

Intermediate Bond Fund of America®

Prospectus

November 1, 2005

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The Securities and Exchange Commission has not approved or disapproved of these securities. Further, it has not determined that this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Risk/Return summary

The fund seeks to provide you with current income while preserving your investment by maintaining a portfolio having an average effective maturity of no longer than five years and consisting of debt securities with quality ratings of A or better.

The fund is designed for investors seeking income, higher credit quality and capital preservation over the long term. Your investment in the fund is subject to risks, including the possibility that the fund's income and the value of its portfolio holdings may fluctuate in response to economic, political or social events in the United States or abroad. The values of debt securities owned by the fund may be affected by changing interest rates and credit risk assessments.

The fund primarily invests in intermediate-term debt securities, including securities issued and guaranteed by the U.S. government and securities backed by mortgages or other assets. The fund may invest in debt securities and mortgage-backed securities issued by federal agencies and instrumentalities that are not backed by the full faith and credit of the U.S. government. Examples of such securities are mortgage-backed securities issued by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac"). These securities are neither issued nor guaranteed by the U.S. Treasury.

Your investment in the fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, entity or person.

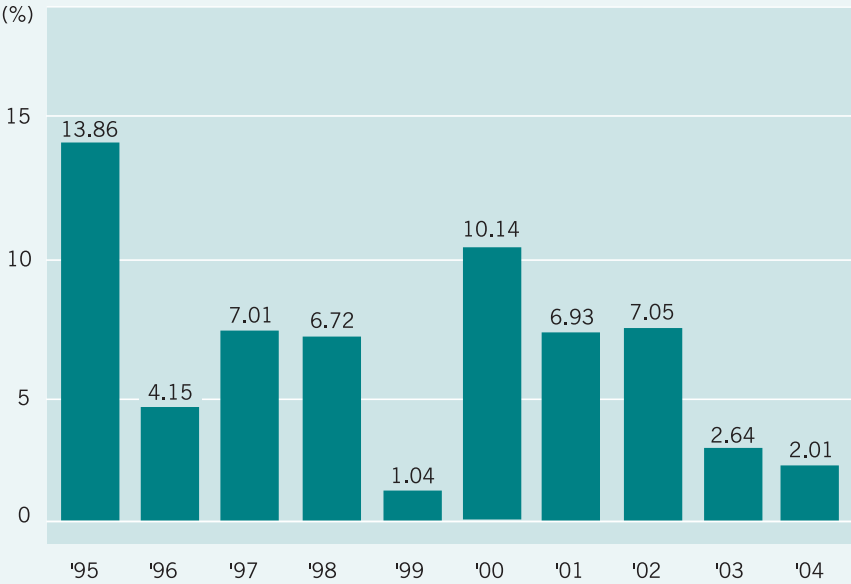
You may lose money by investing in the fund. The likelihood of loss is greater if you invest for a shorter period of time.

Historical investment results

The bar chart below shows how the fund's investment results have varied from year to year, and the Investment Results table on page 4 shows how the fund's average annual total returns for various periods compare with different broad measures of market performance. This information provides some indication of the risks of investing in the fund. All fund results reflect the reinvestment of dividends and capital gain distributions, if any. Unless otherwise noted, fund results reflect any fee waivers and/or expense reimbursements. Past results (before and after taxes) are not predictive of future results.

Calendar year total returns for Class A shares

(Results do not include a sales charge; if a sales charge were included, results would be lower.)



Highest/Lowest quarterly results during this time period were:

Highest 4.29% (quarter ended June 30, 1995)

Lowest -1.41% (quarter ended June 30, 2004)

The fund's total return for the nine months ended September 30, 2005, was 1.14%.

Unlike the bar chart on the previous page, the Investment Results table on the following page reflects, as required by Securities and Exchange Commission rules, the fund's investment results with the following maximum initial or contingent deferred sales charges imposed:

- Class A share results reflect the maximum initial sales charge of 3.75%. This charge is reduced for purchases of \$100,000 or more and eliminated for purchases of \$1 million or more.
- Class B share results reflect the applicable contingent deferred sales charge. For example, results for the one-year period shown reflect a contingent deferred sales charge of 5%. These charges begin to decline one year after purchase and are eliminated six years after purchase.
- Class C share results for the one-year period shown reflect a contingent deferred sales charge of 1%, which only applies if shares are sold within one year of purchase.
- Class 529-E and Class F shares are sold without any initial or contingent deferred sales charge.

Results would be higher if calculated without sales charges. The references above to Class A, B, C or F sales charges also refer to the corresponding Class 529-A, 529-B, 529-C or 529-F sales charges.

The Investment Results table shows the fund's results on both a pretax and after-tax basis, as required by Securities and Exchange Commission rules. After-tax returns are shown only for Class A shares; after-tax returns for other share classes will vary. Total returns shown "after taxes on distributions" reflect the effect of taxes on distributions (for example, dividends or capital gain distributions) by the fund. Total returns shown "after taxes on distributions and sale of fund shares" assume that you sold your fund shares at the end of the particular time period and, as a result, reflect the effect of both taxes on distributions by the fund and taxes on any gain or loss realized upon the sale of the shares. After-tax returns are calculated using the highest individual federal income tax rates in effect during each year of the periods shown and do not reflect the impact of state and local taxes.

Your actual after-tax returns depend on your individual tax situation and likely will differ from the results shown below. In addition, after-tax returns may not be relevant if you hold your fund shares through a tax-deferred arrangement, such as a 401(k) plan, Individual Retirement Account (IRA) or 529 college savings plan, such as CollegeAmerica.[®] CollegeAmerica is sponsored by and is a registered trademark of the Virginia College Savings Plan,SM an agency of the Commonwealth of Virginia.

Unlike the Investment Results table on page 4, the Additional Investment Results table on page 9 reflects the fund's results calculated without sales charges.

Investment results (with maximum sales charges)

Average annual total returns for periods ended December 31, 2004:

	1 year	5 years	10 years	Lifetime ¹
Class A — first sold 2/19/88				
Before taxes	-1.81%	4.91%	5.69%	6.16%
After taxes on distributions	-2.84	3.18	3.52	N/A
After taxes on distributions and sale of fund shares	-1.19	3.12	3.49	N/A
	1 year	Lifetime ¹		
Class B — first sold 3/15/00				
Before taxes	-3.62%	4.64%		
Class C — first sold 3/15/01				
Before taxes	0.25	3.32		
Class F — first sold 3/19/01				
Before taxes	2.01	4.11		
Class 529-A — first sold 2/19/02				
Before taxes	-1.88	2.26		
Class 529-B — first sold 2/26/02				
Before taxes	-3.83	1.46		
Class 529-C — first sold 2/19/02				
Before taxes	0.14	2.80		
Class 529-E — first sold 3/15/02				
Before taxes	1.65	3.73		
Class 529-F — first sold 9/16/02				
Before taxes	1.90	2.48		
	1 year	5 years	10 years	Lifetime ¹
Indexes (before taxes)				
Lipper Short-Intermediate Investment Grade Debt Funds Average ²	2.10%	5.94%	6.25%	6.91%
Lehman Brothers Government/Credit 1–7 Years ex. BBB Index ³	2.01	6.52	6.70	7.02
Consumer Price Index ⁴	3.26	2.49	2.43	2.98
Class A 30-day yield at August 31, 2005: 3.65% ⁵ (For current yield information, please call American FundsLine at 800/325-3590.)				

¹ Lifetime results for each share class are measured from the date the share class was first sold. Lifetime results for the index(es) shown are measured from the date Class A shares were first sold.

² Lipper Short-Intermediate Investment Grade Debt Funds Average is comprised of funds that invest primarily in investment-grade debt issues (rated in the top four grades) with dollar-weighted average maturities of one to five years. The results of the underlying funds in the average include the reinvestment of dividends and capital gain distributions, as well as brokerage commissions paid by the funds for portfolio transactions, but do not reflect sales charges or taxes.

³ Lehman Brothers Government/Credit 1–7 Years ex. BBB Index is a market value-weighted index that tracks the total return performance of fixed-rate, publicly placed, dollar-denominated obligations issued by the U.S. Treasury, U.S. government agencies and quasi-federal corporations; corporate or foreign debt guaranteed by the U.S. government; and U.S. and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements, with maturities of one to seven years, excluding BBB-rated securities. This index is unmanaged and includes reinvested dividends and/or distributions, but does not reflect sales charges, expenses or taxes.

