



WEALTH MANAGEMENT

Quarterly

What's Inside:

Nothing is as important as preparing now to ensure your retirement dollars last a lifetime.

— DOUG HESKE
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We have important and exciting news to share with you. As you may know already, on July 25, 2011, Stifel Financial Corp. – the parent company of Stifel, Nicolaus & Company, Incorporated – entered into a definitive agreement to acquire Stone & Youngberg LLC. The transaction is expected to close on October 1, 2011, subject to customary regulatory approvals.

Headquartered in St. Louis, Missouri, Stifel is the seventh largest full-service brokerage firm in the country, as measured by number of financial advisors, and serves clients through more than 310 offices in the U.S., Canada, and Europe. With a series of successful mergers and acquisitions, the firm has grown rapidly over the last decade: Stifel was named one of *Fortune* magazine's 100 Fastest-Growing Companies in both 2009 and 2010.

Stifel also is known for its highly regarded Equity Research Group – one of the largest in the industry – which in recent years has received numerous accolades from such publications as *The Wall Street Journal* and *Financial Times*. Now Stifel will boast of another highly-respected business line when it becomes the beneficiary of Stone & Youngberg's venerable history in municipal finance.

Stifel's mission is to be the financial industry's premier middle-market investment bank, and Stone & Youngberg fits perfectly with the firm's overall growth strategy. For public agencies accessing the capital markets, the addition of Stone & Youngberg will make Stifel one of the few investment banks in the country that provide bond issuers the full scope of sales and underwriting resources, including a large national institutional fixed income sales force and a national private client business.

We believe this partnership makes tremendous sense for both firms and our customers. With a strong equity capital base, national presence, complementary institutional and private client businesses, and a shared culture that places our clients' requirements first, we are certain we will continue to exceed your expectations.

We look forward to continuing to serve your investment needs through Stifel and are committed to making this transition as simple as possible for you. If you have any questions or concerns, please contact your Financial Advisor directly.

Kenneth E. Williams
President and CEO
Stone & Youngberg

Ronald J. Kruszewski
Chairman, President, and CEO
Stifel Financial Corp.

STONE & YOUNGBERG AND STIFEL NICOLAUS NEWS



INVESTOR FORUM

THE INNOVATION WAVE: POSITIONING INVESTMENT PORTFOLIOS FOR 2012 AND BEYOND

Thursday, October 6, 2011

2:00-5:00pm

New Location: Due to high level of interest, we've moved this event to a larger venue

Hyatt Regency Hotel, 5 Embarcadero Center, San Francisco –

Across the Embarcadero from the Ferry Building

The Garden Room, Atrium Lobby Level

JOIN STONE & YOUNGBERG AND STIFEL NICOLAUS FOR A DISCUSSION OF HOW INDIVIDUALS CAN IDENTIFY INVESTMENT OPPORTUNITIES AND POSITION THEIR PORTFOLIOS TO BENEFIT FROM THE NEXT ERA OF AMERICAN COMPETITIVENESS.

EXCLUSIVELY FOR STONE & YOUNGBERG, STIFEL NICOLAUS, AND THOMAS WEISEL CLIENTS AND THEIR GUESTS.

▶ **The Impact of Innovation on America's Renewal**

KEYNOTE SPEAKER: Dr. Michael Boskin, Tully M. Friedman Professor of Economics & Senior Fellow, Hoover Institution, Stanford University; Former Chairman of the President's Council of Economic Advisers

▶ **Sparking Innovation in Public Finance**

SPEAKER: Tom Lockard, Managing Director, Public Finance, Stone & Youngberg

▶ **Thinking Beyond Two-Dimensional Risk Management**

SPEAKER: Paul R. Touchstone, CFA, Senior Investment Strategist and Portfolio Manager, Asset Management Group, Stone & Youngberg

▶ **Identifying Opportunities for Investing in Innovation: Panel Discussion**

John Dougery, Managing Director, Inventus Capital Partners. Mr. Dougery has been an institutional venture capital investor since 1997 after a decade-long industry operating career. As a venture investor, he has been responsible for seeding 17 companies, and his work has resulted in seven liquidity events, including two IPOs.

