

Save for College with 529 Plans

Presented by:
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Assistant State Treasurer



2/2/2020

Agenda

- Saving for college is important
- Ways people save & why you should save
- 529 college savings plans
- NEST 529 Direct College Savings Plan
- Make a plan to start saving
- Review / Element of Engagement
- Q & A

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Saving for college is important

“...among youth who plan to go to college, those with savings accounts in their name are approximately six times more likely to attend college than similar youth with no account.”



Source: Washington University, St Louis, Center for Social Development, 2018

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Saving for college is important

A college degree makes a big lifetime impact

Individuals with higher levels of education:

- Have increased earnings*
- Are more likely to be employed
- Are associated with healthier lifestyles
- May be more active citizens
- May be more involved in their children's activities.



Education Level	Annual Median Earnings	Comparison
Professional	\$110,900	201% more
Doctoral	\$100,100	
Master's	\$75,200	
Bachelor's	\$61,400	67% more
Associate's	\$46,000	
Some College No Degree	\$41,700	
High School Diploma	\$36,800	
Less Than a High School Diploma	\$27,200	

* Annual median earnings of full-time year-round workers ages 25 and older, by education level
SOURCE: Education Pays 2016 - Trends in Higher Education Series, The Benefits of Higher Education for Individuals and Society; Jennifer Ma, Matea Pender, and Meredith Welch

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Saving for college is important

College costs add up*

A bar chart titled "College costs add up*" comparing tuition costs for six Nebraska schools. The y-axis represents cost in dollars, ranging from \$12,960 to \$54,962. The x-axis lists the schools: CREIGHTON, DOANE, UNL, UNK, CHADRON STATE, and METRO CC. The bars show the following values: CREIGHTON (\$54,962), DOANE (\$48,570), UNL (\$24,936), UNK (\$23,040), CHADRON STATE (\$21,662), and METRO CC (\$12,960).

School	Cost
CREIGHTON	\$54,962
DOANE	\$48,570
UNL	\$24,936
UNK	\$23,040
CHADRON STATE	\$21,662
METRO CC	\$12,960

*Includes tuition, fees, books, supplies, room and board and other costs. Assumes full-time undergraduate students with in-state tuition and living on campus.
Source: nces.ed.gov 2018-2019 cost of selected Nebraska schools.

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Ways people save

You don't need to save it all

A pie chart titled "You don't need to save it all" illustrating how people pay for college. The chart is divided into three main segments: "34% Out of Pocket Cost" (dark blue), "27% Principal & Interest Repaid" (green), and "39% No Repayment Required" (yellow). The "Out of Pocket Cost" segment is further broken down into "23% Parent Income & Savings" and "11% Student Income & Savings". The "Principal & Interest Repaid" segment is further broken down into "8% Parent Borrowing" and "19% Student Borrowing". The "No Repayment Required" segment is further broken down into "35% Grants & Scholarships" and "4% Relatives & Friends".

Category	Sub-Categories	Percentage
34% Out of Pocket Cost	Parent Income & Savings	23%
	Student Income & Savings	11%
27% Principal & Interest Repaid	Parent Borrowing	8%
	Student Borrowing	19%
39% No Repayment Required	Grants & Scholarships	35%
	Relatives & Friends	4%

Invest or Borrow?**

A comparison chart titled "Invest or Borrow?**" showing two options for financing college. The "Invest?" option shows a green shield containing "\$27,000 Out-of-pocket" with the text "NEST 529 College Savings Plan Invest \$150 per month for 15 years earning 7% back". The "Borrow?" option shows a red shield containing "\$69,884 Out-of-pocket" with the text "Borrow Funds from a Lender Pay \$582 per month back for over 10 years".

Invest?	Borrow?
NEST 529 College Savings Plan Invest \$150 per month for 15 years earning 7% back*	Borrow Funds from a Lender Pay \$582 per month back for over 10 years*
\$27,000 Out-of-pocket	\$69,884 Out-of-pocket

*How America Pays for College 2017 Sallie Mae's National Study of College Students and Parents Conducted by Ipsos Public Affairs™

**This illustration shows two ways to pay for a typical four-year private college at a cost of \$48,000 a year assuming investing over 15 years with an average 7% return (\$150 saved per month) or borrowing over 10 years with an annual interest rate of 8% and a monthly payment of \$582.37 per month. The amount of principal you would outlay if you are borrowing is \$42,884 more than investing \$27,000. This return does not represent any particular investment and does not reflect the impact of fees or expenses, if any. This chart is for illustrative purposes only. Actual returns will vary.

