

## **BRIGHT DIRECTIONS COLLEGE SAVINGS PROGRAM PROGRAM DISCLOSURE STATEMENT**

Supplement dated January 1, 2009  
to the Program Disclosure Statement dated April 30, 2008

The Program Disclosure Statement dated April 30, 2008, is hereby amended as follows:

### **INCREASE IN PERMITTED INVESTMENT CHANGES FOR 2009**

In Internal Revenue Service Notice 2009-1, scheduled for publication in Internal Revenue Bulletin 2009-2 dated January 12, 2009, the Internal Revenue Service ("IRS") issued guidance for Section 529 qualified tuition programs revising the number of investment changes that may be made in calendar year 2009. Previously, federal law allowed participants in a 529 Plan to change the investment strategy in their account once per calendar year, or upon a change in beneficiary.

Pursuant to IRS Notice 2009-1, a participant may make up to two (2) changes to the investment allocations in an account during calendar year 2009. Accordingly, all references in the Enrollment Handbook to the once per calendar year limitation are hereby amended to reflect that account owners in the plan may change the investment allocation in their accounts up to two (2) times during calendar year 2009, or at any time upon a change in beneficiary.

### **CHANGES TO ANNUAL GIFT TAX EXCLUSION**

The text on page 2 under the heading "**Program Highlights -- Gift Tax Treatment**" is replaced in its entirety with the following:

**Gift Tax Treatment.** For federal gift tax purposes, Contributions to an Account are considered a gift from the contributor to the Beneficiary that is eligible for the annual gift tax exclusion. For 2009, the annual exclusion is \$13,000 per donee. This means that in 2009 you may contribute up to \$13,000 to an Account, without the Contribution being considered a taxable gift (assuming you make no other gifts to the Beneficiary in the same year). In addition, if your total Contributions to an Account during a year exceed the annual exclusion for that year, you may elect to have the amount you contributed that year treated as though you made one-fifth of the Contribution that year, and one-fifth of the Contribution in each of the next four calendar years. (Such an election must be made on the Federal Gift Tax Return Form 709). This means that you may contribute up to \$65,000 in 2009, without the Contribution being considered a taxable gift, provided that you make no other gifts to the Beneficiary in the same year or in any of the succeeding four calendar years. Moreover, a married contributor whose spouse elects on a Federal Gift Tax Return to have gifts treated as "split" with the contributor may contribute up to twice that amount (\$130,000 in 2009) without the Contribution being considered a taxable gift, provided that neither spouse makes other gifts to the Beneficiary in the same year or in any of the succeeding four calendar years. The annual exclusion is indexed for inflation and therefore is expected to increase over time.

The text on page 28 under the heading "**What Are the Federal Gift and Estate Tax Advantages of the Program?**" is replaced in its entirety with the following:

For federal gift tax purposes, Contributions to an Account are considered a gift from the contributor to the Beneficiary. If an Account Owner dies while there is a balance in the Account, the value of the Account is not includible in the Account Owner's estate for federal estate tax purposes. An Account Owner's contributions to an Account are eligible for the annual gift tax exclusion. For 2009, the annual exclusion is \$13,000 per donee. This means that in 2009 you may contribute up to \$13,000 to an Account, without the Contribution being considered a taxable gift if you make no other gifts to the Beneficiary in the same year. In addition, if your total Contributions to an Account during a year exceed the annual exclusion for that year, you may elect to have the amount you contributed that year treated as though you made one-fifth of the Contribution that year, and one-fifth of the Contribution in each of the next four calendar years. You must make this election on your Federal Gift Tax Return Form 709.

This means that you may contribute up to \$65,000 to an Account in 2009, without the Contribution being considered a taxable gift, provided that you make no other gifts to the Beneficiary in the same year or in any of the succeeding four calendar years. Moreover, a married contributor whose spouse elects on a Federal Gift Tax Return to have gifts treated as "split" with the contributor may contribute up to twice that amount (\$130,000 in 2009) without the Contribution being considered a taxable gift, provided that neither spouse makes other gifts to the Beneficiary in the same year or in any of the succeeding four calendar years. The annual exclusion is indexed for inflation and therefore is expected to increase over time. See "Exhibit B – Tax Information."

