

## **Saving for college in a volatile market**

If you are like most people, the current market conditions can cause concern when you see your long-term investment accounts, including college savings and retirement plans, lose value when you get your account statement. **While we cannot provide you with specific investment advice**, you may want to keep the following principles in mind as you review your statement and as market conditions remain volatile:

- 1. Stay focused on your long-term objectives.** The market will always move in up and down cycles. Don't let emotions affect your financial goals. It's important to stay focused on long-term investment returns versus reacting to short-term losses. The [Performance](#) section of the CollegeAdvantage Web site offers current performance for all investment options, including since inception, three-year and short-term performance.
- 2. Diversify your investments.** Invest in a mix of stock, bond and cash investment options. CollegeAdvantage offers a diverse choice of investments to help you manage investment risk and market volatility. Age-based options manage the risk for you by automatically shifting the asset allocation of your investments to more conservative options as your child nears college age. Ready-made balanced options invest in a pre-determined mix of stock and bond funds. You can also create your own diversified mix of investments by selecting from individual stock, bond and cash options in CollegeAdvantage. To help you determine a diversification strategy that might work for you, use the [Risk Tolerance Questionnaire](#) to help you determine your personal investing profile, which is a reflection of your risk tolerance and number of years you have to save for your goal. Then review the [Asset Allocation chart](#) highlighting suggested asset allocation for college savers based on the age of the Beneficiary.
- 3. If you must make changes – make them gradually.** It can be tempting to react to market volatility by making a spur-of-the-moment decision to reallocate your funds (exchanging one investment option for another) especially if you have a child close to college age and you are not in an age-based option or a conservative investment option. If you feel you are overly invested in equities (stocks) and your child is approaching college age, you could consider two options to help you diversify: 1) invest any new funds into more conservative options. CollegeAdvantage offers FDIC-insured bank options, a money-market fund and a variety of fixed-income (bond) options; 2) reallocate your stock options to more conservative options. You may want to consider moving the funds gradually so as to not lock in, or realize, all of your losses and to be able to take advantage of a market recovery.
- 4. Understand the limitation on reallocations.** All 529 plans have limitations on making reallocations between investment options per calendar year for the same beneficiary. For 2009, account owners can make a reallocation twice for the same beneficiary during the year. All changes must be made during these two annual events. Prior to 2009, IRS rules allowed 529 account owners to make one reallocation per calendar year. It is not clear at this time what reallocation limits will be in place after 2009. The twice per year reallocation limit may be made permanent, or the limit could revert back to once per year in 2010. (Reallocations can also be made when assets are transferred to a new Beneficiary.) However, you can redirect new contributions at any time.
- 5. Make regular investments.** Making regular contributions in fixed amounts through electronic fund transfers (EFT) or payroll deduction can help you reduce market risk. Often referred to as "dollar-cost averaging," this approach lessens the risk of investing a large amount in a single investment at the wrong time. By buying smaller amounts over a longer period of time, more shares are purchased when prices are low, and fewer shares are bought when prices are high. Eventually, the average cost per share will become smaller and smaller. CollegeAdvantage offers you the option to contribute systematically through EFT and payroll deduction.
- 6. Invite family to help.** Still feel as though you are losing ground? Ask your family and friends to help build your college savings by contributing to your CollegeAdvantage account as a holiday or birthday gift. Gift giving is easy. Simply share your CollegeAdvantage contribution slips or provide your account information for easy online account access.

### **Temporary Increase in FDIC insurance**

Basic FDIC deposit insurance coverage limits have temporarily increased from \$100,000 to \$250,000 per person effective October 3, 2008, through December 31, 2009. The CollegeAdvantage Fifth Third Bank 529 Savings and CD options are FDIC insured. If you have questions about FDIC coverage limits and requirements, please visit [www.myFDICinsurance.gov](http://www.myFDICinsurance.gov) or call toll-free 1-877-ASK-FDIC.



**The Ohio Tuition Trust Authority**

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