



Horizons

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

SPRING 2014

Message from the Nebraska State Treasurer

With spring comes new growth, and the cycle repeats itself once again. So it is at the Nebraska Educational Savings Trust, where we are focused on helping young families plan for their children's futures and learn about the value of starting to save early for college. We like working with families of all ages—and grandparents, too—but we are committed to our belief that the best way to save is to start as early as possible.

As birthdays, graduations and other special occasions roll around this spring, we at NEST encourage you to seriously look at how you can increase your contributions and grow those savings as your children grow. You can be confident that you are making one of the best investments you will ever make, an investment in your children's future.

One easy way to increase your savings is to make contributions through our Automatic Investment Plan, or AIP, which allows investors to contribute to their accounts in regular intervals

from their checking or savings accounts. See the article below for details.

Here in Nebraska, those contributions can add up to big tax advantages as well. Starting this year, for income taxes due in April 2015, Nebraskans can deduct up to \$10,000 for their contributions into their NEST accounts for a single person or married couple filing jointly. That's up from the \$5,000 previously allowed.

All things considered, spring is a perfect time to give serious thought to how you are saving for your children's college education and to how you can grow your NEST college savings account or accounts, so they can blossom and bear fruit at just the right moment, when you need it most. So, get started this spring, save as much as you can and watch your NEST accounts grow, right alongside your precious children.

Tools to Make Saving Easy

The **NEST Automatic Investment Plan (AIP)** is a savings option that allows you to systematically contribute to your NEST account directly from your personal checking or bank savings account. By using AIP, saving becomes part of your routine, making it easy to meet your savings goals on your own schedule.

Let's look at an example. There is a new baby in your family, and you want to start saving for college. You have 18 years to save and will not withdraw any money during those 18 years. You decide to deposit \$200 per month from your bank account into NEST, where earnings are tax-deferred until withdrawn. Let's assume a 6% annual rate of return, compounded monthly. At the end of 18 years, you will have contributed \$43,200, plus \$34,700 in accumulated earnings due to the power of compounding, for a total of \$77,899.

How do I sign up? Simply go to the website, log on to your account and click on the *Asset Management* link, then click on *Setup AIP* and fill out the online form.

SAVING WITH AIP

Depositing \$200 per month, for 18 years, into a NEST account.



At a 6% Annual Rate of Return: **\$43,200** in contributions
\$34,700 in earnings generated
\$77,899 at the end of year 18

This hypothetical is for illustrative purposes only. It does not reflect an actual investment in any particular college savings plan or in the NEST Direct Plan or any taxes payable upon withdrawal.

Want to start AIP?

1. Securely log in to your NEST account
2. Select Asset Management
3. Select and complete Automatic Investments

Already invest through AIP? Why not think about increasing your AIP contribution? It may not seem like a difference, but if you increase your contribution by only \$50 a month (just \$600 per year), you can get even closer to your savings goals (assuming a 6% annual rate of return, compounded monthly).

Saving Years	3	6	9	12	15	18
\$200 per month	\$7,908	\$17,372	\$28,700	\$42,259	\$58,478	\$77,899
\$250 per month	\$9,884	\$21,715	\$35,875	\$52,824	\$73,098	\$97,374

Market Commentary



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U.S. stocks surged to an all-time high in February, extending their rebound beyond the 3.5% decline in January. The market moved into positive territory with the S&P 500 +1.0% in 2014.¹ Investors appear to be shrugging off less monetary stimulus from the Federal Reserve, bad winter weather and political unrest in the

Ukraine. In fixed income, bonds rallied and returned +1.3% so far this year.²

U.S. economic momentum is slowing as bad weather and international concerns have constrained growth. Gross domestic product (GDP) growth in the 4th quarter was revised to a seasonally adjusted annual rate of 2.4%.³ The U.S. economic expansion continues to be led by consumption as individuals slightly reduced their savings rate to maintain spending. U.S. company fundamentals are positive on financial strength and profitability measures. As evidenced by the S&P 500 total debt to equity ratio, companies have reduced their leverage from a peak of

232% in 2008 to 105% last month.⁴ The earnings outlook is positive with large cap companies expected to grow their profits by 7% over the next year and small cap company growth even better at 12%.⁵ International economic news flow is mixed; Europe is rebounding from their recession but emerging market growth is slowing as select countries are experiencing currency pressure.

The stock market continues to trade close to average valuations with the estimated price-to-earnings ratio 15.8x for the S&P 500.⁶ Based on the stock market valuation and modest global economic growth, we expect positive stock market returns but nowhere near 2013 levels. Interest rates should remain relatively low by historic standards due to the economic outlook and continued low inflation. The bond market offers investors portfolio stability if the stock market undergoes a correction.