In "Exhibit B -- Tax Information," the first 6 paragraphs under the heading "**Federal Gift, Estate and Generation-Skipping Transfer Taxes**" are replaced in their entirety with the following:

**Federal Gift, Estate and Generation Skipping Transfer Taxes**

Contributions to an Account are considered completed gifts to the Beneficiary of the Account for federal estate, gift, and generation skipping transfer tax purposes. Except as described below, if an Account Owner dies while there is a balance in the Account, the value of the Account is not includible in the Account Owner's gross estate for federal estate tax purposes. However, amounts in an Account at the death of the Beneficiary are includible in the Beneficiary's gross estate.

A donor's gifts to a donee in any given year will not be taxable if the gifts are eligible for, and do not in total exceed, the gift tax "annual exclusion" for such year. For 2009, the annual exclusion is \$13,000 per donee, or twice that amount for a married donor whose spouse elects on a Federal Gift Tax Return to "split" gifts with the donor. The annual exclusion is indexed for inflation and is expected to increase in the future.

Under Section 529, a donor's contributions to an Account for a Beneficiary are eligible for the gift tax annual exclusion. Contributions that qualify for the gift tax annual exclusion are also excludible for purposes of the Federal generation-skipping transfer ("GST") tax. Accordingly, so long as the donor's total contributions to Accounts for the Beneficiary in any year (together with any other gifts made by the donor to the Beneficiary in such year) do not exceed the annual exclusion amount for such year, the donor's contributions will not be considered taxable gifts and will be excludible for purposes of the GST tax.

In addition, if a donor's total contributions to Accounts for a Beneficiary in a single year exceed the annual exclusion for such year, the donor may elect to treat contributions that total up to

five times the annual exclusion (or up to ten times if the donor and his or her spouse split gifts) as having been made ratably over a five year period. Consequently, a single donor may contribute up to \$65,000 in a single year without incurring federal gift tax, so long as the donor makes no other gifts to the same Beneficiary during the calendar year in which the Contribution is made or any of the next four calendar years.

**An election to have the contribution taken into account ratably over a five-year period must be made by the donor on a Federal Gift Tax Return, IRS Form 709.**

For example, an Account Owner who makes a \$65,000 contribution to an Account for a Beneficiary in 2009 may elect to have that contribution treated as a \$13,000 gift in 2009 and a \$13,000 gift in each of the following four years. If the Account Owner makes no other contributions or gifts to the beneficiary before January 1, 2014, the Account Owner will not be treated as making any taxable gifts to the Beneficiary during that five-year period. As a result, the \$65,000 contribution will not be treated as a taxable gift and will be excludible for purposes of the GST tax. However, if the Account Owner dies before the end of the five year period, the portion of the contributions allocable to years after the year of death will be includible in the Account Owner's gross estate for federal estate tax purposes.

The text on page 32 under the heading **"Does Illinois Law Protect Accounts From Creditors?"** is replaced in its entirety with the following:

Under certain circumstances, money held in an Account in the Program is exempt from the claims of the creditors of an Account Owner, contributor, or Beneficiary. Illinois law protects your Account from all claims of creditors of the Beneficiary, the Account Owner, or the contributor, subject to the following limits:

- Contributions made with an actual intent to hinder, delay, or defraud a creditor are not protected;
- Contributions made during the 365-day period prior to filing a bankruptcy petition are protected, for each beneficiary, only up to the amount of the gift tax annual exclusion (currently \$13,000); and
- Contributions made during the period beginning 730 days and ending 366 days prior to filing a bankruptcy petition are protected, for each beneficiary, only up to the amount of the gift tax annual exclusion (currently \$13,000).

Thus, assuming that no contributions were made with an actual intent to hinder, delay, or defraud a creditor, all amounts contributed more than 730 days prior to filing the bankruptcy petition are protected, and amounts contributed within 730 days of filing the bankruptcy petition are currently protected up to either \$13,000 or \$26,000, depending upon the timing of the contributions.

None of the Pool, the Illinois State Treasurer, or the Program Manager make any representations or warranties regarding protection from creditors. You should consult your legal advisor regarding this law and your circumstances.