Message from the Nebraska State Treasurer

We are glad you are a NEST account owner, and we want you to know that. Thank you for putting your trust—and your hard-earned money—in a Nebraska Educational Savings Trust college savings account. You are in good company. With $3.6 billion in assets, NEST now has 220,000 accounts and account owners in every state, including 63,000 accounts in our home state of Nebraska. We are enjoying a bountiful year with the number of active accounts growing, the average size of accounts increasing, and the average age of account beneficiaries dropping. That means families are starting to save when their children are younger, which gives their accounts more time to be able to increase in value and meet—or maybe even exceed—investment goals.

Throughout the year and particularly as we approach year-end, we find ourselves reflecting on our accomplishments and on the many steps we have taken to improve our state-sponsored college savings program to better serve you, our account owners and beneficiaries. Among the most recent improvements at NEST are enhancements to our popular Automatic Investment Plan (AIP) feature and Ugift service. Ugift can be used by family and friends to make gift contributions to a NEST account in honor of a birthday, holiday, or some other meaningful event. See page 2 for details.

While reflecting, we are also renewing our commitment to move NEST forward and to encourage children to dream big and families to save for those big dreams. In the months to come, we will be nurturing our own big dreams to make our Nebraska Educational Savings Trust even better and to find innovative ways to serve our NEST account owners and beneficiaries spread across the United States. We value every single one of you, and we want to thank you for entrusting us with your valuables—your financial resources and your children’s educational futures.

College is Around the Corner: Time to Revisit Your Savings

When children are between 9 and 16 years old, parents begin to think more about their children’s college education—what type of careers they may be suited for and what type of colleges they might attend. For many account owners, their financial situations have improved since they opened their NEST accounts. The days of daycare and diapers are long gone, while job promotions and freedom from college loans provide more disposable income. Many account owners say that this is the time to revisit their college savings goals and increase college savings for their children.

On average, when NEST 529 beneficiaries are 9 years old, account owners with Automatic Investment Plan are saving just less than $150 each month. Most of these account owners continue to contribute more each year until their children reach college age. By increasing contributions earlier or at milestones, you could maximize your savings.

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1 NEST 529 Data, 2014
The U.S. economy rebounded from the first quarter contraction with gross domestic product (GDP) growth of 4.2% in the second quarter. Consumers and businesses both contributed to the stronger economic activity. Even with a slightly disappointing August report, the growth in nonfarm employment is a positive in 2014. One positive outcome of U.S. economic strength is earnings as companies in the S&P 500 reported +9.6% earnings growth in the second quarter.

Both the stock and bond market responded well to economic fundamentals with the U.S. stock market closing August at an all-time high. Year-to-date, the S&P 500 return is +9.9%. U.S. small caps and international equity returns have lagged U.S. large cap returns so far this year. In fixed income, the bond market continued its recent strength with returns of +2.7% reported in 2014.

The U.S. economic outlook is positive with economists expecting 3% GDP growth for the second half of 2014 and next year. The ISM manufacturing and non-manufacturing index both are at their highest level in several years. Risks to the outlook include geopolitical turmoil in Russia and the Middle East leading to higher commodity prices and volatility associated with a change in Federal Reserve monetary policy. In terms of valuation, the estimated price-to-earnings ratio is 16.7x for the S&P 500. This average level seems reasonable based on the outlook for economic growth and moderate levels of inflation. On a relative basis, equities remain cheaper than fixed income and continue to be appropriate for long-term investors. The current interest rate environment is expected to continue based on the modest global economic outlook and low interest rates in other countries.

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

2 Bloomberg, Bureau of Economic Analysis
3 Measured by the S&P 500, Q2 2014 earnings per share (EPS) compared to Q2 2013 EPS
4 Measured by S&P 500, August 31st year-to-date returns
5 Measured by the Barclays Capital Intermediate Government/Credit Index, August 31st year-to-date returns
6 Bloomberg, Economic Forecasts
7 Bloomberg, S&P 500 Index P/E Valuation as of August 31st

NEST is Constantly Improving to Make Saving Easier for You!

