

## Message from the Nebraska State Treasurer

Planning ahead for the holidays and looking for the perfect gift for a child or grandchild? Give some thought to a college savings account through the Nebraska Educational Savings Plan Trust or a contribution to an existing NEST 529 account.

You could wrap your gift in a beautiful box tied with a bow. Or, print a NEST gift certificate and include it in a card with a message of encouragement for the college years ahead. You could even hang it from the holiday tree, or hand deliver it as your family sits down for your traditional holiday dinner. Better yet, what about giving your gift in a private moment in front of the fireplace as you share your hopes and dreams for that special young person and pass on your best words of advice?

Whether the gift is delivered in a fancy box or a quiet fireside chat, you will know that you are not only helping make it financially possible for the young person in your life to go to college, you are also setting an example of responsible saving, demonstrating your commitment to the value of education, and creating cherished memories. As trustee of the Nebraska College Savings Plan Trust, I encourage you to look for those opportunities to celebrate holidays and special events and save for the future at the same time with a NEST college savings account.

## Give the Gift of Higher Education

Why give another toy when giving the gift of higher education funds may be one of the most meaningful gifts ever?

### Gift Certificates

Holiday, birthday, newborn, all occasion and graduation gift certificates are easy to give – just download them from the website.

### Ugift® - Put College Savings on Your Wish List

This free service gives you a simple way to invite family and friends to celebrate birthdays, holidays and other events with a gift contribution to a NEST Plan account.<sup>1</sup>

### Upromise® - Save With Everyday Purchases

When you join Upromise, you can earn college savings from everyday spending. There's no cost to sign up, and when you link your Upromise account with your NEST Plan account, all or a portion of those earnings can be transferred automatically on a periodic basis.<sup>2</sup>

### Great Estate and Legacy Planning Strategy

Discuss the gift tax benefits of investing in a NEST Plan with your tax or financial professional. Contributions up to \$13,000 per beneficiary (\$26,000 filing jointly) are eligible for the annual gift tax exclusion.<sup>3</sup> Unique to 529 plans, money leaves the estate, but does not leave your control.

To learn more about these gifting options, visit the NEST Direct site under the **Maximize Your Savings** tab in The Gift of Higher Education section or visit the NEST Advisor site under the **Benefits of NEST** tab in the Save Even More section.

## Exciting New FDIC-Insured Investment Option!

Beginning October 17, families can invest in a low-cost FDIC-insured investment option that is not tied to stock market fluctuation but with all of the benefits NEST Plans have to offer.<sup>4</sup> The Bank Savings Individual Investment Option can be one part of a customized savings portfolio or it can be your only investment option. Either way, it's a great way to help save for a child's higher education.

- Affordable
  - No minimum contribution, balance or holding period
  - No withdrawal fees
  - A low 0.20% total annual asset-based fee
- Competitive interest rates
  - Interest rates generally equivalent to short-term deposit rates
  - The annual percentage yield (APY) can change over time
  - The APY will be posted online in *Investments & Performance*
- FDIC insurance
  - Up to \$250,000 when combined with any other account owner holdings at the First National Bank of Omaha (see [www.NEST529Direct.com/NESTcommunity](http://www.NEST529Direct.com/NESTcommunity) for a branch list)
- Tax Advantages
  - Earnings are tax deferred and tax free if used for qualified higher-education expenses, subject to restrictions
  - Some states may offer state tax deductions or other benefits for taxpayers, which may be subject to restrictions
- Convenient
  - Transact and maintain your investment using the same procedures used for any other NEST investment option
  - View your investment's progress by securely logging into your account and on quarterly statements
  - Work with your financial advisor or, for the NEST Direct Plan, call **888.993.3746** and speak to a representative 8 a.m. to 8 p.m. CT Monday - Friday

## Market Commentary



**Kurt Spieler, CFA**  
Vice President,  
Chief Investment Officer  
First National  
Wealth Management

Market volatility has increased as a result of increased risk of a double-dip recession. Economic growth has been meager in the U.S., with the first half of 2011 the slowest six-month period of expansion since the recovery began. The stock market is concerned with the high unemployment rate of 9.1% and the lack of job creation in August.<sup>i</sup> As governments continue to curtail spending, private job creation is critical to a sustainable economic recovery. The ongoing sovereign debt issue in

Europe also weighed on stock markets due to the higher risk of debt default. On the positive side, companies and individuals have improved their financial position by de-leveraging over the last few years. Banks have also recapitalized, lowering the risk of a possible economic downturn.

