

New World FundSM

Prospectus

January 1, 2005

Table of contents

1	Risk/Return summary
5	Fees and expenses of the fund
7	Investment objective, strategies and risks
11	Management and organization
14	Shareholder information
15	Choosing a share class
17	Purchase and exchange of shares
21	Sales charges
25	Sales charge reductions and waivers
27	Rollovers from retirement plans to IRAs
28	Plans of distribution
28	Other compensation to dealers
29	How to sell shares
31	Distributions and taxes
32	Financial highlights

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 make your investment grow over time by investing primarily in stocks of companies with significant exposure to countries with developing economies and/or markets. The fund may also invest in debt securities of issuers, including issuers of lower rated bonds, with exposure to these countries.

The fund is designed for investors seeking capital appreciation. Investors in the fund should have a long-term perspective and be able to tolerate potentially wide price fluctuations. Your investment in the fund is subject to risks, including the possibility that the value of the fund's portfolio holdings may fluctuate in response to events specific to the companies in which the fund invests, as well as 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. Lower quality or longer maturity bonds may be subject to greater price fluctuations than higher quality or shorter maturity bonds.

Although all securities in the fund's portfolio may be adversely affected by currency fluctuations or global economic, political or social instability, securities issued by entities based outside the United States, particularly in countries with developing economies and/or markets, may be affected to a greater extent.

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.

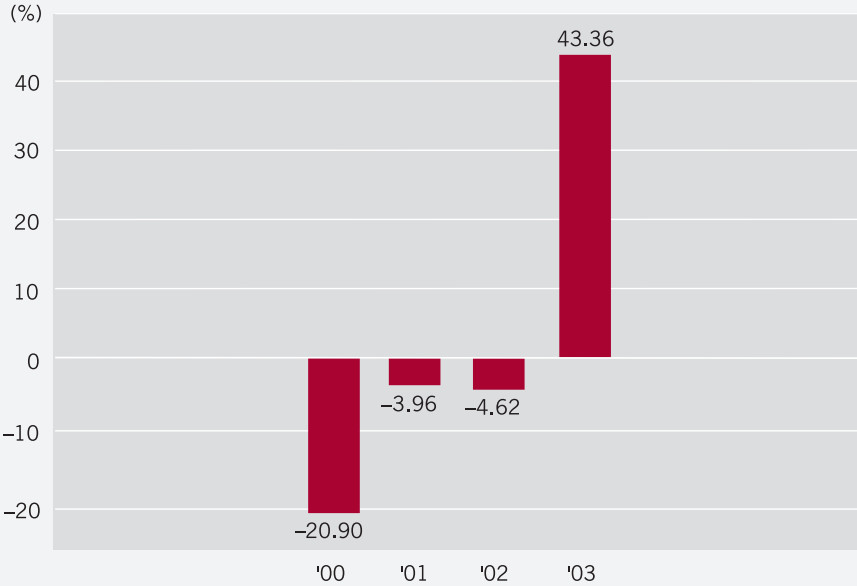
You may lose money by investing in the fund. The likelihood of loss is greater if you invest for a shorter period of time.

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. 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** 17.30% (quarter ended June 30, 2003)
- Lowest** -18.32% (quarter ended September 30, 2001)

The fund's total return for the nine months ended September 30, 2004, was 7.58%.

Unlike the bar chart above, the Investment Results table below 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 5.75%. This charge is reduced for purchases of \$25,000 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 after one year of purchase and are eliminated after six years.
- 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 historical individual federal income tax rates in effect during 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 or CollegeAmerica® account.

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, 2003:

	1 year	Lifetime ¹
Class A — first sold 6/17/99		
Before taxes	35.13%	3.80%
After taxes on distributions	34.70	3.22
After taxes on distributions and sale of fund shares	23.40	2.93
	1 year	Lifetime ¹
Class B — first sold 3/15/00		
Before taxes	37.20%	-1.28%
Class C — first sold 3/15/01		
Before taxes	41.20	10.00
Class F — first sold 3/16/01		
Before taxes	43.24	11.15
Class 529-A — first sold 2/19/02		
Before taxes	35.15	12.76
Class 529-B — first sold 2/26/02		
Before taxes	37.02	13.60
Class 529-C — first sold 2/25/02		
Before taxes	41.02	15.67
Class 529-E — first sold 3/22/02		
Before taxes	42.83	12.80
Class 529-F — first sold 9/17/02		
Before taxes	43.16	33.13
	1 year	Lifetime ¹
Indexes (before taxes)		
MSCI [®] All Country World Index ²	34.63%	-2.02%
MSCI Emerging Markets Index ³	56.28	3.79

