

## Message from the Nebraska State Treasurer

Taking stock of the old year and making resolutions for the new year are typical January activities for many of us in our own personal lives. The same goes here at the Nebraska State Treasurer's Office, the Trustee for the Nebraska Educational Savings Trust.

Reflecting on the past year, we are proud of our many accomplishments and of the accolades that have come our way. We were named best state-sponsored 529 college savings plan for fund selection by Kiplinger's Personal Finance magazine. Our NEST Direct Plan received the highest rating possible for both resident and non-resident account owners by the website, [savingforcollege.com](http://savingforcollege.com). That same website also gave top marks to our NEST Advisor Plan, the only advisor plan to receive the highest rating for both resident and non-resident account owners.

As for our accomplishments, we celebrated the 10th anniversary of our "Why I Want to Go to College" essay contest for seventh and eighth graders and honored winners with the Storm Chasers at Werner Park in Papillion, NE. We recognized our "NEST on the Farm" essay contest winners at Husker Harvest Days outside Grand Island, NE. And we promoted college savings to more than 1,400 children and parents at NESTFest events in four Nebraska cities – Norfolk, Gothenburg, Grand Island, and Scottsbluff. These activities have garnered news coverage both locally and nationally.

Looking forward to the new year, we resolve to build on this excellent record and continue to spread our message so that more families across Nebraska and the nation will discover how they, too, can invest in their children's future through NEST savings accounts. Make a resolution to start building your own NEST account in 2013.

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## Wondering how to save more? Here are some creative ways people save for the NEST account.

- 1 My company provides monthly reimbursement for expenses—mileage, meals, etc. It's not money we budget for or factor in, so we look at it like a 'bonus.' When it's added to my paycheck, we do a one-time transfer into our child's college account as it adds up over time.
- 2 When we paid off our cars and no longer had monthly payments, we allocated part of those monthly payment dollars for our kids' college savings accounts.
- 3 When our children outgrow anything or stop playing with certain toys, we sell the items at a consignment shop and deposit the money into their college savings accounts.
- 4 When our daughter entered kindergarten and we no longer had the expense of day care, we put a portion of that money into her college fund.
- 5 We asked our family (mom, dad, aunts, etc.) to link their credit card rewards to our college savings account.
- 6 We collect the spare change, monthly, from going to the grocery store and restaurants and put it into our college savings.
- 7 Our kid's college savings is one of our monthly bills like our heat, water, and life insurance. We budget a minimum of \$50/kid, but if we have a little extra, this is where we try to put it. For us, it is about discipline and keeping a focus on the future.
- 8 We saved \$800 this year in insurance when our current carrier showed us where we were over insured. By requesting quotes often, we can adjust our budget and deposit more money into our NEST account.
- 9 We use the library to rent CDs and DVDs—\$10 a week saved for our NEST account.
- 10 We ask our family to give half of what they would spend on birthdays/holidays for our kid's NEST account.
- 11 Brewing my own coffee and adding flavors at home saves \$25 to \$30 a week on lattes. We put that savings directly into our NEST account.
- 12 We sell stuff at various online marketplaces. We put that money into college savings.
- 13 We have established a gifting process for each of our three grandchildren. At birth, they received \$100 to start the account and \$100 for baptism. For each subsequent birthday, we use the year of age as the contribution amount. For instance, \$100 first birthday; \$200 second birthday, etc.
- 14 Every night we empty our pockets of spare change and put it in a big jar. When it is full, we deposit it into our checking account and make a lump sum deposit into our NEST account.
- 15 At work, I have a flexible spending account for my childcare expenses. When I get reimbursed for my expenses, I deposit that reimbursement into my child's college savings account.

## Market Commentary



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

After trading down over 5% in the days following the election, the S&P 500 rebounded to finish November up 0.6%.<sup>1</sup> 2012 is shaping up to be a solid year for equities with the U.S. stock market up 15.1% year-to-date.<sup>2</sup> International stock markets have started to outperform the domestic market on better economic news flow. In the fixed income market, the

Federal Reserve has indicated that interest rates will be held at low levels until at least 2015. In this low rate environment, bond returns are up 4.0% in 2012.<sup>3</sup>

The economy grew a little faster than originally reported in the third quarter with GDP growth being raised to 2.7% from 2.0%.<sup>4</sup> This pace is not robust enough to substantially bring down the unemployment rate even though initial claims have been in a downtrend. Residential and commercial construction has shown recent strength with the recent

Case-Shiller Index reporting a 3.6% year-over-year increase in home prices.<sup>5</sup>

The market will likely remain volatile over the short term due to concerns regarding the "Fiscal Cliff." The 2012 election did not result in a change of power with Democrats increasing their hold on the Senate and Republicans maintaining a slim majority in Congress. Both parties need to find a way to work together and compromise to avoid a massive tax increase. With corporate and consumer balance sheets improving, consumer confidence on the rise, stabilizing housing market and a highly accommodative Fed, the table could be set for stronger economic growth if we can come together and set a path to fiscal sustainability.

