



# Horizons

The newsletter for Nebraska's 529 Direct and Advisor College Savings Plan Account owners.

**FALL 2012**

## Message from the Nebraska State Treasurer

We soon will be thinking of the holiday season and celebrations with our families. When looking into the future for our children and grandchildren, we are fairly certain that we want them to pursue higher education either in a community college, trade school, or a four-year institution. We are also increasingly aware of the fact that we need to start saving early for this endeavor.

Opening a Nebraska Educational Savings Trust (NEST) College Savings Plan Account is one of the best opportunities available to us to save for college. Thank you for placing your trust in the Nebraska-sponsored college savings plan. But opening an account is just the start. Please read more about the many ways NEST makes it simple for you to continue saving for college, with features to help you build your savings.

## This is a Great Time to Review Your Savings Goals

With school starting and the holiday season approaching, we reflect on our families and loved ones. It is also a great time to think about your college savings plan and steps you and your family can take to help make a child's higher education dream come true. Your account is already opened. Now let's see how easy it is to keep saving with NEST.

### SAVE HOW YOU WANT

#### Automatic Contributions

Start or increase your automatic contributions by payroll deduction or NEST's Automatic Investment Plan (AIP) from your bank. Even a modest increase of \$20 could get you closer to your savings goal. Already contributing automatically? Deposit holiday money or your year-end bonus into your NEST Account.

#### Upromise<sup>®</sup>—Save with Everyday Purchases

Save by spending by joining Upromise<sup>®</sup> where you can earn college savings from everyday purchases. There's no cost to sign up, and when you link your Upromise account with your NEST Account, all or a portion of your Upromise savings can be transferred automatically to your NEST Account on a periodic basis.

*Searching through the merchants on the Upromise website, I noticed a special for a 4-week online photography course that was 70% off! My daughter wants to go into photography after high school, so I thought this would be a great way for her to really be sure photography is her calling. I saved money, earned 5% cash back for her NEST Account and my daughter is looking forward to learning more about using her digital camera. Pretty easy way to save for college! —Shawntel from Minden, Nebraska*

#### Rewards from NEST

Boost your savings by having NEST make a contribution! Check the website to find opportunities for scholarships and bonuses that can help you maximize your savings.<sup>1</sup>

*Account owners who establish an Automatic Investment Plan (AIP) in the month of November and make the first AIP deposit by December 31, 2012, will be entered into a drawing to receive \$529. See the website for official rules and eligibility requirements.*

*(Continued inside)*

<sup>1</sup> Scholarships, drawings and bonuses are subject to official rules and eligibility criteria. Speak to your tax or financial advisor about potential tax implications.

## Market Commentary



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

The U.S. economy continues to be resilient with GDP growth of +1.7% in the second quarter.<sup>2</sup> Global central banks, including the U.S. Federal Reserve and European Central Bank, have been injecting liquidity into their respective economies. Central banks are concerned with the low level of growth and high level of unemployment. The housing market

is showing signs of recovery with existing sales +2.3% in the last month and the Case-Shiller Index of home prices reporting its first increase in 20 months.<sup>3</sup>

The U.S. stock market has been strong in 2012 and recently closed at its highest level since 2008. The year-to-date return of 13.5% through August 31 represents the strongest start to a year since 1999.<sup>4</sup> Some investors believe the market should not be rising given problems in

Europe and China, election uncertainty, pending U.S. policy changes, and the fact that we are in a de-leveraging world. The market, however, has been focusing on the positive company fundamentals, with second quarter earnings in the U.S. at their highest level. Even after the stock market rally, the stock market trades inexpensively with an estimated P/E ratio of 13.9x.<sup>5</sup> Interest rates remain at low levels; bonds are up 3.3% in 2012.<sup>6</sup> Based on the valuations of equities and bonds, we believe that investors will experience solid returns over the long term. As always, investors should be prepared for market volatility, which may increase later this year, as markets deal with the lack of progress on U.S. fiscal policy.

<sup>2</sup> Gross Domestic Product (Bloomberg)

<sup>3</sup> Case-Shiller Index of home prices in 20 U.S. cities year on year

<sup>4</sup> Measured by the S&P 500 Index, August 31st returns

<sup>5</sup> Price to next 12 months earnings ratio (Bloomberg)

<sup>6</sup> Measured by the Barclays Capital Intermediate Government/Credit Index, August 31st returns

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## PIMCO Total Return Fund—Commentary

Bonds can serve a variety of roles in an investor's portfolio, from seeking income and growth potential to preserving capital to diversifying stock holdings. PIMCO Total Return Fund in the NEST Direct and Advisor College Savings Plans offers investors a core bond fund actively managed by PIMCO Founder and Co-CIO Bill Gross to strike a balance among all of these goals, with a 25-year history of attractive, long-term results. The fund can serve as an anchor for your portfolio by reducing overall portfolio volatility and seeking consistent risk-adjusted returns through all market environments.

- **Total Return Potential**—Although bonds are primarily income-generating securities, they may also provide capital appreciation over the long term—helping you prudently capitalize on the total return potential created by the market's changing dynamics.
- **Capital Preservation Potential**—Bonds can also help preserve wealth. While factors such as interest rate changes can cause bond prices to decline, periods of negative returns have not been as severe as those for stocks. A true core bond fund will aim to minimize risks to capital through careful and broad diversification across sectors and by not overstretching for yield.
- **A Quality Orientation**—A core bond portfolio will maintain a quality orientation with a focus on

intermediate-term securities, chosen using rigorous credit research. It's important to note that intermediate-term bonds can be volatile under certain market conditions and may underperform longer-term bonds.

