



Horizons

The newsletter for Nebraska's 529 Direct and Advisor College Savings Plan account holders.

WINTER 2011

Message from the Nebraska State Treasurer

Join us in lighting one candle for the first anniversary of the Nebraska Educational Savings Plan Trust, known as NEST. Just one year ago, First National Bank of Omaha assumed responsibility as program manager, overseeing the four college savings plans that make up the trust.

In that year, more than 15,000 new accounts have been created and total assets in the trust have grown to more than \$2.4 billion. A new FDIC-approved investment option has been added, and 87 children have received scholarships, through contests and drawings, amounting to more than \$95,000. Of that total, more than \$88,000 came from First National Bank and the remainder from the State Treasurer's Office.

What's more, the state's redesigned and much improved 529 college savings program has been acknowledged nationally by Kiplinger's Personal Finance magazine for the variety of its investment choices.

As the year 2012 unfolds and NEST enters its second year, investors can be assured of the same high quality service that they came to appreciate in 2011:

- No annual account fees
- Low program management fees
- A wide variety of investment selections
- Community events like NEST Fest — where experts met with 1,800 visitors

Happy Birthday, NEST. And many more successful years of helping families make it possible for their sons and daughters to pursue their dreams of college.

NEST Recognized by Kiplinger's Personal Finance as Best 529 College Savings Plan for Fund Selection



In the December 2011 edition, Kiplinger's released its "2011 Best List" with NEST

awarded Best 529 Plan for Fund Selection based on our individual funds from Fidelity, Pimco, T. Rowe Price, State Street and Vanguard.

"We are honored to have been recognized by Kiplinger's, a highly respected consumer and industry publication," said Dan O'Neill, President, First National Bank of Omaha. "At a time when choosing the right funds is so important, being named "Kiplinger's Best" for Fund Selection is a testament to our strict fund selection process and the rigorous fund review we conduct on a monthly, quarterly and annual basis."

When developing the investment options within the NEST Plans, O'Neill said First National Bank of Omaha, the Nebraska State Treasurer's Office and the Nebraska Investment Council were mindful to balance actively and passively managed investments, offering diversified asset types in an open architecture environment. These organizations, along with First National Bank's Mutual Fund Oversight and Asset Allocation committees, provide vigilant, experienced and disciplined oversight of these respected funds.

"With 11 years of combined experience offering the college savings plans, this partnership is providing valuable and affordable investment options for families saving for college," said the Nebraska State Treasurer.

Market Commentary



Kurt Spieler, CFA
Vice President,
Chief Investment Officer
First National
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Amid concerns on the global economy and lack of progress regarding the federal government budget deficit, the U.S. economy has been fairly resilient. Recent economic reports show U.S. GDP growth of 2.0% and personal consumption growth of 2.3%. In addition, the U.S. economy has continued to create private employment with the latest unemployment rate 8.6%.¹

The stock market has benefited from company fundamentals with companies reporting annual growth of 16% in the third quarter and an overall positive earnings surprise. During the quarter, 69% of companies in the S&P 500 exceeded analyst expectations.² As a result of better-than-expected economic growth and strong earnings, the stock market has rebounded from its third quarter downturn. As of November 30, the U.S. stock market was up 10.7% in the fourth quarter and 1.1% so far in 2011.³ The fixed income market has reported flat returns over the last few months. Through November 30, bonds were up 5.0% in 2011.⁴

The major risk with the stock market is potential contagion risk from the European sovereign debt crisis and spillover from a European recession. European leaders continue to propose various solutions to the financial crisis. Even with the recent stock market rebound, equities are trading at a discount to historical averages on a price-to-earnings basis.⁵ With dividend yields close to 10-year Treasury yields, most investors believe there is value in the stock market.¹

We are committed to an open architecture platform in which we analyze around 24,000 mutual funds and different mutual fund families for plan inclusion. Our focus is providing a low-cost solution and exposure to many different asset classes and investment managers. Diversification is a key component in successful investment programs as investors strive to meet return and risk goals.

