



Horizons

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

SPRING 2012

Message from the Nebraska State Treasurer

When it comes to personal finances, many rely on experts for information and advice. Our website is a valuable resource to get a good grasp on concepts you should be thinking about—whether you are a self-directed investor or are working with a financial professional.

From the privacy and quiet of your home or your office, you can click through pages of information about college savings. The information is clear, concise, and well organized for busy readers.

The planning sections of the website help you to identify questions to contemplate as your child gets closer to

college age. As your assets begin to accumulate, use the *College Savings Calculator* to identify how you are progressing towards your college savings goals.

Want an easy way to add contributions without dipping into your own pockets? Read about ways to save even more through scholarship and contest opportunities that demonstrate our commitment to young people, families and communities.

Bookmark www.NEST529Direct.com (NEST Direct Plan) or www.NEST529Advisor.com (Nest Advisor Plan). And make them among your most frequently visited sites.

SAVE, SPEND, SHARE — a family guide to understanding how to get the most out of your savings.

The dream of higher education is within reach with the NEST College Savings Plans. You have taken the most important first step to save for college by opening a NEST account, but what else can you do to meet the dream of sending your child to college?

- 1. Teach your children about the importance of saving**
At a very young age, children can begin to understand how to use money—save some, spend some and share some.



SAVE

Work with your children to develop their own saving plan. Have them count the change in their piggy bank, and then go with them to deposit their change into a savings account. See their satisfaction at putting their own money away for their future. Show them bank statements and teach them how their money grows. When children begin to work, why not have them put some of the earnings into a NEST savings account in

their name? Children are seven times more likely to go and succeed in college if there is a college savings account in their name.

SPEND

Help your children pick out something to save for—a toy, a game or a piece of clothing. See the pride in their faces (and yours) when you take them to the store or go online to purchase the “prize.”

SHARE

Select a charity with your children so you all can share with others. Read and learn about the charity and discuss the meaning and gratification of sharing. Perhaps you can provide a match for every dollar your children save.

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Market Commentary



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

2012 is off to a strong start, with the U.S. economy showing a trend of gradual improvement. Economists currently expect the U.S. economy to grow at 2.2% this year with inflation of 2.1%. Employment has improved, with the U.S. unemployment rate declining to 8.3%. In January and February, private employers created 469,000

jobs.¹ This improvement in the employment picture is supportive of economic growth and reduces the risk of recession.

The stock market benefited from the positive economic news flow as well as company fundamentals. As of March 1st, 61% of companies reported a positive earnings surprise for the fourth quarter. In particular, consumer discretionary and industrial companies surpassed expectations.² Stock market returns have been positive with the S&P 500 up 9.0% through February 29th. The month-end close represents a one-year high in equities.³ Returns in the fixed income market have been relatively subdued although

corporate bonds have been solid. Through February 29th, bonds were up 1.0% in 2012.⁴

In terms of risks, higher commodity prices and potential Middle East geopolitical risks are at the forefront of investor concerns. Higher gasoline prices act as a tax on the U.S. consumer and lower overall economic growth. The negative impact of higher oil prices has been partially offset by low natural gas prices and a mild winter. Europe also continues to be a wild card as leaders deal with the sovereign debt crisis.

College students are experiencing higher tuition prices, which makes saving for college even more important. The stock market is favorable and should provide investors with solid returns over the next 5-10 years. The estimated price-to-earnings (P/E) ratio of the S&P 500 is 13.1x, which is a discount to historic averages.⁵ We believe investors should stay the course with their stock allocation because of the potential long-term returns.

- 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 Bloomberg

SAVE, SPEND, SHARE (continued)

2. Take advantage of saving opportunities

When you get that extra bonus or have a little extra cash, pay yourself first by depositing a portion into your NEST account. You and your children should take advantage of NEST scholarships and contests. And who knows, you might be a winner. Every little bit adds up and, with the power of using this tax-free vehicle, you can watch your money grow.

3. Stay in control by using the website's tools

Take advantage of the tools available to you on NEST websites. You can learn about ways to reduce the cost of college and create a college savings plan. You can also learn about the power of compounding interest as well as the benefits of regular, systematic savings. Our *College Savings Calculator* (see sample to the right) can help you determine your college savings goals and help you stay on track to attain those goals.

And remember, you don't have to save it all!
Balancing a savings plan with other funding sources,

such as current income, college-offered payment plans, scholarships, and loans, are all options when creating your college savings plan.

Saving for college is easier than you think when you educate yourself using the tools found on the NEST websites. If you haven't started ... what are you waiting for?

NEST Direct College Savings Planning Calculator
Your personalized NEST Direct College Savings Planning Calculator report helps you take a closer look at how to pay for college using a tax-advantaged savings option, such as a 529 plan. This report takes your college savings goals into account, summarizing the total projected education costs in your time frame and estimating the monthly savings needed to meet your goals.