Jim Hale, Founding Partner, FTV Capital. Mr. Hale has three decades of banking and investment experience. At Montgomery Securities, he was responsible for over 200 financial industry transactions. He currently serves on the Boards of Directors of the National Venture Capital Association.

Kanwal Rekhi, Managing Director, Inventus Capital Partners. Mr. Rekhi is a well-known and respected entrepreneur and venture investor in both Silicon Valley and India. He co-founded Inventus Capital Partners, and has been the CEO of three venture-backed companies and co-founded and built the largest network of Indian entrepreneurs.

Michael Wolfe, CEO, ccLoop. Mr. Wolfe is a "serial entrepreneur" who has been a founder, founding employee, and/or executive at four startups, including Vontu, an enterprise security software company acquired by Symantec for \$350M in 2007.

Laurance Narbut, Portfolio Manager, Passport Energy Fund. Mr. Narbut co-manages the investment management process for the Energy sector at Passport Capital, focused on exploration and production companies. He was previously a Principal at Richmond Financial LLC, specializing in public and private equity.

Wine reception to follow forum. *Please call 415-445-2310 or visit www.syllc.com/forum to register.*



GREAT EXPECTATIONS:

Ensuring a Secure Retirement

by DOUGLAS C. HESKE, MANAGING DIRECTOR, PRIVATE CLIENT GROUP

The definition of retirement has changed significantly over the past generation. As the American work ethic demands more from us during our professional years, we spend less time fulfilling our personal ambitions than we would probably like. We put off pleasurable but time-consuming activities or pursuits, and think, “I’ll do that when I retire!”

Pie in the sky?

The generation of pre-retirees identified as the baby boomers have greater expectations for how they plan to spend their years post-retirement than did previous generations. Advanced education, extensive travel, athletic challenges, and expanded volunteering are all activities pre-retirees are considering for their “golden years” as alternatives to a busy career. Retirement is a time when boomers hope to finally pursue personal passions, spend more time with family and friends, and generally enjoy a more rewarding lifestyle.

Today’s research, however, indicates that this dream is out of reach for many – if not most – boomers. The majority of pre-retirees are unrealistic about the amount of money they’ll need to sustain current lifestyles through their retirement years, and are unprepared to

fund the expenses associated with retirement. The answer to the most important question for would-be retirees, “Will my savings last through my retirement?”, is, more often than not, “No.”

Longer lives + less saving = unprepared

Interestingly, the World War II generation was better prepared to fund their retirement years than the current generation of pre-retirees. Accustomed to living a more austere lifestyle, the WW2 generation spent less and saved more. WW2 retirees also lived shorter lives than what is expected for the baby boomer generation.

Indeed, some people today may be retired for as long as they were working.

Complicating the retirement savings shortfall is the aftershock of the 2008 financial crisis and the nation’s anemic economic recovery. Until recently, for thirty years the personal savings rate in the United States was trending lower: it dropped from 10.4% in the early 1980s to annual averages around 8% in the late ’80s, to around 5% in the 1990s, to negative numbers – people spending all they earned plus dipping into savings or taking on debt to finance purchases – in the mid-2000s. Today, the current savings rate of about 5% is still considered too low to generate adequate income to fund retirement.

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TAX LOSS HARVESTING:

The Predictable and Reliable Source of “Alpha”

by PAUL R. TOUCHSTONE, CFA,

SENIOR INVESTMENT STRATEGIST AND PORTFOLIO MANAGER, ASSET MANAGEMENT GROUP

“To succeed in taxable investing, an investor must avoid taxes that can be avoided, defer taxes that can be deferred, add value in areas where they have skill, avoid trading in areas where they lack skill, and avoid errors in each of these decisions.”

—R.D. ARNOTT

Sometimes the easiest task is the hardest to execute. The behavioral and emotional attributes of being human may cause us to avoid doing the right thing while we haphazardly do the wrong thing.

