



CollegeSure® CD Account Handbook

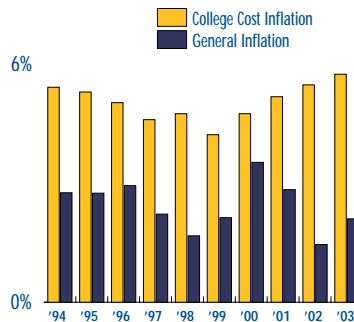
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How the CollegeSure® CD Works

College Inflation Has Averaged
More Than Double General Inflation
Over the Past Ten Years



This graph illustrates that college inflation has outpaced general inflation since 1994 (5.07% versus 2.45% per year on average). The CollegeSure CD eliminates the risk associated with underfunding a college education because it pays interest tied to the rise in college costs each year. The college inflation rate for the one-year period ended July 31, 2003 was 5.77%.

CollegeSure® CD. The Guaranteed Way to Save for College.®

The CollegeSure CD, a certificate of deposit indexed to college costs, is a unique, risk-free investment offered only through College Savings Bank. CollegeSure CDs can be purchased in a taxable account or as the investment vehicle at the heart of our tax-advantaged college savings programs (see pages 3-6). Either way, CollegeSure CDs allow you to prepay college costs today at a fraction of tomorrow's prices.

Save for a child's entire higher education or just a portion. It's up to you. CollegeSure CDs are available in maturities from one to twenty-five years so you can time your CDs to mature when your child is ready to attend college. With every CollegeSure CD deposit we'll tell you how many **units** you've purchased so you can keep track of your progress along the way.

How Units Work

Units tell you how much college you have prepaid. One unit, at maturity, is guaranteed to meet one full year's average cost for tuition, fees, room and board at a four-year private college. These costs are measured by the College Board's **Independent College 500® Index (IC 500)**, which tracks the annual cost increases of the five-hundred most widely attended private colleges in the United States.*

Although you need never purchase a full unit, it is an important measure of the value of your account. Here's how it works:

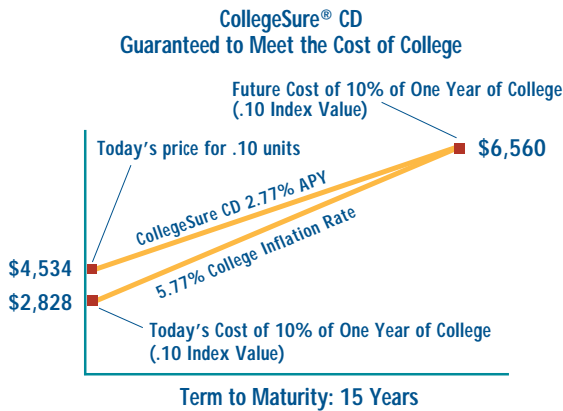
- One (1.00) unit prepays one year at the average private college.
- 0.40 units prepays approximately one year at the average public college (in-state).
- 1.35 units prepays approximately one year at the average Ivy League college.

*The Independent College 500® Index, published annually in July, describes the average total charge, and its annual rate of change, for tuition, fees, room and board incurred by full-time freshmen at the 500 independent four-year institutions which provide housing for at least 15 percent of their students, and whose aggregate charges for tuition, fees, room and board, multiplied by the number of full-time students, are the largest among all independent colleges. (It should be noted that students incur expenses at college beyond those included in the Index: transportation, books and supplies, personal care, for example.) This Index is one of several prepared by the College Board, using data collected in its Annual Survey of Colleges which are intended to facilitate analysis and forecasting of college charges in various segments of higher education. The Independent College 500® Index is not necessarily representative of higher education institutions as a whole, nor of all independent institutions. A brochure describing its technical construction is available by mail upon request.



Your CDs Increase in Value With Rising College Costs Each Year.

The CollegeSure CD is designed to meet future college costs. It is priced above today's cost of college to provide an annual percentage yield (APY) over the term to maturity of not less than the college inflation rate less 3.00 percent. It pays interest each July 31. The following graph illustrates the growth of one-tenth of a CollegeSure CD unit that will guarantee to meet one-tenth of one year of college in fifteen years.



Figures in this illustration are based on prices as of August 2, 2003

How Much Should You Save?

