



Horizons

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

WINTER 2013

Message from the Nebraska State Treasurer

We're already off and running in 2014, invigorated by the success of the past year and buoyed by new opportunities ahead.

At the Nebraska Educational Savings Trust, here's what we mean by success:

- Being among the 32 college savings plans nationwide to be rated by Morningstar. The independent investment research firm awarded a Bronze rating to the NEST Direct and NEST Advisor Plans in 2013.
- Presenting more than \$100,000 in scholarships to children and teens from across the United States with recognition given to young people's writing, art, and creativity.
- Receiving a nod in Kiplinger's Personal Finance magazine's BEST issue in 2013 for the investment menu offered by NEST.

And here's what we mean by opportunities:

- Introducing the 12th annual writing contest in which seventh and eighth graders can share their thoughts on why they want to go to college. Entries are due March 28.
- Finding innovative ways to help more families across the United States learn about NEST and the benefits of starting early to save for college.
- Offering more information and education for parents and grandparents about saving for college, as well as offering programs to help young people gain the financial knowledge they need to become financially secure adults.
- Welcoming new investors to our rapidly growing NEST family, now totaling more than 208,000 account owners from every state and the District of Columbia.

We look forward to working with you in 2014 to address your needs and the needs of your families and to provide a college savings program that makes big dreams possible for you and your children.

A kid. A dog. **A BIG DREAM.**

Very few things in life are as vivid and imaginative as a child's big dreams. At NEST, we believe it's important for children to dream for the future and for parents and grandparents to save for those dreams.

The new NEST TV spot embraces the joy of childhood and all the big dreams that go with it. If you love to see children in their element, you'll enjoy this moment in their world. And remember, the little ones in your life will always dream big; save for college with NEST.

Go online to check out the new spot on the NEST529Direct.com.



Market Commentary



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The stock market continues to advance with the S&P 500 Index up 25.3% through October.¹ The primary reasons behind the strong returns are the Federal Reserve accommodative monetary policy, improvement in the global economy and increased liquidity by retail investors. The zero interest rate

policy by the Fed and continuation of their Treasury and mortgage backed security buying program has encouraged risk taking. Retail investors have responded with major inflows in equities and outflows of bond mutual funds. In fixed income, the market has been impacted by the mutual fund flow and ongoing debate on when the Federal Reserve will end quantitative easing. Bond returns are slightly down (-0.2%) in 2013.²

The U.S. economy is accelerating as evidenced by 3rd quarter GDP growth of 2.8%, which compares favorably to 1st quarter growth of +1.1% and 2nd quarter growth of 2.5%.³ The U.S. economic expansion is being led by

investments and consumption. Europe has also shown signs of recovering from their recession with modest growth now expected in 2014. In this slow global growth environment, U.S. companies continue to report solid results. For the third quarter, 53% of companies exceeded revenue expectations and 73% surpassed their earnings estimate.⁴

With most of the recent stock market advance from an increase in valuation, equities are no longer cheap and trading on an estimated price-to-earnings ratio of 15.9x.⁵ Based on this average valuation by historical standards and likely change in Fed policy in 2014, we expect more modest stock market returns. The fixed income market will continue to be impacted by Federal Reserve policy and offers investors portfolio stability if the U.S. economy falls into a recession and/or the stock market undergoes a correction.

1 Measured by the S&P 500 Index, Oct. 31 year-to-date returns

2 Measured by the Barclays Capital Intermediate Government/Credit Index, Oct. 31 year-to-date returns

3 Bloomberg, Bureau of Economic Analysis

4 FactSet, S&P 500 sales & earnings third quarter results as of November 25, 98% of companies reported

5 Bloomberg, S&P 500 Index P/E Valuation as of Oct. 31

Year-end Tax Considerations

Tips for completing Nebraska Schedule 1 Tax Form

- Remember to report your 2013 NEST contributions on your 2013 Nebraska state income tax return. To be eligible, contributions must be completed online or mailed by Dec. 31.
- Account owners are eligible to receive a tax deduction of up to a maximum of \$5,000 (\$2,500 if married, filing separately) for contributions they make to their own NEST accounts. Contributions in excess of \$5,000 cannot be carried over to a future year.⁶
- Only account owners can take the tax deduction.
- Both the contribution and earnings portion of funds from a non-Nebraska 529 plan that were deposited into a NEST Plan are eligible to receive the tax deduction.
- Contributions made to another state's 529 college savings plans are not deductible from the Nebraska state income tax. Do not include those contributions on your Nebraska tax form.