The market environment in the third quarter of 2011 was characterized by significant volatility. Many investors and advisors likely abandoned their investment strategies, as it became easy to lose sight of long-term goals when focused on immediate stomach-churning swings.

Rather than buying high and selling low – so obviously the wrong thing to do but so commonly done! – there is one action investors and advisors can take that provides measurable benefits when markets are falling and investments are losing value: tax loss harvesting.

An investing strategy that works

Tax loss harvesting is simply selling securities at a loss today to offset short- and long-term capital gains in the future. Similar, but not substantially identical securities can be purchased at the same time so that investors maintain their desired asset class exposure. Then in 31 days, the original security can be repurchased if desired. (This is known as the “wash-sale rule”: to ensure your tax loss harvesting meets IRS requirements, you must

refrain from buying any shares of your original investment, or a “substantially identical security,” for the 30 days before and 30 days after selling it at a loss. IRS Publication 550)

Selling assets at a loss carries its own disappointment since investors often view losses as failures. The adage, “You haven’t lost anything until you sell,” comes to mind. But tax loss harvesting is actually the single most important tool taxable investors have for reducing taxes now and in the future. If properly applied, tax loss harvesting can save money and increase after-tax returns.

Tax loss harvesting is the one predictable and reliable source of “alpha” in portfolio management. Studies have shown that a systematic approach to tax loss harvesting itself can result in 1-2% annual returns over time¹. These predictable returns outweigh the pre-tax returns associated with active stock picking.

Finding the opportunity

Because fungible replacement instruments are widely available, tax loss harvesting is best executed in a portfolio that employs an index-based approach to asset class exposures. Due to the rapid growth in exchange traded funds (ETFs), investors have numerous ETFs from which to choose when seeking “swap” candidates for tax-loss harvesting opportunities.

The scenario below illustrates the basic benefits reaped from tax loss harvesting:

Suppose an investor is in the 25% income tax bracket plus an additional 9.5% for California State residents.

At the beginning of the year, the investor purchased \$100,000 of Russell 1000 US Large Cap Growth Fund in her taxable account. Today, it's worth approximately \$90,000. To tax loss harvest, the investor would sell her current investment, thereby recognizing a \$10,000 capital loss, and buy a similar but not identical index fund.

The investor can use this \$10,000 capital loss to offset any capital gains she realizes this year. And if her capital losses exceed her capital gains, she can use up to \$3,000 of her net capital loss to offset ordinary income, thereby saving \$1,035 ($\$3,000 \times 34.5\%$) in income tax. If the investor still has remaining capital losses after that, they can be carried forward to be used in future years.

For people in higher tax brackets, or with larger losses, the benefits from tax loss harvesting increase. The savings realized by not having to pay capital gains—especially short-term capital gains—can be significant and are easily measurable.

Turning volatility to your advantage

Tax loss harvesting is not a get-rich-quick scheme, but it does enhance the only returns that matter: after-tax returns.

So don't let falling markets prompt you to make bad financial decisions. Take advantage of the volatile environment and reduce your current and potential tax liabilities by harvesting losses. In the coming years, when rebalancing potential gains, you will be grateful for the tax savings.

As with all investing decisions, Stifel Nicolaus and Stone & Youngberg recommend consulting your Financial Advisor and tax accountant before proceeding with tax loss harvesting. ■

¹ Source: Parametric Portfolio Associates. The highest U.S. federal marginal tax rates apply when calculating after-tax returns. These assumed tax rates are applied to both net realized gains and losses in portfolios. Applying the highest marginal rate may cause the after-tax performance shown to be different than an investor's actual experience. Investor's actual tax rates, the presence of current or future capital loss carry forwards, and other investor tax circumstances will cause an investor's actual after-tax performance to be over or under estimates presented here. In periods when net realized losses exceed net realized gains, applying the highest marginal tax rates to calculations illustrates the highest after-tax return that could be expected of the portfolio, and assumes the maximum potential tax benefit was derived. Actual client after-tax returns will vary.