Make a one-time deposit or invest regularly over time. Call one of our experienced College Savings Advisers or use the college savings calculator on the web to determine how much you should save based on your child's age. Or do what many families do -- just start making deposits that fit your budget! The chart below shows how constant monthly deposit amounts accumulate over various time periods.

Monthly Deposit	5 years	10 years	15 years	20 years
\$100	\$6,422	\$13,784	\$22,223	\$31,899
\$250	\$16,055	\$34,459	\$55,559	\$79,746
\$500	\$32,109	\$68,919	\$111,117	\$159,493

The hypothetical example illustrates the future pre-tax value of regular monthly deposit amounts over various time periods and assumes an annual percentage yield of 2.77%.

* Accurate as of April 2004. Prices and yields may change.
 ** The AAA rating is the highest rating Standard & Poor's Corp. confers. The letter "L" indicates that the deposit, combined with other deposits being held in the same right and capacity will be honored for principal and accrued predefault interest up to the federal insurance limits within 30 days after closing of the insured institution, or in the event that the deposit is assumed by a successor insured institution, upon maturity.



How Is the CollegeSure CD Guaranteed?

The CollegeSure CD is an investment indexed to college costs. The amount of college you prepay today is guaranteed to be at least the same amount of college you'll receive when your CollegeSure CDs mature -- no matter how high costs climb.

We also guarantee that you'll earn, at the very least, a 2.00%* APY floor rate each year. This means if there are years that college inflation is low, you will always earn interest.

Unlike other types of investments that put your principal at risk, at College Savings Bank your deposits -- principal and interest -- are backed by the full faith and credit of the U.S. government up to \$100,000 per depositor. The CollegeSure CD has also been awarded the highest rating, AAA-L,** by Standard & Poor's Corp., so you know your money is safe.



**All Families May Participate
in Our 529 Plans**

Even though CollegeSure 529 plans have state-specific names, such as the Montana Family Education Savings Program or the Arizona Family College Savings Program, anyone who is a U.S. taxpayer should consider these programs. Regardless of your income, you'll reap a wealth of extraordinary tax benefits including 100% tax-free growth and distributions for qualified college expenses.* Use the proceeds at any eligible higher education institution worldwide. Parents, grandparents, other relatives or even friends may establish accounts on behalf of the same beneficiary.

Tax Free for College! 529 Qualified Tuition Plans.

If you're looking for extraordinary benefits, College Savings Bank CollegeSure 529 plans should be your first choice! Section 529 is a provision in the Internal Revenue Code that allows special tax treatment of amounts held in and withdrawn from accounts established under qualified tuition programs.

CollegeSure 529 plans provide you with tax-free asset growth. Not only will your college savings grow much faster than in a taxable account, but you can also take advantage of extensive gift and estate tax benefits.

College Savings Bank CollegeSure 529 plans are the ideal choice for parents and grandparents who seek a multitude of tax advantages and a guaranteed college savings program, all in one.

- **Everyone's Invited:** Our 529 plans are open to all U.S. taxpayers of every income level.
- **Flexibility to Use Worldwide:** Proceeds may be used to pay qualified higher education expenses at any eligible institution worldwide.
- **Financial Aid-Friendly:** Parents can retain control of the assets and obtain favorable financial aid treatment because the value of a CollegeSure 529 plan is treated as an asset of the owner (parent). What's more, distributions from CollegeSure 529 plans are excluded from income considerations for financial aid purposes.
- **Tax-Advantaged Growth:** Your earnings grow 100% tax free while you control the assets. When the time comes to use the money for college, distributions used for qualified higher education expenses are also 100% tax free.*
- **Affordable Contribution Amounts:** Open your account for as little as \$250. And/or sign up for payroll direct deposits of just \$50 per pay period (\$25 for large organizations) or direct deposits of \$100 or more monthly from your financial institution.