With the summer stock market correction, equity returns are now slightly negative in 2011. As of August 31, the U.S. stock market is down 1.8%.<sup>ii</sup> Due to the turmoil in Europe, international returns are lagging with developed markets down 6.0% in the

same period.<sup>iii</sup> U.S. stocks and bonds typically have a negative correlation. This has held true in 2011 as the fixed income market has rallied. Through August 31, bonds were up 5.1% in 2011.<sup>iv</sup>

The stock market is favorable at a current price-to-trailing-twelve-month earnings ratio of 12.6x.<sup>v</sup> Historically, long-term investors have been rewarded by buying equities at these valuations. We believe this will again be the case over the next 10 years.

Asset allocation is the primary determinant of investor returns. Similar to retirement planning, an age-based allocation strategy is appropriate in college savings plans. We recommend a more aggressive asset allocation (higher allocation to stock mutual funds) for investors with a long time horizon. As the child gets close to college, we believe investors should add exposure to bond mutual funds. These recommendations are reflected in our Age-Based strategies.

i Bloomberg

ii Measured by the S&P 500 Index

iii Measured by the MSCI EAFE Index, net of dividends

iv Measured by the Barclays Capital Intermediate Government/Credit Index

v Measured by the S&P 500 Index

## Invest in a fund designed to preserve your purchasing power

*Over time, inflation can be an investor's worst nightmare, because inflation erodes purchasing power—meaning the dollars you save for college today may be worth less by the time your child enters college.*

American Century® Inflation-Adjusted Bond Fund in the NEST Advisor College Savings Plan is an actively managed mutual fund designed to preserve purchasing power by providing total return and inflation protection consistent with inflation-indexed securities. The fund invests in Treasury inflation-protected securities (TIPS) and other high-quality inflation-linked notes and bonds, which are the only securities that guarantee a return greater than the inflation rate.

Furthermore, TIPS and other inflation-linked bonds are generally less volatile than traditional inflation hedges, including commodities. TIPS also may experience greater price stability than traditional Treasuries, which derive much of their volatility from inflation expectations.

If you're concerned about the long-term impact of inflation on your investment portfolio, Inflation-Adjusted Bond offers these benefits:

- Inflation-linked returns. The fund's dividend payments and total return automatically adjust up and down for inflation, based on the U.S. government's monthly inflation figures (Consumer Price Index). Ultimately, this means more income to the portfolio when inflation rises and less when inflation falls.
- Enhanced performance potential beyond passive TIPS strategies. The fund's experienced managers use an active, value-added approach to sector and security selection, seeking to provide favorable risk-adjusted returns. Specifically, up to 20% of the fund's investments may include high-quality corporate, municipal, agency, and mortgage-backed securities—sectors of the fixed-income market that often provide greater value and return potential than Treasuries. Within this allocation, the fund's managers focus on the specific sectors and securities they believe are most attractive.

- An effective complement to traditional stock and bond portfolios. In general, the fund's performance is non-correlated to stocks and bonds. Compared with traditional bonds and stocks, inflation-linked bonds respond differently to economic and market conditions, thus forming a "third asset class." This distinctive behavior means Inflation-Adjusted Bond Fund can serve as a useful complement to portfolios heavily weighted in stocks and traditional bonds.

Considerations for investing in Inflation-Adjusted Bond Fund include:

- Interest rate risk. Inflation-indexed securities trade at prevailing real interest rates. The real interest rate is the current market interest rate minus the market's inflation expectations. Generally, when real interest rates rise, the fund's share value will decline. The opposite is true when real interest rates decline.
- Principal loss. As with any investment, at any given time your shares may be worth less than the price you paid for them. In other words, it is possible to lose money by investing in the fund.

Inflation can have a powerful effect on your college savings. By offering returns designed to keep pace with cost-of-living increases, Inflation-Adjusted Bond seeks to preserve your college fund's long-term purchasing power.

**You should consider the fund's investment objectives, risks, and charges expenses carefully before you invest. The fund's prospectus or summary prospectus, which can be obtained by visiting [americancentury.com](http://americancentury.com), contains this and other information about the fund, and should be read carefully before investing.**

*The prospectus contains very important information about the characteristics of the underlying security and potential tax implications of owning this fund. Fund shares are not guaranteed by the U.S. Government.*

American Century Investment Services, Inc., Distributor

# Year-end Tax Considerations

It's that time of year again - time to start preparing for tax season.

## Nebraska State Income Tax Filers:

Remember to report your 2011 NEST contributions on your 2011 Nebraska tax return. Contributions must be completed online or postmarked by December 31, 2011, to take a 2011 deduction. Talk to your tax professional and don't wait until the last minute!

