

March 24, 2000

Launch  
date  
March 27

Bright  Start<sup>SM</sup>

A Smart Way to Save for College

Introducing **Bright Start<sup>SM</sup>**—  
Salomon Smith Barney's second  
Section 529 College Savings Plan  
featuring the new **"all equity"**  
investment option.

## REASONS TO INVEST

- ★ Bright Start is one of the Section 529 programs to offer an *all-equity investment option*.
- ★ Bright Start is a *national program that is administered through the Illinois State Treasurer's Office*. People everywhere can open an account, regardless of income level, and anyone can become a beneficiary, regardless of age.
- ★ Bright Start has one of the **highest contribution limits**. Clients can contribute from as little as \$25 to as much as \$160,000 per beneficiary.<sup>2</sup>
- ★ Bright Start gives your **clients control**. Clients can change the beneficiary of their account at any time to a family member of the original beneficiary.

<sup>1</sup>To qualify as an eligible school, the school must be able to accept federal financial aid.

<sup>2</sup>Once the account balance reaches \$160,00, no further contributions may be made. Contributions to other Section 529 programs may count against the \$160,000 limit.

## QUESTIONS FROM THE FIELD

### Can my clients switch between Section 529 College Savings Plans?

Federal tax law states that investors can switch from one state's program to another's without tax penalty only if they change the beneficiary on the account. To switch from another state plan into Bright Start, your client needs to complete a Transfer Form, which can be requested by calling the program manager of the existing 529 plan.

### Why can't investors in Bright Start and Scholars Choice direct their own investments?

Federal tax law prohibits investors from being able to direct their own investments in Section 529 College Savings Plans. What your clients give up in terms of control over asset selection, however, they gain in terms of tax advantages, high contribution limits and unprecedented flexibility.

### How do I sign up my clients?

- ★ Send Bright Start Enrollment Kits (CIP9002) to your clients along with your branch's own business reply envelope.
- ★ Your client should return the Account Application to you, along with a check for at least \$25.
- ★ Give the Application and check to your branch operations area, which will open an SSB Bright Start account and deposit the contribution. Later this year you will be able to open Bright Start accounts through FCNAS.
- ★ Keep in mind that the system will automatically invest all contributions and rollovers into the appropriate Bright Start portfolio based on the client's investment election. Entering trades manually will result in a duplicate trades.

## Give your clients access to tax advantages that can't be found anywhere else in the tax code.

Under a special provision for Section 529 plans, your clients can invest as much as \$50,000 (\$100,000 for married couples) per beneficiary in one year without incurring gift taxes.<sup>3</sup> And, their investment is excluded from their taxable estate.<sup>4</sup> That makes Bright Start a valuable tool for estate-planning purposes.

<sup>3</sup>Contributions between \$10,000 and \$50,000 made in one year can be prorated over a five-year period without incurring gift taxes or reducing your client's unified estate and gift tax credit. If your client contributes less than the \$50,000 maximum, additional contributions can be made without incurring gift taxes, up to a prorated level of \$10,000 per year. Gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a given beneficiary in the year of contribution.

<sup>4</sup>For contributions between \$10,000 and \$50,000 made in one year, if the account owner dies before the end of the five-year period, a prorated portion of the contribution will be included in his or her taxable estate.