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Why you should save

Facts

1. 85% of families expect their children to attend college*
2. 72% of women are confident in their ability to manage and balance the family budget**
3. Women are more likely to talk with their partners about health issues (78%) or issues at work (71%) than discuss investment ideas (65%)**
4. Women do make decisions to save for college***
 - 65% of females make financial decisions themselves
 - 55% make their own decision to save for college
 - 17% choose 529 plans to save for college
 - 35% of females jointly make decisions with someone else in household
5. 40% of undergraduates are older than 25 and nearly ¼ are raising children****

* How America Pays for College 2018, Sallie Mae and Ipsos
** 2015 study by Fidelity Investments Money Fit Women
*** SI 529 Industry Analysis: 2019 Author: Paul Curley, CFA
****Market Watch February 7, 2019

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529 college savings plans

Begun in 1996 - today over \$353 billion in assets and 14 million savings accounts nationally.

529 college savings plans are a tax-advantaged way to save for qualified higher education expenses at an eligible educational institution in the United States and some schools abroad. Generally, 529 plans:

- Provide investment options to suit varied risk profiles and investment knowledge
- Are flexible
- Offer systematic ways to save
- Have other benefits, such as scholarships, to help individuals reach their college savings goals.

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529 college savings plans

Eligible Educational Institutions

Assets may be used at any “accredited” higher educational institution which participates in the U.S. Department of Education’s Federal Student Financial Aid (FAFSA) program, including:

- Colleges (including community colleges)
- Universities
- Vocational schools
- Technical schools
- More than 750 schools and programs abroad

Websites: https://www.savingforcollege.com/eligible_institutions/
<https://nces.ed.gov/collegenavigator/>

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529 college savings plans

Qualified Higher Education Expenses

Qualified withdrawals are tax-free if they are for expenses required for enrollment or attendance at an Eligible Educational Institution including:

- Tuition
- Books, supplies, equipment
- Computers
- Fees
 - Student Activity Fee: Required
 - Voluntary on-campus club: Not required
- Reasonable room and board expenses for students enrolled on at least a half-time basis at an Eligible Educational institution.

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529 college savings plans

Non-Qualified Withdrawals

Account owners can always withdraw from the account

- Emergencies
- Any other reason

Taxes would apply on account earnings and NOT the full account value:

- State and federal income tax
- Federal 10% penalty tax
- Return of any state tax deduction / credit received ("recapture, if required by state to which account owner took a deduction/credit")

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529 college savings plans

Tax Benefits

Income tax benefits for earnings

- Tax-deferred while invested
- When withdrawn, free from federal and state tax if used for qualified higher education expenses*

Estate & gift tax benefits

- Contributions are completed gifts - eligible for gift tax annual exclusion
- Exclusion of \$15,000 per donee (\$30,000 if married) per beneficiary
- Five-year forward gifting up to \$75,000 (\$150,000 filing jointly) per beneficiary

Tax-free rollovers

- Once every twelve months for same beneficiary
- At any time if beneficiary is changed to member of the family

* If assets are not used for qualified higher education expenses, the earnings portion of the withdrawal is subject to federal income tax and an additional 10% federal tax and may be subject to state and local taxes. For Nebraska income tax payers, if the account is rolled over to another state's 529 plan, any previous Nebraska tax deductions may need to be paid back to the state "recaptured" and the earnings portion will be subject to income tax.

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529 college savings plans

Flexibility

- No income or age requirements to open or be a beneficiary on an account
- Anyone can be an account owner (e.g. individual, trust, estate)
- Account owner and beneficiary must have a SSN or TIN and account owner must have a U.S. residential street address
- Anyone can contribute to any beneficiary's account
- Beneficiary can be changed to qualifying member of the family tax-free
- Assets can be used at any eligible educational institution in US and some abroad
- Can be withdrawn at any time but may be subject to tax and penalties when not for qualified expenses

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529 college savings plans

Changing beneficiaries

An account owner can change the beneficiary at any time without tax consequences to another "Member of the Family" of the existing beneficiary.