### Tips:

1. Only Account Owners can take a tax deduction for contributions they make into their own accounts.
2. Grandparents can open and contribute to their own account (e.g. for themselves or a grandchild) to be eligible to take the Nebraska tax deduction.
3. For UGMA/UTMA accounts, the minor is the Account Owner and the minor must file a 2011 Nebraska tax return to be eligible for a deduction for his/her own contributions. Contributions from a parent or custodian into an UGMA/UTMA account are not eligible for the Nebraska tax deduction. The parent should consider being an account owner for the same beneficiary for future contributions to be eligible for the Nebraska tax deduction.
4. Contributions made to other state's 529 college savings plan are not deductible from Nebraska state taxes. Do not include those contributions on your Nebraska tax form.
5. Use Nebraska Schedule 1 and enter your NEST contributions, up to a maximum of \$5,000 (\$2,500 if married, filing separately) on line 56.<sup>5</sup>

NEBRASKA SCHEDULE I — Nebraska Adjustments to Income NEBRASKA SCHEDULE II — Credit for Tax Paid to Another State (Nebraska Schedule III is on the reverse side.) • ATTACH THIS PAGE TO FORM 1040N.		FORM 1040N Schedules I, II, and III <b>2011</b>
55 Special capital gains/extraordinary dividend deduction (attach Form 4797N and copy of Federal Schedule D (or Federal Schedule B when claiming extraordinary dividend deduction)).....	55	00
56 Nebraska College Savings Program contribution (see instructions).....	56	00
57 Nebraska Long-Term Care Savings Plan contribution.....	57	00

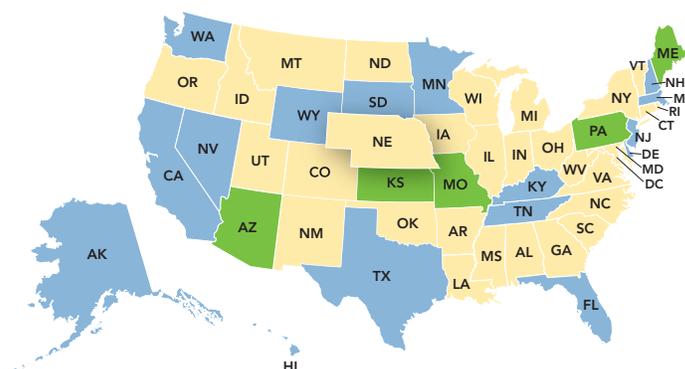
Line 56 Nebraska College Savings Program. If during 2011 you, as an account owner, made contributions to one or more college savings accounts established under Nebraska's College Savings Program (for example, Nebraska Educational Savings Plan Trust), then enter the amount of your contributions, up to a maximum of \$5,000 (\$2,500 if married, filing separately) on line 56.

## Account Owners from Other States:

December 31 is closer than you think! Does your or your beneficiary's home state provide tax deductions or other benefits for 529 college savings contributions? If so, review your statement to see if you should make additional contributions to maximize your benefit. Check with your tax professional and don't wait until the last minute!

### State Tax Deductions for 529 Plans

Restrictions and limitations apply. Please seek guidance from a tax or financial advisor.



- Green** Tax-Parity States – States that offer state tax benefits for contributions into any state's 529 college savings plan
- Blue** Tax-Neutral States – States that do not have state income taxes or other state benefits for investing in that state's 529 college savings plan
- Yellow** Tax-Benefit States – State income tax benefits are only available for those who pay income tax in that state and own, or contribute to, that state's 529 college savings plan



Pictured with the Nebraska State Treasurer are NEST on the Farm award recipients (from left to right) Lauren, Nicole, Colton, Kyle, Kendra and Nathan.

## Scholarship Corner

Visit [www.NEST529Direct.com](http://www.NEST529Direct.com) for a link to scholarship details.

*Draw Your Dreams!* Nebraska students in first through eighth grades created a picture of what they dream of becoming when they grow up. Twelve winners will receive \$3,500 and 12 runners-up will receive \$750 scholarships.

Three \$200 scholarships were awarded to participants of the Omaha Kid's Triathlon held on July 23. Congratulations to Tristen, Emily, and Kylee.

The Back to School Backpack drawing awarded nine \$529 scholarships. The lucky recipients were DJ, Diana, Michael, Brooke, Lilian, Tomera, Jacob, Joshua and Marcus.

The NEST on the Farm essay contest asked Nebraska farm children to write about how farming will influence their college education. The winners, announced at the Nebraska State Fair, were Lauren, Colton and Nicole who will each receive a \$5,000 scholarship. Runners-up, who received certificates, are Madeline, Brooke, Kyle, Cody, Nathan and Kendra.

