

*Y*our Final Wishes

A Guide to Funeral and Estate Planning



***Stifel, Nicolaus
& Company, Incorporated
Buchholz Mortuaries***

One of the hardest topics of discussion for most people is death. The death of a loved one is often one of the most painful experiences we will face. When it comes to facing our own death, we find it difficult to approach the subject with family and friends. The truth is, communicating with those closest to you about your wishes, and the plans that you have made regarding your final affairs, may reduce the stress imposed on your family at your death.

We hope that this guide to funeral and estate planning will help you determine what you need to do today in order to plan for the future. After reading through this brochure, the staff with Buchholz Mortuaries can answer any detailed questions you have regarding planning for your funeral. An Investment Executive with Stifel, Nicolaus & Company, Incorporated can assist you with investment-related questions and help you work with an attorney to address your estate planning needs.



Funeral Planning

When planning a funeral, there are many factors to consider and decisions to make. Although you cannot alleviate all of the pain and pressure your family will experience at the time of your death, you can try to eliminate some of the indecision that may occur. By addressing the financial issues now, your family and friends can concentrate on supporting each other during their time of need, rather than worrying about what arrangements you would prefer and how they will pay for those arrangements. By taking the necessary steps now, you can prevent poor decisions from being made under duress later.

Often people say things casually about what they do or do not want at their funeral. If you have strong feelings about how you would like your funeral service arranged, then you should let those feelings be known. You can choose whether or not you want a visitation, what scriptures are to be read at your memorial, etc. You can also make key decisions such as whether you would like to be buried or cremated. The pre-planning professionals at Buchholz Mortuaries can explain the various decisions that need to be made and options to consider.

One of the most cumbersome burdens placed on family when a loved one dies is the expense of a funeral. You can lessen this burden by making advance preparations to pay the funeral expenses, relieving your family of the strain of funding the funeral themselves. Your best option is to talk with Buchholz Mortuaries now to see what kind of pre-arrangement programs they have available.

All too often, people assume that their life insurance will be sufficient to pay the cost of their funeral. While your policy may have enough funds to cover funeral costs, those funds may not be readily available, as often there is paperwork to complete which can delay the payment of the insurance proceeds anywhere from 30 to 60 days after death. If arrangements have not been made in advance, families usually need funds to cover costs. It is often advantageous to review your funding alternatives in advance. In addition, it is a smart idea to review your life insurance policy on a regular basis. You'll want to verify that you have enough coverage, the policy has not lapsed, and any specific requirements of the policy have been met. You'll also want to keep the beneficiary of your policy up-to-date.

If you are planning to use a savings account to pay for funeral expenses, remember that if these funds are part of your estate, they will likely be subject to probate and your loved ones may not have immediate access to the funds.

2

Funeral expenses can also be funded through a state-regulated trust in which the funeral home is the direct beneficiary. This option is available through Buchholz Mortuaries and is designed to cover the primary and expected expenses at the time of death. As with all legal documents, you should make your attorney aware of this agreement.



Estate Planning

Pre-planning your funeral arrangements is a good start to preparing for the inevitable. However, careful consideration must be made in regards to the distribution of your assets and your final wishes regarding your estate. It is a popular misconception that only the wealthy need to worry about estate planning. In reality, everyone should determine their goals and objectives for the transfer of their estate and should work with a qualified attorney to establish an estate plan to meet those goals and objectives.

What is estate planning and why is it important?

Estate planning encompasses a variety of issues, some which may arise while you are alive and others that arise at your death. While you are alive, you may choose to explore how making lifetime gifts to your heirs or others can achieve your goals and objectives. In addition, you may want to select an individual or individuals to make financial or personal decisions on your behalf if you were unable to make those decisions yourself. At your death, having a plan that clearly documents how your assets are to be distributed and who is to receive those assets is important. You may desire to designate a guardian for minor or special needs children. In addition, you may have certain assets, such as a business interest or rental property, that require special attention.

There are many types of estate planning tools, and your estate planning attorney can help you determine which tools are most appropriate for your situation. The following is a brief discussion of two primary estate planning tools, wills and revocable living trusts.



