UBS Financial Services Inc.
The Anselmo/ Meade Group
331 Newman Springs Road
Building 1, 3rd Floor
Red Bank, NJ 07701
866-231-3533

www.ubs.com/financialservicesinc

Alice Anselmo
First Vice President – Investments
Wealth Advisor
Advisory & Brokerage Services
732-219-7239
alice.anselmo@ubs.com

Heather Meade
Financial Advisor
Wealth Advisor
Advisory & Brokerage Services
732-219-5503
heather.meade@ubs.com

Certificates of Deposit

The need for cash on hand varies during your life and it can sometimes be a challenge to manage liquidity needs for your expected—or unexpected—expenses. Certificates of Deposit (CDs) are a great choice if you have a time-specific need or if you just want to diversify risk in your portfolio. And with a variety of maturities to choose from, you'll have the flexibility to invest your cash until it's needed for expenses, other investments or as an additional income stream.

Generally, the longer the maturity, the higher the yield. By looking far enough ahead to know when you will need the cash, you can put the money to work in a CD with a specific maturity that may earn higher yields than a CD with a shorter maturity.

Safety and flexibility— Key reasons for investing in CDs

CDs are relatively low risk investments with a high degree of flexibility. They can be used to pay for near-term expenses like a child's education or to provide an income stream in retirement. Or it can be used as an investment to hold your cash until the market presents other opportunities. Your principal is put to work—gaining interest, until you need it.

CDs available through UBS are from FDIC insured institutions that are insured up to $100,000 in traditional accounts, and $250,000 in retirement accounts.[1] Keep in mind that CDs may have penalties for early withdrawal; therefore, if you cash in a CD prior to maturity, the amount you receive may be less than your purchase price.

Benefits at a glance

- Safe – FDIC insured
- Convenient – can be purchased in increments as low as $1,000
- Flexible – maturities from one month to 20 years
- Dependable – pays interest income quarterly, monthly or semi-annually

The UBS advantage

By purchasing brokered CDs from UBS, you have access to multiple issuers and maturities—providing you with greater diversification opportunities. Brokered CDs, like regular CDs, are designed to be held to maturity.[2] Additionally, CDs available at financial intermediaries, such as UBS, may offer higher rates than those purchased from neighborhood banks.

How CDs can address strategic needs

CDs can provide predictable returns and also enable you to:

Preserve wealth—Depending on your tax situation, you may be able to take maximum advantage of the insurance on CDs by using them in both taxable and non-taxable retirement accounts. Safety comes in the form of the insurance component. You have $100,000 FDIC insurance on any taxable CD and up to $250,000 in retirement accounts. FDIC insurance limits apply to each depository institution which issued the CD. You should check that you do not exceed these limitations within a single depository institution across all CDs and other deposits you may hold. For more information, please visit www.fdic.gov/deposit/.

Improve cash flow—CDs can be an excellent way to supplement your income stream. They can also help you save for future cash flow needs. The variety of maturities and the insured status of CDs make them a simple and dependable way to put your money to work until it is needed.

Diversify—By adding CDs to your portfolio, you may offset volatility of other asset classes during market uncertainty.

Transfer wealth—Many CDs offer a survivor's benefit, which provides for greater flexibility in estate planning. In the event of the holder's death, the heirs may be able to liquidate the CD at any time regardless of maturity date—without penalty.

Laddering can boost CD yields

A strategy for balancing flexibility and higher yields, laddering divides your cash among CDs of varying maturities. By purchasing a series of CDs with staggered, or laddered, maturities, you can benefit from a higher "average" yield than you would get with a typical one-year CD.

For example, if you had $250,000 to invest, you could buy a $50,000 one-year CD, a $50,000 two-year CD and so on, until your last $50,000 is invested in a five-year CD. When the one-year CD matures, you would reinvest that money in a four-year CD, because by that time your five-year CD has four years left until it matures. As each year's CD comes due, you would roll it into a CD that matures at the same time the original five-year CD matures. To ensure that your $250,000 was fully covered by FDIC insurance, it would be advisable to purchase the various CDs from different banks.

Laddering can also help mitigate interest rate fluctuations and allow access to cash each year. If rates drop, you'll still be locked in at higher rates for a portion of your investment. When rates rise, your next rollover can take advantage of the higher rate.

While CDs are relatively safe investments, no investment is without risk. CDs are designed to be held until maturity, so buyers should be willing to do so. Holders seeking to sell them before maturity may not be able to do so without incurring a loss. Also, investing in CDs beyond the FDIC coverage limitations may place some of your principal and interest earned at risk. An over-allocation to cash or CDs may inhibit your ability to grow your assets over your expected investment horizon.

For more information

There are a variety of CDs that can offer attractive yields and address the specific needs of your portfolio. Please contact me for assistance in determining which one is best for you and your overall asset allocation strategy.

[1]
- **FDIC Insurance Maximum Coverage – Non-Retirement Accounts** – Interest and principal are insured up to a maximum of $100,000 for all deposits held in the same legal capacity at the same depository institution. Individual accounts that exceed the specified $100,000 maximum of aggregate principal and interest are considered uninsured for the difference. Furthermore, CDs purchased at a price above par (at a premium) are only FDIC insured up to par value. Any premium paid over par value is not FDIC insured. FDIC insurance limits for certain retirement accounts are described below.
- **FDIC Insurance Maximum Coverage for Certain Retirement Accounts** – Interest and principal are insured up to a maximum of $250,000 for all deposits per issuing institution and held, in the aggregate, in the same legal capacity in IRAs, self-directed 401(k) plans, Keogh plans and Section 457 plans. Retirement accounts that exceed, in the aggregate, the specified $250,000 maximum of principal and interest are considered uninsured for the difference. Furthermore, CDs purchased at a price above par (at a premium) are only FDIC insured up to par value. Any premium paid over par value is not FDIC insured.
- **FDIC insurance coverage is limited for each depositor** – Investors with Certificates of Deposit from the same institution but which are held in multiple accounts or firms must verify that they do not exceed their aggregate insurance limit for their combined deposits.
- **Trust accounts** – FDIC insurance coverage for trust accounts varies depending upon several factors, including but not limited to trust type, trust ownership, number of beneficiaries and relationship of beneficiaries to the trust owner. Trust owners should consult with their legal advisors to determine how FDIC insurance applies to their particular trusts. If you have a trust account, you and your legal advisor may contact the FDIC at 1-877-275-3342 for more information or visit their website at www.FDIC.gov

[2]There is a limited secondary market for clients that wish to sell their brokered CD before stated maturity and the sale price may be lower or higher than the purchase price depending on market conditions. UBS may, but is not obligated to buy back CDs prior to maturity.

www.ubs.com/financialservicesinc

UBS Financial Services Inc. is a subsidiary of UBS AG.
©2008 UBS Financial Services Inc. All Rights Reserved. Member SIPC.