Child 1 | Child 2 | Child 3 | Child 4 | Child 5

Funding for Child 1

Child's name: Child 1
Child's current age: 0
Estimate current annual college cost: College Search
College name or type: Public 4-year school, in-state
College cost: \$17,100
Planned contribution: \$100
Monthly Yearly
Current savings balance: \$0
% of cost funded by you: 19% (100%)
View/Edit Assumptions

Summary

Estimated total education cost: \$213,520
Amount to be funded: \$213,520 (100%)
Based on current \$40,237 (19%) of 'Estimated total savings you'll cover education cost', above.
You'll need to save \$396 additional per month to meet 'Estimated total education cost', above.

Voice of the Customer

Commonly asked questions from our customers.

Q: I have a tax refund this year and would like to deposit my refund to my beneficiary's NEST account. What is the process?

A: 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 "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 in your personal bank checking or savings account, send NEST a personal check or log onto your NEST account and send an Electronic Funds Transfer to fund your NEST account.

Q: In conjunction with saving in my NEST account, I have been saving for college in other ways. Does it make sense to put that money to work in my NEST account?

A: It is an option to consolidate your college savings from other sources into a NEST account. Unlike many other ways you can save for college, earnings in a NEST account are not taxable while the money is in the account, are tax free when withdrawn if used for qualified higher education expenses⁶ and you are not locked into keeping your money invested for a specific period of time. In some states, your contributions may have a state tax benefit. In a NEST account more of your money is working for you to meet your college savings goal. Remember that many items college students need are not a qualified

expense of a 529 plan (rent, car, clothing, etc.). Please consult a tax professional with any tax related questions.

Q: My wife and I started a 529 account for our daughter a couple of years ago. How do I know if I am saving enough?

A: Good question. There are many aspects to think about when saving for a loved one's future college education. For NEST Direct customers, the website has great tools to help you estimate your daughter's college expenses and help you define your savings goals. When you are at the NEST website, click on **Planning to Save** to gain insight into college costs, how to reduce college expenses, to determine how much you can afford and to calculate how much you should save. Click on the **College Savings Calculator** link on the home page to help identify if you are saving enough. If you are working with a financial professional, have discussions regarding integrating college savings into your financial plan. Remember to reevaluate how much to save as circumstances change.

- ⁶ Qualified higher education expenses include tuition, fees, textbooks, supplies and equipment (including computers) required for enrollment or attendance and certain room and board expenses for the academic term during which the student is enrolled at least half time at an eligible educational institution. Expenses for special-needs students that are necessary in connection with their enrollment or attendance may also be eligible. If you do not use the assets in your account for qualified expenses, the earnings portion of the withdrawal is subject to federal income tax and an additional 10% federal tax and may be subject to state and local taxes.



Is someone celebrating a special event?

The gift of education is a wonderful way to show someone you love them. NEST has some great tips as to how to incorporate saving for college into any gift-giving season.

1. Buy a small gift and also open or contribute to a NEST account. After you have contributed, why don't you include in your greeting card one of our many gift certificates to show you are committed to your loved one's future education. Kids will get the message that going to college is important. Gift certificates are located on **NEST529Direct.com** in the *Maximize Your Savings* tab or the *Forms* tab on **NEST529Advisor.com**.

2. Celebrate pre-school, kindergarten, high school and college graduations with a contribution to the student's NEST account. Even the college graduate can use NEST assets to pay for graduate school and reduce the potential loan debt.
3. June is a popular wedding month. Why not jump-start the newlyweds' savings plan by opening up a college savings account for their future educational savings needs?
4. Having a party to celebrate a special event? Along with your party invitation, why not send a Ugift^{®7} online invitation? With just a few clicks, your family and friends can easily send a contribution to your child's NEST account.

- ⁷ Ugift is a registered service mark of Upromise.

Scholarship Corner

To celebrate 529 Day (May 29th), we are offering three opportunities to help boost your NEST 529 savings power:

- New accounts opened in May will be automatically entered into a drawing to award ten winners \$529 each, deposited into their NEST account.
- Account owners who initiate a rollover of funds into a NEST Direct or Advisor account from a non-Nebraska 529 Plan will be eligible to receive a \$50 bonus deposited into their NEST account.
- A *Focus on a Career* essay contest is open to middle-school students residing in Nebraska. Ten winners will each be eligible to receive a \$1,000 scholarship into a NEST account. The deadline to submit essays is May 31, 2012.

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

Kids Korner

To start the conversation with your children about saving, have them work on this word scramble puzzle. Find our NEST "savings" words. Here is a hint ... you will first need to unscramble the words below!

Saving for College

DLOLAR	F S B P R E N M T U
NSET	E N Y E N N E U U P
CERAER	D I O D L K S U V X
CONIS	H O A O P Y T A K V
NEAR	D C Z L H C B B V Q
KWOR	W A M L S T U D Y E
BKNA	K R F A X W E S H T
SVEA	N E I R O A F P M C
SUDTY	A E L R R K Q X E K
	B R K N A U S Q J F

Contact Us

by Web:

www.NEST529Direct.com
www.NEST529Advisor.com

by email:

clientservice@NEST529Direct.com
clientservice@NEST529Advisor.com

by phone:

Direct – 888.993.3746
 Advisor – 888.659.NEST (6378)

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.

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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

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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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