



529 QUARTERLY

Fourth Quarter 2011

2011 Illinois Tax Reporting

If you contributed to your Bright Directions account in 2011, up to \$20,000 of your contributions are tax deductible for Illinois tax purposes (\$10,000 for single filers). Keep in mind that any Illinois taxpayer who may have made a contribution to your account is eligible to take advantage of the Illinois income tax deduction. If family members or friends made contributions to your account, be sure to remind them to tell their tax professional about their contribution.

It is our understanding that in order to take the Illinois State Income Tax Deduction for 2011 contributions, those who made contributions should report them on Schedule M, Line 12c when they file their 2011 taxes. Check with your tax professional and the Tax Center on the Bright Directions site for additional information regarding 2011 tax reporting.

This is a great time to start contributing to Bright Directions to benefit from the 2012 Illinois income tax deduction. A monthly automatic contribution is an easy way to build additional savings without having to remember to mail a check or contribute online. Simply log in online to set up a contribution of \$25, \$50, \$100 or more each month in 2012. Don't put off your contributions – Start Now!

2011 Gift Tax Reporting

If you made larger gifts in 2011 (ie: typically over \$13,000), make sure to mention them to your tax professional so they can determine if any special IRS filings are required. If you took advantage of the special 5-year front-loading election allowed for 529 plans, please notify your tax professional so they can prepare any necessary Gift Tax Return. **The due date for filing is April 17, 2012.**

Fee Reduction

Offering a great value at a solid price is an ongoing goal for Bright Directions. We are pleased to inform you a number of the underlying investment funds have lowered expenses including some nice decreases with the Northern Institutional Funds. When the expenses change on some of the underlying funds, that also impacts our Age-Based, Target, and Individual Fund Portfolios. Watch for additional details in January regarding these exciting changes that will help investors build additional dollars for college.

Withdrawals in 2011 (IRS Form 1099-Q)

IRS Form 1099-Q will be mailed to any recipients of a 2011 withdrawal from a Bright Directions account by the end of January 2012. If you requested a withdrawal in 2011, watch for your 1099-Q to arrive in late January or early February. If the distribution was payable to the account owner, the 1099-Q will be sent to the account owner. If funds were paid to the beneficiary or to the college directly, the beneficiary will receive the 1099-Q. We recommend that you keep your college expense invoices and receipts with your tax papers in the event there are ever any questions about your withdrawal. If the distribution was for a qualified higher education expense, in most cases you should not need to report it when you file your 2011 taxes. If the withdrawal was non-qualified, the earnings portion that is provided on the 1099-Q would be reported as income and would incur a 10% Federal penalty tax. You should consult your tax professional for more information and advice.



Invest Your Tax Refund

If you will be receiving a Federal or State tax refund, consider depositing it into your Bright Directions College Savings Program account. This is a great way to set aside additional money for future college costs. Your Illinois and Federal tax form will provide a section that allows you to have your refund deposited directly into a bank account.

Here is the information you will need:

Routing Number:

1	0	4	9	1	0	7	9	5
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Type of Account: **Savings**

Account #:

2	5	2	9														
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(after 2529 include your 9 digit Bright Directions College Savings Program account number)

Keep your “Green” New Year’s Resolution with Online Statements

Sign up for Online Statements and keep your New Year’s Resolution to be “green”! Online Statements are an easy way to keep track of your Bright Directions account without paper clutter. You have access to your account information and quarterly statements through our secure online access at www.BrightDirections.com. To turn off paper statements, simply log in to your account and choose the “Statements” tab to sign up for E-Delivery.

Online account access also provides the ability to:

1. Make one-time or “On Demand” contributions
2. Establish or Change an Automatic Investment Plan
3. Request a withdrawal
4. Change your investment allocation
5. Update address and contact information

If you have not utilized the online capabilities available through the Bright Directions website, call us and we would be happy to help you get set up. You can reach our customer care representatives at (866) 722 – 7283 from 7:30 AM to 6:00 PM, Monday through Friday.

Best Wishes for the New Year!

Not FDIC Insured May Lose Value No Bank Guarantee