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 MSCI All Country World Index is a free float-adjusted market capitalization index that measures equity market performance in the global and emerging markets, consisting of 49 developed and emerging market country indexes. This index is unmanaged and includes reinvested dividends and/or distributions, but does not reflect sales charges, commissions, expenses or taxes.

³ MSCI Emerging Markets Index is a free float-adjusted market capitalization index that measures 26 emerging stock markets throughout the world. In determining whether a market is an emerging market, MSCI evaluates factors such as gross domestic product per capita, local government regulations that limit or ban foreign ownership, the regulatory environment, perceived investment risk or a general perception by the investment community that the country should be classified as "emerging." This index is unmanaged and includes reinvested dividends and/or distributions, but does not reflect sales charges, commissions, expenses or taxes.

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 A¹	Class B¹	Class C¹	Class 529-E²	Class F^{1,3}
Maximum initial sales charge on purchases (as a percentage of offering price)	5.75% 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, a 529 college savings plan sponsored by the Virginia College Savings Plan,SM an agency of the Commonwealth of Virginia.

² Class 529-E shares are available only through CollegeAmerica to employer-sponsored plans.

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 \$25,000 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 after one year of purchase and eliminated after six years.

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

Annual fund operating expenses (deducted from fund assets)					
	Class A	Class B	Class C	Class F	
Management fees	0.74%	0.74%	0.74%	0.74%	
Distribution and/or service (12b-1) fees ⁸	0.25	1.00	1.00	0.25	
Other expenses ⁹	0.24	0.27	0.30	0.28	
Total annual fund operating expenses ¹⁰	1.23	2.01	2.04	1.27	
	Class 529-A	Class 529-B	Class 529-C	Class 529-E	Class 529-F
Management fees	0.74%	0.74%	0.74%	0.74%	0.74%
Distribution and/or service (12b-1) fees ¹¹	0.15	1.00	1.00	0.50	0.25
Other expenses ^{9,12}	0.38	0.43	0.42	0.38	0.38
Total annual fund operating expenses ¹⁰	1.27	2.17	2.16	1.62	1.37

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 1.00% of each class' average net assets annually.

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

¹⁰ The fund's investment adviser began waiving 5.00% of its management fees on September 1, 2004. The waiver will continue until August 31, 2005. As of the fund's last fiscal year-end, the reduction in management fees as a result of the waiver was less than .01%. Total annual fund operating expenses do not reflect this waiver.

¹¹ 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 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.

¹² 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	\$693	\$ 943	\$1,212	\$1,978
Class B — assuming redemption ²	704	1,030	1,283	2,137
Class B — assuming no redemption ³	204	630	1,083	2,137
Class C — assuming redemption ⁴	307	640	1,098	2,369
Class C — assuming no redemption	207	640	1,098	2,369
Class F — excludes intermediary fees ⁵	129	403	697	1,534
Class 529-A ¹	697	955	1,232	2,021
Class 529-B — assuming redemption ²	720	1,079	1,364	2,275
Class 529-B — assuming no redemption ³	220	679	1,164	2,275
Class 529-C — assuming redemption ⁴	319	676	1,159	2,493
Class 529-C — assuming no redemption	219	676	1,159	2,493
Class 529-E	165	511	881	1,922
Class 529-F — excludes intermediary fees ⁵	139	434	750	1,646

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 .50% to 3.00% of assets annually depending on the services offered.

Investment objective, strategies and risks

The fund's investment objective is long-term capital appreciation. The fund may invest in equity securities of any company, regardless of where it is based, if the fund's investment adviser determines that a significant portion of the company's assets or revenues (generally 20% or more) is attributable to developing countries. Under normal market conditions, the fund will invest at least 35% of its assets in equity and debt securities of issuers primarily based in qualified countries that have developing economies and/or markets. In addition, the fund may invest up to 25% of its assets in nonconvertible debt securities of issuers, including issuers of lower rated bonds and government bonds, primarily based in qualified countries or that have a significant portion of their assets or revenues attributable to developing countries. The fund may also, to a limited extent, invest in securities of issuers based in nonqualified developing countries.