* Tax advantages discussed do not take state taxes into consideration. Further, certain amendments were made to 529 plans and ESAs by the Federal Act of 2001 (EGTRRA). Among other things, EGTRRA provides an exclusion from gross income for qualified distributions from state 529 plans and increases the contribution limits to ESAs effective after 12/31/01. These changes are scheduled to expire (or sunset) at the end of 2010 unless extended or made permanent by a new act of Congress. In addition, Congress may choose to modify or restrict the tax-free treatment and/or make other changes at any time. State tax consequences vary from state to state and may not be consistent with federal income tax consequences. Consult your tax adviser about state and federal income tax consequences and planning opportunities before opening a CollegeSure Account.

- **Create a Substantial Savings Plan:** Generous contribution limits allow you to contribute enough to fund a complete higher education.
- **Useful as an Estate Planning Tool:** The value of the account generally will not be treated as part of your taxable estate for purposes of the federal estate tax.
- **No Worry About Federal Gift Taxes:** Contribute up to \$55,000 single (\$110,000 joint) per beneficiary in a single year without incurring federal gift tax by treating the contributions as having been made ratably over five years. (No further gifts subject to the annual exclusion can be made by the contributor to the beneficiary over the five-year period.)
- **More Tax Benefits May Apply to You:** Other special tax benefits may apply for your state. Please read the Offering Circular for details.

Tax-Free Growth and Distributions for College Help You Earn More and Keep More of Your College Savings

Due to the tax-free nature of these plans, contributions to a CollegeSure 529 plan will grow much faster than contributions to a comparable taxable account so that you can save significantly more money for college over time!

For instance, assuming an annual percentage yield of 2.77%, monthly deposits of \$500 over an eighteen-year period would grow in an annually taxable account subject to a 31% tax rate to \$118,016. In a CollegeSure 529 plan account, the same monthly contributions would grow tax free to \$139,346. That's a difference of \$21,330!

For specific information about 529 plans, check the pocket of the CollegeSure CD folder for a 529 state plan packet. Read the offering circular carefully before you invest or send money. If you have questions or need rollover forms call 800-888-2723 or visit www.collegesavings.com on the web.

* Accurate as of April 2004. Prices and yields may change.



Swap Your U.S. Savings Bonds For a College Savings Bank 529 Account

If you are a parent who has purchased savings bonds after 1989, you may be eligible to redeem your bonds tax free when you deposit the funds in a 529 account. For tax-free treatment, your income must fall below \$89,750 joint or \$59,850 single for 2004. Incomes of up to \$119,750 joint or \$74,850 single can receive partial benefits.

There are a number of reasons to consider exchanging your savings bonds:

- Your projected income level will be above the maximum allowed for tax-free treatment of savings bonds when your child is ready to use the funds for college.
- You believe the rate tied to the college inflation rate will be higher over the long term than the rate you receive on your savings bonds.
- You are concerned rates may remain the same or move lower. The CollegeSure CD pays each year a minimum 2.00% annual percentage yield* whereas U.S. savings bonds have no annual minimum.
- You would like to use the proceeds to pay for tuition, fees, room and board expenses allowed under 529 in addition to only the tuition and fees that savings bonds allow.

**Coverdell ESA and
529 Plan Combination**

If your income qualifies you may contribute to a College Savings Bank 529 plan and Coverdell Education Savings Account for the same beneficiary in the same year. In fact, Coverdell ESAs allow you to use funds tax free for a child's eligible education expenses from kindergarten all the way through graduate school. Certain restrictions apply. Open your account today!



Coverdell Education Savings Accounts.

For many individuals, a tax-free Coverdell Education Savings Account (ESA) from College Savings Bank is an excellent choice. ESAs allow contributions of up to \$2,000 per year per beneficiary until the child reaches the age of eighteen. Contributions grow 100% tax free. When withdrawn for qualified education expenses, distributions are also 100% tax free.*

Anyone May Contribute

Parents, grandparents, aunts, uncles or friends may contribute on behalf of a designated beneficiary provided that individual satisfies certain income requirements based on his or her modified adjusted gross income. In fact, even a child who meets the income restrictions may make contributions to a Coverdell ESA for himself or herself.

Unlike IRAs, there is no requirement that the contributor have earned income in the year he or she makes a contribution, but the individual cannot contribute if his or her income exceeds the specified levels.

Contributions may be made until the due date of your tax return for that year, generally April 15, not including extensions.

Similar to 529 plans, assets and income in a Coverdell ESA are considered those of the parent for financial aid purposes.

IRAs for College.