- 1 Bloomberg
 - 2 Brown Brothers Harriman
 - 3 Measured by the S&P 500 Index
 - 4 Measured by the Barclays Capital Intermediate Government/Credit Index
 - 5 Fact Set
- * Diversification and asset allocation do not guarantee a profit, nor do they eliminate the risk of loss of principal. (continued on page 4 disclosures)

NEST Underlying Fund Highlight: T. Rowe Price Institutional Large Cap Growth

American Thomas Rowe Price Jr. pioneered the growth stock theory of investing over 70 years ago. Our view of growth investing is based on the premise that inflation represents a more serious long-term threat to an investor's portfolio than stock market fluctuations or recessions. Mr. Price believed that when a company's earnings grow faster than both inflation and the economy in general, the market will eventually reward its long-term earnings growth with a higher stock price.

In taking a growth approach to investment selection, the Institutional Large Cap Growth strategy will normally invest at least 80% of its net assets (including any borrowings for investment purposes) in the common stocks of large-cap companies. We generally look for companies with an above-average rate of earnings and cash flow growth and a lucrative niche in the economy that gives them the ability to sustain earnings momentum even during times of slow economic growth. Ideally, profit margins should be widening due to economic factors rather than one-time events, such as lower taxes. As growth investors, we believe that when a company increases its earnings faster than both inflation and the overall economy, the market will eventually reward it with a higher stock price. Through our exhaustive fundamental, bottom-up approach to company research and stock selection,

industry and company dynamics, management team quality, and financial fundamentals are central considerations to the portfolio manager.

Through a continued investment focus on securities that are often situated in high-growth potential industries, the fund could have the ability to sustain earnings momentum even during economic slowdowns by operating in industries or service sectors where earnings and dividends can outpace inflation and the overall economy. However, investors should be aware that during periods of adverse economic and market conditions, stock prices may fall despite favorable earnings trends.

Some other highlights that we believe set our strategy apart from others are:

- Consistent and tenured management - same lead portfolio manager since strategy inception in October 2001
- Investing in growth stocks since 1950
- Extensive U.S. small/mid cap and non-U.S. research and portfolio management resources complement our large cap growth investing activities
- The energy and focus of a boutique endowed with the resources of a global organization

Voice of the Customer

Commonly asked questions from our customers.

Q: I am looking for a quick and easy way to put my tax refund to work in my NEST 529 account – any ideas?

A: It's a great idea to use tax refunds to help fund the future of loved ones by helping them save for college. It is easy to deposit federal or state refunds into your NEST 529 account. If the refund check is made payable to you, endorse the check over to the "NEST Direct Plan" or the "NEST Advisor Plan," and include a contribution coupon or write your NEST account number on the check. If the refund is received electronically, send a personal check or log onto your account and send an Electronic Funds Transfer directly from your bank account.

Q: I've heard that the NEST 529 Plan is a good way to help with estate planning – what does that mean?

A: Good question. Contributions to your NEST 529 account are removed from your taxable estate, yet remain under your full control as the account owner. Annually, you can contribute up to \$13,000 (\$26,000 filing jointly) per beneficiary from your federal taxable estate and up to \$65,000 (\$130,000 filing jointly) per

beneficiary in a single year, without incurring a gift tax, as long as there is no additional gift to the beneficiary for five years.⁶

It may make sense to transfer large gifts at the beginning of a calendar year to take advantage of compounding interest.

Q: Is it better to put a lump sum of money into the NEST Plan or should I send in money every month or so?

A: What is most important is that you start saving. Both methods of funding your NEST 529 account may help you meet your personal savings goal. NEST has great resources to help with your decision making process. Visit the NEST website and the Planning section to review topics such as "How Much Can I Save" and "The Power of Compounding." The "College Planning Calculator" can help you determine your college savings goals and help you stay on-track to attain those goals. Again, the most important aspect of saving for college is simply to start!

