A Gift with Lasting Impact

Some toys are short-lived. A contribution to a UESP account can bolster a dream of a lifetime.

The holiday season is almost here, with many people braving the weather, the crowds, or the internet for the latest must-have toy. After all of the effort, some might wonder about the shelf life of the toy, and whether the battle scars of shopping will deliver a gift with lasting impact.

When you give a child a toy for a birthday or a holiday, it begins depreciating in value immediately—and the child’s interest level may also decline.

Instead, if you give a child money toward their Utah Educational Savings Plan (UESP) 529 college savings account, that gift may appreciate in value over time. In the long term, your gift is an investment for their future education and career.

Enroll in the UESP Gift Program with a few simple steps—it takes just a couple of minutes.

1. Log in to your account at uesp.org.
2. Activate a personal gift page by selecting Gift Program. Click “enable gifting” for your gift page link and a unique gift code.
3. Share the link and gift code with friends and family via word-of-mouth, email, or social media.

A 529 account with UESP receives federal tax advantages—tax-deferred earnings and tax-free withdrawals for qualified higher education expenses like tuition, mandatory fees, and certain room and board costs.

“Rather than material gifts like toys or trips, we like to get people to contribute [to our children’s UESP accounts]. It pulls double duty—it eliminates material items and bolsters college educational accounts,” said account owner Mike S., of Colorado, about why he uses the UESP Gift Program.

Simplify holiday shopping for family and friends this season by asking them to contribute instead to your beneficiary’s UESP account through the UESP Gift Program.

And the UESP Gift Program doesn’t have to be just for holidays like Christmas or Hanukkah—you can utilize the gifting feature for birthdays, religious holidays or ceremonies, graduations, or other special occasions.

See gift.uesp.org for more information.

Contributions through the Gift Program have “a very important, meaningful impact ultimately on our children’s future life and education. Combined with low cost expenses with UESP, [the Gift Program is] a no-brainer. It’s one of the least complicated aspects of our life,” Mike S. said.
You’ve saved money for years, your children have graduated from college, and now you have unused funds in 529 accounts. What are your options?

You have a few options that don’t involve taking a taxable nonqualified withdrawal and incurring an additional tax penalty.

Save for future education
Your child may be through college now, but may decide later that he or she wants to take additional course work to help achieve career goals or pursue an advanced degree such as a master’s program or law school. The funds will be available for that purpose.

Change the beneficiary
The account’s beneficiary may be changed to someone who is a member of the family of the original beneficiary. That includes siblings, nieces, nephews, grandchildren, and even you if you would like to take a class at an eligible educational institution.1

Penalty-free withdrawals
Did your child earn a college scholarship? Is he or she attending a U.S. service academy? If so, you can withdraw money—in the year the scholarship was awarded up to the amount of the scholarship or during the attendance at a service academy—from your 529 account without paying the 10 percent federal tax penalty. You will still need to pay taxes on earnings. The UESP Program Description has more details on other circumstances that permit you to withdraw funds without paying a penalty.

Nonqualified withdrawals
Qualified withdrawals cover expenses including tuition and mandatory fees; computers, peripheral equipment, educational software, and internet access; books, supplies, and required equipment; and room and board for students enrolled at least half-time.

Funds withdrawn from an account that are not used for qualified higher education expenses are subject to taxes and tax penalties.

No federal taxes or tax penalties apply to the principal, or what you contributed to the account. However, earnings on the principal are subject to income taxes and a 10 percent federal tax penalty. Also, a Utah taxpayer must add back any Utah state income tax credit or deduction claimed in prior years.

1 If a Utah taxpayer account owner/agent changes an account’s beneficiary from someone who was younger than age 19 at the time the beneficiary was designated on the account to someone who is age 19 or older, the account owner must recapture (add back) Utah state income tax credits or deductions claimed in any prior tax year. These taxes must be paid in the year such a change is made. See the Program Description for more information.