In addition to tax-advantaged growth tied to college inflation, there are many other benefits of using a College Savings Bank Roth or Traditional IRA to pay college expenses.

Generally, assets held in IRAs are sheltered from financial aid considerations, however, distributed income must be reported. There is a waiver of the 10% IRA tax penalty when the funds are used for qualified higher education expenses. Best of all, if your child decides not to attend college, you can always rededicate the funds back to retirement. Consider opening an IRA or transferring your existing IRA to College Savings Bank!

For more information about these programs, please check the pocket of the CollegeSure CD folder for a brochure, call 800-888-2723 or visit our web site at www.collegesavings.com.

* 2010 Sunset Provision applies to contribution limits (see footnote on page 3). Early withdrawal penalties apply to CD withdrawals prior to maturity.

Custodial Accounts.

When you open a CollegeSure account you may elect to have your deposits made to a custodial account. Assets will be held for the benefit of the child under the Uniform Gifts to Minors Act (UGMA) or the Uniform Transfers to Minors Act (UTMA) depending upon the state in which the child resides.

This account structure is desirable when you want the child to own the assets. Often times this structure is used when the contributor is not the parent or guardian. When the child owns the assets, financial aid treatment is usually less favorable. The following information concerning custodial accounts is generally applicable in all states.

The Responsibility of a Custodian

It is the primary responsibility of the custodian to ensure that the funds are used for the benefit of the child for purposes of education, support, maintenance or general use, as deemed advisable by the custodian. Upon maturity, the Bank will send a check made payable as the account title reads (e.g. James Doe Custodian UGMA for Jimmy Doe) to the address of record of the account.

Persons eligible to serve as custodian include: the donor of the funds placed in the custodial account, any adult member of the child's family, a guardian of the child or a trust company.

Only one person may serve as custodian. However, a successor custodian may be designated to assume responsibility should the custodian become unable or unwilling to continue to serve.

A Custodial Account in a College Savings Bank Section 529 Plan

You may choose to open a custodial account within a College Savings Bank CollegeSure 529 plan account to ensure that the funds be used solely for the child's benefit. However, the custodial account tax consequences discussed at right will not apply due to the tax-free nature of 529 plans.



Tax Advantages of Depositing Funds in a Custodial Account

The income from a custodial account belongs to the child for federal income tax purposes. The tax advantages vary depending upon the child's age.

Under Age 14. Generally, the first \$800* of the child's unearned income (which includes interest income) each year is not taxed because of the \$800 annual standard deduction the child can claim. The second \$800 each year is taxed at the child's rate (in most cases 10%). All unearned income over \$1,600 each year is taxable at the parents' marginal rate.

Age 14 And Older. Generally, the first \$800 of the child's unearned income (which includes interest income) each year is not taxed because of the \$800 annual standard deduction the child can claim. All unearned income over \$800 each year is taxed at the child's rate (in most cases 10%).

*The \$800 amounts, rounded down to the nearest \$50, are adjusted periodically for inflation. The child's income from other sources should also be considered when applying these amounts.

Chip Away at College in Bite-Sized Bits

The charts below show the breakdown of expenses for the 2003-2004 school year at the average private and public college.

Although these costs may seem overwhelming at first, most families “chip away” at college in small, manageable amounts over time rather than deposit a lump sum. Direct deposit from your financial institution or payroll is a popular feature of our programs. It’s a free service that provides a safe, convenient way to save regularly to reach specific financial goals.

For instance, for a newborn you would save approximately \$189 per month to fully fund four years of tuition and fees at the average public college (in-state) when your child is ready to attend.

For more information about direct deposit, see page 10.



Interest Crediting and Withdrawals.

Interest Crediting

Annual interest is calculated retrospectively and credited July 31 each year for all of our programs. Each August an easy-to-read annual statement will be mailed to you that shows all account activity and units purchased. Clients participating in direct deposit receive statements quarterly.

Withdrawals Prior to Maturity

All Programs: Just like most bank CDs, if it’s necessary to make a withdrawal of principal before maturity, you will incur a penalty. See the *Account Terms and Conditions* for penalties. However, with prior notice, interest may be withdrawn without any Bank-imposed penalty in the year it is paid. Other program penalties may apply to such withdrawals. See the *Offering Circular* or *Disclosure Document* for details.