- Son, daughter, descendant of either
- Stepson, stepdaughter
- Brother, sister, step brother/sister
- Stepfather, stepmother
- Son, daughter of a brother, sister
- Father, mother, ancestor of either
- In-laws: Son, daughter, father, mother, brother, sister
- Spouse of beneficiary or others here
- First cousin of the beneficiary

If the new beneficiary is not a "Member of the Family," the change is considered a non-qualified withdrawal and earnings are subject to federal, state & local income tax (including possible recapture of past state deductions) and may be subject to the 10% federal penalty tax.

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NEST 529 College Savings Plans

The four Nebraska 529 savings plans* are considered municipal fund securities issued by the Nebraska Educational Savings Trust. Amounts contributed into a plan account are invested in the Trust.

You do not need to be a Nebraska resident to own an account or be a beneficiary. Assets do not need to be used at a school in Nebraska.

Issuer:	Nebraska Educational Savings Plan Trust
Trustee:	Nebraska State Treasurer
Investment Oversight:	Nebraska Investment Council
Program Manager:	First National Bank of Omaha
Distributor:	First National Capital Markets, Inc. Member FINRA, SIPC (affiliate of First National Bank of Omaha)

* The four plans are: NEST 529 Direct College Savings Plan, NEST 529 Advisor College Savings Plan, TD Ameritrade 529 College Savings Plan, State Farm 529 Savings Plan

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NEST 529 College Savings Plans

Four Unique Plans - NEST Direct, NEST Advisor, TD Ameritrade 529 College Savings Plan, and the State Farm 529 Savings Plan

- \$5.7 billion in assets*
- Over 277,000 accounts, including more than 89,000 in Nebraska*
- 17.19% participation rate of beneficiaries under 18 in Nebraska*

*As of December 31, 2019

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NEST 529 College Savings Plans

Nebraska state income tax benefit

Nebraska account owners who pay Nebraska state income tax:

- Can deduct contributions they make to their NEST account up to \$10,000 (\$5,000 if married filing separately), annually by December 31
- Can deduct state income tax for amounts rolled into NEST from another state 529 program

Example: Nebraska resident, NEST account owner, married filing jointly:
\$10k contribution, \$100k Nebraska taxable income
Tax savings: $\$10,000 \times 6.84\% = \684

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NEST 529 College Savings Plans

NEST 529 Direct Plan expenses

- Annual Asset-Based Fees:
 - Program management fee: 0.25%*
 - State administration fee: 0.02%
 - Total underlying investment expense ratio: 0.20% - 1.26%**
- High contribution limit per beneficiary: \$400,000 (total of all accounts)
- No annual account fee
- No minimum deposit or ongoing contribution requirement
- No application fee
- No income or residency requirements

* For the Bank Savings Investment Option, the program management fee is 0.18%
** For the Age-based, Static and Individual Investment Options

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NEST 529 Direct Plan Investment Options

- 3 Age-Based Options (Aggressive, Growth, Index)
 - 9 age bands designed to become more conservative the closer the beneficiary nears college age
- 6 Static Options (All Equity, Growth, Moderate Growth, Balanced, Conservative, Bank Savings)
 - Fixed asset allocation over the life of the account
- 15 Individual Investment Options
 - Invests in a single fund
 - Well known funds such as Vanguard, T. Rowe Price, State Street, MetWest, DFA, Goldman Sachs, Tributary and iShares
 - Can be used alone or combined with other investment options to create a custom portfolio

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NEST 529 College Savings Plans

NEST 529 Direct Plan website

- Open an account NEST529.com
- Maintain your account
- Up-to-date information and promotions
- Scholarships, drawings, contests
- Learning about planning to save
- Learn about ways to grow your account



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NEST 529 College Savings Plans

Enroll Online

NEST529.com

The screenshot shows the NEST 529 website with a blue header. On the left, there's a large "Enroll Online" button and the URL "NEST529.com". On the right, there's a sub-header "You're 10 Minutes Away from Having a College Savings Account." Below it, a section titled "Open an Account Now" lists five steps: 1. Read the Program Disclosure Statement, 2. Choose the best Investment Option for you, 3. Gather information about you and your beneficiary (with sub-points: Residential street address, Social security or taxpayer I.D. numbers, Birth dates, Your bank account number (to pre-schedule contributions from your checking or savings account)), 4. Enroll online (with sub-point: Enroll online or download an Enrollment Form and complete, sign, date and mail with a check to the address on the Form), and 5. Review your New Account Confirmation Letter, which will be available within two weeks of enrolling. A green "ENROLL ONLINE" button is at the bottom.