Stone & Youngberg's asset management services are only available in states in which the firm and/or its associated persons are registered or exempt from registration.

Information presented in this article is not intended as a solicitation for products or services or as a recommendation of any investment or investment strategy. This article is for informational purposes only and is solely the views of its author. These views are subject to change at any time based on market conditions, and the author does not undertake to update the reader of any changes in opinion or information.

The reader should evaluate his or her personal situation with a financial professional before investing. The information presented herein should not be construed as investment advice or guidance as to the appropriateness of any investment decision or as a recommendation of any specific security, sector, or strategy. Past performance does not guarantee future results. All investing involves risk. The value of an investment will fluctuate over time and it may gain or lose money.



A TAX STRATEGY FOR HIGH INCOME BABY BOOMERS

In 2000, a very important change was made to the Internal Revenue Code. The change repealed a limitation in the dollar amount that highly compensated individuals could receive at retirement.

The repeal of Section 415(e) allowed these individuals to fund a defined benefit plan to the maximum annual benefit amount. Additionally, passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) raised the maximum benefit from \$140,000 to \$160,000 per year. Then in 2007, the maximum benefit was increased again per a provision in the law stating that the limitation could be adjusted for increases in the Cost of Living Index, thereby raising the maximum annual benefit to \$180,000. These regulatory changes present an advantageous way to accumulate future retirement benefits while deferring taxes.

Although defined benefit plans have been losing their luster for large corporations, the regulatory changes have made DB plans an ideal retirement vehicle for high income baby boomers who are self-employed, small business owners, or professionals. A DB plan allows an individual to determine an annual benefit that he/she would like to receive during retirement. Once this determination has been made based on age, income, and years before retirement, the person commits to making annual tax-deductible contributions to the plan. The DB plan generally allows an individual to contribute three to four times the amount that could be contributed to retirement vehicles such as IRAs or other defined contribution plans.

Defined benefit plans are relatively simple to set up and administer, and are inexpensive. Bear in mind, however, that to take advantage of tax deductions in 2011, a defined benefit plan must be set up by your company's 2011 fiscal year-end.

If you are a high income business owner, self-employed, or a business professional, please contact your Stifel Nicolaus and Stone & Youngberg Financial Advisor and your tax consultant to learn more about how to set up a defined benefit plan.



MUNICIPAL BONDS:

An Institutional Platform for Individual Investors

by LAUREN POST, DIRECTOR, MUNICIPAL CREDIT GROUP

The municipal market is nearly \$3 trillion in size, comprised of securities issued by tens of thousands of public agencies across the country. When viewed in its enormity, this sector can appear daunting to fixed income investors.

Navigating through the municipal market and choosing investments matched to an individual's financial goals requires an investment professional who closely follows the capital markets and understands economic trends. Further, experts in municipals must know how to identify the unique differences between securities and use that knowledge to their clients' advantage.

Through Stone & Youngberg's new partnership with Stifel Nicolaus, our firm's expanded Private Client Group will continue to use an approach to municipal bond investing where thorough credit and pricing knowledge underpins investment decisions, and direct contact with underwriting and trading professionals helps enhance portfolio return.

Equal Access to New Issues

Our firm's Public Finance bankers bring hundreds of new issues of municipal bonds to market each year, totaling billions of dollars, from the full range of public agencies. Investors have an opportunity to buy these bonds when they're first offered, with private clients

receiving the same access to new issue product and pricing as large institutional buyers – not always the case at large investment banks.

New issues run the gamut of credit quality – from triple-A to non-rated – and often are structured with maturities across the yield curve. Available only in limited amounts, new offerings may sell out the morning they come to market. Stifel Nicolaus and Stone & Youngberg run a retail order period for every municipal bond issue we underwrite.

Fair Pricing in the Secondary Market

In the age of instant information, it is tempting to rely on computer screens for real-time data and make investing decisions based on same. But there is no substitute for speaking daily to underwriters, traders, and credit analysts when buying and selling securities.