⁴ Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Widely used as a measure of inflation, the CPI is computed by the U.S. Department of Labor, Bureau of Labor Statistics.

⁵ Reflects a fee waiver (3.62% without the waiver) as described in the Annual Fund Operating Expenses table under "Fees and expenses of the fund."

Fees and expenses of the fund

These tables describe the fees and expenses that you may pay if you buy and hold shares of the fund.

Shareholder fees (paid directly from your investment)					
	Class A ¹	Class B ¹	Class C ¹	Class 529-E ²	Class F ^{1,3}
Maximum initial sales charge on purchases (as a percentage of offering price)	3.75% ⁴	none	none	none	none
Maximum sales charge on reinvested dividends	none	none	none	none	none
Maximum contingent deferred sales charge	none ⁵	5.00% ⁶	1.00% ⁷	none	none
Redemption or exchange fees	none	none	none	none	none

¹ Includes a version of this class offered through CollegeAmerica. CollegeAmerica accounts are subject to a \$10 account set-up fee and an annual \$10 account maintenance fee, which are not reflected in this table.

² Class 529-E shares are available only through CollegeAmerica to employer-sponsored plans. CollegeAmerica accounts are subject to a \$10 account set-up fee and an annual \$10 account maintenance fee, which are not reflected in this table.

³ Class F and 529-F shares are generally available only to fee-based programs of investment dealers that have special agreements with the fund's distributor and to certain registered investment advisers.

⁴ The initial sales charge is reduced for purchases of \$100,000 or more and eliminated for purchases of \$1 million or more.

⁵ A contingent deferred sales charge of 1.00% applies on certain redemptions made within one year following purchases of \$1 million or more made without an initial sales charge.

⁶ The contingent deferred sales charge is reduced one year after purchase and eliminated six years after purchase.

⁷ The contingent deferred sales charge is eliminated one year after purchase.

Annual fund operating expenses (deducted from fund assets)					
	Class A	Class B	Class C	Class F	
Management fees	0.27%	0.27%	0.27%	0.27%	
Distribution and/or service (12b-1) fees ⁸	0.30	1.00	0.99	0.25	
Other expenses ⁹	0.13	0.13	0.21	0.18	
Total annual fund operating expenses ¹⁰	0.70	1.40	1.47	0.70	
	Class 529-A	Class 529-B	Class 529-C	Class 529-E	Class 529-F
Management fees	0.27%	0.27%	0.27%	0.27%	0.27%
Distribution and/or service (12b-1) fees ¹¹	0.19	1.00	1.00	0.50	0.16
Other expenses ^{9,12}	0.29	0.32	0.30	0.29	0.29
Total annual fund operating expenses ¹⁰	0.75	1.59	1.57	1.06	0.72

⁸ Class A and F 12b-1 fees may not exceed .30% and .50%, respectively, of each class' average net assets annually. Class B and C 12b-1 fees are up to 1.00% of each class' average net assets annually.

⁹ Includes custodial, legal, transfer agent and subtransfer agent/recordkeeping payments and various other expenses.

¹⁰ Subtransfer agent/recordkeeping payments may be made to third parties (including affiliates of the fund's investment adviser) that provide subtransfer agent, recordkeeping and/or shareholder services with respect to certain shareholder accounts in lieu of the transfer agent providing such services. The amount paid for subtransfer agent/recordkeeping services will vary depending on the share class and services provided, and typically ranges from \$3 per account to \$19 per account.

¹¹ The fund's investment adviser began waiving 5% of its management fees on September 1, 2004. Beginning April 1, 2005, this waiver increased to 10% and will continue at this level until further review. Total annual fund operating expenses do not reflect any waiver. Information regarding the effect of any waiver on total annual fund operating expenses can be found in the Financial Highlights table and the audited financial statements in the fund's annual report.

¹² Class 529-A and 529-F 12b-1 fees may not exceed .50% of each class' average net assets annually. Class 529-B and 529-C 12b-1 fees are up to 1.00% of each class' average net assets annually. Class 529-E 12b-1 fees may not exceed .75% of the class' average net assets annually.

¹³ Includes .10% paid to the Virginia College Savings Plan for administrative services it provides in overseeing CollegeAmerica.

Examples

The examples below are intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds. The examples assume that you invest \$10,000 in the fund for the time periods indicated, that your investment has a 5% return each year, that all dividends and capital gain distributions are reinvested, and that the fund's operating expenses remain the same as shown above. The examples do not reflect the impact of any fee waivers or expense reimbursements. The examples assuming redemption do not reflect the effect of any taxable gain or loss at the time of the redemption.

Although your actual costs may be higher or lower, based on these assumptions, your cumulative estimated expenses would be:

	1 year	3 years	5 years	10 years
Class A ¹	\$444	\$590	\$ 750	\$1,213
Class B — assuming redemption ²	643	843	966	1,489
Class B — assuming no redemption ³	143	443	766	1,489
Class C — assuming redemption ⁴	250	465	803	1,757
Class C — assuming no redemption	150	465	803	1,757
Class F — excludes intermediary fees ⁵	72	224	390	871
Class 529-A ^{1,6}	469	645	835	1,375
Class 529-B — assuming redemption ^{2,6}	681	941	1,123	1,765
Class 529-B — assuming no redemption ^{3,6}	181	541	923	1,765
Class 529-C — assuming redemption ^{4,6}	279	534	912	1,967
Class 529-C — assuming no redemption ⁶	179	534	912	1,967
Class 529-E ⁶	128	376	643	1,397
Class 529-F — excludes intermediary fees ^{5,6}	93	270	459	1,000

¹ Reflects the maximum initial sales charge in the first year.

² Reflects applicable contingent deferred sales charges through year six and Class A or 529-A expenses for years nine and 10 because Class B and 529-B shares automatically convert to Class A and 529-A shares, respectively, after eight years.

³ Reflects Class A or 529-A expenses for years nine and 10 because Class B and 529-B shares automatically convert to Class A and 529-A shares, respectively, after eight years.

⁴ Reflects a contingent deferred sales charge in the first year.

⁵ Does not include fees charged by financial intermediaries, which are independent of fund expenses and will increase the overall cost of your investment. Intermediary fees typically range from .75% to 1.50% of assets annually depending on the services offered.

⁶ Reflects an initial \$10 account set-up fee and an annual \$10 CollegeAmerica account maintenance fee.

Investment objective, strategies and risks

The fund's investment objective is to provide you with current income consistent with its stated maturity and quality standards and preservation of capital. It invests primarily in intermediate-term debt securities with quality ratings of A or better (by either Standard & Poor's Corporation or Moody's Investors Service) or unrated but determined to be of equivalent quality, including securities issued and guaranteed by the U.S. government and securities backed by mortgages or other assets. The fund's aggregate portfolio will have an average effective maturity of no longer than five years. As of the end of the fund's last fiscal period, August 31, 2005, the average effective maturity of the fund's portfolio was 3.17 years.

The values of most debt securities held by the fund may be affected by changing interest rates and by changes in effective maturities and credit ratings of these securities. For example, the values of debt securities in the fund's portfolio generally will decline when interest rates rise and increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem or "call" a security before its stated maturity, which may result in the fund having to reinvest the proceeds in lower yielding securities.

Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default. Lower quality or longer maturity debt securities generally have higher rates of interest and may be subject to greater price fluctuations than higher quality or shorter maturity debt securities. The fund's investment adviser attempts to reduce these risks through diversification of the portfolio and with ongoing credit analysis of each issuer, as well as by monitoring economic and legislative developments.

A bond's effective maturity is the market's trading assessment of its maturity and represents an estimate of the most likely time period during which an investor in that bond will receive payment of principal. For example, as market interest rates decline, issuers may exercise call provisions that shorten the bond's effective maturity. Conversely, if interest rates rise, effective maturities tend to lengthen. The average effective maturity is the market-weighted average (i.e., more weight is given to larger holdings) of all effective maturities in the portfolio.