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NEST 529 College Savings Plans

Additional benefits – available on the website

- Eligible for contributions from NEST from contests and drawings
- Rewards from Upromise in which your account earns college savings based on everyday purchases
- Ugift^{®1} and Gift Certificates

Contests and Drawings

Ugift[®] and Gift Certificates

Upromise Rewards^{®2}

1 Ugift is a registered service mark of Ascensus Broker Dealer Services, Inc.
2 Upromise is an optional service offered by Upromise, Inc., is separate from the Plan and is not affiliated with First National Bank of Omaha or the State of Nebraska. Transfers from Upromise to a Plan account are subject to a minimum. Terms and conditions apply to the Upromise service. Participating companies, contribution levels and terms and conditions are subject to change at any time without notice. Upromise is a registered service mark of Upromise, Inc. Ugift and Upromise are separate from the Plan and are not affiliated with First National Bank of Omaha or the State of Nebraska.

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NEST 529 College Savings Plans

Additional benefits – Nebraska Legislation

- **Meadowlark Program** – a NEST account will be opened for every baby born on or after January 1, 2020
- **Employer Matching Contribution** – incentive payments to employers who match their employee's contribution to a NEST account, beginning January 1, 2022
- **Low-Income Match** – beginning January 1, 2022

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Make a plan to start saving

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graph LR; A[Make a commitment] --> B[Establish a savings goal]; B --> C[Decide on a budget and savings amount];
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- Decide it is time to start
- Get support from family

- Estimate cost
- What % will you pay vs. others vs. scholarships

- Start with what you can afford
- Start as early as you can

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Make a plan to start saving

Power of Compounded Growth

The chart illustrates the growth of contributions and earnings over time. Contributions are shown in blue and earnings in green. The total value grows exponentially from \$32,400 at birth to \$65,026 by 9th grade.

Age	Contributions (\$)	Earnings (\$)	Total (\$)
Newborn	\$32,400	\$32,626	\$65,026
Kindergarten	\$23,400	\$14,841	\$38,241
3rd Grade	\$16,200	\$6,419	\$22,619
6th Grade	\$10,800	\$2,656	\$13,455
9th Grade	\$5,400	\$625	\$6,025

Based on \$150 monthly contributions over 18 years

This chart illustrates an investment of \$150 a month on the first day of the year into a college savings account that earns 7% per year, compounded monthly beginning on the first day of a year when the child is born and in which the child enters kindergarten, 3rd grade, 6th grade and 9th grade until the last day of the year in which the child reaches 18 years old. 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.

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Recap of NEST features

Federal and State Tax Benefits TAX PERKS 	Affordable AFFORDABLE 	Easy to Open and Manage, Easy to Contribute 	You Give. We Give DRAWINGS SCHOLARSHIPS BONUSES! 	Friends and Family Gifting
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NEST 529 recap

- Planning for and saving for post-high school education is important to help a student achieve both monetary and societal goals.
- No matter who you are saving for – a child, grandchild, niece, nephew, your spouse or yourself start early and with what you can afford.
- Talk to others about how they save and why.
- You can do it, and we're here to help!

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Contact Information

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Connect with NEST



Visit the Website: NEST529.com

- Read the blog & visit the Learn page
- Keep up with news and events
- Join the email list
- Watch our videos

Email: ClientServices@nest529direct.com

Connect: Facebook.com/NEST529CollegeSavings

- Send the NEST team a message
- Be inspired and share ideas

Customer Service Center
M-F 8 am to 8 pm CT: 888.993.3746

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Thank you

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. An investor should consider the Plan's investment objectives, risks, charges and expenses before investing. 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.

The Program Disclosure Statement at www.nest529.com, 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 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 advisor regarding their specific legal, investment or tax situation.

Participation in the Plan does not guarantee that contributions and the investment return on contributions, if any, will be adequate to cover future 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 Static Investment Option, investments in the NEST Direct Plan 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 Static Investment Option up to the maximum amount set by federal law, currently \$250,000.

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