How to Make an Investment Option Change
UESP’s recent glide path changes in its age-based investment options provide smoother equity step downs between age brackets and further diversified bond holdings. The changes also present an opportunity to evaluate your investment’s allocations and determine whether you want to take a different approach.

Account owners are allowed to change investment options twice per calendar year for the same beneficiary, according to IRS rules. Because they were initiated by UESP, the glide path changes did not count as one of the two allowable changes.

If you wish to make an investment option change, you can do so at uesp.org or by submitting an Investment Option Change form (form 405), which can be downloaded online.

To learn about different investment options when considering an option change, visit our website or read Part 7 / Investment Information of the UESP Program Description.

Remember, the IRS views the transfer of money between two UESP accounts as an investment option change if both the account owner/agent and beneficiary are the same.

If you would like the current balance in an account to remain invested in one investment option, but future contributions to be invested in a different investment option, you will need to open another account for the future contributions. New investments in a different investment option are not considered as one of two investment option changes permitted in any calendar year.
The Perils of Raiding a College Savings Account

While college savings plan balances continue to reach year-over-year highs, some parents are unwisely dipping into their accounts to cover debts or pay for other discretionary expenses such as vacations and weddings.

According to a 2016 study by money management firm T. Rowe Price, nearly half (45 percent) of respondents with 529 and other types of college savings accounts said they took money from their accounts in the past two years.

Most withdrawals were used for home repairs, buying a car, paying health care costs, and other expenditures unrelated to education. Just 18 percent of parents used some of the money they took from savings to pay for their children’s education. Only 3 percent of parents used all of their withdrawals to pay for education.

The survey had some good news: Parents who have 529 plan accounts were less likely to spend their savings on things other than college. It found that 38 percent used withdrawals from 529 plans for nonqualified purposes. While that was a large percentage, it was “significantly less” than the 49 percent of parents who took money from non-529 plan accounts and used those funds for something other than education.

Other than for true emergencies, it’s rarely wise to raid a college savings account. Fewer dollars saved today means more dollars that must be borrowed and repaid with interest in the future.

Owners of 529 plan accounts who make nonqualified withdrawals face particular challenges. The earnings portion of a nonqualified withdrawal will incur federal income tax and a 10 percent penalty on the earnings. Utah account owners who have UESP accounts must also pay state income tax on the earnings portion of a nonqualified withdrawal, as well as repay any state tax credit or deduction previously taken.

View Your Account Data on the UESP Dashboard

Want a data-based breakdown of your UESP account(s)? Visit the Dashboard and have a glance beyond the balance.

When you log in to Account Access, you can click on the Dashboard button to view various charts with information about your account(s).

You can view how much value your investment has gained or lost over a certain time period, account value by underlying fund, your investment allocations, and a 12-month account activity summary that includes contributions, dividends, withdrawals, transfers/exchanges, administrative fees, and market gain/loss.

If you have more than one account, you can view them one at a time or in aggregate.
Utah taxpayers, depending on their tax-filing status, can claim a 5 percent tax credit/deduction per qualified beneficiary for contributions to their UESP account up to a certain limit. See table below for specific information.

<table>
<thead>
<tr>
<th>Tax Filer</th>
<th>UESP Account Type</th>
<th>2017 Maximum Allowable Contribution for a Utah State Income Tax Credit</th>
<th>2017 Maximum Utah State Income Tax Credit per Beneficiary (5%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>Individual</td>
<td>$1,920</td>
<td>$96</td>
</tr>
<tr>
<td>Joint</td>
<td>Individual</td>
<td>$3,840</td>
<td>$192</td>
</tr>
<tr>
<td>Trusts</td>
<td>Institutional</td>
<td>$1,920</td>
<td>$96</td>
</tr>
<tr>
<td>Grantor Trust, Married Filing Jointly</td>
<td>Institutional</td>
<td>$3,840</td>
<td>$192</td>
</tr>
<tr>
<td>Corporation</td>
<td>Institutional</td>
<td>$1,920</td>
<td>$1,920*</td>
</tr>
</tbody>
</table>

*deduction

Married couples are not required to have separate UESP accounts to claim the joint tax benefits. However, if both spouses own separate accounts for the same beneficiary, each will receive a Utah state tax form TC-675H for his or her account. Their aggregated maximum Utah state income tax credit is then limited to one joint tax credit per qualified beneficiary.