Withdrawals at Maturity

Taxable Accounts: Proceeds may be used for any college or university or for any other purpose whatsoever. Even if your child decides not to attend college, you get every penny back – principal plus interest – at maturity.

Coverdell ESAs: Proceeds must be used to pay qualified elementary, secondary or postsecondary education expenses to receive tax-free treatment. Non-Bank penalties may apply to certain distributions from ESAs. See the *Coverdell ESA Disclosure Document* for details.

Roth and Traditional IRAs: Proceeds may be used for any purpose. Special penalty waiver applies to Roth and Traditional IRAs used for college. Non-Bank penalties may apply to certain distributions from Roth and Traditional IRAs. See the *Roth IRA and Traditional IRA Disclosure Documents* for details.

529 Plans: Proceeds must be used to pay qualified education expenses at an eligible higher education institution in order to receive tax-advantaged treatment. Non-Bank penalties may apply to certain distributions from 529 plans. See the particular state program *Offering Circular* for details.

Tax Reporting.

Taxable Accounts

Every January you will be mailed a 1099-INT reporting the total annual interest earned for federal and state income tax purposes. Thus, there is no lump sum tax liability when your CollegeSure CD matures.

Clients authorizing direct deposit transactions under \$250 also establish Accumulator Accounts* whereby interest is credited and compounded quarterly. If interest credited in a calendar year is greater than \$10 a 1099-INT will be issued the following January.

Custodial Accounts: Income is reported under the child's Social Security Number. A custodial account may be opened without the child's Social Security Number as long as it is provided to the Bank within 60 days. If it is not provided, the Bank is required under IRS regulations to withhold 28% of all interest payments thereafter until the Social Security Number is received.

529 Plans

For years in which a distribution is made, you will be mailed a Form 1099-Q the January following the distributions which reflects the earnings portion of the distribution.

Coverdell ESAs

Each January you will be mailed a Fair Market Value (FMV) Statement of the value of your Coverdell ESA as of December 31. Each April you will be sent a Form 5498-ESA which shows contributions through April 15 that relate to the prior tax year. If you take a distribution, you will be mailed a 1099-Q by January 31.

Roth and Traditional IRAs

Each January you will be mailed a Fair Market Value (FMV) Statement of the value of your IRA as of December 31. Each May you will be sent a Form 5498 which shows contributions through April 15 that relate to the prior tax year. If you take a distribution, you will be mailed a 1099-R by January 31.



At College Savings Bank You Can Shelter Your College Savings From Taxes

On its own the CollegeSure CD is a taxable investment. Taxable investments generally pay higher pre-tax rates of return than comparable tax-free investments such as municipal bonds.

When you open a College Savings Bank 529 account, Coverdell ESA or custodial account, you can reduce or even eliminate taxes altogether, and, in some cases, earn the taxable rate of return tax free.

*Deposits under \$250 are held in an interest bearing Accumulator savings account at College Savings Bank. Each time your balance reaches \$250 the funds are transferred to purchase a CollegeSure CD. Please call for current rates.



Client Services.

Customer Service

College Savings Advisers are at your service Monday through Friday between 9 a.m. and 6 p.m. Eastern time. If you have questions about establishing an account or about an existing account call toll-free 800-888-2723 or send e-mail to info@collegesavings.com. College Savings Advisers are available to answer your questions and will help you structure your account in a way that works best for you.

Convenient Recordkeeping

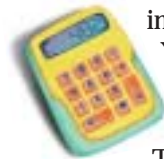
For each CollegeSure CD purchased, you'll receive a Confirmation Notice for your records that displays your deposit amount and units purchased.

Informative Newsletter

Twice a year you'll receive a complimentary issue of *CollegeSure Investor*. This newsletter is designed to help you make the most of your account and keep you apprised of current issues regarding saving for college.

College Savings Bank Web Site

Visit the College Savings Bank web site at www.collegesavings.com for complete information about all of our programs.



You'll discover an abundance of resources to help you plan for your child's future.

Try our handy college cost calculator that helps you determine how much to save for your child's college education or browse the site to download PDF Forms that help you conveniently manage your account.