A security backed by the U.S. Treasury or the full faith and credit of the U.S. government is guaranteed only as to the timely payment of interest and principal when held to maturity. Accordingly, the current market prices for these securities will fluctuate with changes in interest rates.

Many types of debt securities, including mortgage-related securities, are subject to prepayment risk. For example, when interest rates fall, homeowners are more likely to refinance their home mortgages and "prepay" their principal earlier than expected. The

fund must then reinvest the prepaid principal in new securities when interest rates on new mortgage investments are falling, thus reducing the fund's income.

The fund may also invest in asset-backed securities (securities backed by assets such as auto loans, credit card receivables or other providers of credit). The loans underlying these securities are subject to prepayments that can decrease maturities and returns. In addition, the values of the securities ultimately depend upon payment of the underlying loans by individuals. To lessen the effect of failures by individuals to make payments on these loans, the securities may provide guarantees or other types of credit support up to a certain amount.

The fund may also hold cash or money market instruments, the amount of which will vary and will depend on various factors, including market conditions. A larger amount of such holdings could negatively affect the fund's investment results in a period of rising market prices; conversely, consistent with the fund's preservation of capital objective, it could reduce the magnitude of the fund's loss in the event of falling market prices and provide liquidity to make additional investments or to meet redemptions.

The fund relies on the professional judgment of its investment adviser to make decisions about the fund's portfolio investments. The basic investment philosophy of the investment adviser is to seek to invest in attractively priced securities that, in its opinion, represent above-average investment opportunities. The investment adviser seeks to accomplish this by analyzing various factors, which may include the credit strength of the issuer, prices of similar securities issued by comparable issuers and anticipated changes in interest rates, general market conditions and other factors pertinent to the particular security being evaluated. Securities may be sold when the investment adviser believes that they no longer represent relatively attractive investment opportunities.

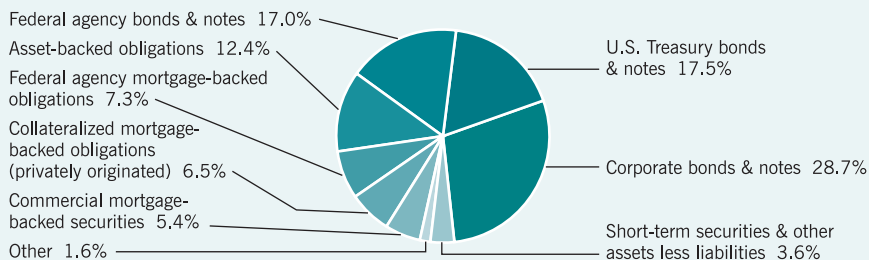
Additional investment results

Unlike the Investment Results table on page 4, the table below reflects the fund's results calculated without sales charges.

Additional investment results (without sales charges)				
Average annual total returns for periods ended December 31, 2004:				
	1 year	5 years	10 years	Lifetime¹
Class A — first sold 2/19/88				
Before taxes	2.01%	5.71%	6.09%	6.40%
After taxes on distributions	0.95	3.97	3.92	N/A
After taxes on distributions and sale of fund shares	1.30	3.81	3.84	N/A
	1 year	Lifetime¹		
Class B — first sold 3/15/00				
Before taxes	1.33%	4.99%		
Class C — first sold 3/15/01				
Before taxes	1.24	3.32		
Class F — first sold 3/19/01				
Before taxes	2.01	4.11		
Class 529-A — first sold 2/19/02				
Before taxes	1.94	3.63		
Class 529-B — first sold 2/26/02				
Before taxes	1.12	2.81		
Class 529-C — first sold 2/19/02				
Before taxes	1.13	2.80		
Class 529-E — first sold 3/15/02				
Before taxes	1.65	3.73		
Class 529-F — first sold 9/16/02				
Before taxes	1.90	2.48		
	1 year	5 years	10 years	Lifetime¹
Indexes (before taxes)				
Lipper Short-Intermediate Investment Grade Debt Funds Average ²	2.10%	5.94%	6.25%	6.91%
Lehman Brothers Government/Credit 1–7 Years ex. BBB Index ³	2.01	6.52	6.70	7.02
Consumer Price Index ⁴	3.26	2.49	2.43	2.98
Class A distribution rate at December 31, 2004: 3.32% ⁵ (For current distribution rate information, please call American FundsLine at 800/325-3590.)				

- ¹ Lifetime results for each share class are measured from the date the share class was first sold. Lifetime results for the index(es) shown are measured from the date Class A shares were first sold.
- ² Lipper Short-Intermediate Investment Grade Debt Funds Average is comprised of funds that invest primarily in investment-grade debt issues (rated in the top four grades) with dollar-weighted average maturities of one to five years. The results of the underlying funds in the average include the reinvestment of dividends and capital gain distributions, as well as brokerage commissions paid by the funds for portfolio transactions, but do not reflect sales charges or taxes.
- ³ Lehman Brothers Government/Credit 1–7 Years ex. BBB Index is a market value-weighted index that tracks the total return performance of fixed-rate, publicly placed, dollar-denominated obligations issued by the U.S. Treasury, U.S. government agencies and quasi-federal corporations; corporate or foreign debt guaranteed by the U.S. government; and U.S. and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements, with maturities of one to seven years, excluding BBB-rated securities. This index is unmanaged and includes reinvested dividends and/or distributions, but does not reflect sales charges, expenses or taxes.
- ⁴ Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Widely used as a measure of inflation, the CPI is computed by the U.S. Department of Labor, Bureau of Labor Statistics.
- ⁵ Reflects a fee waiver (3.31% without the waiver) as described in the Annual Fund Operating Expenses table under "Fees and expenses of the fund." The distribution rate represents actual distributions paid by the fund. It was calculated at net asset value by annualizing dividends paid by the fund over one month and dividing that number by the fund's average net asset value for the month.

Holdings by type of investment as of August 31, 2005



Holdings by quality rating as of August 31, 2005

See the appendix in the statement of additional information for a description of quality categories.

	Percent of net assets
U.S. government obligations ¹	18.6%
Federal agencies	23.2
AAA/Aaa	24.9
AA/Aa	13.2
A	15.8
BBB/Baa or below ²	0.7
Short-term securities and other assets less liabilities	3.6

¹ These securities are guaranteed by the full faith and credit of the U.S. government.

² Represents bonds whose quality ratings were downgraded while held by the fund.

Because the fund is actively managed, its holdings will change over time.

For updated information on the fund's portfolio holdings, please visit us at americanfunds.com.

Management and organization

Investment adviser

Capital Research and Management Company, an experienced investment management organization founded in 1931, serves as investment adviser to the fund and other funds, including the American Funds. Capital Research and Management Company is a wholly owned subsidiary of The Capital Group Companies, Inc. and is located at 333 South Hope Street, Los Angeles, California 90071, and 135 South State College Boulevard, Brea, California 92821. Capital Research and Management Company manages the investment portfolio and business affairs of the fund. The total management fee paid by the fund, as a percentage of average net assets, for the previous fiscal year appears in the Annual Fund Operating Expenses table under "Fees and expenses of the fund."

Execution of portfolio transactions

The investment adviser places orders with broker-dealers for the fund's portfolio transactions. The investment adviser strives to obtain best execution on the fund's portfolio transactions, taking into account a variety of factors to produce the most favorable total price reasonably attainable under the circumstances. These factors include the size and type of transaction, the cost and quality of executions, and the broker-dealer's ability to offer liquidity and anonymity. Subject to the considerations outlined above, the investment adviser may place orders for the fund's portfolio transactions with broker-dealers who have sold shares of funds managed by the investment adviser, or who have provided investment research, statistical or other related services to the investment adviser. In placing orders for the fund's portfolio transactions, the investment adviser does not commit to any specific amount of business with any particular broker-dealer. Subject to best execution, the investment adviser may consider investment research, statistical or other related services provided to the adviser in placing orders for the fund's portfolio transactions. However, when the investment adviser places orders for the fund's portfolio transactions, it does not give any consideration to whether a broker-dealer has sold shares of the funds managed by the investment adviser.