Stifel/Stone & Youngberg Financial Advisors do not communicate through liaisons, as at many other broker/dealers, but talk directly with traders to use daily market changes to find value for their customers. **This partnership with our desk provides high net worth investors with the same broad access to product trading in the secondary market – and the same quick execution – as the firm's large institutional clients enjoy.**

Credit Powerhouse

Credit is king when investing in municipals. As the value of bond insurance has diminished and credit ratings become outdated, investors must rely on Financial Advisors for timely, accurate information on their portfolio holdings.

Understanding what secures a bond – the source of revenue that flows from issuer to investor – and the risks to that security is what distinguishes a knowledgeable municipal professional. Our firm's proprietary bond database puts credit information to share with clients at the fingertips of Financial Advisors. This storehouse of Stifel and Stone & Youngberg Financings, SSYFi™, posts new information daily about all of the bonds the firm underwrites and trades. It is a system unique on Wall Street.

Sophisticated Portfolio Management

Bond portfolios are dynamic. An investor with stated financial goals, but with a portfolio resembling an ad hoc smorgasbord of bond trades, may be missing important opportunities to enhance return as market conditions change.

Portfolios at Stifel/Stone & Youngberg are constructed carefully to match client objectives. Financial Advisors use sophisticated analytics to assess portfolio performance and measure results against risk metrics and duration targets. By applying institutional-level analysis to high net worth investor holdings, shortfalls or weaknesses in portfolios can be identified quickly, reported to customers, and alternative investments or strategies suggested.

The Importance of Private Investors

Individual investors comprise the largest group of municipal bond holders, owning \$1.1 trillion of municipal debt. And household ownership is growing – up 8.5% last year as an increasing number of individuals chose to invest directly in specific municipal bonds rather than owning shares of institutionally-managed funds.

With private clients such a critical part of the municipal market's smooth functioning, they deserve institutional-level service: access to a wide variety of securities, reliable credit and pricing information, and full attention when making critical investment decisions. ■

INTRODUCING STIFEL PRESTIGE® ACCOUNTS



For more information, please speak with your Stifel Nicolaus / Stone & Youngberg Financial Advisor or visit www.stifel.com.

To better meet your needs, Stifel Nicolaus has created the STIFEL PRESTIGE® ACCOUNTS. These accounts offer an effective way to manage all of your assets from your brokerage account, money market account, and checking account. With the STIFEL PRESTIGE® ACCOUNT and the STIFEL PRESTIGE® Plus ACCOUNT, you have the accounts that match your financial needs.

Benefits of STIFEL PRESTIGE® ACCOUNTS include:

- ▶ Monthly or quarterly account statements with account valuation, gain and loss summary¹, cost basis¹, annual expense summary, and year-end statement².
- ▶ A choice of 10 different money market funds, including a taxable, tax-exempt, or government money market mutual fund, or an FDIC-insured bank deposit program.
- ▶ Immediate access to your portfolio balances with check writing privileges and a DEBIT MASTERCARD® card.
- ▶ \$150 million in account protection.

¹ The gain and loss summary and cost basis information are provided only if the information has been provided to your Financial Advisor and has been updated on the Stifel Nicolaus system.

² Annualized gain/loss information is prepared for informational purposes only and should not be used for tax preparation without the assistance of a tax advisor.

GREAT EXPECTATIONS: ENSURING A SECURE RETIREMENT

In a retirement survey five years ago, the Securities Industry Association found that more than 43% of Americans are not saving at all, *and only a third are saving enough to maintain their standard of living in retirement.*

The Employee Benefit Research Institute, a non-partisan group based in Washington, has found in its annual Retirement Confidence Survey that living longer, saving too little, and inadequate planning for health care costs will leave many retirees short of money to pay basic living expenses. The percentage of American workers with virtually no retirement savings – those with less than \$10,000 set aside – grew for the third straight year in 2010 to 43%, up from 39% in 2009. (These figures exclude the value of primary homes and defined benefit pension plans.)