In determining whether a country is qualified, the fund will consider such factors as the country's per capita gross domestic product, the percentage of the country's economy that is industrialized, market capital as a percentage of gross domestic product, the overall regulatory environment, the presence of government regulation limiting or banning foreign ownership, and restrictions on repatriation of initial capital, dividends, interest and/or capital gains. The fund's investment adviser will maintain a list of qualified countries and securities in which the fund may invest. Qualified developing countries in which the fund may invest currently include, but are not limited to, Argentina, Brazil, Chile, China, Colombia, Croatia, Czech Republic, Dominican Republic, Egypt, Hungary, India, Israel, Jordan, Malaysia, Mexico, Morocco, Panama, Peru, Philippines, Poland, Russian Federation, South Africa, Thailand, Turkey and Venezuela.

The prices of securities held by the fund may decline in response to certain events, including those directly involving the companies whose securities are owned by the fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency and interest rate fluctuations. The growth-oriented, equity-type securities generally purchased by the fund may involve large price swings and potential for loss, particularly in the case of smaller capitalization stocks. Smaller capitalization stocks are often more difficult to value or dispose of, more difficult to obtain information about and more volatile than stocks of larger, more established companies.

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.

Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent and may also be affected by currency controls; different accounting, auditing, financial reporting and legal standards and practices in some countries; expropriation; changes in tax policy; greater market volatility; differing securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries.

Investing in countries with developing economies and/or markets may involve risks in addition to and greater than those generally associated with investing in developed countries. For instance, developing countries may have less developed legal and accounting systems. The governments of these countries may be more unstable and more likely to impose capital controls, nationalize a company or industry, place restrictions on foreign ownership and on withdrawing sale proceeds of securities from the country, and/or impose punitive taxes that could adversely affect security prices. In addition, the economies of these countries may be dependent on relatively few industries that are more susceptible to local and global changes. Securities markets in these countries are also relatively small and have substantially lower trading volumes. As a result, securities issued in these countries may be more volatile and less liquid than securities issued in countries with more developed economies or markets.

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 and purchases and redemptions of fund shares. A larger amount of such holdings could detract from the achievement of the fund's objective in a period of rising market prices; conversely, it could reduce the fund's magnitude of 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 valued companies that, in its opinion, represent above-average long-term investment opportunities. The investment adviser believes that an important way to accomplish this is through fundamental analysis, which may include meeting with company executives and employees, suppliers, customers and competitors. Securities may be sold when the investment adviser believes that they no longer represent 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.

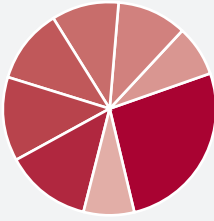
Additional investment results (without sales charges)		
Average annual total returns for periods ended December 31, 2003:		
	1 year	Lifetime¹
Class A — first sold 6/17/99		
Before taxes	43.36%	5.16%
After taxes on distributions	42.90	4.58
After taxes on distributions and sale of fund shares	28.79	4.11
Class B — first sold 3/15/00		
Before taxes	42.20%	-0.53%
Class C — first sold 3/15/01		
Before taxes	42.20	10.00
Class F — first sold 3/16/01		
Before taxes	43.24	11.15
Class 529-A — first sold 2/19/02		
Before taxes	43.40	16.40
Class 529-B — first sold 2/26/02		
Before taxes	42.02	15.54
Class 529-C — first sold 2/25/02		
Before taxes	42.02	15.67
Class 529-E — first sold 3/22/02		
Before taxes	42.83	12.80
Class 529-F — first sold 9/17/02		
Before taxes	43.16	33.13
Indexes (before taxes)		
MSCI All Country World Index ²	34.63%	-2.02%
MSCI Emerging Markets Index ³	56.28	3.79

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 MSCI All Country World Index is a free float-adjusted market capitalization index that measures equity market performance in the global and emerging markets, consisting of 49 developed and emerging market country indexes. This index is unmanaged and includes reinvested dividends and/or distributions, but does not reflect sales charges, commissions, expenses or taxes.