Portfolio holdings

Portfolio holdings information for the fund is available on the American Funds website at americanfunds.com. To reach this information, access the fund's details page on the website. A link to the fund's complete list of publicly disclosed portfolio holdings (updated as of each calendar quarter-end) is located in the lower portion of this website page. This information generally is posted to the website within 45 days from the end of the applicable quarter. This information is available on the website until new information for the next quarter is posted. Portfolio holdings information for the fund is also contained in reports filed with the Securities and Exchange Commission.

A description of the fund's policies and procedures regarding disclosure of information about its portfolio holdings is available in the statement of additional information.

Multiple portfolio counselor system

Capital Research and Management Company uses a system of multiple portfolio counselors in managing mutual fund assets. Under this approach, the portfolio of a fund is divided into segments managed by individual counselors. Counselors decide how their respective segments will be invested. In addition, Capital Research and Management Company's investment analysts may make investment decisions with respect to a portion of a fund's portfolio. Investment decisions are subject to the limits provided by a fund's objective(s) and policies and the oversight of Capital Research and Management Company's investment committee.

The primary individual portfolio counselors for Intermediate Bond Fund of America are:

Portfolio counselor/ Fund title (if applicable)	Portfolio counselor experience in this fund	Primary title with investment adviser (or affiliate) and investment experience	Portfolio counselor's role in management of the fund
John H. Smet President and Trustee	14 years	Senior Vice President, Capital Research and Management Company Investment professional for 23 years in total; 22 years with Capital Research and Management Company or affiliate	Serves as an intermediate-term fixed-income portfolio counselor
David A. Hoag	3 years	Senior Vice President, Capital Research Company Investment professional for 17 years in total; 14 years with Capital Research and Management Company or affiliate	Serves as an intermediate-term fixed-income portfolio counselor
Thomas H. Hogh	9 years	Vice President, Capital International Research, Inc. Investment professional for 19 years in total; 16 years with Capital Research and Management Company or affiliate	Serves as an intermediate-term fixed-income portfolio counselor

Information regarding the portfolio counselors' compensation, their ownership of securities in the fund and other accounts they manage can be found in the statement of additional information.

Shareholder information

Shareholder services

American Funds Service Company, the fund's transfer agent, offers a wide range of services that you can use to alter your investment program should your needs and circumstances change. These services may be terminated or modified at any time upon 60 days' written notice. For your convenience, American Funds Service Company has four service centers across the country.

American Funds Service Company service areas

Call toll-free from anywhere in the United States (8 a.m. to 8 p.m. ET) | 800/421-0180
Access the American Funds website | americanfunds.com



Western service center

American Funds Service Company
P.O. Box 25065
Santa Ana, California
92799-5065
Fax: 714/671-7133



Western Central service center

American Funds Service Company
P.O. Box 659522
San Antonio, Texas
78265-9522
Fax: 210/474-4352



Eastern Central service center

American Funds Service Company
P.O. Box 6007
Indianapolis, Indiana
46206-6007
Fax: 317/735-6636



Eastern service center

American Funds Service Company
P.O. Box 2280
Norfolk, Virginia
23501-2280
Fax: 757/670-4761

A more detailed description of policies and services is included in the fund's statement of additional information and the owner's guide sent to new American Funds shareholders entitled *Welcome*. Class 529 shareholders should also refer to the *CollegeAmerica Program Description* for information on policies and services specifically relating to their **CollegeAmerica** account(s). These documents are available by writing or calling American Funds Service Company.

Choosing a share class

The fund offers different classes of shares through this prospectus. Class A, B, C and F shares may be purchased through various investment programs or accounts, including certain types of retirement plans (see limitations below). The services or share classes available to you may vary depending upon how you wish to purchase shares of the fund.

Investors residing in any state may purchase Class 529-A, 529-B, 529-C, 529-E and 529-F shares through an account established with CollegeAmerica. Class 529-A, 529-B, 529-C and 529-F shares are structured similarly to the corresponding Class A, B, C and F shares. For example, the same initial sales charges apply to Class 529-A shares as to Class A shares. Class 529-E shares are available only to investors participating in CollegeAmerica through an eligible employer plan.

Each share class represents investment in the same portfolio of securities, but each class has its own sales charge and expense structure, allowing you to choose the class that best fits your situation. **When you purchase shares of the fund, you must choose a share class. If none is chosen, your investment will be made in Class A shares or, in the case of a CollegeAmerica investment, Class 529-A shares.**

Factors you should consider in choosing a class of shares include:

- how long you expect to own the shares;
- how much you intend to invest;
- total expenses associated with owning shares of each class;
- whether you qualify for any reduction or waiver of sales charges (for example, Class A or 529-A shares may be a less expensive option over time, particularly if you qualify for a sales charge reduction or waiver);
- whether you plan to take any distributions in the near future (for example, the contingent deferred sales charge will not be waived if you sell your Class 529-B or 529-C shares to cover higher education expenses);
- availability of share classes:
 - Class B and C shares are not available to retirement plans that do not currently invest in such shares and are eligible to invest in Class R shares, including employer-sponsored retirement plans such as defined benefit plans, 401(k) plans, 457 plans, employer-sponsored 403(b) plans, and money purchase pension and profit-sharing plans; and
 - Class F and 529-F shares are generally available only to fee-based programs of investment dealers that have special agreements with the fund's distributor and to certain registered investment advisers.

Each investor's financial considerations are different. You should speak with your financial adviser to help you decide which share class is best for you.

Unless otherwise noted, references in the following pages to Class A, B, C or F shares also refer to the corresponding Class 529-A, 529-B, 529-C or 529-F shares.

Summary of the primary differences among share classes

Class A shares

Initial sales charge	up to 3.75% (reduced for purchases of \$100,000 or more and eliminated for purchases of \$1 million or more)
Contingent deferred sales charge	none (except that a charge of 1.00% applies to certain redemptions made within one year following purchases of \$1 million or more without an initial sales charge)
12b-1 fees	up to .30% annually (for 529-A shares, may not exceed .50% annually)
Dividends	generally higher than other classes due to lower annual expenses
Purchase maximum	none
Conversion	none

Class B shares

Initial sales charge	none
Contingent deferred sales charge	starts at 5.00% and declines until it reaches 0% six years after purchase
12b-1 fees	up to 1.00% annually
Dividends	generally lower than A and F shares due to higher 12b-1 fees and other expenses, but higher than C shares due to lower other expenses
Purchase maximum	\$50,000 per transaction
Conversion	automatic conversion to A or 529-A shares after eight years, reducing future annual expenses

Class C shares

Initial sales charge	none
Contingent deferred sales charge	1.00% if shares are sold within one year after purchase
12b-1 fees	up to 1.00% annually
Dividends	generally lower than other classes due to higher 12b-1 fees and other expenses
Purchase maximum	\$500,000 per transaction
Conversion	automatic conversion to F shares after 10 years, reducing future annual expenses (529-C shares will not convert to 529-F shares)

Class 529-E shares

Initial sales charge	none
Contingent deferred sales charge	none
12b-1 fees	currently up to .50% annually (may not exceed .75% annually)
Dividends	generally higher than 529-B and 529-C shares due to lower 12b-1 fees, but lower than 529-A and 529-F shares due to higher 12b-1 fees
Purchase maximum	none
Conversion	none

Class F shares

Initial sales charge	none
Contingent deferred sales charge	none
12b-1 fees	currently up to .25% annually (may not exceed .50% annually)
Dividends	generally higher than B and C shares due to lower 12b-1 fees, but lower than A shares due to higher other expenses
Purchase maximum	none
Conversion	none

Purchase and exchange of shares

The fund's transfer agent, on behalf of the fund and American Funds Distributors, the fund's distributor, is required by law to obtain certain personal information from you or any person(s) acting on your behalf in order to verify your or such person's identity. If you do not provide the information, the transfer agent may not be able to open your account. If the transfer agent is unable to verify your identity or that of another person(s) authorized to act on your behalf, or believes it has identified potentially criminal activity, the fund and American Funds Distributors reserve the right to close your account or take such other action they deem reasonable or required by law.

Purchase of Class A, B and C shares

You may generally open an account and purchase Class A, B and C shares by contacting any financial adviser (who may impose transaction charges in addition to those described in this prospectus) authorized to sell the fund's shares. You may purchase additional shares in various ways, including through your financial adviser and by mail, telephone, the Internet and bank wire.