For UGMA/UTMA accounts, only the account owner, who is also the beneficiary, is eligible for state tax benefits, even if the account owner is a minor.

A nonresident or part-year Utah resident can claim only a prorated amount of the Utah state income tax credit.

The apportioned tax credit is based on the percentage of income the account owner earned and received in Utah of his or her total income during the tax year. The percentage is calculated by dividing the modified Utah adjusted gross income earned (Utah state taxable income) by the account owner’s modified federal adjusted gross income. The Utah state income tax credit is then multiplied by that percentage, and the result is the apportioned tax credit that may be claimed on the account owner’s Utah state income tax return.

2017 Year-End Deadlines
UESP will record tax-year transactions based on the following deadlines:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>Sunday, December 31, 2017</td>
<td>Friday, December 29, 2017</td>
</tr>
<tr>
<td>New Accounts</td>
<td>Sunday, December 31, 2017</td>
<td>Friday, December 29, 2017</td>
</tr>
<tr>
<td>Withdrawals</td>
<td>Sunday, December 31, 2017</td>
<td>Friday, December 29, 2017</td>
</tr>
<tr>
<td>Investment Option Change</td>
<td>Sunday, December 31, 2017</td>
<td>Friday, December 29, 2017</td>
</tr>
<tr>
<td>Incoming Rollovers (money received)</td>
<td>N/A</td>
<td>Friday, December 29, 2017</td>
</tr>
<tr>
<td>Transfers (between accounts with the same account owner)</td>
<td>Sunday, December 31, 2017</td>
<td>Friday, December 29, 2017</td>
</tr>
<tr>
<td>Transfers (between accounts with different account owners)</td>
<td>N/A</td>
<td>Friday, December 29, 2017</td>
</tr>
<tr>
<td>Outgoing Rollovers</td>
<td>N/A</td>
<td>Friday, December 15, 2017</td>
</tr>
</tbody>
</table>

All contributions must be in good order—accurate, proper, legible, and complete.

¹Paper forms and incoming faxes are considered manual submissions and must meet the deadlines for the manual process. A mailed contribution postmarked on or before the December 29, 2017, deadline but received in 2018 will be recorded as a 2018 tax-year contribution.
**Investment Option Performance as of September 30, 2017**

**AGE-BASED INVESTMENT OPTIONS**

| Age-03 | 2.15% | 5.02% | 16.10% | 18.70% | 9.06% | 12.62% | 6.64% | 10.33% | 4/1/2003 |
| Age-04 | 2.15% | 5.02% | 16.10% | 18.49% | 9.03% | 12.61% | 6.63% | 10.33% | 4/1/2003 |
| Age-05 | 1.77% | 4.29% | 13.55% | 15.09% | 7.78% | 10.50% | 6.51% | 9.47% | 9/20/1999 |
| Age-06 | 1.39% | 3.55% | 10.95% | 11.55% | 6.44% | 8.35% | 6.13% | 8.36% | 9/20/1999 |
| Age-07 | 1.14% | 2.94% | 8.33% | 8.36% | 5.01% | 6.16% | 5.48% | 6.99% | 9/20/1999 |
| Age-08 | 0.93% | 2.66% | 6.04% | 8.07% | 4.92% | 6.11% | 5.45% | 6.97% | 9/20/1999 |
| Age-09 | 0.72% | 2.03% | 5.31% | 4.97% | 3.37% | 3.80% | 4.57% | 5.34% | 9/20/1999 |
| Age-10 | 0.51% | 1.75% | 5.03% | 4.68% | 3.28% | 3.75% | 4.54% | 5.32% | 9/20/1999 |
| Age-11 | 0.29% | 1.48% | 4.75% | 4.41% | 3.19% | 3.69% | 4.51% | 5.30% | 9/20/1999 |
| Age-12 | 0.08% | 1.04% | 1.87% | 1.73% | 1.33% | 1.07% | 1.22% | 1.73% | 9/20/1999 |