Other recent studies indicate that one-third of middle-income workers will likely run out of money after 20 years of retirement. Significantly more lower-income workers will deplete their savings after 10 years.

The Great Recession

Compounding this general savings inadequacy is that Americans have been overly optimistic about their investment returns. When boomers started saving, typically in their 30s, pre-retirees and retirees expected the value of their investments to grow by 8.7% each year, on average. Yet the compound annual growth rate of the S&P 500 stock market index for the past 50 years – 1958 through 2008 – was 6.6%. In fact, a too-

generous assumption for investment returns is one of the primary metrics being reconsidered by the securities industry in forecasting performance.

The bottom line is that boomers need to be doing more to better prepare for their retirement. Over the last decade personal financial fortunes have worsened considerably as a result of the global financial crisis. Indeed, one in four workers spent through all of their retirement savings during the recession that technically ended in mid-2009. Deterioration in asset value and early, punitive withdrawals from 401(k) accounts took a further toll on retirement nest eggs.

Getting serious

The message is clear: Pre-retirees *must* take a hard look at their savings habits and assess whether or not they are likely to have enough money for retirement.

But what are the solutions to inadequate savings? What can investors start doing *today* to insure the security of their retirement? Here are three action items:

▶ **Establish a plan to save... *and save aggressively.***

Despite inadequate savings, nearly two-thirds of pre-retirees still lack a formal strategy for managing retirement income and spending. Only 35 percent of pre-retirees have a written plan for retirement, and of this group, only 52 percent say they updated it in the past year or two during the market downturn. Putting pen to paper – or keyboard fingers to spreadsheet – is where the process of planning for retirement starts.

CONTACT US

To learn how Stifel Nicolaus and Stone & Youngberg can help you meet your financial goals, please visit www.syllc.com, or call us at 800-447-8663 to speak with one of our Financial Advisors.

IS YOUR RETIREMENT PLAN ACCOUNT PERFORMING TO YOUR EXPECTATIONS?



Expectations for return on pension funds and individual retirement accounts are being adjusted down from levels of approximately 10% to 5%, according to industry experts. Since most private investors have not been rewarded for maintaining a buy-and-hold discipline, they are exploring new strategies to generate better returns while insisting on lower fees.

If you have retirement accounts with other investment firms and find that the quality of service and performance provided elsewhere doesn't measure up to Stifel Nicolaus and Stone & Youngberg, we'd like you to consider consolidating your retirement accounts with us.

We will waive annual IRA fees for the first year when you transfer \$250,000 or more into a new or existing Stifel or Stone & Youngberg retirement plan account. **Please contact your Financial Advisor for more information and to get started.**

- ▶ **Maximize contributions to tax-deferred vehicles.** To reach their retirement income target, most Americans need to be saving within the healthy range of 6-10% of their annual compensation. Saving can be made easier and maximized each year through participation in company-sponsored 401(k) plans or salary deferral programs, or by setting up automatic, regular investment in a mutual fund.
- ▶ **Consider new retirement savings vehicles.** Over the past few years, Congress has passed legislation that increases the flexibility of retirement savings vehicles, especially defined benefit plans for high income pre-retirees. The changes significantly enhance the appeal of these programs by raising the annual benefit amounts and expanding the range of participants who qualify. Ideal candidates for defined benefit plans are self-employed business owners or professionals

looking for higher deductions. For more information on tax strategies related to the establishment of a defined benefit plan, see the sidebar on page 5, "A Tax Strategy for High Income Baby Boomers."

Saving for a comfortable retirement may be the most important financial challenge boomers face today.

While there are many ways to fund a child's education and other life events, there are few alternatives for ensuring adequate income through one's retirement years. Your Stifel Nicolaus/Stone & Youngberg Financial Advisor can assist in determining what you may need in savings to fund your desired retirement lifestyle, and help devise a savings plan that works best for you and your family today and going forward.