Purchase of Class F shares

You may generally open an account and purchase Class F shares only through fee-based programs of investment dealers that have special agreements with the fund's distributor and through certain registered investment advisers. These dealers and advisers typically charge ongoing fees for services they provide.

Purchase of Class 529 shares

Class 529 shares may be purchased only through a CollegeAmerica account. You may open a CollegeAmerica account and purchase 529 shares by contacting any financial adviser (who may impose transaction charges in addition to those described in this prospectus) authorized to sell a CollegeAmerica account. You may purchase additional shares in various ways, including through your financial adviser and by mail, telephone, the Internet and bank wire.

Class 529-E shares may be purchased only by employees participating in CollegeAmerica through an eligible employer plan.

Exchange

Generally, you may exchange your shares into shares of the same class of other American Funds without a sales charge. Class A, C or F shares may generally be exchanged into the corresponding 529 share class without a sales charge. Class B shares may not be exchanged into Class 529-B shares. **Exchanges from Class A, C or F shares to the corresponding 529 share class, particularly in the case of Uniform Gifts to Minors Act or**

Uniform Transfer to Minors Act custodial accounts, may result in significant legal and tax consequences as described in the *CollegeAmerica Program Description*. Please consult your financial adviser before making such an exchange.

Exchanges of shares from American Funds money market funds initially purchased without a sales charge generally will be subject to the appropriate sales charge. For purposes of computing the contingent deferred sales charge on Class B and C shares, the length of time you have owned your shares will be measured from the date of original purchase and will not be affected by any permitted exchange.

Exchanges have the same tax consequences as ordinary sales and purchases. For example, to the extent you exchange shares held in a taxable account that are worth more now than what you paid for them, the gain will be subject to taxation. See "Transactions by telephone, fax or the Internet" for information regarding electronic exchanges.

Frequent trading of fund shares

The fund and American Funds Distributors reserve the right to reject any purchase order for any reason. The fund is not designed to serve as a vehicle for frequent trading in response to short-term fluctuations in the securities markets. Accordingly, purchases, including those that are part of exchange activity, that the fund or American Funds Distributors has determined could involve actual or potential harm to the fund may be rejected. Frequent trading of fund shares may lead to increased costs to the fund and less efficient management of the fund's portfolio, resulting in dilution of the value of the shares held by long-term shareholders.

The fund's Board of Trustees has adopted policies and procedures with respect to frequent purchases and redemptions of fund shares. Under the fund's "purchase blocking policy," any American Funds shareholder redeeming shares (including redemptions that are part of an exchange transaction) having a value of \$5,000 or more from a fund in the American Funds (other than an American Funds money market fund) will be precluded from investing in that fund (including investments that are part of an exchange transaction) for 30 calendar days after the redemption transaction. This prohibition will not apply to redemptions by shareholders whose shares are held on the books of third-party intermediaries that have not adopted procedures to implement this policy. American Funds Service Company will work with intermediaries to develop such procedures or other procedures that American Funds Service Company determines are reasonably designed to achieve the objective of the purchase blocking policy. At the time the intermediaries adopt these procedures, shareholders whose accounts are on the books of such intermediaries will be subject to this purchase blocking policy or one that achieves the objective of this policy.

Under the fund's purchase blocking policy, certain purchases will not be prevented and certain redemptions will not trigger a purchase block, such as: systematic redemptions and purchases where the entity maintaining the shareholder account is able to identify the

transaction as a systematic redemption or purchase; purchases and redemptions of shares having a value of less than \$5,000; retirement plan contributions, loans and distributions (including hardship withdrawals) identified as such on the retirement plan recordkeeper's system; and purchase transactions involving transfers of assets, rollovers, Roth IRA conversions and IRA re-characterizations, where the entity maintaining the shareholder account is able to identify the transaction as one of these types of transactions. The statement of additional information contains more information about how American Funds Service Company may address other potentially abusive trading activity in the American Funds.

Purchase minimums and maximums

Purchase minimums for all classes of shares	
To establish an account (including retirement plan and CollegeAmerica accounts)	\$ 250
With an automatic investment plan	50
For a retirement plan account through payroll deduction or an employer-sponsored CollegeAmerica account	25
To add to an account	50
For a retirement plan account through payroll deduction or an employer-sponsored CollegeAmerica account	25
Purchase maximum per transaction for Class B shares	50,000
Purchase maximum per transaction for Class C shares	500,000

Due to the current maximum contribution limit for a CollegeAmerica account, the effective purchase maximums for Class 529-A, 529-C, 529-E and 529-F shares are each \$250,000. See the *CollegeAmerica Program Description* for more information.

If you have significant American Funds or American Legacy® holdings, you may not be eligible to invest in Class B or C shares (or their corresponding 529 share classes). Specifically, you may not purchase Class B or 529-B shares if you are eligible to purchase Class A or 529-A shares at the \$100,000 or higher sales charge discount rate, and you may not purchase Class C or 529-C shares if you are eligible to purchase Class A or 529-A shares at the \$1 million sales charge discount rate (i.e., at net asset value). See "Sales charge reductions and waivers" below and the statement of additional information for more information regarding sales charge discounts.

Valuing shares

The net asset value of each share class of the fund is the value of a single share. The fund calculates the net asset value each day the New York Stock Exchange is open as of approximately 4:00 p.m. New York time, the normal close of regular trading. Assets are valued primarily on the basis of market quotations. However, the fund has adopted procedures for making "fair value" determinations if market quotations are not readily available or are not considered reliable. Use of these procedures is intended to result in more appropriate net asset values.

Your shares will be purchased at the net asset value (plus any applicable sales charge in the case of Class A shares) or sold at the net asset value next determined after American Funds Service Company receives and accepts your request. A contingent deferred sales charge may apply at the time you sell certain Class A, B and C shares.

Sales charges

Class A shares

The initial sales charge you pay each time you buy Class A shares differs depending upon the amount you invest and may be reduced or eliminated for larger purchases as indicated below. The "offering price," the price you pay to buy shares, includes any applicable sales charge, which will be deducted directly from your investment. Shares acquired through reinvestment of dividends or capital gain distributions are not subject to an initial sales charge.

Investment	Sales charge as a percentage of:		Dealer commission as a percentage of offering price
	Offering price	Net amount invested	
Less than \$100,000	3.75%	3.90%	3.00%
\$100,000 but less than \$250,000	3.50	3.63	2.75
\$250,000 but less than \$500,000	2.50	2.56	2.00
\$500,000 but less than \$750,000	2.00	2.04	1.60
\$750,000 but less than \$1 million	1.50	1.52	1.20
\$1 million or more and certain other investments described below	none	none	see below

The sales charge, expressed as a percentage of the offering price or the net amount invested, may be higher or lower than the percentages described in the table above due to rounding. This is because the dollar amount of the sales charge is determined by subtracting the net asset value of the shares purchased from the offering price, which is calculated to two decimal places using standard rounding criteria. The impact of rounding will vary with the size of the investment and the net asset value of the shares. Similarly, any contingent deferred sales charge paid by you on investments in Class A shares may be higher or lower than the 1% charge described below due to rounding.

Except as provided below, investments in Class A shares of \$1 million or more may be subject to a 1% contingent deferred sales charge if the shares are sold within one year of purchase. The contingent deferred sales charge is based on the original purchase cost or the current market value of the shares being sold, whichever is less.

Class A purchases not subject to sales charges

The following investments are not subject to any initial or contingent deferred sales charge if American Funds Service Company is properly notified of the nature of the investment:

- investments in Class A shares made by endowments or foundations with \$50 million or more in assets;
- investments made by accounts that are part of certain qualified fee-based programs and that purchased Class A shares before March 15, 2001; and
- certain rollover investments from retirement plans to IRAs (see "Rollovers from retirement plans to IRAs" below for more information).

The distributor may pay dealers up to 1% on investments made in Class A shares with no initial sales charge. The fund may reimburse the distributor for these payments through its plans of distribution (see "Plans of distribution" below).

A transfer from the Virginia Prepaid Education ProgramSM or the Virginia Education Savings TrustSM to a CollegeAmerica account will be made with no sales charge. No commission will be paid to the dealer on such a transfer.