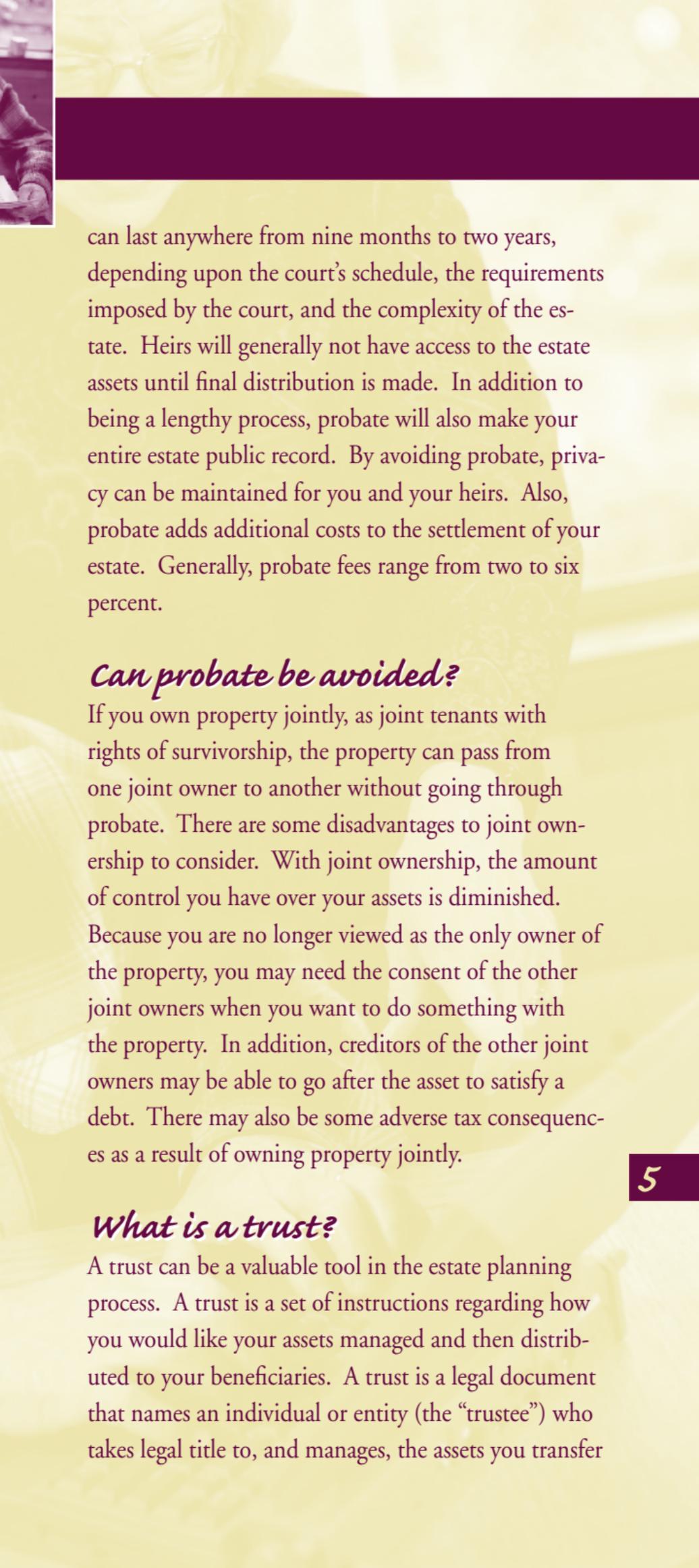
What is a will?

Creating a will is often the first step many take when creating an estate plan. A will is simply a legal document which provides instructions outlining how you would like your assets administered and distributed at your death. The primary reason for creating a will is to provide the testator (the person creating the will) the opportunity to control the distribution of his or her estate at death. If you die without a will, you die intestate, and the intestacy statutes of your state will govern how your assets are distributed.

By creating a will, you can accomplish several personal and financial objectives. A will can plan for specific bequests to certain individuals or charitable organizations. It can also provide for the establishment of a testamentary trust for the ongoing management of assets for a surviving spouse or other heirs. Through a will, you can nominate a guardian for minor children. You can also select the person or entity you would like to handle your estate by naming an executor or personal representative who will be responsible for carrying out your wishes as expressed in your will.

What is probate?

