

Exciting Bright Directions News

Treasurer Michael Frerichs, Bright Directions trustee and administrator, recently announced Union Bank & Trust will remain Bright Direction's Program Manager after the open and competitive bid process. There will be no changes to Bright Directions' current structure, benefits, features, or services. However, Treasurer Frerichs' team has negotiated a lower program cost structure to help investors save even more for future college expenses. On July 17, 2017, the program management fee will be reduced by 17 percent to 15 basis points and the state fee will be reduced by 40 percent, from five basis points to three basis points. These fee reductions are automatic and require no action on your part. We sincerely appreciate having you as a Bright Directions investor and are excited about the opportunity to continue to assist you with your college savings needs.

Withdrawal Reminders

Summer is in full swing and we hope you are enjoying all the fun and sun that this time of year brings! It's hard to believe school will begin in just a few short weeks. If your beneficiary will be a college freshman or a returning college student, here is important information to remember as you prepare to utilize your Bright Directions account to pay for first semester expenses:

- ▶ Eligible Institutions are postsecondary institutions that are accredited by the U.S. Department of Education and are eligible to participate in Federal Financial Aid Programs. The list includes public and private colleges and universities; vocational, trade, technical, and professional institutions; and even some foreign schools. You can search for eligible schools at **BrightDirections.com** by selecting "Which schools are eligible institutions?" under our FAQ tab.
- ▶ Qualified expenses include: tuition, fees, books, supplies, and equipment required for enrollment, certain room and board expenses incurred by students who are enrolled at least half-time; the purchase of computer or peripheral equipment, computer software, or internet access and related services; and certain expenses for special needs services needed by a special needs beneficiary.
- ▶ It's easy to request a withdrawal through our secure website, **BrightDirections.com**. Log in and walk through the simple steps in a matter of minutes.

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Market Corner

Ever since the market lows investors experienced in 2008 and 2009, the markets have steadily climbed to reach all-time, record-setting highs. This eight-year streak is one of the longest in the history of the U.S. markets. While we all want the performance of the markets to continue at this remarkable pace, we should also be prepared and positioned for market volatility. Here's two suggestions:

First, now is a good time to meet and review your overall investment program and investments with your financial advisor if you have not done so lately. It is important to make sure your current investment options meet your expectations and risk-tolerance comfort level. Consider matching your investment options to your long-term investment goals. It should be an investment you are comfortable with when the markets are experiencing a period of out-performance as well as when there is a market pullback. Be sure to discuss your current investment strategy and your goals with your financial professional.

Second, continue to make regular contributions to your Bright Directions account. While you cannot control what happens in the markets, you can set achievable goals regarding how much and how often you invest for important, future college expenses. All in all—stay the course, continue to invest (even in down markets), and continue to save for the future.

- ▶ Payments can be issued to the account owner, account owner's bank account, beneficiary, or directly to the school.
- ▶ Please allow sufficient time for the withdrawal to be completed and to receive funds. We process distribution requests very quickly—typically the same business day if the request is received prior to 3 p.m. CST. Please allow additional time for checks to arrive by mail and for the school to process the payment.
- ▶ Keep all receipts, invoices, or other expense documentation in the event you need proof of your expenses in the future.
- ▶ We recommend you match all account expenses and withdrawals in the same calendar year for tax reporting purposes.
- ▶ A college refund can be redeposited into a 529 account for the same beneficiary within 60 days of the date of refund.

More detailed information about withdrawals can be found at **BrightDirections.com** and in the Program Disclosure Statement. If you have questions about your account or the withdrawal process, please don't hesitate to reach out to the Bright Directions Customer Care Center for assistance at 866.722.7283.