Certain other investors may qualify to purchase shares without a sales charge, such as employees of investment dealers and registered investment advisers authorized to sell American Funds, and employees of The Capital Group Companies. Please see the statement of additional information for more information.

Employer-sponsored retirement plans

Employer-sponsored retirement plans not currently invested in Class A shares and wishing to invest without a sales charge are not eligible to purchase Class A shares. Such plans may invest only in Class R shares, which are described in more detail in the fund's retirement plan prospectus.

Provided that the plan's recordkeeper can properly apply a sales charge on the plan's investments, an employer-sponsored retirement plan not currently invested in Class A shares and wishing to invest less than \$1 million may invest in Class A shares, but the purchase of these shares will be subject to the applicable sales charge. An employer-sponsored retirement plan that purchases Class A shares with a sales charge will be eligible to purchase additional Class A shares in accordance with the sales charge table above. If the recordkeeper cannot properly apply a sales charge on the plan's investments, then the plan may invest only in Class R shares.

Employer-sponsored retirement plans not currently investing in Class A shares without a sales charge are not eligible to establish a statement of intention to purchase \$1 million or more of American Funds shares in order to qualify to purchase without a sales charge. More information about statements of intention can be found under "Sales charge reductions and waivers."

Employer-sponsored retirement plans that invested in Class A shares without any sales charge on or before March 31, 2004, may continue to purchase Class A shares without any initial or contingent deferred sales charge.

Class B and C shares

Class B and C shares are sold without any initial sales charge. American Funds Distributors pays 4% of the amount invested to dealers who sell Class B shares and 1% to dealers who sell Class C shares.

For Class B shares, a contingent deferred sales charge may be applied to shares you sell within six years of purchase, as shown in the table below.

Contingent deferred sales charge on Class B shares

Year of redemption:	1	2	3	4	5	6	7+
Contingent deferred sales charge:	5%	4%	4%	3%	2%	1%	0%

For Class C shares, a contingent deferred sales charge of 1% applies if shares are sold within one year of purchase.

Any contingent deferred sales charge paid by you on investments in Class B or C shares, expressed as a percentage of the applicable redemption amount, may be higher or lower than the percentages described above due to rounding.

Shares acquired through reinvestment of dividends or capital gain distributions are not subject to a contingent deferred sales charge. In addition, the contingent deferred sales charge may be waived in certain circumstances. See "Contingent deferred sales charge waivers" below. The contingent deferred sales charge is based on the original purchase cost or the current market value of the shares being sold, whichever is less. For purposes of determining the contingent deferred sales charge, if you sell only some of your shares, shares that are not subject to any contingent deferred sales charge will be sold first, followed by shares that you have owned the longest.

See "Plans of distribution" below for ongoing compensation paid to your dealer or financial adviser for all share classes.

Conversion of Class B and C shares

Class B shares automatically convert to Class A shares in the month of the eight-year anniversary of the purchase date. Class C shares automatically convert to Class F shares in the month of the 10-year anniversary of the purchase date; however, Class 529-C shares will not convert to Class 529-F shares. The Internal Revenue Service currently takes the position that these automatic conversions are not taxable. Should its position change, the automatic conversion feature may be suspended. If this happens, you would have the option of converting your Class B, 529-B or C shares to the respective share classes at the anniversary dates described above. This exchange would be based on the relative net asset

values of the two classes in question, without the imposition of a sales charge or fee, but you might face certain tax consequences as a result.

Class 529-E and Class F shares

Class 529-E and Class F shares are sold without any initial or contingent deferred sales charge.

Sales charge reductions and waivers

To receive a reduction in your Class A initial sales charge, you must let your financial adviser or American Funds Service Company know at the time you purchase shares that you qualify for such a reduction. If you do not let your adviser or American Funds Service Company know that you are eligible for a reduction, you may not receive a sales charge discount to which you are otherwise entitled. In order to determine your eligibility to receive a sales charge discount, it may be necessary for you to provide your adviser or American Funds Service Company with information and records (including account statements) of all relevant accounts invested in the American Funds. To have your Class A, B or C contingent deferred sales charge waived, you must let your adviser or American Funds Service Company know at the time you redeem shares that you qualify for such a waiver.

Reducing your Class A initial sales charge

Consistent with the policies described in this prospectus, you and your "immediate family" (your spouse — or equivalent if recognized under local law — and your children under the age of 21) may combine all of your American Funds and American Legacy investments to reduce your Class A sales charge. However, for this purpose, investments representing direct purchases of American Funds money market funds are excluded.

Aggregating accounts

To receive a reduced Class A sales charge, investments made by you and your immediate family (see above) may be aggregated if made for your own account(s) and/or certain other accounts, such as:

- trust accounts established by the above individuals (however, if the person(s) who established the trust is deceased, the trust account may be aggregated with accounts of the primary beneficiary of the trust);
- solely controlled business accounts; and
- single-participant retirement plans.

Concurrent purchases

You may combine simultaneous purchases (including, upon your request, purchases for gifts) of any class of shares of two or more American Funds, as well as individual holdings in various American Legacy variable annuity contracts and variable life insurance policies, to qualify for a reduced Class A sales charge.

Rights of accumulation

You may take into account the current value of your existing holdings in any class of shares of the American Funds to determine your Class A sales charge. Alternatively, upon your request, you may take into account the amount you invested less any with-

drawals (however, for this purpose, the amount invested does not include capital appreciation or reinvested dividends and capital gains). You should retain any records necessary to substantiate the historical amounts you have invested. In addition, you may also take into account the current value of your individual holdings in various American Legacy variable annuity contracts and variable life insurance policies to determine your Class A sales charge. If you make a gift of shares, upon your request, you may purchase the shares at the sales charge discount allowed under rights of accumulation of all of your American Funds and American Legacy accounts.

Statement of intention

You may reduce your Class A sales charge by establishing a statement of intention. A statement of intention allows you to combine all American Funds non-money market fund purchases of all share classes you intend to make over a 13-month period, as well as individual holdings in various American Legacy variable annuity contracts and variable life insurance policies, to determine the applicable sales charge; however, investments made under a right of reinvestment, appreciation of your investment, and reinvested dividends and capital gains do not apply toward these combined purchases. At your request, purchases made during the previous 90 days may be included. A portion of your account may be held in escrow to cover additional Class A sales charges that may be due if your total investments over the 13-month period do not qualify for the applicable sales charge reduction.

Right of reinvestment

Please see "How to sell shares" below for information on how to reinvest proceeds from a redemption, dividend payment or capital gain distribution without a sales charge.

Contingent deferred sales charge waivers

The contingent deferred sales charge on Class A, B and C shares may be waived in the following cases:

- permitted exchanges of shares, except if shares acquired by exchange are then redeemed within the period during which a contingent deferred sales charge would apply to the initial shares purchased;
- tax-free returns of excess contributions to IRAs;
- redemptions due to death or postpurchase disability of the shareholder (this generally excludes accounts registered in the names of trusts and other entities);
- for 529 share classes only, redemptions due to a beneficiary's death, postpurchase disability or receipt of a scholarship (to the extent of the scholarship award);
- redemptions due to the complete termination of a trust upon the death of the trustor/grantor or beneficiary, but only if such termination is specifically provided for in the trust document;

- the following types of transactions, if together they do not exceed 12% of the value of an account annually (see the statement of additional information for more information about waivers regarding these types of transactions):
 - redemptions due to receiving required minimum distributions from retirement accounts upon reaching age 70½ (required minimum distributions that continue to be taken by the beneficiary(ies) after the account owner is deceased also qualify for a waiver); and
 - if you have established a systematic withdrawal plan, redemptions through such a plan (including any dividends and/or capital gain distributions taken in cash).

You may obtain more information about sales charge reductions and waivers through a link on the home page of the American Funds website at americanfunds.com, from the statement of additional information or from your financial adviser.