You may have heard the term “probate” before in relation to wills. Probate is a court-supervised process that validates a will, ensures all assets are collected and all debts are paid, and orders the distribution of assets to heirs or others. All wills are subject to probate. If you die intestate (without a will), your estate will also go through probate. Probate can be a time-consuming process and may cause delays in the distribution of the assets to your heirs. In general, the probate process



can last anywhere from nine months to two years, depending upon the court's schedule, the requirements imposed by the court, and the complexity of the estate. Heirs will generally not have access to the estate assets until final distribution is made. In addition to being a lengthy process, probate will also make your entire estate public record. By avoiding probate, privacy can be maintained for you and your heirs. Also, probate adds additional costs to the settlement of your estate. Generally, probate fees range from two to six percent.

Can probate be avoided?

If you own property jointly, as joint tenants with rights of survivorship, the property can pass from one joint owner to another without going through probate. There are some disadvantages to joint ownership to consider. With joint ownership, the amount of control you have over your assets is diminished. Because you are no longer viewed as the only owner of the property, you may need the consent of the other joint owners when you want to do something with the property. In addition, creditors of the other joint owners may be able to go after the asset to satisfy a debt. There may also be some adverse tax consequences as a result of owning property jointly.

What is a trust?

A trust can be a valuable tool in the estate planning process. A trust is a set of instructions regarding how you would like your assets managed and then distributed to your beneficiaries. A trust is a legal document that names an individual or entity (the "trustee") who takes legal title to, and manages, the assets you transfer



to the trust for the benefit of the persons (the “beneficiaries”) you specify in the trust document.

Trusts are created in two different ways. A trust may be created and implemented while you are alive (an *intervivos* or living trust), or it may be created through your will at your death (a testamentary trust).

Because a testamentary trust is created through your will, it is effective only upon your death. As with all estates passing by will, the estate is subject to probate, and at the conclusion of the probate process, the assets are distributed to the trustee. In addition, because it is created at death, the testamentary trust cannot provide for the management of your assets during your lifetime and, therefore, cannot plan for incapacity.

What is a living trust?

A living trust is created during your lifetime and provides instructions for the management of your assets while you are alive, as well as for the management and distribution of your assets at your death. Typically, these types of trusts are revocable, meaning they can be amended or changed at any time before your death. This provides flexibility, because if your personal or financial goals change, you can make changes to your trust.

Once your living trust has been created, it is imperative that you re-title your assets to the living trust, making the trust the legal owner of those assets. The instructions within the living trust only govern those assets actually owned by the trust, so re-titling your assets is vital to ensuring that your instructions can be followed. When you die, assets passing through a living trust avoid probate.

Why consider creating a living trust?

Maintaining control is a fundamental reason for creating a revocable living trust. You know how you want your assets managed, but what if something happened to you and you weren't able to manage your affairs? Many of us are concerned that we might become incapacitated, and if that happens, we want to know that someone is continuing to pursue our personal and financial goals. In a living trust, you can address this issue by naming a trustee or successor trustee to step in and manage your affairs. This gives you the freedom of having your assets managed by the person or entity you choose, in the way you want them to be managed, without needing the court to intervene.

A living trust also allows you to control the distribution of your estate to your heirs. You may want to distribute your assets outright to your beneficiaries, or you may feel that it would be better to make distributions to them over a period of years, thereby allowing them to explore their own long-term planning options. A revocable living trust allows you to put the proper provisions in place to accomplish either of these goals. Your trustee can ensure that your trust assets are managed and distributed according to your wishes.

Privacy is often a key concern as well. Every person has different needs and wants revolving around his or her unique personal and financial goals. Information about your life and your finances is something you typically want to keep within your family. Because living trusts avoid probate, you can maintain your privacy and dictate the time, manner, and circumstances in which your assets are distributed to your heirs.

If I have a living trust, do I still need a will?

A common estate planning misconception is that if you have one tool, either a will or a trust, you do not need the other. In fact, these two legal documents often work in tandem to fully accomplish your estate planning goals. Although you may have a revocable living trust, which allows you to address lifetime planning issues, you also need a will to dispose of any assets not titled to your trust. This type of will is commonly referred to as a pourover will, because it takes the assets passing outside of the trust and transfers or “pours” them into the trust. The trust assets are then managed and distributed according to the instructions in the trust.

