



# Horizons

The newsletter for the NEST 529 Direct and Advisor College Savings Plan account owners.

**WINTER 2016**

## Message from the Nebraska State Treasurer

Pardon us, while we brag a little. We simply want you to feel good about the investment you are making in the Nebraska Educational Savings Trust (NEST). And we want you to know that the folks who evaluate 529 college savings plans think you have chosen wisely.

Most recently, our NEST Advisor and our NEST Direct plans received bronze ratings from Morningstar, an independent investment research and management firm. The two plans were among the top 33 plans offered in the country. Morningstar praised the NEST Advisor plan for its solid mix of options and its low fees. As for the Direct plan, Morningstar cited its low fees, too, as well as its solid underlying manager lineup.

But that's not all. Earlier this year, our NEST Advisor and Direct plans also were ranked in the top ten state-sponsored college savings plans for one-year investment

performance. In that analysis by the popular website, savingforcollege.com, the Advisor plan ranked sixth and the Direct plan ranked fifth. This was the third consecutive quarter the NEST Direct Plan ranked in the top ten and the second consecutive quarter for the NEST Advisor Plan.

Through the years, that same website, which families rely on for college savings information, has awarded its highest "5-Cap" rating to both NEST Advisor and NEST Direct.

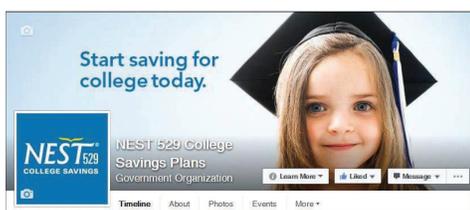
So, you see, we have lots of reasons to brag about NEST. But, in actuality, we don't need these outside influencers to validate our work. We know from our growing number of accounts and our growing assets, as well as the kind words we receive from families like you, that the Nebraska Educational Savings Trust is flourishing. With your help, we intend to keep it that way.

## News We Can All Share

We know how important it is for you to share your stories, talk about your child, and find ways to save for a child's future. NEST has given you even more opportunities to keep up-to-date with and learn more about saving for college. Check out our new Facebook and LinkedIn pages and our streamlined and information-packed NEST529 Advisor Plan website.

 Our new Facebook page has come alive with insights, inspirational messages, and links to topics of interest. Like us and spread the word. Check us out @NEST529CollegeSavings.

 Financial advisors and their clients will soon benefit from our new LinkedIn page to find updates and to learn more about the NEST Advisor Plan and to share ideas about what is happening in the 529 college savings plan industry. Welcome, follow us, ask questions, and become engaged.



### New Advisor Website

Easy to navigate and easy to read, the new NEST Advisor Plan website has great insights for you. In the Plan section, read information to help you set up savings goals and look at the Maximize section for information on the latest Scholarships.

## Market Commentary



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

The U.S. stock market has rebounded sharply since the election, focusing on the potential upside of President-elect Trump's policies. Deregulation, cutting taxes, and infrastructure spending could be positives for the economy. The degree to which these may be offset by

immigration and global trade restrictions remains to be seen. Equities are trading at all-time highs with the S&P 500 up 9.8% year-to-date.<sup>1</sup> Small- and mid-cap stocks have outperformed their large-cap counterparts with value stocks leading the market. U.S. fundamentals have improved with companies reporting their first positive growth in five quarters.<sup>2</sup> Stock market valuations are slightly elevated with the S&P 500 trading on a P/E of 17x, a modest premium to its 10-year average.<sup>3</sup>

Not all markets have responded favorably following the U.S. election. International equities lagged in November with MSCI EAFE down 2.0% and MSCI Emerging Markets down 4.6%.<sup>4</sup> Negative returns were due to the U.S. dollar strength and potential for global trade disputes. The fixed income market also corrected with the U.S. 10-year

Treasury yield increasing from 1.8% to 2.4%.<sup>5</sup> November represented the worst month for global bond market returns since inception of the Barclay's Index in 1990.<sup>6</sup> The primary reason for the move in interest rates is the potential for higher inflation and the prospect of less accommodative policies from the Federal Reserve.

The U.S. economy grew 3.2% in the third quarter, a nice rebound from the sluggish start to 2016.<sup>7</sup> Solid economic reports regarding jobs, wages, income, and confidence point toward continued, yet modest expansion. Potential improvement in global economic growth is leading to expectations of a further rebound in earnings, which is positive for global equities. Downside risk remains from political risk in the U.S. and Europe and ongoing geopolitical risks.

1 S&P 500 Index return as of 11.30.2016; FactSet

2 S&P 500 Q3 2016 year-over-year sales and earnings growth; FactSet

3 S&P 500 price-to-earnings ratio on next-twelve-month earnings; FactSet

4 MSCI Europe, Far East and Australia and MSCI Emerging Market Index returns as of 11.30.2016; FactSet

5 U.S. 10-year Treasury Yield; Bloomberg

6 Dec. 1 Bloomberg article on the Barclay's Global Aggregate Total Return Index

7 U.S. GDP growth quarter-over-quarter as measured by the Bureau of Economic Analysis; Bloomberg

## Voice of the Customer

Commonly asked questions from our customers

**Q:** I've heard that the NEST 529 Plan is a good way to help with estate planning – what does that mean?

**A:** Good question. Contributions to your NEST 529 account are removed from your taxable estate, yet remain under your full control as the account owner. Annually, you can contribute up to \$14,000 (\$28,000 filing jointly) per beneficiary from your federal taxable estate and up to \$70,000 (\$140,000 filing jointly) per beneficiary in a single year, without incurring a gift tax, as long as there is no additional gift to the beneficiary for five years.<sup>8</sup>

It may make sense to transfer large gifts at the beginning of a calendar year to take advantage of compounding interest.