³ MSCI Emerging Markets Index is a free float-adjusted market capitalization index that measures 26 emerging stock markets throughout the world. In determining whether a market is an emerging market, MSCI evaluates factors such as gross domestic product per capita, local government regulations that limit or ban foreign ownership, the regulatory environment, perceived investment risk or a general perception by the investment community that the country should be classified as "emerging." This index is unmanaged and includes reinvested dividends and/or distributions, but does not reflect sales charges, commissions, expenses or taxes.

Industry diversification as of October 31, 2004



Financials	13.07%
Telecommunication services	12.76
Materials	11.35
Consumer staples	10.21
Industrials	7.71
Other industries	26.64
Bonds & notes	10.58
Cash & equivalents	7.68

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 equity and/or fixed-income 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. For example, with respect to equity transactions, the fund does not consider the investment adviser as having an obligation to obtain the lowest available commission rate to the exclusion of price, service and qualitative considerations. 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 list of the fund's top 10 holdings (updated as of each month-end) and a link to the fund's complete list of publicly disclosed portfolio holdings (updated as of each calendar quarter-end) are located in the lower portion of this website page. These lists are posted to the website generally within 30 days from the end of the applicable month or quarter. Both lists remain available on the website until new information for the next month or quarter is posted.

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

Multiple portfolio counselor system

Investment methodology

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 made within the parameters established by the fund's objective(s), policies and restrictions under the oversight of Capital Research and Management Company's Investment Committee.

Compensation of investment professionals

Portfolio counselors and investment analysts are paid competitive salaries by Capital Research and Management Company. In addition, they receive bonuses based on their individual portfolio results. Investment professionals also may participate in profit-sharing plans. The relative mix of compensation represented by bonuses, salary and profit-sharing will vary depending on the individual's portfolio results, contributions to the organization and other factors. In order to encourage a long-term focus, bonuses based on investment results are calculated by comparing pretax total returns over a four-year period to relevant benchmarks. For portfolio counselors, benchmarks may include measures of the market-places in which the relevant fund invests and measures of the results of comparable mutual funds. For investment analysts, benchmarks may include relevant market measures and appropriate industry indexes reflecting their areas of expertise. Capital Research and Management Company also separately compensates analysts for the quality of their research efforts.

The primary individual portfolio counselors for New World Fund are:

Portfolio counselor/ Fund title (if applicable)	Portfolio counselor experience in this fund	Primary title with investment adviser (or affiliate) and investment experience
Robert W. Lovelace President and Director	6 years	Senior Vice President, Capital Research and Management Company Investment professional for 20 years, all with Capital Research and Management Company or affiliate
Mark E. Denning Senior Vice President	6 years	Director, Capital Research and Management Company Investment professional for 22 years, all with Capital Research and Management Company or affiliate
David C. Barclay Vice President	6 years	Senior Vice President, Capital Research and Management Company Investment professional for 24 years in total; 17 years with Capital Research and Management Company or affiliate
Alwyn Heong Vice President	6 years	Senior Vice President, Capital Research Company Investment professional for 16 years in total; 12 years with Capital Research and Management Company or affiliate
Carl M. Kawaja Vice President	6 years	Senior Vice President, Capital Research Company Investment professional for 17 years in total; 14 years with Capital Research and Management Company or affiliate

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



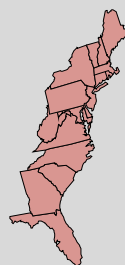
Western Central service center

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 many types of retirement plans. 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 investments 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 certain retirement plans, including employer-sponsored retirement plans such as 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 5.75% (reduced for purchases of \$25,000 or more and eliminated for purchases of \$1 million or more)
Contingent deferred sales charge	none (except that a charge of 1.00% applies on 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% after six years
12b-1 fees	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
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	1.00% annually
Dividends	generally lower than other classes due to higher 12b-1 fees and other expenses
Purchase maximum	\$500,000
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 .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 .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. CollegeAmerica is sponsored by and is a registered trademark of the Virginia College Savings Plan, an agency of the Commonwealth of Virginia.