Although the assets passing through the will are subject to probate, many states have small estate probate proceedings which can minimize the time and expense usually associated with the process. In most situations, the majority of assets are titled in the name of the trust, and the assets passing through the pourover will be minimal.

8

How do federal gift and estate taxes affect my assets?

There are two basic types of transfer tax — federal gift tax and federal estate tax. Gift tax is simply the penalty imposed for transferring assets to others during your lifetime. Estate tax, on the other hand, is the penalty imposed for the privilege of transferring assets to others at your death.

Under current law, transfers between spouses, referred to as marital transfers, are not subject to gift or estate



tax. These transfers are non-taxable transfers, regardless of the amount, because of the unlimited marital deductions. This means you can transfer assets to your spouse during your lifetime, or at your death, with no transfer tax consequence.

If you make a non-marital transfer, which is a transfer to anyone other than your spouse, this transfer may be taxable. One planning technique, the annual gift exclusion, allows you to transfer up to \$10,000 (in cash or assets) to as many individuals as you desire in any calendar year and with no federal gift tax assessed. For example, if you had ten friends and relatives that you wished to benefit this year, you could transfer \$10,000 to each, or a total of \$100,000, and no gift tax would be assessed. However, if you give an amount in excess of \$10,000 to any individual in any calendar year, gift tax will be imposed. You must file IRS Form 709, the federal gift tax return, by your normal income tax filing deadline to notify the IRS of this taxable gift, or penalties will be imposed.

In addition to the annual exclusion, every individual, under current law, is allowed a lifetime exemption amount, commonly referred to as the unified credit. In 2001, the unified credit enables every individual to transfer up to \$675,000 in assets (the unified credit exemption equivalent) to any person other than a spouse free of federal estate or gift tax. Following the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001, the amount of the exemption equivalent will increase to \$1,000,000, effective for decedents dying on or after January 1, 2002. Also, the exemption equivalent for estate tax purposes is scheduled to experience additional increases in 2004, 2006, and 2009. Tax planning is a complicated



process, and you should seek advice from your tax and legal advisor regarding how the gift and/or estate tax may impact your financial situation.

How can life insurance be used in an estate plan?

Life insurance has several uses from an estate and financial planning perspective. Some people obtain life insurance to provide income for their family in the event of the primary supporter's untimely death. In addition to providing financial security, life insurance can be used to facilitate a tax-efficient way of transferring family wealth from one generation to the next. Insurance can be used to provide necessary cash at the time of death to pay settlement costs, such as any federal estate tax that is due. Insurance may also be beneficial if your estate holds a significant amount of non-liquid assets — such as real estate, fine art, partial ownership in a company, etc. A major benefit of life insurance is that policies are not subject to probate. Proceeds go directly to the beneficiary upon death.

How much life insurance is appropriate and what type of policy is best depends entirely on your personal needs and situation. There are a number of policies available in today's marketplace, each with different features and benefits.

Permanent Insurance

A whole life insurance policy represents the company's promise to provide coverage for the entire life of the insured person, as long as premiums are paid. If you choose a whole life policy, premiums may be paid throughout your entire life. This is known as an ordinary or straight life policy. Premiums can also be paid for only a portion of your life. This is known

as a limited life policy. Whole life policies offer fixed premiums, which means you pay the same amount for coverage each year, regardless of your age or health status. A single premium whole life policy is also available in which premiums are paid in one lump sum when the policy is taken out. This amount is usually more than \$10,000 and usually reflects a minimum death benefit amount.

There are significant advantages to a whole life insurance policy. The foremost being that the cash value portion of the policy belongs to you. You can take the funds out in the form of a policy loan or cash the policy in. A whole life policy can compare favorably with other conservative vehicles due to the tax-deferred growth of the policy's cash value.

One variation of permanent insurance is a universal life policy. Unlike the investment portion of a traditional whole life policy, which is invested in bonds and mortgages, the investment portion of a universal life policy may be invested in money market funds. The cash value of the policy is set up as an accumulation fund, and investment income is credited to that fund. The death benefit portion is paid out of the accumulation fund. With this type of insurance, the insured has some flexibility with his or her death benefit and the premium. This could be beneficial to someone with a fluctuating income.

