



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

In This Issue:

1 Update: NEST 529 College Savings Plans Earn Top Five Rankings

Tips: Fall Back into Smart Savings Habits

2 Savings Insights
Message from the Nebraska State Treasurer

Market Commentary

3 Voice of the Customer:
How Can I Save for my Grandchild's Future Without Sacrificing my Own?

Scholarship Connection

4 Kids' Time: Spooktacular Halloween Activities for your Young Scholar


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UPDATE

NEST 529 College Savings Plans Earn Top Five Rankings in Second Quarter Report

The NEST 529 Advisor Plan and the NEST 529 Direct Plan have both secured top-five rankings in the SavingforCollege.com Second Quarter 2018 Report.

Performance was assessed from April 1, 2018, through June 30, 2018. According to results, the NEST 529 Advisor Plan was ranked among the top five advisor-sold plans for one-, three-, and five-year performance, marking the fourth consecutive quarter the plan has ranked in the top ten. In addition, the NEST 529 Direct Plan was ranked third for one-year performance and fifth for three-year performance.

“On behalf of NEST 529, I would like to thank our investment management team, the Nebraska Investment Council and its investment consultant, as well as the State Treasurer’s Office, all of whom work together to offer strong investment options,” said Deborah Goodkin, Managing Director, Savings Plans, First National Bank of Omaha. “NEST 529’s positive rankings across both the Direct and Advisor plans are a result of our keen ability to adapt to market conditions and to consider account owner needs. We are extremely thorough in our quarterly reviews to ensure that all the NEST 529 Plans are high quality and positioned for success.”

Tips: Fall Back into Smart Savings Habits

It’s almost time to reset your clocks and “fall back” an hour, so why not fall back into good financial habits, too? Whether you’re new to the world of 529 plans or just looking to get back in the groove of making regular contributions, here are some tips to consider:

Reward achievements with a future

investment. School is back in session, which means you have an opportunity to reward your child’s good grades or provide an incentive to improve by offering a NEST 529 contribution. Remind your child that hard work puts him/her an extra step closer to college and a fulfilling career. Not only will you be motivating your child to succeed, but you also will be making progress towards your own savings goals.

longer spending on childcare towards your NEST 529 Plan. Recently paid off a loan or credit card bill? You now have extra funds to boost your regular contributions.

Take advantage of Upromise. Upromise is a rewards program that helps turn everyday purchases—from travel to groceries—into cash back for college. A percentage of your eligible spending will be deposited into your Upromise account, and you can link your account to your NEST 529 Plan so your college savings is automatically transferred. Best of all? It’s free to join! Learn more at www.upromise.com/NEST529direct.

Put disappearing expenses to good use.

Did you send a child off to kindergarten this fall? Contribute the extra money you’re no

Savings Insights

Message from the Nebraska State Treasurer

Photos of beautiful autumn days on sprawling college campuses remind us of just why we are owners of NEST 529 College Savings accounts. We can easily picture our own children walking through the autumn leaves on their way to class. Or, maybe we can't because the day seems so far away. For all of us, though, by setting up NEST accounts, we have taken the first steps toward the future.

Now, with more than \$5 billion in assets and more than 260,000 accounts nationwide, NEST 529 is well positioned to help you plan for those autumn days, whether near or far away. We trust you are encouraged, too, by the exciting performance results recently reported for our NEST Direct and NEST Advisor Plans.

As we imagine those future autumn days, one step we can take this autumn is to begin discussions with our children about their educational futures. We encourage families to begin saving for college when their children are born. So why not begin discussions about college costs even before your children are in high school? Talk with your children about your expectations and the possibility they may need to contribute to their college expenses through part-time jobs, scholarships, or savings.

Help them see the benefits of attending community college and living at home for the first two years. Help them look for nearby schools that offer programs and degrees in areas of their interests and skills. Introduce them to websites and school resources that can help them prepare resumes or search for lesser-known scholarships opportunities, including contests and drawings sponsored by NEST 529. Help them look at possible college majors with an eye toward starting salaries, future income, and lifetime earnings. Share with them the downfall of student loan indebtedness.

Start these conversations now. Your children will thank you when their dreams begin.

Market Commentary



Kurt Spieler, CFA
Vice President,
Chief Investment Officer
First National
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August 22 was a historic day, as it marked the longest bull market in history surpassing the previous record in the 1990s.¹ The current market rally has lasted this long due to the longevity of the economic expansion. The growth in the economy over the past nine years has led to solid earnings growth and higher equity prices. While the market doesn't show signs of slowing down, it's difficult to determine how long the market rally will continue. We believe in the adage that bull markets don't die of old age, they end in recessions. Presently, consumers and businesses are in sound financial condition to increase their spending and investments. Low unemployment, modest inflation and low interest rates likely will lead to sustained economic growth and a low likelihood of an imminent downturn.



At First National Bank, we believe in investing for the long-term and not trying to time the market. Asset allocation is the primary determinant of returns/risk, and setting the appropriate allocation is a more effective strategy than trading in and out of the market. The duration of this bull market and all-time highs may be tempting you to sell, but it's important to stay patient and maintain a long-term perspective.