It's Easy to Get Started.

All it takes is an initial deposit of \$250 to get started in one of our 529 programs. An initial deposit of \$500 is required for all other programs. Thereafter, you may purchase additional CDs of \$250 or more at any time or enroll in direct deposit.

What is Direct Deposit?

Direct deposit is a safe and effective way to contribute regularly to your account. There's no need to write checks or mail deposit slips!

Automatic Direct Deposit allows you to set up transfers of \$100 or more monthly or \$250 or more quarterly from your account at another financial institution.

Payroll Direct Deposit allows you to have \$50* or more deducted from your paycheck and deposited each pay period.

As a direct deposit client you'll receive quarterly statements to keep you apprised of your progress. (If you enroll in direct deposit we will waive the initial deposit requirement.)

How Do I Enroll?

There are three ways to enroll:

1. Complete and mail the enrollment form(s) enclosed.
2. Enroll online using a Visa or Mastercard at www.collegesavings.com.
3. Print out as many enrollment forms as you need at www.collegesavings.com and enroll by regular mail.

At College Savings Bank, We're Here to Help! We Make College Happen.®

We're here to help you make college a reality for your child. If you have questions feel free to call a College Savings Adviser toll-free at 800-888-2723 any Monday through Friday between 9 a.m. and 6 p.m. E.T. Or send your questions by e-mail to info@collegesavings.com.



Which Forms to Complete

- To enroll in a tax-free 529 qualified tuition program, simply complete the specific state plan enrollment form.
- To open a College Savings Bank Coverdell ESA or an IRA, complete the Coverdell ESA application or the appropriate IRA application in addition to a CollegeSure Account enrollment form.
- To enroll in our basic taxable CollegeSure program, complete a CollegeSure Account enrollment form.
- To roll over amounts from another 529 plan or Coverdell ESA, please call for a rollover form.

Where to Send the Forms

- Mail forms to the address printed on the form with your initial deposit and/or your direct deposit authorization.

* \$25 minimum for large organizations.

Questions?

Call us toll-free at 800-888-2723 any weekday between 9 a.m. and 6 p.m. E.T. or send e-mail to info@collegesavings.com.



College Savings Bank®

5 Vaughn Drive
Princeton, NJ 08540
800-888-2723
www.collegesavings.com

College Savings Bank. One of the Safest Banks in America.

College Savings Bank, located in Princeton, New Jersey, is one of the safest banks in the United States.

As a member of the Federal Deposit Insurance Corporation (FDIC), the Bank's deposits (principal and interest) are insured by the Bank Insurance Fund of the FDIC for up to \$100,000 per depositor. In fact, the CollegeSure CD has been awarded the highest rating by Standard & Poor's Corp.

The Bank is strongly capitalized and operates under a conservative investment policy. On March 31, 2004 the Bank had a regulatory capital ratio of Tier 1 (or core) capital to total assets of 6.7%.

The Bank invests primarily in high-grade, adjustable-rate instruments including mortgage-backed securities, the majority of which are guaranteed by the U.S. government or its agencies.

A measure of the exceptionally high quality of the Bank's investment portfolio is found in the Bank's capital-to-risk-weighted-asset ratio under the FDIC's risk-based capital guidelines. On March 31, 2004 the Bank's Tier 1 risk-based capital ratio was 46.5%, as compared to the statutory minimum requirement of 4.0%.

The combination of FDIC insurance, the Bank's high Tier 1 capital-to-total-assets and risk-based capital ratios as well as the Bank's conservative investment policy ensures the safety of your deposits.

CollegeSure® CD is a unique investment product the creation and origination of which is covered by one or more patents owned by College Savings Bank. CollegeSure, College Savings Bank and Column Design, The Guaranteed Way to Save for College and We Make College Happen are registered service marks of College Savings Bank. College Board is a registered trademark of the College Entrance Examination Board. Independent College 500 is a trademark owned by the College Entrance Examination Board.

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State tax consequences vary from state to state and may not be consistent with federal income tax consequences. Consult your tax adviser about state and federal income tax consequences and planning opportunities before opening a CollegeSure Account.

Read the Account Terms and Conditions, Disclosure Documents and/or Offering Circular carefully before you invest or send money.

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