**Age-Based Aggressive Global**

| Age 0–3 | 2.45% | 4.52% | 13.77% | 18.47% | 10.56% | 13.60% | 7.61% | 5.84% | 9/20/1999 |
| Age 4–6 | 2.01% | 3.88% | 11.69% | 14.90% | 6.97% | 11.49% | 6.99% | 5.61% | 9/20/1999 |
| Age 7–9 | 1.59% | 3.23% | 9.56% | 11.41% | 7.32% | 9.34% | 6.29% | 5.33% | 9/20/1999 |
| Age 10–12 | 1.32% | 2.69% | 7.38% | 8.27% | 5.97% | 7.01% | 5.33% | 4.85% | 9/20/1999 |
| Age 13–14 | 1.07% | 2.44% | 7.12% | 8.00% | 5.50% | 6.95% | 5.30% | 4.83% | 9/20/1999 |
| Age 15 | 0.83% | 1.88% | 4.69% | 4.89% | 3.68% | 4.22% | 4.14% | 4.29% | 9/20/1999 |
| Age 16 | 0.59% | 1.63% | 4.65% | 4.65% | 3.59% | 4.17% | 4.11% | 4.27% | 9/20/1999 |
| Age 17 | 0.35% | 1.37% | 4.30% | 4.37% | 3.50% | 4.11% | 4.08% | 4.26% | 9/20/1999 |
| Age 18 | 0.19% | 0.97% | 1.16% | 1.21% | 1.12% | 1.16% | 1.19% | 1.24% | 9/20/1999 |

**Important Information Regarding Investments in UESP**

- The performance returns shown in the table above are based on a $10,000 beginning account balance, assuming the money was invested on the first day and held until the last day of each period shown. These returns only reflect the performance returns of a hypothetical $10,000 investment for a particular investment option over the stated period of time reflected in the table, not for individual accounts. Individual account performance will vary based on the timing of the initial and subsequent investments, withdrawals (if any), and the account balances.
- The returns shown above (a) take into account the underlying investment performance for each period; (b) show applicable interest and dividends; and (c) are net of the Administrative Asset Fee charged by UESP during such periods. Beginning on January 1, 2010, and ending on September 30, 2014, the Administrative Maintenance Fee of up to $15 annually was not reflected on the returns. The Administrative Mail Delivery Fee was included in the performance calculations until September 2014. The fee no longer applies to UESP accounts.
- For age-based and static investment options, performance returns shown above assume that (a) prior to January 1, 2007, the investment options did not rebalance; (b) beginning January 1, 2007, and ending December 31, 2012, investment options rebalanced on January 1 of each year to match the target allocations for each investment option in effect at the time; and (c) beginning January 1, 2013, investment returns are based on the aggregate market value of the investment options, which reflect the actual investment rebalancing that takes place on the birthday of each beneficiary. For these reasons and the reasons stated above, the actual returns in any individual account will not match those shown in the table.