Rollovers from retirement plans to IRAs

Assets from retirement plans may be invested in Class A, B, C or F shares through an IRA rollover. Rollovers invested in Class A shares from retirement plans will be subject to applicable sales charges. The following rollovers to Class A shares will be made at no sales charge:

- rollovers to IRAs from 403(b) plans with Capital Bank and Trust Company as custodian; and
- rollovers to IRAs that are attributable to American Funds investments, if they meet the following three requirements:
 - the retirement plan from which assets are being rolled over is part of an American Funds proprietary retirement plan program (such as PlanPremier,[®] Recordkeeper Direct[®] or Recordkeeper Connect[®]) or is a plan whose participant subaccounts are serviced by American Funds Service Company;
 - the plan's assets were invested in American Funds at the time of distribution; and
 - the plan's assets are rolled over to an American Funds IRA with Capital Bank and Trust Company as custodian.

IRA rollover assets that roll over at no sales charge as described above will not be subject to a contingent deferred sales charge and investment dealers will be compensated solely with an annual service fee that begins to accrue immediately. IRA rollover assets that are not attributable to American Funds investments, as well as future contributions to the IRA, will be subject to sales charges and the terms and conditions generally applicable to Class A share investments as described in the prospectus and statement of additional information if invested in Class A shares.

Transfers to IRAs

Transfers to IRAs that are attributable to American Funds investments held in SIMPLE IRAs, SEPs or SARSEPs will not be subject to a sales charge if invested in Class A shares.

Plans of distribution

The fund has plans of distribution or "12b-1 plans" under which it may finance activities primarily intended to sell shares, provided the categories of expenses are approved in advance by the fund's Board of Trustees. The plans provide for annual expenses of up to .30% for Class A shares; up to .50% for Class 529-A shares; up to 1.00% for Class B, 529-B, C and 529-C shares; up to .75% for Class 529-E shares; and up to .50% for Class F and 529-F shares. For all share classes, up to .25% of these expenses may be used to pay service fees to qualified dealers for providing certain shareholder services. The amount remaining for each share class may be used for distribution expenses.

The 12b-1 fees paid by the fund, as a percentage of average net assets, for the previous fiscal year are indicated in the Annual Fund Operating Expenses table under "Fees and expenses of the fund." Since these fees are paid out of the fund's assets or income on an ongoing basis, over time they will increase the cost and reduce the return of your investment. The higher fees for Class B and C shares may cost you more over time than paying the initial sales charge for Class A shares.

Other compensation to dealers

American Funds Distributors, at its expense, currently provides additional compensation to investment dealers. These payments may be made, at the discretion of American Funds Distributors, to the top 75 dealers who have sold shares of the American Funds. The level of payments made to a qualifying dealer in any given year will vary and in no case would exceed the sum of (a) .10% of the previous year's American Funds sales by that dealer and (b) .02% of American Funds assets attributable to that dealer. For calendar year 2004, aggregate payments made by American Funds Distributors to dealers were less than .02% of the assets of the American Funds. Aggregate payments may also change from year to year. A number of factors will be considered in determining payments, including the qualifying dealer's sales, assets and redemption rates, and the quality of the dealer's relationship with American Funds Distributors. American Funds Distributors makes these payments to help defray the costs incurred by qualifying dealers in connection with efforts to educate financial advisers about the American Funds so that they can make recommendations and provide services that are suitable and meet shareholder needs. American Funds Distributors will, on an annual basis, determine the advisability of continuing these payments. American Funds Distributors may also pay expenses associated with meetings conducted by dealers outside the top 75 firms to facilitate educating financial advisers and shareholders about the American Funds.

How to sell shares

You may sell (redeem) shares in any of the following ways:

Through your dealer or financial adviser (certain charges may apply)

- Shares held for you in your dealer's name must be sold through the dealer.
- Class F shares must be sold through your dealer or financial adviser.

Writing to American Funds Service Company

- Requests must be signed by the registered shareholder(s).
- A signature guarantee is required if the redemption is:
 - over \$75,000;
 - made payable to someone other than the registered shareholder(s); or
 - sent to an address other than the address of record, or an address of record that has been changed within the last 10 days.
- American Funds Service Company reserves the right to require signature guarantee(s) on any redemptions.
- Additional documentation may be required for sales of shares held in corporate, partnership or fiduciary accounts.

Telephoning or faxing American Funds Service Company or using the Internet

- Redemptions by telephone, fax or the Internet (including American FundsLine[®] and americanfunds.com) are limited to \$75,000 per American Funds shareholder each day.
- Checks must be made payable to the registered shareholder.
- Checks must be mailed to an address of record that has been used with the account for at least 10 days.

If you recently purchased shares and subsequently request a redemption of those shares, you will receive proceeds from the redemption once a sufficient period of time has passed to reasonably assure that checks or drafts (including certified or cashier's checks) for the shares purchased have cleared (normally 15 calendar days).

If you notify American Funds Service Company, you may reinvest proceeds from a redemption, dividend payment or capital gain distribution without a sales charge in the same fund or other American Funds within 90 days after the date of the redemption or distribution. Proceeds from a Class B share redemption where a contingent deferred sales charge was charged will be reinvested in Class A shares. Proceeds from any other type of redemption and all dividend payments and capital gain distributions will be reinvested in the same share class from which the original redemption or distribution was made. Any contingent deferred sales charge on Class A or C shares will be credited to your account. Redemption proceeds of Class A shares representing direct purchases in American Funds money market funds that are reinvested in non-money market American Funds will be subject to a sales charge. Proceeds will be reinvested at the next calculated net asset

value after your request is received and accepted by American Funds Service Company. You may not reinvest proceeds in the American Funds as described in this paragraph if such proceeds are subject to a purchase block as described under "Frequent trading of fund shares." This paragraph does not apply to rollover investments as described under "Rollovers from retirement plans to IRAs."

Transactions by telephone, fax or the Internet

Generally, you are automatically eligible to use these services for redemptions and exchanges unless you notify us in writing that you do not want any or all of these services. You may reinstate these services at any time.

Unless you decide not to have telephone, fax or Internet services on your account(s), you agree to hold the fund, American Funds Service Company, any of its affiliates or mutual funds managed by such affiliates, and each of their respective directors, trustees, officers, employees and agents harmless from any losses, expenses, costs or liabilities (including attorney fees) that may be incurred in connection with the exercise of these privileges, provided American Funds Service Company employs reasonable procedures to confirm that the instructions received from any person with appropriate account information are genuine. If reasonable procedures are not employed, American Funds Service Company and/or the fund may be liable for losses due to unauthorized or fraudulent instructions.

Distributions and taxes

Dividends and distributions

The fund declares daily dividends from net investment income and distributes the accrued dividends, which may fluctuate, to shareholders each month. Dividends begin accruing one day after payment for shares is received by the fund or American Funds Service Company.

Capital gains, if any, are usually distributed in December. When a capital gain is distributed, the net asset value per share is reduced by the amount of the payment.

You may elect to reinvest dividends and/or capital gain distributions to purchase additional shares of this fund or other American Funds, or you may elect to receive them in cash. Most shareholders do not elect to take capital gain distributions in cash because these distributions reduce principal value. Dividends and capital gain distributions for 529 share classes will be automatically reinvested.

Taxes on dividends and distributions

Dividends and capital gain distributions you receive from the fund will be subject to federal income tax and may also be subject to state or local taxes — unless you are exempt from taxation.

For federal tax purposes, dividends and distributions of short-term capital gains are taxable as ordinary income. The fund's distributions of net long-term capital gains are taxable as long-term capital gains. Any dividends or capital gain distributions you receive from the fund will normally be taxable to you when made, regardless of whether you reinvest dividends or capital gain distributions or receive them in cash.

Taxes on transactions

Your redemptions, including exchanges, may result in a capital gain or loss for federal tax purposes. A capital gain or loss on your investment is the difference between the cost of your shares, including any sales charges, and the amount you receive when you sell them.

Please see your tax adviser for more information. Holders of 529 shares should refer to the *CollegeAmerica Program Description* for more information regarding the tax consequences of selling 529 shares.

Financial highlights¹

The Financial Highlights table is intended to help you understand the fund's results for the past five fiscal years. Certain information reflects financial results for a single share of a particular class. The total returns in the table represent the rate that an investor would have earned or lost on an investment in the fund (assuming reinvestment of all dividends and capital gain distributions). This information has been audited by Deloitte & Touche LLP, whose report, along with the fund's financial statements, is included in the statement of additional information, which is available upon request.

