



Fourth Quarter 2015



Bright Directions Earns Morningstar Silver Medal - Highest Rating Given to Advisor-sold Plans!

"Significant fee reductions make Illinois' Bright Directions College Savings Program even more attractive to residents and nonresident do-it-yourselfers, elevating the plan's Morningstar Analyst Rating to Silver from Bronze."

"The plan now boasts relatively cheap age-based portfolios, even while including a variety of topnotch managers."

"This advisor-sold plan's age-based options hold an impressive mix of 19 actively and passively managed strategies."

"In addition to the plan's packaged portfolios, there is an exceptional selection of individual options for investors to create customized portfolios."

"Illinois' state tax deduction on contributions (\$10,000 individual/\$20,000 joint) adds to the plan's appeal for residents, and nonresidents may also find the plan compelling."

>> Morningstar, October 2015

October 20, 2015—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. Morningstar has identified 29 plans that are likely to outperform their peers on a risk-adjusted basis over a market cycle of at least five years. The five-tiered, qualitative Morningstar Analyst Rating™ scale has three positive levels—Gold, Silver, and Bronze—in addition to Neutral and Negative ratings. The three positive ratings indicate Morningstar Medalists. This year, Morningstar manager research analysts awarded four Gold ratings, seven Silver ratings, 18 Bronze ratings, 32 Neutral ratings, and two Negative ratings to 529 college-savings plans.

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?

2015 Tax Reporting

Contributions: make sure to include your contributions on your Illinois State Income Tax Return. Contributions can help reduce your taxable income for Illinois state income tax purposes – helping you to save taxes!

Rollover Contributions: If you rolled an out-of-state 529 plan into Bright Directions – the "basis" amount, or the amount you contributed to that out-of-state plan, can be deductible for Illinois state income tax purposes.

Schedule M: includes a section to report your contributions to Bright Directions (Step 3: Figure your subtractions for Form IL-1040).

IRS Form 1099-Q: If you received a withdrawal from Bright Directions in 2015 watch for a Form 1099-Q from us in late January 2016. The 1099 will include the amount of the distribution along with a breakdown of the earnings portion. If the withdrawal was paid to the beneficiary or directly to the college the beneficiary will receive the 1099-Q.

IRS Form 709: If you made large gifts in 2015 (generally \$14,000 and above) make sure to ask your tax professional if you are required to file a Form 709 Gift Tax Return.

Resources: Visit these sites for additional tax information:

BrightDirections.com "Tax Center"

Illinois Revenue: revenue.state.il.us

IRS: IRS.gov

Please consult with your tax professional for guidance and assistance.

Exciting 529 Changes

The President signed HR 2029 on December 18th which included the following positive 529 changes:

- **Qualified Expenses Expanded** - effective for taxable years beginning after December 31, 2014, the definition of qualified higher education expenses is expanded to include: expenses for the purchase of any computer and any related peripheral equipment, computer software, or Internet access and related services, if such equipment, software, or services are to be used primarily by the beneficiary during any of the years the beneficiary is enrolled at an eligible educational institution.
- **Special Rule for Contributions of Refunded Amounts** - refunds of any qualified higher education expenses from an eligible educational institution are excludible from gross income if recontributed within 60 days (after the date of such refund) back into the 529 account. This provision is effective with respect to refunds of qualified higher education expenses after December 31, 2014.

For additional details please see the enclosed Program Disclosure Statement Supplement.

Creative Ways to Save More for College

Looking for additional ways to save a little more for college? Consider one or a combination of the following:

- **Invest your tax refund** - consider investing a portion or all of your Illinois or federal tax refund into Bright Directions. Call us or visit the Bright Directions "Tax Center" for the details.
- **Start or increase your monthly savings amount** - log into your account and start or increase a monthly savings amount. This can help you accumulate additional contributions into your account.
- **Send a Bright Directions GiftED e-vite** - don't forget to invite family and friends to contribute to your account. This can be a great birthday, holiday, and special occasion gift.
- **Apply for a Bright Directions Rewards Visa Card** - earn 1.529% on your everyday purchases with this rewards Visa card. Great way to have additional contributions added to your account. Apply online.
Subject to credit approval. Full details appear in the Rewards Program Terms and Conditions new card customers receive with their card. All terms, including reward points, fees, and APRs for new transactions, may be subject to change.

Investing for Long-Term Success

Invest for the long-term and do not chase the markets – that wisdom is applicable in good markets and in bad. Several years back the Dow Jones Industrial Average ("Dow") hit a market low of 6,443 (March 6, 2009). Last month (mid-December 2015) the Dow closed over 17,500. With the nice market run over the last 6 years it is likely that we will see market volatility and pullbacks. Discipline, diversification, and patience have historically been rewarded when investing.

Even the experts say it is very, very difficult, if not nearly impossible to predict the markets' highs and lows consistently. Based on that wisdom, we suggest investors select an asset allocation (or mix of investments) that matches their tolerance for risk, invest on an ongoing basis through a monthly investment plan, and stick with it through good and bad times. The investors that get hurt are those that jump in and out of the markets.

Invest for the long haul, stay the course, and keep your eye on the long term goal of helping your child with their future college expenses.

Best Wishes for the New Year! Thank you for investing with Bright Directions!

The Bright Directions College Savings Program is part of the Illinois College Savings Pool and is designed to qualify as a qualified tuition program under the provisions of Section 529 of the Internal Revenue Code. The Bright Directions College Savings Program is sponsored by the State of Illinois and administered by the Illinois State Treasurer, as Trustee. Union Bank & Trust Company serves as Program Manager, and Northern Trust Securities, Inc., acts as Distributor. Investments in the Bright Directions College Savings Program are not guaranteed or insured by the State of Illinois, the Illinois State Treasurer, Union Bank & Trust Company, Northern Trust Securities, Inc., the Federal Deposit Insurance Corporation, or any other entity.

¹Individuals who file individual Illinois state income tax returns can deduct up to \$10,000 per tax year (\$20,000 if filing jointly) for their total, combined contributions to the Bright Directions College Savings Program, the Bright Start College Savings Program, and Collegen Illinois! 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 subject to recapture 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.

Investors should read carefully and consider the investment objectives, risks, fees, and expenses contained in the Program Disclosure Statement (issuer's official statement) 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. The Program Disclosure Statement, which contains additional information about the plan and municipal fund securities, is available online at BrightDirections.com or from your financial advisor. You should consider, before investing, whether your home state or the designated beneficiary's home state offers any state tax deduction or other benefits that are only available for investments in such state's qualified tuition program. You should consult with a tax advisor about state and local taxes.

Not FDIC Insured

May Lose Value

No Bank Guarantee

