

## **UNIT INVESTMENT TRUST DIVIDEND ACCRUALS WITH AUTOMATED CARRYOVER ACCRUALS**

### **UITs: Growing In Numbers and Importance**

APPRAISE has simplified reporting of income earned from Unit Investment Trust (UIT) Dividend Accruals by providing a proprietary source of data for more than 30,000 of these issues. Well known sponsors of UITs include Nuveen, Van Kampen, Sears, Merrill Lynch, Municipal Trust and many others.

Increasingly popular as a source of income for retired individuals, UITs, we estimate, represent an average of one in ten items in an estate. That's a significant number and in recent years it has grown. But, calculating UITs accruals for purposes of estate valuation can be a confusing and complex task. For that reason, it is important for you to have a reliable and responsive source of accurate dividend accrual information.

A Unit Investment Trust is a pool of securities acquired to provide diversity of holdings plus organized record keeping. Approximately 98% of all UITs invest only in bonds, and of those the vast majority specialize in municipal issues. All UITs are closed end funds with specified final termination dates.

All UITs make periodic dividend payments (monthly, quarterly, semi-annually, or annually)

with a predetermined record and pay date. The money is taken from a segregated income account and does not affect the fair market value (the principle account).

In order to properly value these issues, several items must be considered: carryover accrual, dividends of record, and return of principle.

### **Under-reporting or Over-reporting Can Be Expensive**

When you fail to report income on UITs, the Internal Revenue Service may audit your report and subsequently require additional moneys and/or penalties.

If you over-report based on undocumented estimates, the estate you represent may very well pay more in taxes than is required, and represent a breach of your fiduciary responsibility.

### **Call For More Information...**

If you have any questions about this, feel free to call, fax or E-mail your inquiry. We are pleased to be able to offer you this additional value in APPRAISE.

## Important UIT Reporting Terms

All UITs which invest in bonds (both tax free and taxable) have Carryover Accruals. These funds are held in the income account by the trustee bank and are used to pay out regular and final dividends. Carryover Accruals have two components:

**a. Lag Accrual** represents the initial interest withheld from shareholders by the trustee bank. These are set aside to be used for possible miscellaneous expenses. The initial Lag Accrual may represent a few months income, but portions are paid out over the life of the trust.

**b. Daily Factor** is calculated on a 30/360 basis (the same as the daily accruals on municipal or corporate bonds). The Daily Factor is added to the Carryover Accrual until the next record date, at which time the full dividend of record is deducted from the Carryover Accrual.

UITs offer the advantage of final termination of the trust. As bonds are called or redeemed, the proceeds are paid out of the principle account in the form of return of principle. This event coincides with a drop in the fair market value.

### Example

*Illustrated here is a typical valuation for UIT as seen in an APPRAISE report (A), and also explained more fully in the exclusive APPRAISE Supplemental Report (B).*

ITEM	CUSIP NO	SHARES PAR VALUE	DESCRIPTION	PRICE DATE	HIGH/ASK	LOW/BID	MEAN PRICE	SECURITY VALUE	ACCRUED DIV/INT	COMMENTS
9)	67096831	1,000	NUVEEN TAX EX UT SHRT INTER LIT SER 8 M DIV 30.130 EX 04/07/92 REC 04/01/92 PAY 04/15/92 CARRYOVER ACCRUAL 30.31/UNIT	09/30		23.520	23.5200	23,520.00	130.00 310.00	OTC OTHER

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ITEM NUM	CUSIP	DESCRIPTION	COMMENTS
9)	67096831	NUVEEN TAX EX UT SHRT INTER LIT SER 8 M	THIS IS A UNIT INVESTMENT TRUST. ANY DIVIDENDS INCLUDED ARE OF RECORD BUT NOT YET PAID. THE CARRYOVER ACCRUAL REPRESENTS THE LAG ACCRUAL PLUS THE DAILY FACTOR.

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