- 1 UBS Securities
- 2 Measured by the S&P 500 Index, November 30th returns
- 3 Measured by the Barclays Capital Intermediate Government/Credit Index, November 30th returns
- 4 Bureau of Economic Analysis
- 5 Case-Shiller Index of home prices, third quarter data

## Year-end Tax Considerations

### Tips for Completing Nebraska Schedule 1 Tax Form, line 55

**NEBRASKA SCHEDULE 1 — Nebraska Adjustments to Income**  
**NEBRASKA SCHEDULE 1E — Credit for Tax Paid to Another State**  
(Nebraska Schedule III is on the reverse side.)  
\* ATTACH THIS PAGE TO FORM 1040N.

**FORM 1040N**  
Schedules I, II, and III  
**2012**

Name on Form 1040N	Special capital gains/extraordinary dividend deduction (attach Form 4797N and copy of Federal Schedule D (or Federal Schedule B when claiming extraordinary dividend deduction)) (see instructions)	Nebraska College Savings Program contribution (see instructions)	Nebraska Long-Term Care Savings Plan contribution	Social Security Number
54		55	56	

**LINE 55** Nebraska College Savings Program. If during 2012 you, as an account owner, made contributions to one or more college savings accounts established under Nebraska's College Savings Program (for example, Nebraska Educational Savings Plan Trusts), then enter the amount of your contributions, up to a maximum of \$5,000 (\$2,500 if married, filing separately) on line 55.  
The Nebraska College Savings Program includes the following Plans:

- Remember to report your 2012 NEST contributions on your 2012 Nebraska state income tax return. To be eligible, contributions must have been completed online or postmarked no later than December 31, 2012.
- **Account owners are eligible** to receive a tax deduction of up to a maximum of \$5,000 (\$2,500 if married, filing separately) for contributions they make to their own NEST accounts. Contributions in excess of \$5,000 cannot be carried over to a future year.<sup>6</sup>
- **Only account owners** can take the tax deduction.
- Both the **contribution and earnings portion of funds from a non-Nebraska 529 plan** that were deposited into a NEST Plan are eligible to receive the tax deduction.
- Contributions made to **another state's 529 college savings plans** are not deductible from the Nebraska state income tax. Do not include those contributions on your Nebraska tax form.

- **Grandparents** can only take a tax deduction for contributing to their own accounts for their grandchildren. *Grandparents cannot claim a deduction if they make contributions to a grandchild's account owned by the parents.*
- For **UGMA/UTMA and Minor Owned accounts**, the minor is the account owner and the minor must file a 2012 Nebraska tax return to be eligible for a deduction for his/her own contributions. Contributions from a parent or custodian are not eligible. *The parent or custodian could open and fund an account for the same beneficiary to be eligible for the Nebraska tax deduction in the future.*
- If a non-qualified withdrawal was taken or funds were rolled out to a non-Nebraska 529 plan, previous tax years' deductions are subject to recapture.

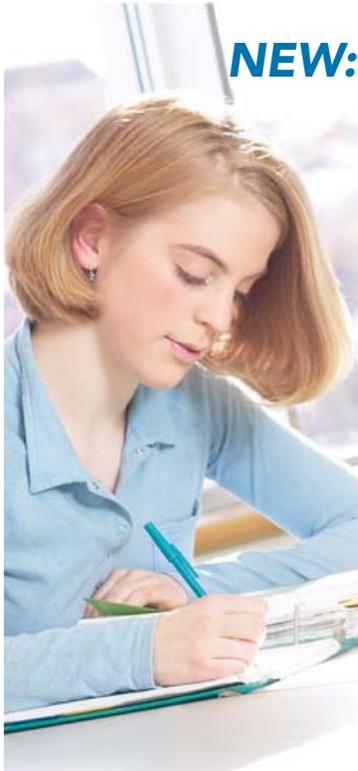
### Getting a Tax Refund?

It's easy to put your tax refund to work in your NEST 529 account. If the refund check is made payable to you, endorse the check over to the "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, send a personal check or log onto your account and send an Electronic Funds Transfer directly from your bank account.

### Account Owners from Other States

Does your or your Beneficiary's home state provide tax deductions or other benefits for 529 college savings contributions? If so, review your statement to see if you should make additional contributions to maximize your benefit. **Taxpayers may wish to seek tax advice from an independent tax advisor or their financial advisor based on their own particular circumstances.**

<sup>6</sup> Nebraska state tax deductions are subject to recapture if you cancel the Participation Agreement, a non-qualified withdrawal is taken, or if assets are rolled out of a NEST Plan.



## NEW: 2013 Why I Want to Go to College Essay Contest

While college may seem like a long way off for active seventh and eighth graders, taking time to think about why they want to go to college and putting those thoughts on paper can lead to big rewards.

