



# Horizons

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

**SPRING 2017**

## Message from the Nebraska State Treasurer

Thinking about the new growth of the coming spring, I can begin to see blades of green grass shooting up through the underbrush, buds starting to form on the early flowering trees and bushes, ice breaking up on the streams and rivers, light jackets replacing down vests. However, I am quickly reminded that not all new growth is as visible as the early signs of a Nebraska spring.

Take NEST, for example. While we look at growing account numbers and growing account values to measure new growth, we also need to look at less obvious indicators of health and growth. For me, growth also can be measured by satisfied account owners who, from time to time, share with us their stories in conversations and thank-you notes. At speaking engagements outside the office, I am sometimes greeted by audience members who come up to me afterward, proud to tell me they

have NEST accounts for their children and grandchildren. Or, others, who may not have accounts, but ask me to send them some information.

These comments, while not as tangible or easily measured as the standard growth indicators, also suggest new growth to me: new growth in customer confidence and customer satisfaction; new growth as a trusted tool for wise, responsible savings; new growth among young families who are beginning to see the need to start saving for college when their children are newborns; and new growth that comes from watching the Nebraska Educational Savings Trust mature into a savings program that is strong, confident, and rooted in what is best for account owners. Join me and watch NEST grow.

## Tips to Grow Your NEST 529 Savings Plan

Spring is a great time to look at new ways to grow your child's NEST 529 college savings plan. Here are some ideas for spending less and saving more:

- 1. Pay your kids first** – When paying monthly bills and expenses, make sure to include a deposit into your NEST 529 account. Habitually saving a set amount can help you more easily meet your college saving goals.
- 2. Budget** – If you have a planned budget, be sure to include a savings plan. If you don't have a budget, start by tracking your spending to better discover where you can cut costs so you can include saving for college.
- 3. Save "found" money** – Bonuses, rebates, refunds, and raises can be easily added to your savings plan. You can save a portion of that newfound money without taking a bite out of your current budget.
- 4. Save more than just loose change** – If you are like a lot of people, you save your spare change at the end of each day. Start adding your loose one- or five-dollar bills and watch those savings grow.
- 5. Use your rewards** – Take advantage of rewards and cash-back credit cards and invest the cash you earn back into your NEST account.
- 6. Retarget monthly payments** – When you've come to the final payment on a credit card or monthly installment loan, divert that scheduled amount of spending into an ongoing investment in your account.

To find more ways to save for your family's future, visit [AmericaSaves.org](http://AmericaSaves.org).

# Market Commentary



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

The title of our 2017 Annual Outlook was *The Year of Transition* and we noted our expectation of better economic growth, higher inflation, and higher interest rates. The consumer confidence index recently advanced to 114.8, the highest level since July 2001.<sup>1</sup> Manufacturing is also expanding

at its fastest rate since 2014, adding to U.S. economic momentum. As the year progresses, we see the political environment potentially triggering other noteworthy transitions. If pro-growth policies such as tax reform, deregulation and fiscal stimulus gain traction, we could realize growth above current expectations. Potential anti-growth policies stemming from changes in trade and immigration could lead to a lowering of U.S. economic growth forecasts.

The U.S. stock market is trending higher on positive economic surprises, resumption of company sales, and earnings growth, and the prospect of business-friendly policies. As of February 28th, the S&P 500 year-to-date return was +5.94%.<sup>2</sup> Projected revenue and earnings growth of 5% and 9.8% represents a substantive acceleration from last year.<sup>3</sup> As a result of the recent upward move in equities,

the stock market has become modestly expensive. At 17.8x, the S&P 500 is at a higher than average price-to-earnings (P/E) ratio.<sup>4</sup> While this does add to the risk of equity investing, markets have demonstrated the ability to sustain elevated P/E multiples for lengthy periods of time.

The fixed income market has been resilient with a total return of 0.74% so far this year.<sup>5</sup> With U.S. economic growth apparently on sound footing, the likelihood of the Federal Reserve increasing interest rates has increased. As of March 3rd, there is 94% probability of a Fed Funds effective rate hike in March with three hikes expected this year.<sup>6</sup> As a result, bond returns may be limited in 2017.

We have been in a period of low market volatility which has helped produce positive equity returns. There remains, however, relatively high "event risk" emanating from global politics. As such, diversification and sound risk management principles should be maintained in this environment.

1 Conference Board Consumer Confidence Index as of 02.28.2017; Bloomberg

2 S&P 500 YTD return as of 02.28.2017; Source Bloomberg

3 S&P 500 2017 year-over-year sales and earnings growth; FactSet

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

5 Barclays Intermediate Government/Credit Index as of 02.28.2017; FactSet

6 World Interest Rate Probability as of 03.03.2017; Bloomberg

## Voice of the Customer

Commonly asked questions from our customers

**Q:** I've heard I may be able to contribute directly from my paycheck through my employer. How do I do that?

**A:** It's true. Many NEST account owners contribute directly to their accounts from their paychecks. Check with your employer and then go to the NEST529.com website, log in to your account and click on the *Manage Recurring Contributions* link. Click "Go to Payroll Deduction" at the bottom of the page and follow the instructions. Please make sure to print the informational sheet from the website to take to your employer's HR/benefits department.

