment goal.

*Assumes a 7% hypothetical rate of return compounded monthly and a 0.20% annual program fee. This chart is for illustrative purposes only. It does not represent the return of any specific investment option. Investment returns in a college savings plan will vary and may be higher or lower than in this example. Making automatic monthly contributions does not assure a profit or protect against loss during varying market conditions.*

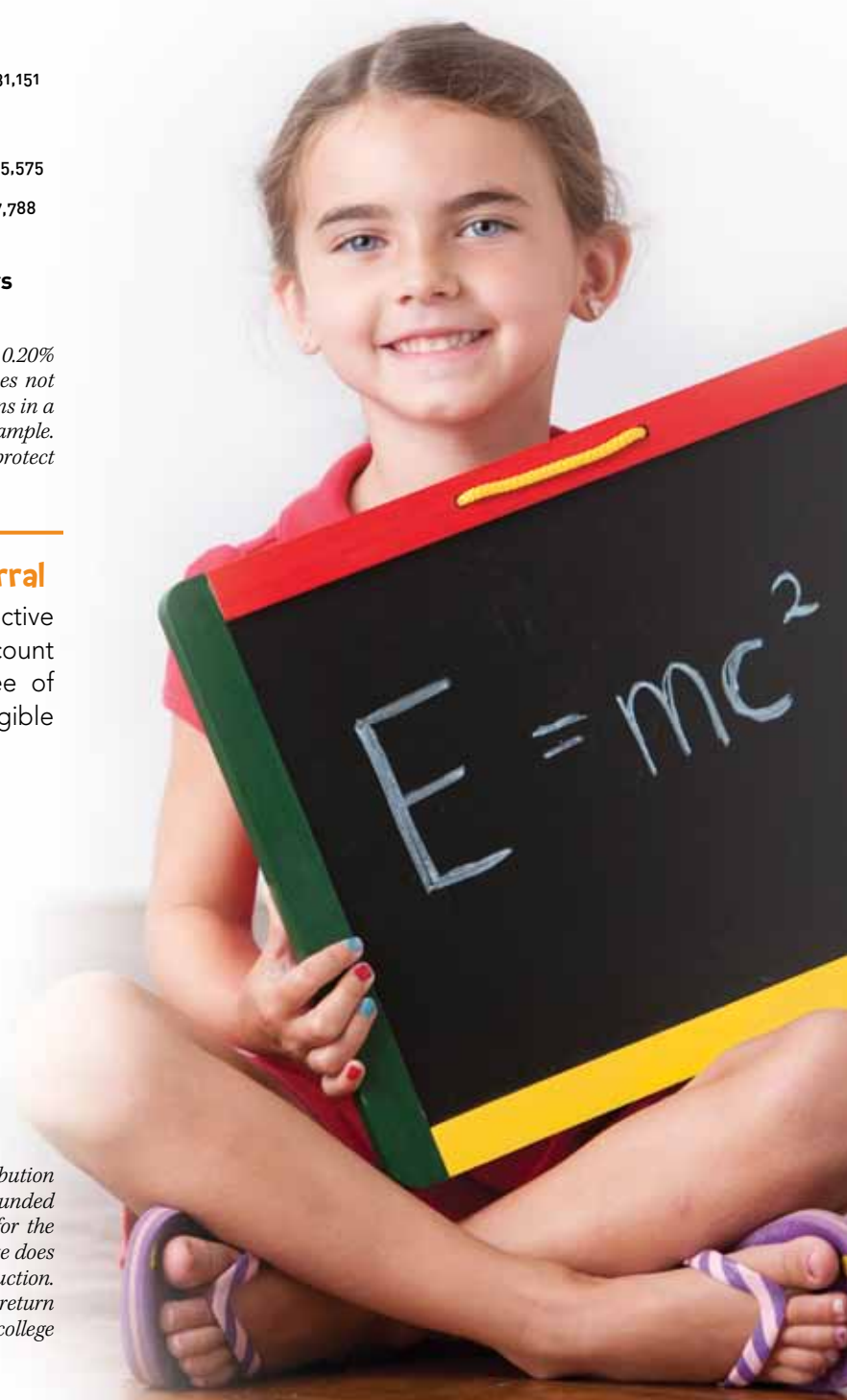
## Increase your savings potential with tax deferral

The College Investment Plan can be an especially effective way to prepare for college since any earnings in your account can grow tax-deferred. In addition, earnings are free of Maryland and federal taxes when used toward eligible college expenses.