Nothing is as important as preparing *now* to ensure that your retirement dollars last a lifetime. ■

GOING GREEN: REDUCE YOUR GLOBAL FOOTPRINT BY CHOOSING PAPERLESS COMMUNICATION



At Stifel Nicolaus/Stone & Youngberg, we partner with our clients to minimize our impact on the environment. To this end, we are working to decrease the amount of paper we use in the course of doing business, and offer you the choice of receiving printed communications via U.S. Postal Service, or electronic documentation delivered via email.

If you'd like to receive this newsletter, trade confirmations, account statements, and other information electronically, or simply would like to consolidate your Stifel Nicolaus/Stone & Youngberg mailings into one USPS envelope, please contact your Stifel Nicolaus/Stone & Youngberg Investment Executive or visit us at www.syllc.com/paperless and provide us with your email address. We thank you for considering the electronic option.



MISSION-BASED INVESTING:

Adding Personal Values to Your Portfolio

by TOM LOCKARD, MANAGING DIRECTOR, PUBLIC FINANCE

Putting Your Money Where Your Heart Is Over the past thirty years, matching investment goals with personal ethical goals has grown in popularity while becoming easier to achieve. As capital markets have expanded and the global economy broadened, investors are finding many different ways to align their personal interests with well-diversified and balanced investment portfolios.

Mission-based investing, or MBI, is generally an investment style that yields personal satisfaction as well as the potential for market-rate returns. Examples of this philosophy cover a broad range, but may include investing in a program of micro-loans in a developing economy, a portfolio of bonds that finance affordable housing developments in the U.S., or stock purchases of publicly-held companies working to advance medical diagnostics or therapies.

Public Sector Investing

One investment choice where one's conscience can be aligned with one's pocketbook is through buying municipal bonds. These securities finance public and higher education, clean water and energy, low-income housing, hospitals, parks and open space, economic development and "brown fields" redevelopment, pollution control, public transportation, libraries, and more. Financial Advisors at Stifel Nicolaus and Stone &

Youngberg can help private clients choose bonds based on where an issuer is located – perhaps in the investor's own community – or based on specific projects or facilities funded by the loans – new schools in areas where a large portion of children receive federally-subsidized school lunches, or cities making the transition from traditional to green energy sources.

Choice and Flexibility

As one of America's largest underwriters of new issue municipal bonds, Stifel Nicolaus/Stone & Youngberg provides its Financial Advisors access to a wide variety of products that can form the foundation of a fixed income mission-based investment program. Besides diversifying through issuer location or project type, a client's requirements for credit quality, term, coupon, and call feature can be met in a socially responsible portfolio. Equity products and alternative investments also are available at Stifel Nicolaus/Stone & Youngberg to complement a selection of fixed income securities and achieve an investor's financial goals.

Today many high net worth individuals want to see their investments in the capital markets move society forward and improve the quality of life of others as well as themselves. Mission-based investing is one way to carry out that plan. ■

INVESTING IN YOUR FAMILY'S FUTURE:

Three Gifts That Keep on Giving

by DOUGLAS C. HESKE, MANAGING DIRECTOR, PRIVATE CLIENT GROUP

With the holidays fast approaching, many parents and grandparents are trying to decide on appropriate and meaningful gifts for their children or grandchildren. Several gifting strategies have the dual benefit of illustrating the advantages of long-term saving and investing, while providing parents and grandparents an opportunity to share life lessons with loved ones during the holiday season.

A “stocking” of stocks

A gift of equities will give children a financial head start for a lifetime. Purchasing stock can help educate your heirs on the importance of financial responsibility, and will demonstrate the value of building a nest egg. Stock-picking also can open a window of insight into the national and global economies when you discuss how to make choices among companies and sectors.

