



Investment Options for ABBIT Management Master Trust Program Escrow with JPMorgan

Guaranteed Contract: Prices for goods and services of the funeral are guaranteed by the contract provider. In other words, the client funds a funeral in today's dollars to avoid tomorrow's prices. The contract provider has the responsibility of selecting the desired investment vehicle to meet future cost. Guaranteed price contract deposits are not insured and have the possibility of gains or losses of the investment. Any surpluses that may accrue in the account are payable to the contract provider; however, the contract provider is also responsible for any deficit at the time of the client's death. The choices of investment accounts are as follows:

1. **BOND TRUST (tax required) for Guaranteed Contracts:**

The account seeks to provide positive returns with the understanding that there may be market risk to capital. The account invests primarily in investment-grade or better debt securities in a broad range of U.S. government and corporate fixed income securities seeking to maximize return through diversification. Securities held may be individual bonds or mutual funds. Invests in market sectors and value oriented securities with the potential to perform well over time. A 1099INT statement is mailed annually to the contract purchaser if the account accrues \$10.00 or more in income.

2. **BOND TRUST (tax paid-QFT) for Guaranteed Contracts:**

The account seeks to provide positive returns with the understanding that there may be market risk to capital. The account invests primarily in investment-grade or better debt securities in a broad range of U.S. government and corporate fixed income securities seeking to maximize return through diversification. Securities held may be individual bonds or mutual funds. Invests in market sectors and value oriented securities with the potential to perform well over time. Taxes accruing in this account are paid by the account to the IRS and State. This type of trust is commonly known as the Qualified Funeral Trust (QFT). The QFT designation will lower the rate of return.

3. **MICHIGAN MUNICIPAL BOND TRUST (tax free) for Guaranteed Contracts:**

This Trust seeks current income exempt from federal income tax and Michigan personal income tax, consistent with preservation of principal. Funds in this account are invested primarily in Michigan municipal bonds generally maintaining an average weighted maturity between five and 25 years. There is no 1099 mailed, because there are no tax consequences. The returns on this account are lower than that of other bond accounts.

4. **STOCK TRUST (tax required) for Guaranteed Contracts:**

This account is invested in a diversified group of mutual funds and offers a broad diversification across asset classes, mutual funds, industries and securities seeking long term appreciation. The make up of the account is approximately 80% equity securities and 20% debt securities but can vary due to market conditions. The equity portion on this account makes the risk associated with the trust account higher than the bond account but the expected rate of return over time is also higher. The client will receive a 1099INT statement annually if the account has accrued \$10.00 or more in income.

5. **STOCK TRUST (tax paid-QFT) for Guaranteed Contracts:**

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6. **CERTIFICATE OF DEPOSIT TRUST (tax required) for Guaranteed Contracts only:**

CDs are purchased in laddered increments to take advantage of moving interest rates. Investments in any one issuer shall not exceed \$100,000.00. While investments in CDs are FDIC insured they are still subject to market risk. Typically CDs sold prior to maturity are subject to market conditions at the time of sale. As a result the price received at the time of pre-maturity sale may be lower than the original purchase price. Additionally, market risk and interest rate sensitivity will affect the price of a CD prior to its maturity. **With market to market accounting, market risk could have the effect of a negative performing month.** Historically investments in CDs have been low in volatility, and market risk should be minimal. By staggering maturities this account has the potential to perform well over time. A 1099INT statement is mailed annually to the contract purchaser if the account accrues \$10.00 or more of income

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8. **MONEY MARKET (tax paid-QFT):** This account is invested 100% in securities of the U.S. Treasury, including Treasury bills, bonds and notes. These investments carry different interest rates, maturities and issue dates. This trust is designed for short term investments, with a goal of providing maximum safety of principal. The objective of principal preservation should lower risk in turn reducing volatility in exchange for lower yield. Taxes accruing in this account are paid by the account to the IRS and State. This type of trust is commonly known as the Qualified Funeral Trust (QFT). The QFT designation will lower the rate of return. The Money Market Trust is not guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Although money market funds strive to preserve the value of investment at \$1.00 per share, it is possible to lose money by investing in the money market fund.

NON-GUARANTEED CONTRACT: Prices for goods and services of the funeral are not settled until the time of death, therefore the contract cannot be guaranteed. The choice of investment in the account is limited, by statute, to Certificate of Deposit (CDs) which are FDIC insured. The risk is low, and the return is low.

9. **CERTIFICATE OF DEPOSIT (tax required): for Non Guaranteed Contracts.**

The account, in accordance with Preneed Act 255, invests solely in bank Certificates of Deposits (CDs). CDs are purchased in laddered increments to take advantage of moving interest rates. Investments in any one issuer shall not exceed \$100,000.00. While investments in CDs are FDIC insured they are still subject to market risk. Typically CDs sold prior to maturity are subject to market conditions at the time of sale. As a result the price received at the time of pre-maturity sale may be lower than the original purchase price. Additionally, market risk and interest rate sensitivity will affect the price of a CD prior to its maturity. **With market to market accounting, market risk could have the effect of a negative performing month.** Historically investments in CDs have been low in volatility, and market risk should be minimal. By staggering maturities this account has the potential to perform well over time. A 1099INT statement is mailed annually to the contract purchaser if the account accrues \$10.00 or more of income.

- This material is being provided for informational purposes only and should not be used as a guide to sell prepaid funeral or cemetery accounts.
- Past performance is not a guarantee of future results. The performance of a trust from time to time may be or have been affected significantly by material market and economic conditions, including interest rates, market trends and general business and economic cycles which may or may not be repeated in the future. Accounts may have losses based upon market conditions. Furthermore, under applicable laws, the investments comprising a trust may be managed in the future using different investment strategies and asset allocations which may affect the performance. For all of these reasons the value of an account may fluctuate and be worth more or less than the value of the account when first invested in the trust.
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