⁶ See the NEST Program Disclosure Statement for more information and consult a tax professional for advice. Restrictions may apply.

NEW: 2012 ESSAY CONTEST — *To Float in the Sky Like a Cloud*

To find their place in the world. To make their families proud and to be role models for younger siblings. To follow in footsteps of parents and family members. Or, as Elisabeth Werries of Chapin, Ill., wrote last year, "to float in the sky like a cloud and see what else is out there."

The reasons for going to college are as varied as Elisabeth's clouds. For the past 10 years, the Nebraska Educational Savings Plan Trust has asked seventh and eighth graders to write about why they want to go to college. Last year, a record 1,051 entries were received in the contest sponsored by the Nebraska State Treasurer's Office and the Omaha Storm Chasers baseball team.

The 2012 College Savings Program Essay Contest is again asking students to submit essays about "Why I Want to Go to College." **The essays are due April 6.** They will be judged by faculty and students at the University of Nebraska at Omaha with final selections made by the State Treasurer. "We are keenly aware of the value of higher education for our young people and our state. Thriving communities, successful small businesses, healthy schools and secure families all depend on an educated citizenry. The Nebraska Educational Savings Plan helps parents and children achieve their educational goals and live their dreams," the State Treasurer said.

Three winners will be chosen in each of Nebraska's three U.S. congressional districts, and three winners will be selected from outside Nebraska. Winners will receive tickets to a Storm Chasers game and money toward a college savings plan account. First-place winners will each receive \$1,000, second-place winners \$500 and third-place winners \$300.

Contest rules may be found at www.treasurer.org in the College Savings Plan link.



Scholarship Corner

Visit the Web for scholarship details.

DRAW YOUR DREAMS

Congratulations to our 12 winners and 12 runners-up in the *Draw Your Dreams* Scholarship:

Winners - \$3,500 Scholarship

Ella, <i>Hastings</i>	Ashley, <i>Omaha</i>	Hailie, <i>Fremont</i>
Alisa, <i>Omaha</i>	Kaila, <i>Hastings</i>	Diane, <i>Fremont</i>
Paul, <i>Omaha</i>	Samuel, <i>Seward</i>	Christine, <i>Fremont</i>
Morgan, <i>Omaha</i>	Tawny, <i>Hickman</i>	Jenna, <i>David City</i>

Runners-up - \$750 Scholarship

Hailey, <i>Hastings</i>	Chloe, <i>David City</i>	Katie, <i>David City</i>
Jacob, <i>Omaha</i>	Gavin, <i>Omaha</i>	Echo, <i>Dodge</i>
Garrick, <i>Gretna</i>	Dulcie, <i>Brainard</i>	Antonio, <i>Omaha</i>
Madison, <i>Omaha</i>	Chris, <i>Panama</i>	Bethany, <i>Bruno</i>

The artistic talents of the 12 winners and 12 runners-up of the *Draw Your Dreams* Scholarship are showcased in the 2012 NEST Calendar.

STOCK MARKET CHALLENGE

The Boys and Girls Club of the Midlands held its fourth annual Stock Market Challenge on November 10 with almost 160 teen participants from the Omaha community. NEST awarded \$5,000 to the four-member winning team. Congratulations to Michael, Holly, Reanna and Cameron.

MONEY SMART KID ESSAY

The Nebraska Council on Economic Education's Money Smart Kid Scholarship Essay Contest asked students in grades six through eight to write essays about the importance of financial literacy. A total of \$1,500 was awarded to winners Madeline, Whitney, Ashley and Celine.

Visit www.NEST529Direct.com *Smart Ways to Save Even More* or www.NEST529Advisor.com *Benefits of NEST* for more scholarship information.

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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 or www.NEST529Advisor.com, 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



First National Bank Omaha

Program Manager

Investments Are Not FDIC Insured** | No Bank, State or Federal Guarantee | May Lose Value
**Except the Bank Savings Individual Investment Option

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