**Q:** My son's grandparent wants to open a NEST account, but is concerned about whether it will disqualify my son from financial aid.

**A:** It shouldn't. Needs-based financial aid requires completion of the Federal Application for Student Aid called FAFSA. Both the parent's and student's incomes and assets are considered when determining the amount eligible for grants and scholarships. Assets within a grandparent-owned 529 plan account **do not count** as the grandchild's income or assets for needs-based financial aid purposes. However, once the assets are withdrawn from the grandparent's account for college costs, 50% of the amount is counted on the FAFSA application, as it is considered income to your grandchild. What to do? The grandparent can wait until the grandchild's final year of college to withdraw assets from the grandparent's NEST account – after the final FAFSA is submitted.

8 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.

## Ideas to Boost Your Savings in 2017

Regardless of how much you can afford to invest, NEST gives you many opportunities to meet your savings goals. Are you maximizing ways to grow your account? Here are some hints for 2017.

1. **Deposit the amount of money you gained from getting a state income tax deduction<sup>9</sup>** for your contributions into your NEST account. You don't know if your state permits a tax deduction for your contributions? On the NEST website, go to Learn>Tax Advantages>State Tax Benefits. If you are a Nebraska state taxpayer, remember to report your 2016 NEST contributions on your 2016 Nebraska state tax return (see below). To be eligible, contributions must be completed online or mailed by Dec. 31. Go to Learn>Tax Advantage>Nebraska Tax Benefits to learn more.

NEBRASKA Good Life. Great Service. <small>NEBRASKA STATE TREASURER'S OFFICE</small>		Nebraska Schedule I — Nebraska Adjustments to Income <small>(Nebraska Schedule I reverse side.) • Attach this page to Form 1040N.</small>		FORM 1040N Schedule I <b>2016</b>	
Name on Form 1040N		Social Security Number			
<b>Nebraska Schedule I — Nebraska Adjustments to Income for Nebraska Residents, Partial-Year Residents, and Nonresidents</b> <small>• Attach additional pages if necessary.</small>					
<b>Part B—Adjustments Decreasing Federal AGI</b>					
17	Nebraska College Savings Program contribution (see instructions)	17		00	
18	Nebraska Long-Term Care Savings Plan contribution	18		00	
19	Nebraska Long-Term Care Savings Plan earnings	19		00	
20	Nebraska Enable plan contributions. List the account number and annual contribution amount for each account you contributed to during this tax year (list below or attach schedule)				
a Account Number:		b Amount: \$			
	Total Nebraska Enable plan contributions	20		00	

2. **Endorse your tax refund to the NEST Advisor Plan or NEST Direct Plan** and mail it with a contribution coupon or a note with your NEST account number. Did you receive your refund electronically? Log into your NEST account and send your refund directly into your NEST account.

<sup>9</sup> 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 with their tax advisor, attorney, and/or other advisor regarding their specific legal, investment, or tax situation.

## NEST Announces 2017 Writing Contest for Seventh and Eighth Graders

The Nebraska State Treasurer's Office is looking for seventh and eighth graders who are baseball fans to enter the 15th annual "Why I Want to Go to College" writing contest co-sponsored by the Omaha Storm Chasers.

The writing contest will begin in January with entries due March 17, 2017. Three winners will be chosen in each of Nebraska's three U.S. Congressional districts, and three winners will be selected from outside Nebraska.

First-place winners will each receive a \$2,000 contribution to a NEST college savings plan account. Second-place winners will each receive a \$1,000 contribution to a NEST plan account, and third-place winners will each receive a

3. **It all adds up to savings.** Start or increase your AIP contribution and see how it all adds up.



Increasing a monthly AIP contribution by even \$10 a month can help you meet your goal sooner. And remember, you can always contribute systematically from your paycheck. Go to Grow>Your Contributions (Direct web) or Maximize>Your Contributions (Advisor web) to learn more.

4. **Get grandparents involved** in a two-for-one gifting program.

1 book or toy  
+ 1 contribution into her NEST account  
= one happy granddaughter



\$500 contribution to a NEST plan account. Winners will also be recognized at home plate at the May 21 Storm Chasers game at Werner Park in Papillion, Neb.

# Scholarship Corner

About 200 entries were received in NEST's Draw Your Dreams scholarship contest which ended Sept. 30, 2016. The 12 winners have been notified, and each will receive a \$1,000 contribution into a Plan account. The art of the winners is featured here.



**Abigail**, seventh grade, Omaha, NE



**Alexandra**, sixth grade, Papillion, NE



**Anastasia**, first grade, Papillion, NE



**Autumn**, second grade, Tilden, NE



**Brooke**, sixth grade, Tilden, NE



**Casey**, second grade, Meadow Grove, NE



**Kolton**, seventh grade, Blair, NE



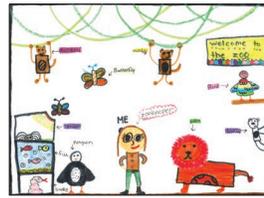
**Korbin**, third grade, Tilden, NE



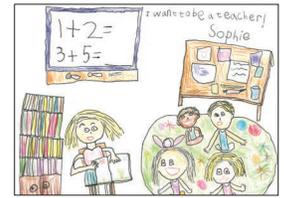
**Marley**, fourth grade, Wilber, NE



**Matthias**, fifth grade, Tekamah, NE



**Nevaeh**, fifth grade, Wilber, NE



**Sophie**, kindergarten, Lincoln, NE

## Contact Us

**by Web:**  
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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 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, Inc.** Primary Distributor, Member FINRA, SIPC  
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Nebraska State Treasurer, 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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