### Tax Deferred Growth over 18 years



*This chart assumes an initial investment of \$5,000 and a \$100 contribution each month for 18 years, at a 7% hypothetical rate of return compounded monthly, a combined federal and state effective tax rate of 18.75% (for the taxable account), and a 0.20% annual program fee. The effective tax rate does not include the additional benefits of the Maryland State income deduction. This chart is for illustrative purposes only. It does not represent the return earned by any specific investment option. Investment returns in a college savings plan will vary and may be higher or lower than in this example.*



# Compare both options within the College Savings Plans of Maryland



“As a single mother, I want my teenage son to be successful and go to college. When I learned about this program, I immediately enrolled because college costs are so expensive. **Since I have been saving little by little, he will have no excuse not to go!**”

Nancy Fuller, with her son Jeffrey (16)

How can I use the Plans?

What's unique about each Plan?

What are the Maryland tax benefits?

Are there federal tax benefits?

What are the age requirements?

Do I have to live in Maryland?

When can I enroll?

What are my Plan options?

What are my payment choices?

How much can I contribute?

What are the fees and expenses?

Why would I choose both Plans?

## Maryland Prepaid College Trust

## Maryland College Investment Plan

Use it to pay the full in-state or in-county tuition and mandatory fees at any Maryland public college or up to the Weighted Average Tuition toward nearly any private or out-of-state college.

Use it at nearly any public, private, or technical college nationwide for any eligible higher education expenses such as tuition, fees, room and board, books, course-specific fees or supplies.

It lets you lock in tomorrow's tuition at today's prices, and it is backed by a Maryland Legislative Guarantee.

You can choose from a variety of investment options ranging from more aggressive to more conservative investment strategies. Your investment return and principal value will vary, depending on the investment option you choose.

Any earnings are Maryland tax-free when used toward eligible college expenses. Each account holder can also deduct up to \$2,500 of payments each year from Maryland income per account—\$5,000 for two, \$7,500 for three, etc. Payments in excess of \$2,500 per account can be deducted in future years until the full amount of payments has been deducted.

Any earnings are Maryland tax-free when used toward eligible college expenses. Each account holder can also deduct up to \$2,500 of contributions each year from Maryland income per beneficiary—\$5,000 for two, \$7,500 for three, etc. Contributions in excess of \$2,500 can be deducted for up to the next 10 years. Contributions in following years could be eligible for deduction; however, you cannot deduct more than \$2,500 per beneficiary in any year or extend the 10-year limit on each year's contribution.

Yes. Any earnings are federally tax-free when used toward eligible college expenses.

Yes. Any earnings are federally tax-free when used toward eligible college expenses.

Enrollment is open to children from newborn through 12th grade, although accounts must be open for at least three years before tuition benefits can be paid.

Enrollment is open to children or adults of any age.

Either the account holder or child must be a resident of Maryland or Washington, D.C. when the account is opened.

No. There are no State residency requirements.

December 1, 2011 through April 2, 2012—year-round for newborns.

Any time.

There are a variety of tuition plans. Select from one semester or one to five years at a four-year college, one or two years at a community college, or a combination. You may change your tuition plan at nearly any time.

You can invest in enrollment-based portfolios, fixed portfolios, or a combination. Each time you make a contribution, you may select a new portfolio.

There are many different payment options. You can select the one that's right for your family budget. The cost is fixed by the number of semesters or years purchased, age of child, and payment plan selected. You may change your payment options at any time.

See "How much can I contribute?"



See "What are my payment choices?"



Your minimum investment is either \$25 per portfolio through automatic monthly contributions or a \$250 minimum initial investment per portfolio by check. You can invest up to a maximum account balance of \$320,000 per beneficiary.

The *Prices and Fees* section of the Prepaid College Trust Disclosure Statement contains information on all applicable fees and expenses.

The *Fees and Expenses* section of the College Investment Plan Disclosure Statement contains information on all applicable fees and expenses.

**Choosing both Plans allows you to benefit from the features of each Plan and diversify your higher education savings. You could use the Prepaid College Trust towards Tuition and the College Investment Plan towards room & board, books, or additional tuition at a private or out-of-state college. You may also be eligible for an additional Maryland State income deduction.**

**Select one or both Plans. It's a smart choice any way you look at it.**

# Frequently asked questions about the College Savings Plans of Maryland

**Does my child have to attend a Maryland public college? NO.** You can use your accounts toward the costs of nearly any public or private, 2-year or 4-year college nationwide, as long as the student is enrolled in a U.S.-accredited college, university, or technical school that is eligible to participate in U.S. Department of Education student financial aid programs. To find out if a particular school is an eligible institution, search for a school code at [www.fafsa.ed.gov](http://www.fafsa.ed.gov). The College Savings Plans of Maryland can also be used for nearly any graduate school, medical school, or law school, among others, nationwide.