**Notes**

1. Year-to-date calculations are based on a calendar year, January 1 to the current month-end date.
2. Average Annualized Returns for investment options with an inception date in the past 12 months are cumulative and non-annualized.
3. The inception date is the first date that (a) the investment option was offered and/or received a contribution, or (b) the investment option began to new investments as an underlying investment in the Customized Age-Based and Customized Static investment options. For age brackets that were closed to new investments prior to January 1, 2007, the investment options did not rebalance; (b) beginning January 1, 2007, and ending December 31, 2012, investment options rebalanced on January 1 of each year to match the target allocations for each investment option in effect at the time; and (c) beginning January 1, 2013, investment returns are based on the aggregate market value of the investment options, which reflect the actual investment rebalancing that takes place on the birthday of each beneficiary. For these reasons and the reasons stated above, the actual returns in any individual account will not match those shown in the table.
### Investment Option Performance as of September 30, 2017

<table>
<thead>
<tr>
<th>STATIC INVESTMENT OPTIONS</th>
<th>Latest Month</th>
<th>Latest Three Months</th>
<th>Year to Date</th>
<th>One Year</th>
<th>Three Year</th>
<th>Five Year</th>
<th>Ten Year</th>
<th>Since Inception</th>
<th>Inception Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity—100% Domestic</td>
<td>2.05%</td>
<td>4.44%</td>
<td>14.08%</td>
<td>18.39%</td>
<td>10.62%</td>
<td>14.02%</td>
<td>7.16%</td>
<td>5.43%</td>
<td>9/20/1999</td>
</tr>
<tr>
<td>Equity—30% International</td>
<td>2.46%</td>
<td>4.81%</td>
<td>15.88%</td>
<td>18.70%</td>
<td>9.16%</td>
<td>12.49%</td>
<td>N/A</td>
<td>10.34%</td>
<td>10/3/2008</td>
</tr>
<tr>
<td>Equity—10% International</td>
<td>2.52%</td>
<td>4.41%</td>
<td>13.80%</td>
<td>17.60%</td>
<td>9.83%</td>
<td>13.37%</td>
<td>6.99%</td>
<td>10.59%</td>
<td>4/1/2003</td>
</tr>
<tr>
<td>70% Equity/30% Fixed Income</td>
<td>1.56%</td>
<td>3.56%</td>
<td>11.14%</td>
<td>13.09%</td>
<td>7.55%</td>
<td>N/A</td>
<td>N/A</td>
<td>9.47%</td>
<td>6/21/2013</td>
</tr>
<tr>
<td>20% Equity/80% Fixed Income</td>
<td>0.34%</td>
<td>1.49%</td>
<td>4.75%</td>
<td>4.41%</td>
<td>3.21%</td>
<td>N/A</td>
<td>N/A</td>
<td>3.76%</td>
<td>6/21/2013</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>-0.40%</td>
<td>0.72%</td>
<td>2.64%</td>
<td>0.26%</td>
<td>2.21%</td>
<td>1.46%</td>
<td>3.84%</td>
<td>3.85%</td>
<td>9/9/2002</td>
</tr>
<tr>
<td>Public Treasurers’ Inv. Fund: Utah Res.</td>
<td>0.13%</td>
<td>0.37%</td>
<td>1.00%</td>
<td>1.29%</td>
<td>0.90%</td>
<td>0.76%</td>
<td>1.11%</td>
<td>2.74%</td>
<td>11/3/1996</td>
</tr>
<tr>
<td>Public Treasurers’ Inv. Fund: Non-Utah Res.</td>
<td>0.12%</td>
<td>0.33%</td>
<td>0.88%</td>
<td>1.13%</td>
<td>0.73%</td>
<td>0.59%</td>
<td>0.87%</td>
<td>2.62%</td>
<td>11/3/1996</td>
</tr>
<tr>
<td>FDIC-Insured</td>
<td>0.13%</td>
<td>0.47%</td>
<td>1.12%</td>
<td>1.37%</td>
<td>0.92%</td>
<td>0.72%</td>
<td>N/A</td>
<td>0.74%</td>
<td>2/11/2009</td>
</tr>
</tbody>
</table>

### CUSTOMIZED INVESTMENT OPTIONS

The information below shows the returns for the following underlying investments and are net of the UESP Administrative Asset Fee. Returns on an account invested in the Customized Age-Based or Customized Static investment options will depend upon the underlying investment allocation chosen by the account owner/agent. In addition, individual account performance will vary based on the timing of the investments in the investment option, any cash flow in or out of the UESP account during the investment period, and on the balances in the UESP accounts.