- 1 Measured by the S&P 500 Index, February 28th year-to-date returns
- 2 Measured by the Barclays Capital Intermediate Government/Credit Index, February 28th year-to-date returns
- 3 Bloomberg, Bureau of Economic Analysis
- 4 Bloomberg
- 5 FactSet, S&P 500 & S&P 600 next 12 month forecasted earnings as of January 31st
- 6 Bloomberg, S&P 500 Index P/E Valuation as of February 28th

Nebraska State Tax Deduction Doubles for NEST Contributions

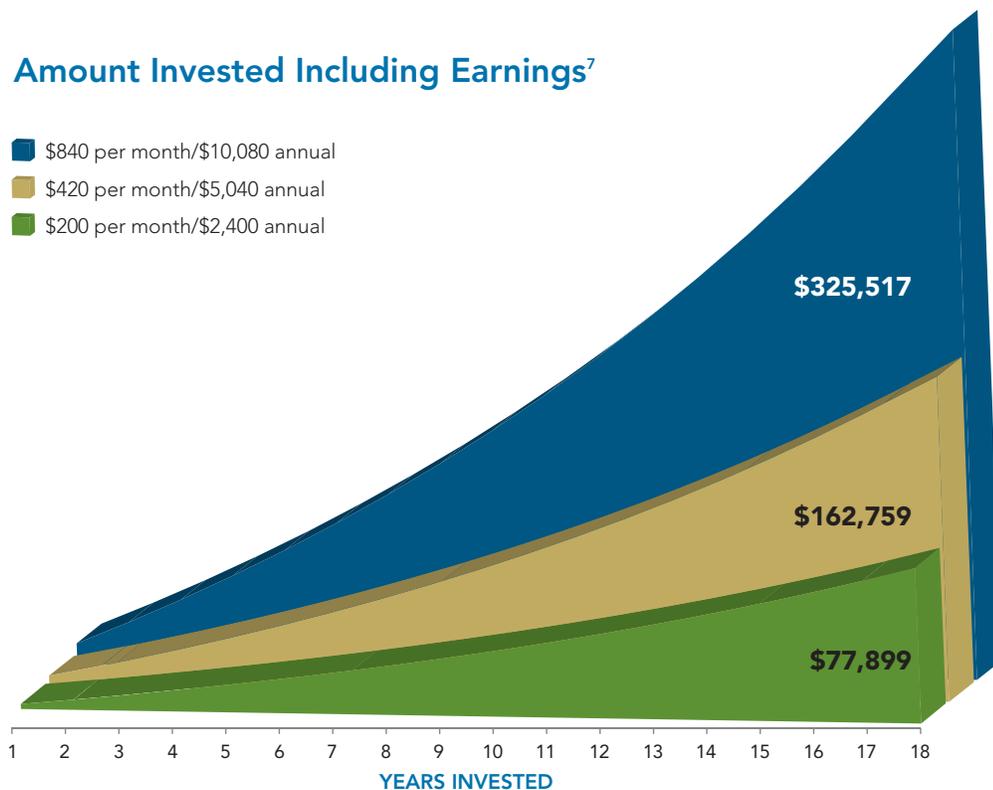
With tax season upon us, this is a great time for Nebraska taxpayers to begin planning to take advantage of the increased Nebraska state tax deduction for the 2014 tax year. If you contribute more money into your NEST account, next year when taxes are filed, you could enjoy an even larger state tax deduction.

Contributions by an account owner up to **\$10,000** (\$5,000 if married filing separately) can be deducted from your Nebraska state income tax return.

⁷ Chart assumes an annual investment return of 6% and monthly contribution on the first day of each month. This hypothetical is for illustrative purposes only. It does not reflect an actual investment in any particular college savings plan or in the NEST Direct Plan or any taxes payable upon withdrawal.

Amount Invested Including Earnings⁷

- \$840 per month/\$10,080 annual
- \$420 per month/\$5,040 annual
- \$200 per month/\$2,400 annual



Start Saving Early to Ensure a Bright Future

Because you're already saving for college, you understand the importance of giving children every advantage that will lead to their future success and happiness. Part of what helps pave the way to that bright future is college savings.

Our "Give Them Every Advantage" campaign reaches out to families with babies, encouraging them to start saving as early as possible. By starting to save early in a NEST 529 account, a family can enjoy many benefits including tax advantages and compounding interest.



Submit an adorable photo for a chance to win a NEST 529 scholarship!

NEST is giving away more than \$10,000 in scholarships in April and May for babies ages 0-18 months. Simply go to our web site at www.NEST529Direct.com/EveryAdvantage for instructions on how to upload your photo to our contest site and other contest details. All who submit a photo and accompanying information will be entered to win!

Scholarship Corner

Congratulations to the winners of our NEST Big Dreams video contest and Dear Grandchild contest.

NEST Big Dreams Video Contest

The NEST Big Dreams video contest gave families the opportunity to submit videos featuring children expressing their big dreams. The contest generated significant online traffic, receiving more than 10,500 visits to the website and more than 4,500 votes for the videos posted.

The scholarship winners are as follows:

- Malachi C.
Grand-Prize Winner, \$10,000 NEST Scholarship
- Maxwell E.
Second-Place Winner, \$5,000 NEST Scholarship
- Lily O.
Third-Place Winner, \$2,500 NEST Scholarship

In addition, three runners-up were presented with \$1,000 NEST 529 Scholarships each:

- Edward K.
- Alexis P.
- Caydence F.



NEST Dear Grandchild Contest

Dear Grandchild invited grandparents to write letters to grandchildren, sharing the grandparents' hopes and dreams and urging the grandchildren to go to college. More than 480 letters were entered into the drawing. Four were randomly selected as winners to receive scholarships of \$2,000 each. The winners are as follows:

- Sharon "Sue" B.
- Ron T.
- Peggy S.
- Lynda R.

Visit our website to find out about the great scholarship opportunities available throughout the year.

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 into 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: I'm already signed up for AIP, how do I increase my contribution?

A:

1. Go to the website, log on to your account
2. Click on the *Asset Management* link on the left-hand side of the page
3. Click on *Edit AIP* at the bottom of the Automatic Investment Plan box
4. Adjust the dollar amount you'd like to contribute in the Amount field, verify the other information in the form and click continue

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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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