**Q:** Is it better to put a lump sum of money into the NEST Plan or should I send in money every month or so?

**A:** What is most important is that you start saving. Both methods of funding your NEST 529 account may help you meet your personal savings goal. NEST has great resources to help you decide. Visit the NEST website to learn more about how much to save and how your earnings compound. The site also has useful tools like our College Savings Plan Calculator to help you determine your college savings goals and stay on-track to attain those goals. Again, the most important aspect of saving for college is simply to start! And our team of experts is always here to help you understand how the plan can be tailored specifically to your budget and goals.

## It's Easy to Grow Your Savings with an Automatic Investment Plan

Continual and consistent contributions to your NEST 529 College Savings Plan are a stress-free way to prepare for the cost of your child's college education. The Automatic Investment Plan (AIP) option allows you to systematically contribute to your NEST account from your personal checking or savings bank account.

Let's look at this example. There is a new baby in your family, and you want to begin to save for college. You have 18 years to save and will not withdraw money from your account over those 18 years. You decide to deposit \$150 per month from your bank account into NEST, where earnings are tax-deferred while invested in the plan. Let's assume a 6% annual rate of investment return. At the end of 18 years, you will have contributed \$32,400, plus \$26,568 in accumulated earnings, if any, due to the power of compound interest, for a total of \$58,968.



### Already Investing through AIP?

Think about increasing your systematic contributions. It may not seem like a difference, but if you increase your contribution by only \$25 a month (just \$300 per year), you can get even closer to your savings goals (assuming a 6% annual rate of return, compounded monthly).<sup>7</sup>

YEARS OF SAVING	3 YEARS	6 YEARS	9 YEARS	12 YEARS	15 YEARS	18 YEARS
\$150 per month	\$ 6,074	\$ 13,309	\$ 21,925	\$ 32,188	\$ 44,411	\$ 58,968
\$175 per month	\$ 7,087	\$ 15,527	\$ 25,580	\$ 37,552	\$ 51,812	\$ 68,796

7 This hypothetical is for illustrative purposes only. It does not reflect an actual investment in any particular college savings plan or in the NEST 529 Plan.

## Scholarship Corner

Visit [NEST529Direct.com](http://NEST529Direct.com) or [NEST529Advisor.com](http://NEST529Advisor.com) for rules and details on these and other scholarship opportunities. Now is a great time to share the opportunities that come with a NEST 529 savings plan with your family and friends.

### Big Dreams \$20,000 Giveaway

NEST 529 is once again the Official Sponsor of Big Dreams and, as such, is giving away a \$5,000 contribution into each of four NEST 529 College Savings accounts for a child 10 years old or younger. Entering is easy...just fill out the entry form at [www.NEST529.com/BigDreamsGiveaway](http://www.NEST529.com/BigDreamsGiveaway) or send in a postcard by May 29, 2017.



### Draw Your Dreams

Students in kindergarten through eighth grade can use their artistic skills to create landscape drawings of what they dream of becoming when they grow up. The Nebraska Art Teachers Association will select 12 winners (from the first 400 entries received) who will receive \$1,000 each. Contest deadline is April 30, 2017.



Brooke, sixth grade, Tilden, NE - one of 12 winners in 2016

# Kids' Corner

One of the most important lessons we can teach our kids is the value of money and saving for the future. Here are some ideas for games and activities to teach your kids about money.



## Ages 2 and 3 – Playing Store

Together with your child make pretend money. Coins and dollar bills can be drawn, decorated, and cut out of paper. Set up shop with household items. Exchange the goods with your child for money.

## Ages 4 and 5 – Learning Coins

While still playing store with your child, begin introducing real money to help identify the look, names, and values of coins. Charge 1, 5, 10, and 25 cents for items to help kids recognize the coins.

**Saving Money** – Once your kids begin to grasp the value of money, get them in the habit of managing it. Offer a bank for saving money. Help them understand how much to spend now and how much to save for things they want later.

## Contact Us

### by Web:

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

### by social media:

NEST 529 College Savings  
 NEST 529 Advisor College Savings Plan

### by email:

[clientservice@NEST529Direct.com](mailto:clientservice@NEST529Direct.com)  
[clientservice@NEST529Advisor.com](mailto:clientservice@NEST529Advisor.com)

### by phone:

Direct – 888.993.3746  
Advisor – 888.659.NEST (6378)

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

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