Getting a Tax Refund?

It's easy to put your tax refund to work in your NEST 529 account. If the refund check is made payable to you, you can 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, you can send a personal check or log onto your account and send an Electronic Funds Transfer directly from your bank account.

Account Owners from Other States

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. Taxpayers may wish to seek tax advice from an independent tax advisor or their financial advisor based on their own particular circumstances.

⁶ Nebraska state tax deductions are subject to recapture if you cancel the Participation Agreement, a non-qualified withdrawal is taken, or if assets are rolled out of a NEST Plan.

NEST Receives Industry Recognition

Both the NEST Direct and NEST Advisor Plans have recently been recognized among the top 529 plans in the industry. For the second time, NEST has been recognized by Kiplinger's for best fund selection.

Morningstar awarded the NEST Plans its prestigious Bronze rating, stating, "All of the Bronze-rated plans have well-executed strategies at a fair price." Morningstar also pointed to the recently doubled Nebraska state income tax deduction beginning with the 2014 tax year—maxing out at \$10,000 for couples filing jointly—and new investment choices as reasons for the Bronze distinction.

The NEST Plans continue to have the highest 5-cap rating for both Nebraska residents and non-Nebraska residents from the influential savingforcollege.com.

"These ratings, from a number of trusted sources, truly put NEST at the top of the industry," said Deborah Goodkin, Program Manager. "I am proud of the work of the team and our partnership with the state of Nebraska to make this happen."

NEST Announces 2014 Writing Contest for Seventh, Eighth Graders

Seventh and eighth graders are invited to use their creative writing skills to earn college scholarships in the 12th annual "Why I Want to Go to College" writing competition sponsored by the Nebraska State Treasurer's Office and the Omaha Storm Chasers baseball team.

Entries are limited to 750 words each and must be postmarked by March 28, 2014. Rules can be found at www.treasurer.org/cs/. Winners, who will receive contributions to Nebraska's state-sponsored 529 college savings plans, will be recognized May 11 at the Omaha Storm Chasers' game at Werner Park in Papillion, NE.

First-place winners will each receive \$2,000, second-place winners \$1,000 and third-place winners \$500 toward a NEST college savings plan account. Winners will be selected from each of Nebraska's three U.S. Congressional districts, and another set of first-, second-, and third-place winners will be selected from outside Nebraska.

Entries should be sent to the Omaha Storm Chasers, Attn: Andrea Stava, 12356 Ballpark Way, Papillion, NE 68046.

Kids' Corner When it's cold outside, have fun cutting out these pieces to create your very own snowman.



Scholarship Corner

Congratulations to our 2013 Draw Your Dreams Scholarship Winners. Twelve young artists from Nebraska each received \$2,000 in a NEST account. Below are a few of the winning pieces.

Nathan, first grade, Omaha
Tucker, first grade, Bloomington
Clara, third grade, Lincoln
Riya, third grade, Bennington

Jared, fifth grade, Hastings
Morgan, fifth grade, Omaha
Serina, fifth grade, Lincoln
Hunter, sixth grade, Ogallala

Adelynn, eighth grade, Columbus
Jianne Mae, eighth grade, Battle Creek
Jourdin, eighth grade, Gothenburg
Serena, eighth grade, Seward



Nathan, first grade, Omaha



Serina, fifth grade, Lincoln



Jianne Mae, eighth grade, Battle Creek

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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
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Trustee

1 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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