#### Institutional Total Stock Market Index Fund
- 2.45% (4.51%) 13.74% (18.42%)
- 10.52% (14.02%)
- N/A
- 14.03%
- 2/1/2010

#### Institutional Fund
- 2.05% (4.43%) 14.06% (18.36%)
- 10.60% (14.00%)
- N/A
- 13.93%
- 2/1/2010

#### Value Index Fund
- 2.99% (4.11%) 9.35% (17.54%)
- 9.72% (N/A)
- N/A
- 12.86%
- 6/21/2013

#### Growth Index Fund
- 1.02% (4.81%) 20.14% (19.58%)
- 11.28% (N/A)
- N/A
- 14.67%
- 6/21/2013

#### Mid-Cap Index Fund
- 2.25% (3.39%) 12.74% (15.10%)
- 9.53% (14.19%)
- N/A
- 14.29%
- 2/1/2010

#### Small-Cap Index Fund
- 4.40% (4.54%) 10.46% (17.15%)
- 10.24% (13.74%)
- N/A
- 14.41%
- 2/1/2010

#### Small-Cap Value Index Fund
- 4.89% (4.35%) 6.77% (17.39%)
- 10.90% (N/A)
- N/A
- 12.94%
- 6/21/2013

#### Total International Stock Index Fund
- 1.77% (5.92%) 21.46% (19.08%)
- 5.14% (7.31%)
- N/A
- 3.99%
- 5/6/2011

#### International Value Fund
- 2.99% (6.67%) 21.80% (20.39%)
- 3.77% (7.81%)
- N/A
- 5.89%
- 2/1/2010

#### FTSE Social Index Fund
- 2.26% (N/A)
- N/A
- N/A
- N/A
- 2.87%
- 7/1/2014

#### Developed Markets Index Fund
- 2.47% (5.50%) 20.93% (19.08%)
- 5.69% (8.71%)
- N/A
- 6.92%
- 2/1/2010

#### Total International Bond Index Fund
- 2.56% (10.62%) 37.28% (28.02%)
- 10.34% (11.37%)
- N/A
- 9.61%
- 2/1/2010

#### Emerging Markets Stock Index Fund
- 0.81% (7.71%) 23.47% (18.67%)
- 3.88% (N/A)
- N/A
- 6.18%
- 6/21/2013

#### Short-Term Investment-Grade Fund
- -0.15% (0.55%)
- 2.04% (1.16%)
- 1.94% (1.75%)
- N/A
- 1.99%
- 8/1/2011

#### Short-Term Bond Index Fund
- -0.26% (0.37%)
- 1.39% (0.21%)
- 1.26% (N/A)
- N/A
- 1.28%
- 6/21/2013

#### Short-Term Infl.-Prot. Sec. Index Fund
- -0.14% (0.39%)
- 0.50% (0.24%)
- 0.38% (N/A)
- N/A
- 0.23%
- 2/3/2014

#### Total Bond Market Index Fund
- -0.55% (0.68%)
- 3.00% (-0.31%)
- 2.43% (1.78%)
- N/A
- 3.25%
- 2/1/2010

#### High-Yield Corporate Fund
- 0.76% (N/A)
- N/A
- N/A
- N/A
- 1.58%
- 7/14/2017

#### Total International Bond Index Fund
- -0.53% (0.60%)
- 1.10% (-1.02%)
- 2.99% (N/A)
- N/A
- 3.64%
- 2/3/2014

### Contact UESP

**Phone** 800.418.2551  
**Fax** 800.214.2956  
**Mailing Address** PO Box 145100  
Salt Lake City, UT 84114-5100  
**Hours** Business days, Monday through Friday, 8:00 a.m. to 5:00 p.m., Mountain Time