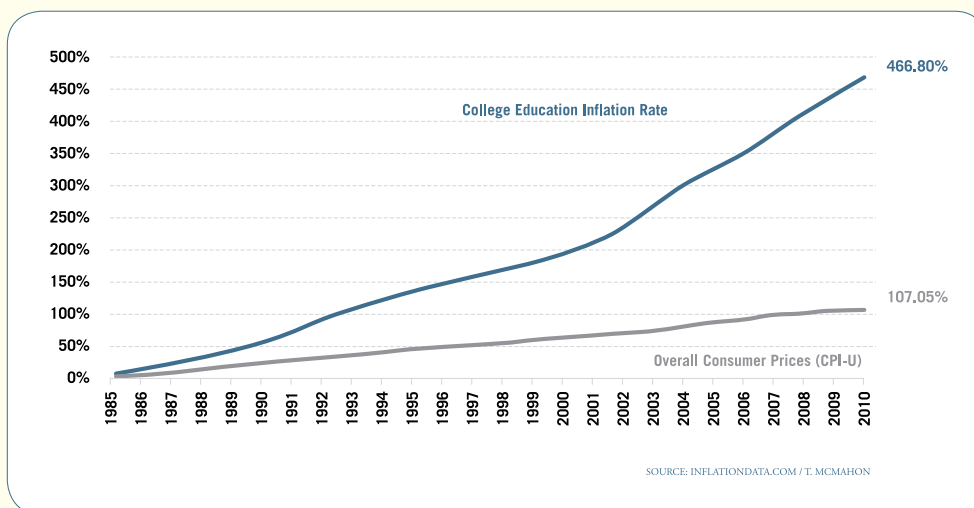
Seeding a portfolio of common stock can be accomplished for a relatively small amount of money – and minimal fees – while building a foundation of knowledge about the financial markets. For a young

person, owning shares in The Walt Disney Company, Apple, or Amazon.com can be a learning experience coupled with fun as they receive annual reports and are invited to shareholder meetings. Sticking with high-quality growth companies also can pay off handsomely: 100 shares of Apple purchased in mid-1991 for \$1,200, then held for twenty years, would be worth \$40,000 today. (And Apple doesn't pay a dividend!)

Financing higher education

Another valuable investment vehicle for educating children – both financially and literally – is a college savings plan. With college tuition rates inflating at 8% a year, and doubling every nine years, the funding of a 529 college savings plan is more important than ever. Economists currently predict that the price of attending a state college will soar to \$120,000 by 2015.

Since 1985, the U.S. inflation rate has increased 107%. But during this same period, college inflation has increased 467%. The following chart illustrates the divide:



College Tuition and Fees vs. Overall Inflation (CPI-U) Cumulative Inflation Comparison

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INVESTING IN YOUR FAMILY’S FUTURE: THREE GIFTS THAT KEEP ON GIVING

While contributions to 529 plans are not tax-deductible, your investment grows tax-deferred and distributions used to pay for college are federally tax-free. Some plans also offer state income tax benefits. Allowable contributions can be substantial: a single plan may be adequate to fully fund your student’s education.

Annual gifting for tax benefits

Distributing investment dollars to your beneficiaries today is another way to provide your family with important tax advantages. In 2011, every individual taxpayer can use the \$13,000 gift exclusion, or \$26,000 per married couple. A taxpayer may make as many gifts as he or she chooses, as long as no recipient gets more than \$13,000 of value in any one year from any one person.

If you make annual exclusion gifts to children or grandchildren now, they receive the benefit of your generosity without paying federal tax on this income, and you receive the pleasure of watching your loved ones

enjoy their gifts. If you were to make the same bequests upon your death, the funds would be part of your taxable estate.

As Kaufman and Hart said, “You can’t take it with you.” Annual gifting to heirs while you are living is a financial strategy recommended by estate tax experts.

Funding a comprehensive investment plan for your family’s future not only circumvents excessive tax requirements, but is one of the most important gifts a parent or grandparent can make this holiday season. Ultimately your largesse may fund a university education or the purchase of a new home, help start a new business, finance a world trip, or support a young adult while he or she works to help those less advantaged. Whatever the outcome, you can be sure your gift will make a life-changing difference to your loved one.

Please call your Financial Advisor at Stifel Nicolaus/ Stone & Youngberg today for assistance with holiday giving plans. ■

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