	Net asset value, beginning of period	Income (loss) from investment operations ²	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Net asset value, end of period	Total return ³	Net assets, end of period (in millions)	Ratio of expenses to average net assets before reinbursements/waivers	Ratio of expenses to average net assets after reinbursements/waivers ⁴
Class A:										
Year ended 8/31/2005	\$13.80	\$.44	\$(.16)	\$.28	\$(.45)	\$13.63	2.08%	\$3,745	.70%	.69%
Year ended 8/31/2004	13.74	.39	.08	.47	(.41)	13.80	3.49	3,768	.70	.70
Year ended 8/31/2003	13.81	.39	(.02)	.37	(.44)	13.74	2.68	3,981	.70	.70
Year ended 8/31/2002	13.69	.64	.14	.78	(.66)	13.81	5.89	3,071	.76	.76
Year ended 8/31/2001	13.08	.78	.65	1.43	(.82)	13.69	11.23	1,628	.81	.81
Class B:										
Year ended 8/31/2005	13.80	.35	(.16)	.19	(.36)	13.63	1.39	303	1.40	1.38
Year ended 8/31/2004	13.74	.30	.08	.38	(.32)	13.80	2.78	339	1.39	1.39
Year ended 8/31/2003	13.81	.29	(.02)	.27	(.34)	13.74	1.96	383	1.40	1.40
Year ended 8/31/2002	13.69	.55	.14	.69	(.57)	13.81	5.14	205	1.46	1.46
Year ended 8/31/2001	13.08	.69	.65	1.34	(.73)	13.69	10.47	46	1.50	1.50
Class C:										
Year ended 8/31/2005	13.80	.34	(.16)	.18	(.35)	13.63	1.32	360	1.47	1.45
Year ended 8/31/2004	13.74	.29	.08	.37	(.31)	13.80	2.70	383	1.47	1.47
Year ended 8/31/2003	13.81	.28	(.02)	.26	(.33)	13.74	1.86	434	1.49	1.49
Year ended 8/31/2002	13.69	.53	.14	.67	(.55)	13.81	5.04	212	1.55	1.55
Period from 3/15/2001 to 8/31/2001	13.61	.29	.10	.39	(.31)	13.69	2.92	22	.81	.81
Class F:										
Year ended 8/31/2005	13.80	.44	(.16)	.28	(.45)	13.63	2.08	377	.70	.68
Year ended 8/31/2004	13.74	.39	.08	.47	(.41)	13.80	3.48	304	.70	.70
Year ended 8/31/2003	13.81	.38	(.02)	.36	(.43)	13.74	2.65	223	.71	.71
Year ended 8/31/2002	13.69	.64	.14	.78	(.66)	13.81	5.85	104	.79	.79
Period from 3/19/2001 to 8/31/2001	13.60	.32	.11	.43	(.34)	13.69	3.24	13	.40	.40

	Income (loss) from investment operations ²				Dividends (from net investment income)	Net asset value, end of period ³	Total return ³	Net assets, end of period (in millions)	Ratio of expenses to average net assets before reim- bursements/ waivers	Ratio of expenses to average net assets after reim- bursements/ waivers ⁴	Ratio of net income to average net assets
	Net asset value, beginning of period	Net investment income	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations		Net asset value, end of period					
Class 529-A:											
Year ended 8/31/2005	\$13.80	.43	\$(.16)	\$.27	\$(.44)	\$13.63	2.03%	\$ 99	.75%	.73	3.18%
Year ended 8/31/2004	13.74	.39	.08	.47	(.41)	13.80	3.49	79	.70	.70	2.81
Year ended 8/31/2003	13.81	.37	(.02)	.35	(.42)	13.74	2.58	55	.76	.76	2.56
Period from 2/19/2002 to 8/31/2002	13.59	.30	.23	.53	(.31)	13.81	3.98	15	.91 ⁵	.91 ⁵	4.11 ⁵
Class 529-B:											
Year ended 8/31/2005	13.80	.32	(.16)	.16	(.33)	13.63	1.20	22	1.59	1.57	2.34
Year ended 8/31/2004	13.74	.27	.08	.35	(.29)	13.80	2.58	20	1.59	1.59	1.93
Year ended 8/31/2003	13.81	.26	(.02)	.24	(.31)	13.74	1.77	16	1.59	1.59	1.70
Period from 2/26/2002 to 8/31/2002	13.58	.24	.24	.48	(.25)	13.81	3.58	3	1.64 ⁵	1.64 ⁵	3.38 ⁵
Class 529-C:											
Year ended 8/31/2005	13.80	.32	(.16)	.16	(.33)	13.63	1.21	69	1.57	1.55	2.36
Year ended 8/31/2004	13.74	.27	.08	.35	(.29)	13.80	2.59	55	1.58	1.58	1.94
Year ended 8/31/2003	13.81	.26	(.02)	.24	(.31)	13.74	1.78	40	1.58	1.58	1.74
Period from 2/19/2002 to 8/31/2002	13.59	.25	.23	.48	(.26)	13.81	3.58	11	1.63 ⁵	1.63 ⁵	3.36 ⁵
Class 529-E:											
Year ended 8/31/2005	13.80	.39	(.16)	.23	(.40)	13.63	1.73	6	1.06	1.04	2.88
Year ended 8/31/2004	13.74	.34	.08	.42	(.36)	13.80	3.11	5	1.06	1.06	2.44
Year ended 8/31/2003	13.81	.34	(.02)	.32	(.39)	13.74	2.30	3	1.06	1.06	2.28
Period from 3/15/2002 to 8/31/2002	13.43	.24	.40	.64	(.26)	13.81	4.79	1	.51	.51	1.73
Class 529-F:											
Year ended 8/31/2005	13.80	.44	(.16)	.28	(.45)	13.63	2.05	12	.72	.70	3.22
Year ended 8/31/2004	13.74	.38	.08	.46	(.40)	13.80	3.37	7	.81	.81	2.67
Period from 9/16/2002 to 8/31/2003	13.86	.30	(.02)	.28	(.40)	13.74	2.00	3	.81 ⁵	.81 ⁵	2.23 ⁵

(The Financial Highlights table continues on the following page.)

	Year ended August 31				
	2005	2004	2003	2002	2001
Portfolio turnover rate for all classes of shares	76%	68%	65%	59%	73%

¹ Based on operations for the period shown (unless otherwise noted) and, accordingly, may not be representative of a full year.

² Based on average shares outstanding.

³ Total returns exclude all sales charges, including contingent deferred sales charges.

⁴ The ratios in this column reflect the impact, if any, of certain reimbursements/waivers from Capital Research and Management Company. See the Annual Fund Operating Expenses table under

⁵ "Fees and expenses of the fund" and the audited financial statements in the fund's annual report for more information.

⁶ Annualized.

Notes

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Annual/Semi-annual report to shareholders The shareholder reports contain additional information about the fund, including financial statements, investment results, portfolio holdings, a discussion of market conditions and the fund's investment strategies, and the independent registered public accounting firm's report (in the annual report).

CollegeAmerica Program Description The *CollegeAmerica Program Description* contains additional information about the policies and services related to CollegeAmerica accounts.

Statement of additional information (SAI) and codes of ethics The current SAI, as amended from time to time, contains more detailed information on all aspects of the fund, including the fund's financial statements, and is incorporated by reference into this prospectus. This means that the current SAI, for legal purposes, is part of this prospectus. The codes of ethics describe the personal investing policies adopted by the fund and the fund's investment adviser and its affiliated companies.

The codes of ethics and current SAI are on file with the Securities and Exchange Commission (SEC). These and other related materials about the fund are available for review or to be copied at the SEC's Public Reference Room in Washington, DC (202/942-8090) or on the EDGAR database on the SEC's website at www.sec.gov or, after payment of a duplicating fee, via e-mail request to publicinfo@sec.gov or by writing to the SEC's Public Reference Section, Washington, DC 20549-0102. The current SAI is also available on americanfunds.com.

Household mailings Each year you are automatically sent an updated prospectus and annual and semi-annual reports for the fund. You may also occasionally receive proxy statements for the fund. In order to reduce the volume of mail you receive, when possible, only one copy of these documents will be sent to shareholders who are part of the same family and share the same residential address.

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The Capital Group Companies