- **Portfolio Diversification**—Stock and bond returns tend not to move in tandem, helping cushion overall portfolio volatility. In other words, a stock decline may be offset by gains or smaller losses in bonds, and vice versa. Of course, diversification does not guarantee a profit or protect against loss, and equities have outperformed over longer periods.
- **Active Management**—Finally, an experienced fixed income manager can potentially add value by nimbly allocating the portfolio in both bullish and bearish bond market conditions.

*The performance data given represents past performance and should not be considered indicative of future results. Investors should consider the investment objectives, risks, charges, and expenses of the fund carefully before investing. This and other information is contained in each fund's summary prospectus, which can be obtained from your Financial Advisor and should be read carefully before investing. The prospectus contains 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.*

## This is a Great Time to Review Your Savings Goals (Continued)

### Match your Child's Savings

Teach your child the importance of saving. Provide a dollar-for-dollar match of what they save in their own bank account with a contribution to their NEST Account.



*The Kids Savings Program kicks off in Nebraska in October!*

*Children who deposit a minimum of \$25 over five visits to their own minor savings account at a First National Bank in Nebraska may be eligible to receive \$25 into their own NEST Account. See the website for official rules and eligibility requirements.*

### THE POWER OF FAMILY

Family members are a powerful resource to help you save for your child.

#### Gift Certificates

Holiday, birthday, a child's birth, or any occasion is the perfect time to encourage your family to give the gift of education. Suggest giving a small gift along with a NEST Gift Certificate indicating their contribution to your child's NEST Account.

*My mother is the one that actually started by wanting to donate to higher education for Christmas and birthdays and not just buy toys. It was such a great idea that my entire family started donating a portion of what they would have given in toys that may break or they will grow out of, to their NEST Account. The gift of higher education is the best thing that I can personally think of for my children. —Jamie from Blair, Nebraska*

#### 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 Account.<sup>7</sup>

### Grandparents—Leave a Legacy of Higher Education

Contributing to a college savings plan account can leave a lasting legacy of education to a grandchild and is an excellent estate planning tool. You can contribute up to \$13,000 (\$26,000 filing jointly) for a taxable estate, or you can contribute \$65,000 (\$130,000 filing jointly) in a single year.<sup>8</sup> Discuss the gift tax benefits with a tax professional.

### SHARE WITH OTHERS

#### Creative Ways to Save

NEST wants to know the creative ways you save for your NEST Account. Please join others in completing the online survey on the website home page. When the results are published, you may not only have given others ideas, but you may also find some good ideas you can use as well.

#### Tell a Friend or Relative

When you like something, you want to tell your friends and relatives. Coming in November to the website home page is a new feature called "Tell a Friend" to send an email to others about the benefits of NEST. They will be happy you did!

### MAXIMIZE YOUR TAX SAVING POTENTIAL

Have you contributed enough this year to maximize your tax benefits?

- Did you meet your federal gift tax annual exclusion?
- Did you contribute the maximum to receive tax benefits from you or your beneficiary's home state?
- Are you a Nebraska taxpayer? Did you contribute up to the maximum deductible amount (\$5,000 or \$2,500 if married filing separately)?<sup>9</sup> Contributions must be completed online or postmarked by December 31, 2012.

To learn more about these gifting options, visit [NEST529Direct.com](http://NEST529Direct.com), [Maximize Your Savings](http://Maximize Your Savings), or [NEST529Advisor.com](http://NEST529Advisor.com), *Benefits of NEST*.

<sup>7</sup> Ugift is a registered service mark of Upromise.

<sup>8</sup> If the account owner dies before the end of the five-year period, a prorated portion of the contribution will be included in his or her taxable estate.

<sup>9</sup> Deductions are subject to recapture if you cancel your Participation Agreement, take a Non-Qualified Withdrawal or rollover assets to another state's qualified tuition program. Only account owners can take a state income tax deduction for contributions they make into their own accounts.

# Scholarship Corner

## NEW!

Account owners who establish an Automatic Investment Plan (AIP) in November and make the first AIP deposit by December 31, 2012, will be entered into a drawing to receive \$529 deposited into their NEST Account.

The Draw Your Dreams Scholarship Contest will run October 1–31. Nebraska students in grades one through eight can submit a 9" by 12" drawing of what they dream they will be when they grow up. Twelve winners will each receive a \$3,500 contribution and 12 runners-up will each receive a \$750 contribution to a NEST Account.

See the website for official rules and eligibility requirements.

## Just Completed!

Ten account owners each received \$529 into their NEST Account for opening an account in May. Winners were from California, Massachusetts, Minnesota, Missouri, Nebraska, New Jersey, and Texas.

Fifty-seven account owners, representing a total of 128 accounts, received \$50 into their NEST Account for rolling assets from other 529 plans into their NEST Account in June.

NEST on the Farm Essay Contest winners were announced at Husker Harvest Days on September 12. First place winners—Morayah - Champion, NE; Megan - Arlington, NE; and Katie - Odell, NE—each received \$3,500 into their NEST Account. Runners-up—Tucker and Jace - Page, NE; and Emma - Johnstown, NE—each received \$1,000 into their NEST Account. Congratulations to all 48 entrants for focusing on their dreams of higher education!



NEST on the Farm winners: Back row, left to right: Emma, Jace, Nebraska State Treasurer, Katie. Front row, left to right: Tucker, Morayah, Megan

## Contact Us

### by Web:

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

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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](http://www.NEST529Direct.com) or [www.NEST529Advisor.com](http://www.NEST529Advisor.com), which contains 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

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