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, the fund's distributor, 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 Directors has adopted policies and procedures with respect to frequent purchases and redemptions of fund shares. Under a new "purchase blocking policy," beginning on January 12, 2005, any American Funds shareholder redeeming shares (including redemptions that are part of an exchange transaction) having a value of \$5,000 or more from an American Fund (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, at which time shareholders whose accounts are on the books of intermediaries that have adopted such procedures will be subject to this general 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. You are not eligible to purchase Class B, 529-B, C or 529-C shares once your aggregate holdings in all American Funds share classes reach \$100,000 in the case of Class B and 529-B shares and \$1,000,000 in the case of Class C and 529-C shares. See "Sales charge reductions and waivers" below and the statement of additional information for more information regarding aggregation of accounts and accumulation of holdings.

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. For example, if events occur between the close of markets outside the United States and the close of regular trading on the New York Stock Exchange that, in the opinion of the investment adviser, materially affect the value of the fund's securities that principally trade in those international markets, the securities will be valued in accordance with fair value procedures. Use of these procedures is intended to result in more appropriate net asset values. In addition, such use will reduce, if not eliminate, potential arbitrage opportunities otherwise available to short-term investors.

Because the fund may hold securities that are primarily listed on foreign exchanges that trade on weekends or days when the fund does not price its shares, the value of securities held in the fund may change on days when you will not be able to purchase or redeem fund shares.

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 \$25,000	5.75%	6.10%	5.00%
\$25,000 but less than \$50,000	5.00	5.26	4.25
\$50,000 but less than \$100,000	4.50	4.71	3.75
\$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; and
- investments made by accounts that are part of certain qualified fee-based programs and that purchased Class A shares before March 15, 2001.

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 invested in Class A shares 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 may 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 withdrawals (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 a retirement plan may be invested in Class A, B, C or F shares of the American Funds through an IRA rollover. Rollover investments to Class A shares from retirement plans will be subject to applicable sales charges. 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. Rollover investments to Class B, C or F shares will be subject to the terms and conditions generally applicable to investments in these share classes as described in the prospectus and statement of additional information.

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 Directors. The plans provide for annual expenses of up to .30% for Class A shares; up to .50% for Class 529-A shares; 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 2004, aggregate payments made by American Funds Distributors to dealers will equal approximately .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 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 the reinvestment otherwise triggers a purchase block as described under "Frequent trading of fund shares."

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 intends to distribute dividends to you, usually in December.

Capital gains, if any, are usually distributed in December. When a dividend or 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 generally are taxable at the applicable rates for 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.

	Income (loss) from investment operations ²		Dividends (from net investment income)		Net assets, end of period	Total return ³	Net assets, end of period (in millions)	Ratio of expenses to average net assets before re-imbursements/waivers	Ratio of net income to average net assets after re-imbursements/waivers ⁴
	Net asset value, beginning of period	Net investment income	Net gains (losses) on securities (both realized and unrealized)	Total from investment operations	Dividends (from net investment income)	Net asset value, end of period	Net assets, end of period (in millions)	Ratio of expenses to average net assets before re-imbursements/waivers	Ratio of net income to average net assets after re-imbursements/waivers ⁴
Class A:									
Year ended 10/31/2004	\$25.60	\$.47	\$ 4.20	\$ 4.67	\$(.59)	\$29.68	\$2,212	1.23%	1.22%
Year ended 10/31/2003	18.90	.39	6.56	6.95	(.25)	25.60	1,528	1.31	1.31
Year ended 10/31/2002	19.04	.34	.07	.41	(.55)	18.90	1,071	1.34	1.34
Year ended 10/31/2001	22.81	.47	(3.87)	(3.40)	(.37)	19.04	1,053	1.29	1.29
Year ended 10/31/2000	23.67	.42	(1.08)	(.66)	(.20)	22.81	1,279	1.35	1.35
Class B:									
Year ended 10/31/2004	25.29	.25	4.14	4.39	(.45)	29.23	89	2.01	2.00
Year ended 10/31/2003	18.69	.22	6.50	6.72	(.12)	25.29	52	2.10	2.10
Year ended 10/31/2002	18.82	.16	.09	.25	(.38)	18.69	29	2.15	2.15
Year ended 10/31/2001	22.71	.28	(3.85)	(3.57)	(.32)	18.82	20	2.13	2.13
Period from 3/15/2000 to 10/31/2000	29.09	.20	(6.58)	(6.38)	—	22.71	16	2.03 ⁵	2.03 ⁵
Class C:									
Year ended 10/31/2004	25.18	.24	4.11	4.35	(.50)	29.03	96	2.04	2.03
Year ended 10/31/2003	18.66	.21	6.48	6.69	(.17)	25.18	39	2.12	2.12
Year ended 10/31/2002	18.76	.12	.12	.24	(.34)	18.66	13	2.14	2.14
Period from 3/15/2001 to 10/31/2001	21.44	.09	(2.77)	(2.68)	—	18.76	3	2.19 ⁵	2.19 ⁵
Class F:									
Year ended 10/31/2004	25.52	.46	4.17	4.63	(.61)	29.54	162	1.27	1.26
Year ended 10/31/2003	18.88	.38	6.54	6.92	(.28)	25.52	71	1.35	1.35
Year ended 10/31/2002	18.98	.28	.12	.40	(.50)	18.88	23	1.38	1.38
Period from 3/16/2001 to 10/31/2001	21.42	.21	(2.65)	(2.44)	—	18.98	3	1.40 ⁵	1.40 ⁵