Another variation of permanent insurance is a variable life policy. With a variable life policy, you may choose to invest in a wide array of sub-accounts which are similar to mutual funds, including stock funds, bond funds, or money market funds. However, whichever vehicles you choose must be a part of the insurance company's portfolio.



There are drawbacks to variable insurance policies, as they can be terribly expensive due a variety of fees and charges. The value of the death benefits may also vary, depending upon the performance of the investment portion of the policy.

Term Life Insurance

Term life insurance is an option for individuals seeking temporary protection. With term life insurance, coverage is provided for a specific period of time — currently 1, 5, 10, 15, 20, or 30-year terms. If the person insured dies during the period the policy is in force, the company will pay the face value of the policy. If the individual outlives the policy, then nothing is paid, as there is no equity in the policy.

Once the decision has been made to purchase term life insurance, there are a few other options that must be considered. Term life insurance can be either non-renewable or renewable. In a non-renewable policy, if the insured wishes to continue the policy, he or she must first re-qualify by taking another physical or filling out another health questionnaire. With a renewable policy, the insured automatically re-qualifies if they wish to continue the policy. Term insurance policies can also be convertible, which means the policy can be converted into a permanent policy, such as whole, universal, or variable life.

A term life insurance policy can also be considered a level term or a decreasing term policy. A level term policy provides a specified amount of coverage for the entire period of the policy. For instance, a policy in the amount of \$200,000 will pay that same amount, upon death, at any time during the policy. With a decreasing term life policy, the amount decreases over the period of the policy.

What other types of insurance could be beneficial?

Long-Term Care Insurance

The American Association of Retired Persons (AARP) estimates the average nursing home stay is 2¹/₃ years, with 55% staying for one year and 21% staying for five years or more. The U.S. Census Bureau reports that approximately 22% of people over the age of 85 live in nursing homes and 45% need help with daily activities. Half of all women and one-third of all men who live past the age of 65 will spend time in a nursing home. Currently, the cost of a nursing home is approximately \$35,000 to \$50,000 per year, more in some states. If you are concerned about the cost of care in your senior years, long-term care insurance can help cover the risk of financial loss resulting from in-home care or placement in a nursing home.

Virtually all policies sold provide coverage for all or part of the cost of alternative care services, such as assisted living facilities, home health care, and adult day care. A good policy will begin paying for care when you need help performing two of the standard “activities of daily living.” These activities include eating, dressing, bathing, maintaining continence, the ability to move to and from the bathroom, and the ability to change body positions.

All new long-term care policies are either guaranteed renewable or non-cancelable. A guaranteed renewable policy allows for coverage to be continued as long as you pay the premiums. The policyholder can't be singled out for a rate increase, but rates can go up for a whole class of holders. A non-cancelable policy is one in which your coverage and current rates are guaranteed. This type of policy isn't very common.

Although some insurance companies offer long-term care as young as age 18, most people consider the purchase of these policies between the ages of 55 and 75. Because age is one of the factors that determines premiums, the sooner you purchase the policy, the less expensive it will be. Premiums can be very expensive after the ages of 70 to 72. In addition, as you age, there is greater likelihood that a medical condition might preclude you from qualifying for the coverage. Ask Buchholz Mortuaries or John Murphy for a more detailed pamphlet on long-term care.

What other factors should I consider while working on my estate plan?

14

General Financial Power of Attorney

Careful consideration should be given regarding whom you would choose to make personal or financial decisions on your behalf if you were unwilling or unable to manage your affairs. A general financial power of attorney is a legal document in which you (the principal) designate another individual or individuals (the agent or agents) to make certain personal or financial decisions on your behalf. In general, your agent only has authority over the assets titled in your individual name (not assets that may be registered to a revocable living trust). You can give your agent authority to act immediately, or authority to act upon the occurrence of an event, such as incapacity. The power of an agent terminates upon the disability of the principal. Some states, however, permit the creation of a durable power of attorney, which is valid through disability and only terminates at death.



Health Care Directive and Health Care Power of Attorney

Have you ever contemplated what medical decisions you would want made and what specific medical procedures you would want performed on you if you were seriously ill and unlikely to recover? You may have strong desires regarding your care, including whether to receive life-prolonging treatment. In some situations, however, you may not be physically or mentally able to express your wishes to your doctors.