## Can I open more than one account per beneficiary?

**YES.** You can open multiple accounts per beneficiary. In the Prepaid College Trust you can purchase contracts for up to seven years of college with no more than five years in a single account. In the College Investment Plan, you can invest in one or more of the different investment options offered. In both Plans, you cannot have multiple beneficiaries, however, on the same account.

**What tax benefits are offered?** The College Savings Plans of Maryland offer hard-to-beat Maryland State and federal tax benefits, starting with tax-deferred savings and a Maryland State income deduction for Maryland taxpayers. Any earnings are Maryland and federally tax-free when used toward eligible college expenses.

## If we enroll in the College Savings Plans of Maryland, can we still apply for financial aid?

**YES.** Participation in the College Savings Plans of Maryland does not limit your ability to apply for financial aid or a student's receipt of merit-based financial aid, including academic or athletic scholarships. Like most investments, however, it may affect your ability to receive need-based financial aid, although the federal financial aid formula currently counts—at most—only 5.6% of your non-retirement assets to be used for college expenses each year. This means that if you have saved \$5,000 for college, the aid amount you may be eligible for would be reduced by only \$280. Since the majority of federal financial aid is offered in the form of loans, any college savings can help to reduce reliance on student loans.

## What happens if my child receives a scholarship or grant?

There are several options you can choose from:

- Use your account to pay any tuition and fees not covered by the scholarship or grant;
- Apply your account toward other eligible college expenses such as room and board, books, or course-specific fees (Prepaid College Trust accounts are first used to pay remaining tuition and mandatory fees);

- Transfer your account to another member of the student's family;
- Keep any unused funds or benefits in your account to pay for future college expenses, including graduate school; or
- Withdraw any unused funds or benefits up to the amount of the scholarship or grant without penalty, although income taxes on earnings may apply.

## Can I change the child/beneficiary that is listed on the account? YES.

You can transfer your account to any member of the beneficiary's family, as defined by the Internal Revenue Service, without incurring any taxes or penalties. The definition includes:

Child or Stepchild, Sibling, Stepsibling or Halfsibling, Parent or Stepparent, Grandparent, Grandchild, Niece or Nephew, Aunt or Uncle, First Cousin, Mother- or Father-in-law, Son- or Daughter-in-law, Brother- or Sister-in-law, Spouse of any individual listed (except First Cousin).

## What if my child does not go to college immediately after high school?

The College Savings Plans of Maryland do not require the child to attend college immediately after graduating high school. The Prepaid College Trust allows up to a 10-year delay (plus time served in active U.S. military service) before you have to start using your benefits. With the College Investment Plan, there are no restrictions on when the account can be used to pay for eligible college expenses. But with both Plans, you also have the following options:

- Transfer your account to another member of the beneficiary's family, or
- Take a distribution or reduced refund from your account (Plan penalties, federal tax penalties and/or income taxes on earnings may apply).

## What if the beneficiary or I move out of Maryland after I open an account?

You can continue your account, and your beneficiary can still use the account to attend any eligible college or graduate school in the country. However, if you move out of state and no longer pay Maryland income tax, you will no longer receive the Maryland State tax benefits. With the Prepaid College Trust, if the child is no longer a Maryland resident but decides to attend a Maryland public college, we will still pay the full in-state or in-county tuition and mandatory fees. You or the child would be responsible for any out-of-state tuition charges. If you also have a College Investment Plan account, you could apply it toward any other eligible higher education expenses.

**What if I experience a financial hardship and need to withdraw the funds for a purpose other than college expenses?**

You may request a distribution or refund at any time. If the funds are not used for eligible college expenses, Maryland State and federal taxes, plus a 10% federal penalty, will apply to any earnings portion of your distribution or refund. For details about specific tax and other penalties for each Plan, please read the Certain Federal Tax Considerations and Certain State Tax Considerations sections in each of the enclosed Disclosure Statements.

**What if I already have a 529 plan? Can I transfer my account to the College Savings Plans of Maryland?**

**YES.** We will accept a rollover of your account with another 529 plan into the College Savings Plans of Maryland. To complete a rollover, simply submit an Enrollment Form for your desired Plan, along with a Rollover Form. Both forms are available on our website or you may call us for assistance. You may also need to contact the sponsor of your current 529 plan for additional details on rolling over your account.

**When can I enroll a newborn?**

A newborn infant can be enrolled in either Plan from the date of his/her birth. An infant under the age of one year can be enrolled in the Prepaid College Trust any time during the year until his/her first birthday at prices that are in effect when the enrollment is completed. You may also enroll in the College Investment Plan and name yourself as the Beneficiary in anticipation of the birth or adoption of a child or grandchild.