	Net asset value, beginning of period	Net investment income	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 net assets before reimbursements/waivers	Ratio of expenses to average net assets after reimbursements/waivers ⁴	Ratio of net income to average net assets
Class 529-A:											
Year ended 10/31/2004	\$25.56	\$.46	\$ 4.18	\$ 4.64	\$(.61)	\$29.59	18.43%	\$ 31	1.27%	1.26%	1.65%
Year ended 10/31/2003	18.89	.40	6.54	6.94	(.27)	25.56	37.18	13	1.30	1.30	1.87
Period from 2/19/2002 to 10/31/2002	21.19	.14	(2.44)	(2.30)	—	18.89	(10.85)	5	1.47 ⁵	1.47 ⁵	.99 ⁵
Class 529-B:											
Year ended 10/31/2004	25.25	.20	4.14	4.34	(.44)	29.15	17.41	6	2.17	2.17	.74
Year ended 10/31/2003	18.79	.19	6.48	6.67	(.21)	25.25	35.86	3	2.27	2.27	.89
Period from 2/26/2002 to 10/31/2002	21.20	.02	(2.43)	(2.41)	—	18.79	(11.37)	1	2.25 ⁵	2.25 ⁵	.14 ⁵
Class 529-C:											
Year ended 10/31/2004	25.28	.21	4.14	4.35	(.46)	29.17	17.43	8	2.16	2.15	.76
Year ended 10/31/2003	18.79	.19	6.50	6.69	(.20)	25.28	35.90	4	2.24	2.24	.90
Period from 2/25/2002 to 10/31/2002	21.15	.04	(2.40)	(2.36)	—	18.79	(11.16)	1	2.21 ⁵	2.21 ⁵	.26 ⁵
Class 529-E:											
Year ended 10/31/2004	25.46	.36	4.18	4.54	(.54)	29.46	18.07	2	1.62	1.61	1.31
Year ended 10/31/2003	18.86	.31	6.53	6.84	(.24)	25.46	36.64	1	1.69	1.69	1.47
Period from 3/22/2002 to 10/31/2002	22.57	.10	(3.81)	(3.71)	—	18.86	(16.44)	— ⁶	1.66 ⁵	1.66 ⁵	.78 ⁵
Class 529-F:											
Year ended 10/31/2004	25.54	.43	4.18	4.61	(.62)	29.53	18.33	2	1.37	1.36	1.54
Year ended 10/31/2003	18.90	.39	6.52	6.91	(.27)	25.54	37.01	1	1.43	1.43	1.74
Period from 9/17/2002 to 10/31/2002	19.44	— ⁷	(.54)	(.54)	—	18.90	(2.78)	— ⁶	.17	.17	— ⁸

Year ended October 31

	2004	2003	2002	2001	2000
Portfolio turnover rate for all classes of shares	20%	30%	32%	40%	30%

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

⁵ Annualized.

⁶ Amount less than \$1 million.

⁷ Amount less than one cent.

⁸ Amount less than .01 percent.