Auto-annual AIP Increase

**NEW!** Sign up for this simple feature that will automatically increase your AIP contributions annually.

You can sign up to increase your AIP contribution automatically on an annual basis. Just fill out the following three fields and your contribution will be adjusted each year in the month that you specify by the amount you enter below. Note: A plan of regular investment cannot assure a profit or protect against a loss in a declining market.

- **Annual AIP increase**
- **Amount**
- **Month**

If “Yes” is selected, your AIP contribution will increase automatically every year. This is the amount by which your AIP will increase annually. This is the month in which your AIP contribution will be increased. The first increase will occur at the first instance of the month selected.

Payroll Deduction/Employer Participation

Save through an automatic deduction from your paycheck. Many employers are getting on board to help employees save. Have your employer call us so we can share our new brochures and information to get started.

NEST is a registered service mark of Ascensus Broker Dealer Services, Inc.

Ugift®

Invite family and friends to provide gift contributions into your account. **NEW!** A unique code for each beneficiary makes repeat gift contributions easier.

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The NEST Direct Plan is sponsored by the State of Nebraska and administered by the Nebraska State Treasurer. The NEST Direct Plan offers a series of investment portfolios within the Nebraska Educational Savings Plan Trust, which offers other investment portfolios not affiliated with the NEST Direct Plan. The NEST Direct Plan is intended to operate as a qualified tuition program 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 Plan’s investment objectives, risks, charges and expenses before investing. The Program Disclosure Statement, 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.

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 the loss of principal amount invested. Gift amount is to be filled out by the gift giver. This certificate is non-negotiable, non-redeemable and does not represent an obligation of any entity or person.

**NEBRASKA TAXPAYERS!**
**DEDUCT UP TO $10,000 IN NEST CONTRIBUTIONS ON YOUR 2014 TAXES.*

*Before investing in a 529 plan, consider whether the state where you or your Beneficiary resides has a 529 plan that offers favorable state tax benefits that are available if you invest in that state’s 529 plan.

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**Give the Gift of NEST**

The holidays are just around the corner and a NEST contribution makes the BEST. GIFT. EVER. You can go to our website to download printable gift certificates—and not just for the holidays, for many occasions.

Direct Plan owners, go to NEST529.com/Gift
Advisor Plan owners, go to NEST529Advisor.com/Gift

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**Voice of the Customer**
Commonly asked questions from our customers.

**End-of-year Tax and Qualified Withdrawals**

**Q:** When do I need to send my contribution to the Plan to make sure it is counted as a 2014 contribution?

**A:** If mailing a check, it’s wise to send your contribution a few weeks before the end of the year. Technically, contributions sent by U.S. mail that are postmarked on or before December 31 will be treated as having been made in that year even if the check was actually received by the Plan in the first few days of the subsequent year.

For Electronic Funds Transfers (the electronic movement of money from your bank account to your NEST Direct Plan account) the contributions will be considered in the year that the EFT was initiated. To count for 2014, make your contribution on or before December 31, 11:59:59 p.m. ET.

**Q:** How can I make a withdrawal to pay directly to my child’s school or to pay myself back for qualified higher education expenses?

**A:** It’s easy to make qualified withdrawals online, by phone or by mail.

- **Simply log on to your account. Click on “Asset Management,” then click on “Make a Withdrawal,” and follow the steps listed.**

- **Give us a call and we will make the withdrawal for you over the phone.**
  
  NEST Direct Customer service line: 1.888.993.3745
  
  NEST Advisor Customers service line: 1.888.659.6379

- **Print a “Withdrawal Request Form” from the Forms page of the website and send it to us at the address listed on the form.**

Remember to make your withdrawal before the end of the 2014 year to pay yourself back for expenses incurred during 2014. Don’t forget to keep your receipts related to your expenses with your tax records.
Scholarship Corner

**NEST on the Farm**

The NEST on the Farm essay contest was open to children of farm and ranch families across Nebraska, ages 7-13, and awards were presented at the Nebraska State Fair on Aug. 23. The winners of the $2,500 scholarships were Tucker S. of Page, Makenna E. of Big Springs, and Jace S. of Page. Three runners-up, Kallie E. of Big Springs, Sheridan C. of Elwood, and Jayla F. of Lynch, each received a $1,000 scholarship.

For information on all of our exciting scholarships, contests and bonuses, go to NEST529.com.

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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

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