**Do my contributions to the College Savings Plans of Maryland qualify as a gift under federal law?**

**YES.** The Internal Revenue Code provides that payments to an account in the College Savings Plans of Maryland are a completed gift for federal gift tax purposes. Under certain conditions, you may average your total gift over five years to remain within the annual IRS gift-tax exclusion. Please consult your tax advisor for more information.

**What are the risks involved?**

As with any investment, there are risks involved in investing in the College Savings Plans of Maryland. To learn about the risks, please read and carefully consider the Risk Factors section in the Prepaid College Trust Disclosure Statement and the General Risks and Investment Risks sections of the College Investment Plan Disclosure Statement.

# Enroll now – It's Easy

## For the Maryland Prepaid College Trust:

- Choose a tuition plan for your desired number of semesters or years of college.
- Choose the payment plan that best fits your family's budget.
- Complete an enrollment form for each child you want to enroll by the end of the enrollment period either online or postmarked by April 2, 2012.

## For the Maryland College Investment Plan:

- Choose one or more investment options.
- Choose how much and how often you wish to contribute.
- Complete an enrollment form for each student you wish to enroll.

You'll find all the information you need in the Disclosure Statements included with this booklet. Please read them carefully.

## Enrollment Methods:

Enroll online at [CollegeSavingsMD.org](http://CollegeSavingsMD.org) or by using the forms we've included, which you may mail or hand deliver. You may also copy these forms for multiple enrollments. Enrolling online may require use of a credit card to pay the enrollment fee(s) for the Prepaid College Trust. This is the only time the College Savings Plans of Maryland will accept a credit card.

## Payment Methods:

You can pay by automatic contributions from your bank account, payroll deduction from a participating employer, check or money order.

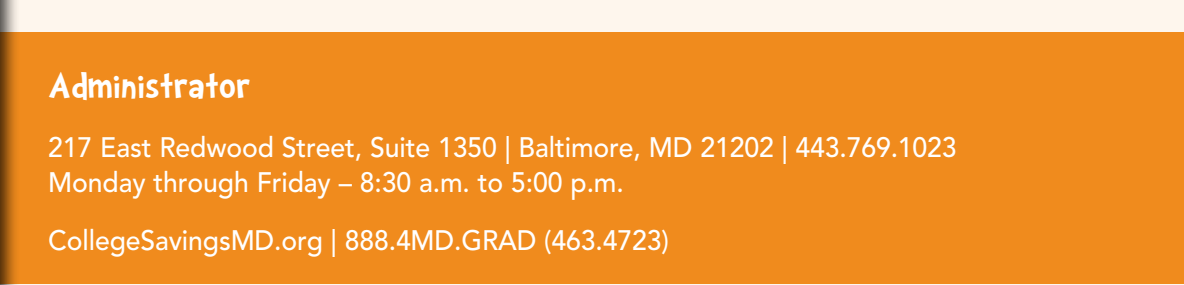
To take advantage of the Maryland income deduction for the 2011 tax year, your enrollment form and contribution must be either completed online or postmarked by December 31, 2011.



**COLLEGE SAVINGS**

**PLANS OF MARYLAND**

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**Administrator**

217 East Redwood Street, Suite 1350 | Baltimore, MD 21202 | 443.769.1023  
 Monday through Friday – 8:30 a.m. to 5:00 p.m.

CollegeSavingsMD.org | 888.4MD.GRAD (463.4723)

**Maryland Prepaid College Trust**

**Baltimore**

217 East Redwood Street, Suite 1350  
 Baltimore, MD 21202

Fax: 410.333.2295  
 Monday through Friday – 8:30 a.m. to 5:00 p.m.

**For General Inquiries:**  
 mpct@collegesavingsmd.org

**For Existing Account Holders:**  
 accounts@collegesavingsmd.org

**Where to find more information**

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**Maryland College Investment Plan**

**Mailing Address**

P.O. Box 17479  
 Baltimore, MD 21297-1479

Fax: 410.581.5184  
 info@marylandcollegeinvestmentplan.org

T. Rowe Price Associates, Inc., Program Manager  
 and Investment Adviser

T. Rowe Price Investment Services, Inc.,  
 Distributor/Underwriter

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**Check out our YouTube channel for videos, interviews, radio ads and more!**

*This Highlights Booklet is part of the College Savings Plans of Maryland Enrollment Kit. The Enrollment Kit consists of this Highlights Booklet and Disclosure Statements for the Prepaid College Trust and the College Investment Plan, with accompanying Enrollment Forms. The Enrollment Kit has been identified by the College Savings Plans of Maryland as the Offering Materials intended to provide substantive disclosure of the terms and conditions of an investment in the College Savings Plans of Maryland. The Enrollment Kit is designed to comply with the Disclosure Principles Statement No. 5, adopted by the College Savings Plans Network on May 3, 2011.*

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