Bright Directions Feedback

Bright Directions is dedicated to providing outstanding customer service to all of our investors. We want to ensure you receive prompt, knowledgeable, and friendly service from our 529 Customer Care Specialists each time you contact us. To ensure a continuous high level of service, we ask current Bright Directions account owners to offer feedback on the level of our customer service, commonly known as mystery shops. Mystery shoppers are asked to complete a brief survey each quarter regarding the service they receive when contacting us by phone and are paid for each shop they complete. If you are interested in participating as a shopper or if you have any questions about the program or its benefits, contact Cross Financial Group at **shopping@crossfinancial.com** to request an information package, and please reference Bright Directions in your email.



An investor should consider the investment objectives, risks, and charges and expenses before investing. This and other important information is contained in the Bright Directions Program Disclosure Statement, which can be obtained from your financial professional and at BrightDirections.com and should be read carefully before investing. You can lose money by investing in a portfolio. Each of the portfolios involves investment risks, which are described in the Program Disclosure Statement. Before you invest, consider whether your or the beneficiary's home state offers any state tax or other benefits that are only available for investments in that state's 529 plan.

The Bright Directions College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee.

October 25, 2016 – Morningstar, a leading provider of independent investment research, announced new Analyst Ratings and reports for 63 of the nation's largest 529 college savings plans. In 2016, Morningstar identified 33 plans that it believes to be best-in-class options, assigning these programs Analyst Ratings of Gold, Silver, and Bronze. These plans, for the most part, follow industry best practices, offering some combination of the following attractive features: a strong set of underlying investments; a solid manager selection process; a well-researched, asset-allocation approach; an appropriate set of investment options to meet investor needs; low fees; and strong oversight from the state and program manager. These features improve the odds that the plan will continue to represent a strong option for investors. Gold-rated plans have all or a vast majority of these attributes. Silver- and Bronze-rated plans embody most of these qualities but often have some room for improvement.

Since 2012, ratings for 529 plans use the same scale as the Morningstar Analyst Rating for mutual funds. Both Analyst Rating methodologies consider the same five factors to arrive at the final rating, though the 529 ratings reflect the quality of the entire plan—not a single investment, as is the case for the fund rating.

To arrive at an Analyst Rating for 529 plans, analysts consider:

Process: Did the plan hire an experienced asset allocator to design a thoughtful, well-diversified glide path for the age-based portfolios? What suite of investment options is offered?

People: What is Morningstar's assessment of the underlying money managers' talent, tenure, and resources?

Parent: Is the program manager a good caretaker of college savers' capital? Is the state managing the plan professionally?

Performance: Have the plan's options earned their keep with solid, risk-adjusted returns over relevant time periods? How is the plan expected to perform going forward?

Price: Are the investment options a good value?

Bright Directions Morningstar Pillar Ratings

Process: Positive **People:** Positive **Parent:** Neutral **Performance:** Neutral **Price:** Positive

Morningstar rates the five Pillars: Positive, Neutral, or Negative. While these ratings can help with the selection process, they should not be the only factor considered. A Morningstar Analyst Rating for a 529 College Savings Plan is not a credit or risk rating. Analyst Ratings are subjective in nature and should not be used as a sole basis for investment decisions. Morningstar does not represent its Analyst Ratings to be guarantees. Please visit Morningstar.com for more information about the Analyst Ratings as well as other Morningstar ratings and fund rankings.

¹An individual who files an individual Illinois state income tax return will be able to deduct up to \$10,000 per tax year (up to \$20,000 for married taxpayers filing a joint Illinois state income tax return) for their total, combined contributions to the Bright Directions College Savings Program, the Bright Start College Savings Program, and CollegeIllinois! during that tax year. The \$10,000 (individual) and \$20,000 (joint) limit on deductions will apply to total contributions made without regard to whether the contributions are made to a single account or more than one account. The amount of any deduction previously taken for Illinois income tax purposes is added back to Illinois taxable income in the event an Account Owner takes a Nonqualified Withdrawal from an Account or if such assets are rolled over to a non-Illinois 529 plan. If Illinois tax rates have increased since the original contribution, the additional tax liability may exceed the tax savings from the deduction.

Not FDIC Insured / No Bank Guarantee / May Lose Value