Notes

Notes

Privacy policy

American Funds considers the privacy of its investors to be of fundamental importance and has established a policy to maintain the privacy of the information you share with us.

Personal information we collect

We do not sell any information to any third parties. However, we do collect and retain certain nonpublic personal information about you, including:

- information we receive from you or from your financial adviser, such as your name and address;
- an address we receive from a third party when you have moved;
- information, such as account balance and transaction activity, about your investment transactions (including, to the extent necessary for our servicing your account(s) with us, your investments with third parties); and
- information (commonly referred to as “cookies”) collected from the Web browser of your computer that allows our website to recognize your browser.

Personal information we may disclose

We occasionally disclose nonpublic personal information about you to affiliates and non-affiliates as permitted by law. Some instances when we have shared information include:

- disclosing information to a third party in order to process account transactions that you request or authorize;
- sharing information with companies related to us so we can make you aware of new funds or other services that we offer;
- disclosing your name and address to companies that mail fund-related materials, such as shareholder reports (note that these companies may not use the information for any other purpose);
- disclosing information to research companies that help conduct shareholder surveys to assess and improve our financial services; and
- disclosing information in connection with legal proceedings, such as responding to a subpoena.

When information is shared with third parties, they are not permitted to use the information for any purpose other than to assist our servicing of your account(s) or as permitted by law.

If you close your account(s) or if we lose contact with you, we will continue to share information in accordance with our current privacy policy and practices.

We restrict access to your nonpublic personal information to authorized employees. We maintain physical, electronic and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

These measures reflect our commitment to maintaining the privacy of your confidential information. We appreciate the confidence you have shown by entrusting us with your assets.

If you would like to learn more or have any questions, please call us at 800/421-0180.

This privacy disclosure applies to investment and shareholder services offered by:

American Funds Distributors,SM Inc.
American Funds Service CompanySM
Capital Research and Management CompanySM
Capital Bank and Trust CompanySM

And all of the American Funds listed below:

AMCAP Fund,[®] Inc.
American Balanced Fund,[®] Inc.
American High-Income Municipal Bond Fund,[®] Inc.
American High-Income TrustSM
American Mutual Fund,[®] Inc.
The Bond Fund of America,SM Inc.
Capital Income Builder,[®] Inc.
Capital World Bond Fund,[®] Inc.
Capital World Growth and Income Fund,SM Inc.
The Cash Management Trust of America[®]
EuroPacific Growth Fund[®]
Fundamental Investors,SM Inc.
The Growth Fund of America,[®] Inc.
The Income Fund of America,[®] Inc.
Intermediate Bond Fund of America[®]
The Investment Company of America[®]
Limited Term Tax-Exempt Bond Fund of AmericaSM
The New Economy Fund[®]
New Perspective Fund,[®] Inc.
New World FundSM
SMALLCAP World Fund,[®] Inc.
The Tax-Exempt Bond Fund of America,[®] Inc.
The Tax-Exempt Fund of California[®]
The Tax-Exempt Fund of Maryland[®]
The Tax-Exempt Fund of Virginia[®]
The Tax-Exempt Money Fund of AmericaSM
U.S. Government Securities FundSM
The U.S. Treasury Money Fund of AmericaSM
Washington Mutual Investors Fund,SM Inc.

For shareholder services

 American Funds Service Company
800/421-0180

For retirement plan services

Call your employer or plan administrator

For dealer services

 American Funds Distributors
800/421-9900

For CollegeAmerica®

 American Funds Service Company
800/421-0180, ext. 529

For 24-hour information

 American FundsLine®
800/325-3590
americanfunds.com

Telephone conversations may be recorded or monitored for verification, recordkeeping and quality-assurance purposes.

Multiple translations This prospectus may be translated into other languages. If there is any inconsistency or ambiguity as to the meaning of any word or phrase in a translation, the English text will prevail.

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 SAI contains more detailed information on all aspects of the fund, including the fund's financial statements, and is incorporated by reference into 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 have been filed 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 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.

If you would like to receive a free copy of the SAI, codes of ethics, annual/semi-annual report to shareholders or *CollegeAmerica Program Description*, please call American Funds Service Company at 800/421-0180 or write to the Secretary of the fund at 333 South Hope Street, Los Angeles, California 90071.


The Capital Group Companies