# COMPARE YOUR OPTIONS

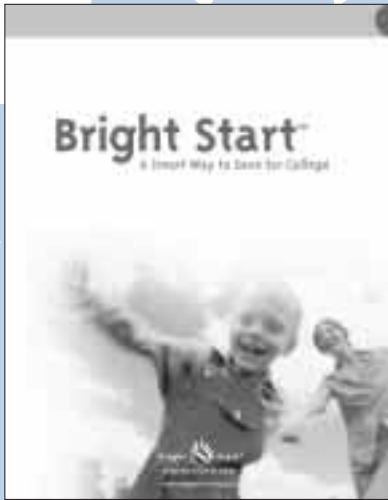
	Scholars Choice	Bright Start																												
Sponsored by	Colorado	Illinois																												
Eligibility	All U.S. Residents	All U.S. Residents																												
Tax Advantages (Federal)	<ul style="list-style-type: none"> <li>Earnings grow tax-deferred</li> <li>Qualified withdrawals taxed at student's rate</li> <li>Account Owner maintains control of account but assets are not considered part of the Account Owner's estate.</li> <li>Special federal gift tax exemption allows \$50,000 (\$100,000 for married couples) to be contributed in one year without incurring gift taxes. Refer to footnote number 3.</li> </ul>																													
Tax Advantages (State)	Qualified withdrawals are free from Colorado State tax	Qualified withdrawals are free from Illinois State tax																												
Enrollment Kit	SCH8001	CIP9002																												
Investment Options	<p><b>1. Age-based (seven portfolios)</b> Equity%/Bond%/Money Market%</p> <table border="1"> <tr> <td>Ages 0-3:</td> <td>80/20</td> <td>10-12:</td> <td>50/50</td> </tr> <tr> <td>4-6:</td> <td>70/30</td> <td>13-15:</td> <td>40/50/10</td> </tr> <tr> <td>7-9:</td> <td>60/40</td> <td>16-18:</td> <td>20/55/25</td> </tr> <tr> <td>19 &amp; older:</td> <td colspan="3">10/60/30</td> </tr> </table> <p><b>2. Balanced Portfolio</b> (50% equity – 50% bond funds)</p> <p><b>3. Years to Enrollment</b> For “nontraditional” students, this option use Age-based Portfolios 3-7.</p>	Ages 0-3:	80/20	10-12:	50/50	4-6:	70/30	13-15:	40/50/10	7-9:	60/40	16-18:	20/55/25	19 & older:	10/60/30			<p><b>1. Age-based (six portfolios)<sup>5</sup></b> Equity%/Bond%/Money Market%</p> <table border="1"> <tr> <td>Ages 0-6:</td> <td>90/10</td> <td>12-14:</td> <td>50/50</td> </tr> <tr> <td>7-9:</td> <td>70/30</td> <td>15-17:</td> <td>30/50/20</td> </tr> <tr> <td>10-11:</td> <td>60/40</td> <td>18 &amp; older:</td> <td>10/60/30</td> </tr> </table> <p><b>2. Fixed-Income Portfolio<sup>5</sup></b> Invested 100% in fixed-income funds for life of the account.</p> <p><b>3. Equity Portfolio</b> Invested 100% in equity funds for the life of the account.</p>	Ages 0-6:	90/10	12-14:	50/50	7-9:	70/30	15-17:	30/50/20	10-11:	60/40	18 & older:	10/60/30
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Underlying Smith Barney Funds	<ul style="list-style-type: none"> <li>Large Cap Value</li> <li>Large Cap Growth</li> <li>Small Cap Blend</li> <li>International Equity</li> <li>Investment Grade Bond</li> <li>Managed Governments</li> <li>Short-Term High Grade Bond</li> <li>Cash Portfolio</li> </ul>																													
Contribution Limits (Lifetime per student beneficiary)	<b>\$150,000 (contribution limit)</b> Total contributions and rollovers cannot exceed \$150,000.	<b>\$160,000 (account balance limit)</b> No additional contributions can be made after balance reaches \$160,000.																												
Annual Custodial Fee	\$30 for non-Colorado residents. None if the account owner or student is a Colorado resident.	None																												
Fund Expenses and Other Fees (Funds are purchased without a sales charge)	<ul style="list-style-type: none"> <li>0.99% Fund management fee</li> <li>0.30% (max.) Reimburse state for actual expenses.</li> </ul>	<ul style="list-style-type: none"> <li>0.99% Fund management fee</li> </ul>																												
FC Payout	75bps upfront, 25bp trail in month 13																													
Does State Have a Prepaid Tuition Program?	YES	YES																												
Web Sites	<a href="http://www.scholars-choice.com">www.scholars-choice.com</a>	<a href="http://www.brightstartsavings.com">www.brightstartsavings.com</a>																												
Toll-free Numbers	1-888-5-SCHOLAR (572-4652)	1-877-43-BRIGHT (432-7444)																												
Where to go on FC Linx	Click on Products/Services > <b>College Savings Programs</b>																													
Where to go on FCI	SCH	CIP																												



<sup>5</sup>Banks located in the State of Illinois can sell Bright Start. Clients establishing their account through an Illinois bank may not be getting the same investment portfolios that a Salomon Smith Barney client will receive. Depending on how the bank has agreed to sell the program, a portion of each portfolio may be invested in a CD pool based on the following allocations. **Age-based Portfolios**—Portfolio 1 (10%), Portfolios 2 & 3 (20%), Portfolios 4, 5 and 6 (50%); **Fixed-Income Portfolio**—50%.

## MARKETING MATERIALS

CIP9002, Enrollment Kit with account-opening documents



CIP2001,  
#10 Envelope-sized brochure



available  
starting  
3/27



### Additional Information

- For information on all Section 529 College Savings Plans available through Salomon Smith Barney, including the Bright Start program, go to **FC Linx**, go to Products/Services > **College Savings Programs**.
- For information about Bright Start, including a list of marketing materials, go to **FCI: CIP**.

### Whom to Contact

- For questions about the Bright Start program, call Retirement & Financial Planning Sales Desk **(212) 723-9210**.
- For questions about the Funds, call the Smith Barney Mutual Funds Sales Desk **(800) 544-7835**.

### Know Your Competition

Be sure to check out the comparison of all states' Section 529 college savings plans. Click on FC Linx > Products/Services > **College Savings Plans**.

A participant's investment in Bright Start is not insured by the Federal Deposit Insurance Corporation or any other government agency; is not a deposit or other obligation of Citigroup Inc. or any depository institution; is not guaranteed by Citigroup or any depository institution, the State of Illinois or Salomon Smith Barney Inc.; and is subject to investment risks, including the loss of the principal amount invested. As described in the Program Disclosure Statement, certain of the investment portfolios under Bright Start will invest a portion of their assets in bank deposits that are insured by the Federal Deposit Insurance Corporation or fully collateralized. See the Program Disclosure Statement for more complete information.