



Comparing the “Start Smart College Plan” and other ways to save



How does an endowment policy compare to other savings vehicles?

The key advantages of an endowment over other savings strategies are that it provides:

- A guaranteed sum of money, with no dependency on fluctuating interest rates or investment performance.
- Life insurance protection.
- The flexibility to use the money for any purpose, not just education expenses.

The chart below provides a comparison of an endowment policy to other kinds of saving strategies for college.

	Endowment Policy	Savings Account	529 Plan	Mutual Fund	Savings Bond	Pre-paid Tuition Plan
Offered by:	Insurance company	Bank	Various financial institutions in partnership with a State sponsor	Various financial institutions	U.S. Government	States, Colleges/ Universities
What makes your money grow?	Guaranteed annual increases ensure your chosen face amount is reached by maturity	Fluctuating interest rate (currently 0.5% or less based on account balance)	Rate of return for the investments you chose	Rate of return for the investments you chose	Interest rate set every six months; maturity guaranteed in year 20	Rate of return for the investments you chose
Risk:	None	Interest rate fluctuation means you may not reach desired goal	Investment and market risk – could lose money or gain more slowly than expected	Investment and market risk – could lose money or gain more slowly than expected	None	Investment and market risk – could lose money or gain more slowly than expected
Are earnings taxable?	Yes	Yes	No Federal tax as long as the money is used to pay for educational expenses; State income tax deduction depends on the plan you choose	Yes	No State or local taxes, but subject to Federal income taxes (except in certain situations)	No, as long as the money is used to pay for educational expenses
Are contributions tax deductible?	No	No	Maybe. Some States provide a State tax deduction	No	No	No
How can money be used?	For any purpose	For any purpose	Only for education, or must pay taxes on the account's growth	For any purpose	For any purpose	Only in sponsoring State or college (or money will be refunded)
How much money must be or can be contributed?	Policy owner pays premium set by insurance company annually, monthly, quarterly or semi-annually	Consumer decides how much to put in and how often to contribute	May require initial minimum investment; total contributions generally limited to amount needed to pay 5 years of tuition	Consumer decides how much to put in and how often to contribute; may have account minimums	Available in amounts from \$50 to \$10,000, sold at half the face amount (e.g., \$1,000 costs \$500); can only purchase up to \$5,000 in any one year	Generally limited to amount needed to pay 5 years of tuition
Pays a Death benefit?	Yes	No	No	No	No	No
Guarantees growth?	Yes	No	No	No	Yes	No
Additional information:	Provides a guaranteed sum of money with the added protection of life insurance	Highly liquid, good to use for an emergency fund	More than 100 plans to choose from. Sales charges and account fees apply and vary by plan; some plans have substantially higher fees than others	Thousands to choose from. Sales charges and account fees vary	Bonds must be held at least one year before they can be liquidated for their current value, not full face amount	Generally provides a tuition discount at the school attending. No guarantee the child will be accepted; regular admissions requirements apply