A health care directive (sometimes referred to as a living will) allows you to state which treatments you would or would not want if you became seriously ill and could not communicate your preferences. By establishing a health care directive, you can make your wishes known to medical personnel to assist them in determining a course of action regarding your health care. In addition to a health care directive, you may choose to execute a health care power of attorney.

This is a written document in which an individual (the principal) names another individual or individuals (the agent or agents) to make medical decisions on behalf of the principal. This document is often executed in conjunction with the health care directive, as that document can provide the agent with an idea regarding the type of care you would choose.

*B*ringing it all together...

We hope that this guide has provided you with valuable information regarding issues that can be difficult to discuss and evaluate. We understand that it may be overwhelming for you to determine who to contact for the various products and services mentioned in this brochure.

By consulting with a Stifel Nicolaus Investment Executive, we can assist you in making decisions on which products will best suit your needs. Through the Stifel Nicolaus Wealth StrategistSM Report, a comprehensive tool used to evaluate your current financial situation, goals, and tolerance for risk, we can help you gain control over your financial future and start your financial plan in the right direction. Rather than contacting various institutions and companies, your Stifel Nicolaus Investment Executive can help guide you towards finding the answers you need.

Estate Planning

We can work with you and your tax and legal advisors, to develop a plan to address the following:

- Wealth and estate preservation;
- Providing for the current management of your assets and affairs, as well as future management for you and your heirs in the event you become disabled or incapacitated;
- Asset transfers to beneficiaries, including minimizing transfer taxes; and
- Reducing or eliminating probate.

Life Insurance

It is not necessary to shop for a reliable insurance company on your own. Stifel Nicolaus works with a number of well-established insurance providers and can help you determine which company and type of plan suits your needs. Your Investment Executive can also assist you in evaluating how much insurance you need to purchase.

In addition to the issues addressed throughout this guide, your Investment Executive can assist you with a wide range of services, including retirement planning, securities brokerage, investment advisory, and related financial services. Please contact John Murphy for a free consultation.

Now that you have had an opportunity to read through this brochure, you may find that you have many questions regarding your personal needs for funeral and estate planning. Buchholz Mortuaries can assist in answering any questions you have regarding the pre-arrangement or arrangement of your, or a loved one's, funeral.

This brochure may have also raised questions regarding estate planning or other investment matters. Stifel, Nicolaus & Company, Incorporated can help you sort through the financial planning process.

At Stifel Nicolaus, we have established ourselves as one of the nation's leading regional brokerage and investment banking firms. With more than 75 offices in over 15 states, primarily in the central United States, our philosophy on investing is grounded on a century-old tradition of trust, understanding, and solid, studied advice. Established in 1890, our company provides a comprehensive portfolio of financial services, which is designed to meet the varied needs of a broad range of investors.

We believe in strong individual relationships that stand the test of time. Our knowledgeable Investment Executives offer a personalized approach to finding the best solutions for your financial and estate planning needs. We truly believe that by placing your needs and interests first, you will prosper. We are dedicated to providing innovative, creative, high-quality, and value-added products and services to help clients reach their goals.

Our planning team of professionals, along with your Investment Executive, can work with you and your legal advisor to develop a customized estate plan for your specific needs. In addition, your Investment Executive can help you with other investment concerns, such as retirement planning, funding a college education for a loved one, or reaching a personal financial goal.

Buchholz Mortuaries

Chesterfield, Missouri
2211 Clarkson Rd.
(636) 532-2400

Spanish Lake, Missouri
1645 Redman Avenue
(314) 741-7400

Florissant, Missouri
619 St. Francois Street
(314) 839-2020

St. Peters, Missouri
837 Mid Rivers Mall Dr.
(636) 970-7200



Member, an Association of
St. Louis Owned and
Operated Funeral Homes

Stifel, Nicolaus & Company, Incorporated

John Murphy
Vice President/Investments

114 Piper Hill Drive • Suite 201
St. Peters, Missouri 63376
(636) 939-2676 or (800) 800-6863

www.stifel.com

Member SIPC and New York Stock Exchange, Inc.