In terms of year-to-date returns, U.S. equities are leading global markets with the S&P 500 return +9.9% and the S&P Small Cap 600 +18.3.² As earnings growth has exceeded price appreciation this year, stock market valuations are more attractive. The current price-to-earnings ratio (P/E) of 16.8x is reasonable, given low interest rates and solid economic growth.³ International equity markets are subdued, partially due to the recent U.S. dollar strength. The MSCI Europe Far East (EAFE) return is -2.3%.⁴ Fixed Income returns are relatively flat and have been negatively impacted by higher interest rates.

1 S&P 500 Index data from 03.09.2009 – 08.22.2018; Source Bloomberg

2 S&P 500 & S&P 600 YTD Return as of 08.31.2018; Source FactSet

3 S&P 500 price-to-earnings ratio on next twelve month earnings as of 08.31.2018; Source FactSet

4 MSCI EAFE YTD Return as of 08.31.2018; Source FactSet



Voice of the Customer: How Can I Save for my Grandchild's Future Without Sacrificing my Own?

As a grandparent, you know nothing beats watching your grandkids grow up and achieve their dreams. Contributing to their college expenses with a NEST 529 Plan seems like a no-brainer, but many retirees want to be sure that these savings won't interfere with their personal financial plans. Here are some tips from our blog to help grandparents save for their grandkids' future without sacrificing their own.

NEST 529 accounts offer grandparents flexibility. If your grandchild no longer needs the funds, you can switch the beneficiary to another member of the family. And in case of unexpected expenses, you can withdraw your funds at any time and for any reason while keeping in mind the penalties and tax implications.

Unlike trusts, which are subject to high tax rates, NEST 529 earnings are tax free as long as they are used for qualified higher education expenses. You also can take advantage of gift and estate tax benefits when you invest in a NEST 529 account. Contributions are considered completed gifts and are taken out of your taxable estate. In a single year you can contribute up to \$15,000 per beneficiary from your federal

taxable estate, and up to \$75,000 per beneficiary in a single year without incurring gift tax as long as there is no additional gift to the beneficiary for five years. This maximum doubles if filing jointly.



These advantages also make NEST 529 accounts a great place to invest required minimum distributions (RMDs) while avoiding tax on future earnings. Talk to an accountant or tax professional to learn how to best take advantage of tax benefits.

Best of all? NEST 529 is easy to manage, offering automatic investment plans or payroll direct deposits, which make regular monthly contributions virtually painless.

Scholarship Connection

Dear Grandchild Scholarship Drawing: Attention grandparents, great-aunts and great-uncles: Our next scholarship opportunity is for you! Submit a letter by November 30 explaining the importance of higher education and detailing your hopes and dreams for your grandchild's, great-niece's or great-nephew's future for the chance to win a \$529 NEST 529 contribution. For full contest rules, visit www.NEST529.com/scholarships.

Looking for inspiration? Check out this heartwarming video from one of our very own NEST 529 grandparents on her love for her grandchildren and why she is saving for their academic futures: www.NEST529.com/stories.



*Draw Your Dreams Winner:
Clara Bloom, Eighth Grade, New Canaan, CT*

Draw Your Dreams Scholarship Contest:

Thank you to all of the participants in this year's Draw Your Dreams scholarship contest, who showcased creativity and talent while envisioning their future goals. Each of the 12 winners—spanning from kindergarten through 8th grade—received a \$1,000 NEST 529 contribution. Congratulations and excellent work!

To see all of this year's winning entries, visit the Draw Your Dreams Winners Album on our Facebook page or on the Treasurer's website at <http://treasurer.nebraska.gov/csp/scholarships>.

KIDS' TIME: Spooktacular Halloween Activities for your Young Scholar

Trick or Treat – Check out these sweet and spooky educational activities to intellectually stimulate your child while getting into the Halloween spirit:



Spooky Storytelling

Ask your child to write and illustrate a short story about a haunted house to help build writing skills and foster imagination.

(Recommended for children eight or older.)



Pumpkins with Personality

Help your child decorate a pumpkin and write or tell a descriptive story about the pumpkin's persona to hone vocabulary skills and sharpen creative and fine motor skills.

(Recommended for children five or older.)

Candy Counting

Use Halloween candy as a fun visual aid to teach your child about basic addition and subtraction in a tangible way. Your child will appreciate this sweet way to learn math—and you can offer a well-deserved treat at the end.

(Recommended for children under four.)



Each quarter savingsforcollege.com analyzes the historical performance of 529 investment portfolios, comparing the reported investment performance based on seven categories: Equity: 100%, 80%, 60%, 40% and 20%, 100% Fixed Income and 100% Short-term. Rankings are produced for 1, 3, 5, and 10 year investment periods with and without sales charges. An overall composite score is calculated for each 529 plan based on a specific investment period and plan's category ranking.

Savingsforcollege's June 30, 2018 quarter end rankings include composite performance based on annualized total returns. The number of plans included in the Direct ranking results for investment periods: 1 year – 54, 3 year – 47, 5 year – 47; The number of plans included in the Advisor ranking results for investment periods with commissions: 1 year – 28, 3 year – 26; 5 year – 26; and without commissions: 1 year – 29, 3 year – 26; 5 year – 26. The number of plans included in the RIA ranking results for investment periods: 1 year – 15, 3 year – 13, 5 year – 13.

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 state benefits such as financial aid, scholarship funds, and protection from creditors 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 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 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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Nebraska State Treasurer, Trustee

1 First National Bank
Omaha

Program Manager

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