Matthew Pekarek of Stromsburg, NE, one of the winners in the 2012 “Why I Want to Go to College” essay contest, sponsored by the Nebraska Educational Savings Trust (NEST), collected his thoughts and a \$1,000 contribution to a college savings plan for his first-place essay. He identified five reasons to go to college—education, money, career choice, new acquaintances, and a better life for himself and his future family.

“The key to going to college,” Matthew wrote, “is to have specific reasons why you want to go to college.”

Our Nebraska State Treasurer, who is Trustee of the Nebraska Educational Savings Trust, agrees. “This essay competition is an opportunity for young people to take some time to think more deeply about their aspirations and the steps that will be necessary to get where they want to go. Identifying reasons for going to college, setting goals, and learning about college savings are all valuable outcomes for the young essay writers,” the State Treasurer said.

Seventh and eighth graders can take inspiration from Matthew and begin collecting their reasons to go to college for NEST’s 11th annual “Why I Want to Go to College” essay competition. Essays are due April 5, 2013. Winners will be introduced at the May 19, 2013, Storm Chasers baseball game at Werner Park in Papillion, NE. Contest details will be available at [www.treasurer.org](http://www.treasurer.org) in early January.

Three winners will be chosen in each of Nebraska’s three U.S. congressional districts, and three winners will be selected from outside Nebraska. Winners will receive tickets to the Storm Chasers game and money toward NEST college savings accounts. First-place winners will each receive \$3,500, second-place winners \$1,000 each, and third-place winners \$500 each.

## Voice of the Customer

Commonly asked questions from our customers.

**Q:** I currently have a Coverdell account I am using to save for college expenses. Can I move my Coverdell money to my existing NEST account without adverse tax consequences?

**A:** Yes, you can—and it is a simple process. Since you have an existing account for the same beneficiary, half of the work is already done! All you need to do is print the Incoming Rollover Form that can be found on the websites (or call us for the form), fill it out and mail it to NEST. You should alert the current custodian of your Coverdell account to make sure additional paperwork is not required.

**Q:** Is there any free money available to help save for my child’s college?

**A:** We have plenty of opportunities for children to be awarded scholarships and for account owners to be eligible for bonuses/rewards. Please take a look at the websites for a list of past scholarship and bonus opportunities and the list of current and future opportunities.

Another alternative, called Ugift<sup>7</sup>, allows relatives or any interested person to contribute money to the beneficiary’s NEST account for birthdays, holidays or for any reason. Please see the websites for more information about how easy it is to give the gift of education through Ugift.

<sup>7</sup> Ugift is a registered service mark of Upromise

## Scholarship Corner

Over 420 entries were received in NEST’s Draw Your Dreams scholarship contest, which ended October 31. The 12 winners and 12 runners-up have been notified, and each will receive a \$3,500 (first place) or \$750 (second place) contribution into a NEST Direct College Savings Plan. We will feature the art in the 2013 NEST Calendar. Watch for our press release and check the websites for this exciting announcement! **(See artwork on the next page)**

As part of our October NESTFest celebrations in Scottsbluff, Gothenburg, Norfolk, and Grand Island, over 100 account owners are each receiving a \$50 bonus contribution into their new NEST Direct or NEST Advisor College Savings Plan.

Our final bonus for NEST account owners in 2012 will be awarded to 10 winners randomly selected from NEST Direct and NEST Advisor account owners that established an Automated Investment Plan (AIP) in November and completed an AIP contribution by December 31, 2012. The drawing will be January 11, 2013.

These awards will bring the total awarded by First National Bank of Omaha and NEST in 2012 to over \$100,000. All promotions are posted on the websites as they are announced. Scholarships, awards, and bonuses can be a great way to boost your savings power in your NEST account.

*(continued on the next page)*

## Scholarship Corner (continued)

NEST's Draw Your Dreams scholarship contest winners



**Aaron**, eighth grade, Omaha



**Ashley**, sixth grade, Omaha



**Aubrey**, eighth grade, Elkhorn



**Benjamin**, third grade, Omaha

### Runners-up

**Abby**, Elkhorn  
**Adelaide**, Omaha  
**Andrew**, Omaha  
**Emerson**, Elkhorn  
**Kaila**, Hastings  
**Kate**, Gretna  
**Kimberly**, Lincoln  
**Kolton**, Blair  
**Kyson**, Kearney  
**Lysle**, Brady  
**Natalie**, Papillion  
**Zoe**, Beatrice



**Elaine**, fifth grade, Omaha



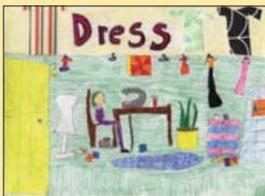
**Eleanor**, fifth grade, Omaha



**Emily**, seventh grade, Omaha



**Emily**, fifth grade, Auburn



**Eva**, second grade, Omaha



**Ezekiel**, fourth grade, Omaha



**Grace**, second grade, Elkhorn



**Theodore**, second grade, Blair

## Contact Us

### by Web:

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

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### by phone:

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 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.

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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

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Trustee



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 \*Except the Bank Savings Individual Investment Option

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