

CollegeBoundfundSM

529 College Savings Plans Are Revolutionizing the Way We Save for College

Alliance Capital is extremely pleased to be at the forefront of this cutting-edge college savings movement.

Parents experience many sleepless nights. The reasons vary from midnight feedings, to bad dreams and future college expenses. With all the additional money that is needed to raise children, some parents find it difficult to save enough, or at all, for a long-term goal like college tuition. However, the sooner you start, the better off you are likely to be.

When you consider that the average cost of a four-year education at a public college today is approximately \$39,000 and a private college is more than \$101,000, you can understand why some parents are losing sleep. When you factor in inflation, in 20 years those figures could increase to as much as \$103,000 and \$270,000, respectively.*

So what's a parent to do? Lawmakers have responded to the need for a more powerful, tax-efficient way to save for college by creating a tax-advantaged college savings program, called a 529 plan. Sponsored by a state, a 529 plan is a higher education savings program designed to meet the requirements of a qualified tuition program under Section 529 of the Internal Revenue Code.

Alliance Capital's CollegeBoundfundSM offers all the tax advantages of a 529 Plan, with many additional features:

- ▶ tax-free earnings growth — there is no income tax on earnings while they are in your account.
- ▶ tax-free distributions — distributions for qualified education expenses are now federal income tax free.**
- ▶ state tax-free earnings in some states.***
- ▶ a substantially higher investment limit than the annual limit available through a Coverdell Education Savings Account (formerly Education IRA).
- ▶ unlike Coverdell Education Savings Accounts, there are no income limits that restrict who can contribute.
- ▶ any U.S. citizen or permanent resident can contribute, including parents, grandparents, other family members and friends.
- ▶ savings can be used at any accredited institution of higher learning in the U.S., as well as at many foreign institutions.
- ▶ contributions can be made until the total value (contributions and earnings) of all accounts for the beneficiary equals \$265,000. Of course, the earnings can continue to grow in excess of this limit.
- ▶ a donor may contribute up to \$55,000 for each beneficiary in a single year (\$110,000 for married couples) without federal gift tax consequences, provided the donor does not make any additional gifts to that beneficiary over a five-year period.
- ▶ while contributions are excluded from your taxable estate,† you still retain control over how the money is used.
- ▶ CollegeBoundfundSM's automatic investment plan is an easy way to become a disciplined investor.††
- ▶ you can change your beneficiary to an eligible family member of the former beneficiary at any time.
- ▶ you can even open an account for yourself.

* Source: The College Board, "Trends in College Pricing 2001." Estimates assume 5% annual education inflation. ** Under a "sunset provision," the tax exemption for earnings on qualified withdrawals is scheduled to expire on December 31, 2010, unless extended by Congress. As with all tax-related decisions, consult your tax advisor. *** Each state has different tax laws; therefore, you should check with your tax advisor to see how 529 plans are treated in your state. † Subject to an "add-back" rule in the event of your death within five years. †† An automatic investment plan does not assure a profit nor protect against loss in a declining market. Since this strategy involves continuous investments in securities, regardless of fluctuating prices, investors should consider their financial ability to invest during periods of high and low price levels.

Investment Products Offered

- ▶ Are Not FDIC Insured
- ▶ May Lose Value
- ▶ Are Not Bank Guaranteed

Alliance Capital 
The Investment Professional's Choice

CollegeBoundfundSM offers a variety of investment options managed by Alliance Capital, a leading global investment manager.

Investment Options

When you open your CollegeBoundfundSM account, you can select from a variety of investment options based on your preferred investment approach. The options determine how your account will be invested.

The first two investment options are age-based. These active asset allocation portfolios invest in a mix of equity, fixed income and money market funds. As a child moves closer to college age, the allocation gradually becomes more conservative. For example, a child who is four years old may have a portfolio that is 90% invested in equity funds and 10% in fixed income funds. At age 13, the portfolio may be 60% equity, 25% fixed income and 15% money market. The two Age-Based Portfolio options are:

- ▶ Aggressive Growth Emphasis — This option is more heavily weighted in equity funds, and is therefore more aggressive than the Growth Emphasis option.
- ▶ Growth Emphasis — This option is more heavily weighted in fixed income funds as the child gets older, and is therefore more conservative than the Aggressive Growth Emphasis option.

In addition to the age-based options, there are four Additional Portfolios with fixed asset allocations. These portfolios invest in a set mix of equity and/or fixed income funds, and include a Principal-Protection Income Portfolio that invests in a mix of fixed income and money market securities. The allocation generally remains fixed throughout the beneficiary's life.*

** The program will review the Additional Portfolios' asset allocations periodically and may change them based on economic or other factors the program believes are relevant and in the best interest of the Participants.*

*** The Principal-Protection Income Portfolio does not guarantee any particular rate of return. The Portfolio seeks to minimize fluctuations in the value of its investments by entering into contracts, known as wrapper agreements, with financial institutions such as banks and insurance companies. However, these wrapper agreements are subject to certain risks and do not guarantee any Participant's investment in the Portfolio. Although the Portfolio seeks to preserve the value of your investment, it is possible, under certain circumstances, to lose money by investing in this Portfolio. Please see the Program Description for more information.*

A Word About Risk

There is no guarantee that any investment portfolio will achieve its investment goals. The value of your CollegeBoundfundSM account will fluctuate, as the value of the mutual fund shares in which it invests fluctuate, so that your investment, when it is withdrawn, may be worth more or less than its original cost. For more complete information on CollegeBoundfundSM, including a description of fees, expenses and risks, see the Program Description. You may obtain a Program Description by contacting Alliance Capital at (888) 324-5057 or www.collegeboundfund.com or by contacting your financial representative. You may want to ask your tax or financial advisor or your state tax division if your state offers a plan with additional tax benefits.

The investments in CollegeBoundfundSM are not guaranteed by the State of Rhode Island, the Rhode Island Higher Education Assistance Authority, the State Investment Commission or any instrumentality thereof.

Alliance Fund Distributors, Inc., the Principal Underwriter of Alliance mutual funds and an affiliate of Alliance Capital Management L.P., the manager of the funds, is a member of the NASD.

- ▶ Aggressive Growth Portfolio — Invests in aggressive equity funds, including technology, and international.
- ▶ Growth Portfolio — Invests solely in equity funds.
- ▶ Balanced Portfolio — Invests in 60% equity funds and 40% fixed income funds.
- ▶ Principal-Protection Income Portfolio — Seeks to generate higher returns than most money market funds from a portfolio of fixed-income securities protected from fluctuations in value typically associated with bond funds.**

After you open your CollegeBoundfundSM account, changes in a previously selected Allocation Portfolio for the investment of assets held in the account may be made only in two situations: (i) once each calendar year or (ii) in connection with a change in the beneficiary of the account. Please see the Program Description for more information.

It is important to consider your beneficiary's specific situation, your personal investment approach, your time horizon, your tolerance for risk and the details associated with each option before making any investment decisions. You may want to consult with your financial advisor and your tax advisor to get specific details about your own personal situation.

Don't spend anymore sleepless nights worrying about how you are going to pay for your child's education. Contact your benefits department about CollegeBoundfundSM.

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