# Announcing an Improved NEST Website!

We listened to you and, as of October 17, 2011, the NEST Direct website will be improved to make it easier to log in and to reach useful information through hyperlinks and quick links. The home page has an improved layout and streamlined content. A rotating, four-image carousel will be added that will showcase promotions and media. Several quick links on the home page will provide easy access to the most frequently viewed web pages.

Check it out. We are confident that you will like the new look and easy navigation.

# Voice of the Customer

**Q:** What is the easiest way for me to take a withdrawal to pay for my child's college tuition, books, fees and other qualified expenses?

**A:** The easiest way is online after signing into your account. You can also call the customer service center or submit a withdrawal form by mail. The withdrawal form is in the "Forms" section on the website. Remember to make your qualified withdrawal well in advance of any due date to ensure the funds are delivered to you with time to spare.

## Contact Us

### by Web:

[www.NEST529Direct.com](http://www.NEST529Direct.com)  
[www.NEST529Advisor.com](http://www.NEST529Advisor.com)

### by email:

[clientservice@NEST529Direct.com](mailto:clientservice@NEST529Direct.com)  
[clientservice@NEST529Advisor.com](mailto:clientservice@NEST529Advisor.com)

### by phone:

Direct – 888.993.3746  
Advisor – 888.659.NEST (6378)

- 1 Ugift is a registered service mark of Upromise, Inc.
- 2 Upromise is an optional service offered by Upromise, Inc., is separate from the Plan and is not affiliated with First National Bank of Omaha or the State of Nebraska. Transfers from Upromise to a Plan account are subject to a \$25 minimum. Terms and conditions apply to the Upromise service. Participating companies, contribution levels and terms and conditions are subject to change at any time without notice. Upromise is a registered service mark of Upromise, Inc.
- 3 The limit is in effect for 2010 and 2011 and may change in subsequent years. Federal gift taxation may result if a contribution exceeds the available annual gift tax exclusion amount remaining for a beneficiary in the year of the contribution.
- 4 A complete description is included in a Supplement included in the September Statement and available online by selecting Program Disclosure Statement at the bottom of the home page. Financial advisors in the NEST Advisor Plan do not receive any commissions for your investment in this Option.
- 5 Your Nebraska state tax deductions are subject to recapture if you cancel your Participation Agreement, including if you take a nonqualified withdrawal, or roll over assets to another state's qualified tuition program.

*The NEST Direct and NEST Advisor Plans are sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. The NEST Direct and NEST Advisor Plans offer a series of investment portfolios within the Nebraska Educational Savings Plan Trust, which offers other investment portfolios not affiliated with the NEST Direct or NEST Advisor Plans. The NEST Direct and NEST Advisor Plans are intended to operate as qualified tuition programs to be used only to save for qualified higher education expenses, pursuant to Section 529 of the U.S. Internal Revenue Code.*

*An investor should consider the Plans' investment objectives, risks, charges and expenses before investing. The Program Disclosure Statements, at [www.NEST529Direct.com](http://www.NEST529Direct.com) (NEST Direct Plan) or [www.NEST529Advisor.com](http://www.NEST529Advisor.com) (NEST Advisor Plan), which contain more information, should be read carefully before investing.*

*Investors should consider before investing whether their or their beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program and should consult their tax advisor, attorney and/or other advisor regarding their specific legal, investment or tax situation.*

This material is provided for general and educational purposes only, and is not intended to provide legal, tax or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. This material is not an offer to sell or a solicitation of an offer to buy any securities. Any offer to sell units within the Plan may only be made by the Program Disclosure Statement and Participation Agreement relating to the Plan.

Participation in the Plans does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover tuition and other higher education expenses, or that a beneficiary will be admitted to or permitted to continue to attend an eligible educational institution.

Except for the Bank Savings Individual Investment Option, investments in the NEST Direct and NEST Advisor Plans are not guaranteed or insured by the FDIC or any other government agency and are not deposits or other obligations of any depository institution. Investments are not guaranteed or insured by the State of Nebraska, the Nebraska State Treasurer, the Nebraska Investment Council or First National Bank of Omaha or its authorized agents or their affiliates, and are subject to investment risks, including loss of the principal amount invested. FDIC insurance is provided for the Bank Savings Individual Investment Option up to the maximum amount set by federal law, currently \$250,000.

**Nebraska Educational Savings Plan Trust** Issuer  
**Nebraska State Treasurer** Trustee  
**Nebraska Investment Council** Investment Oversight  
**First National Bank of Omaha** Program Manager  
**First National Capital Markets** Principal Distributor, Member FINRA, Member SIPC  
First National Capital Markets and First National Bank of Omaha are affiliates



Trustee

**1** First National Bank Omaha

Program Manager