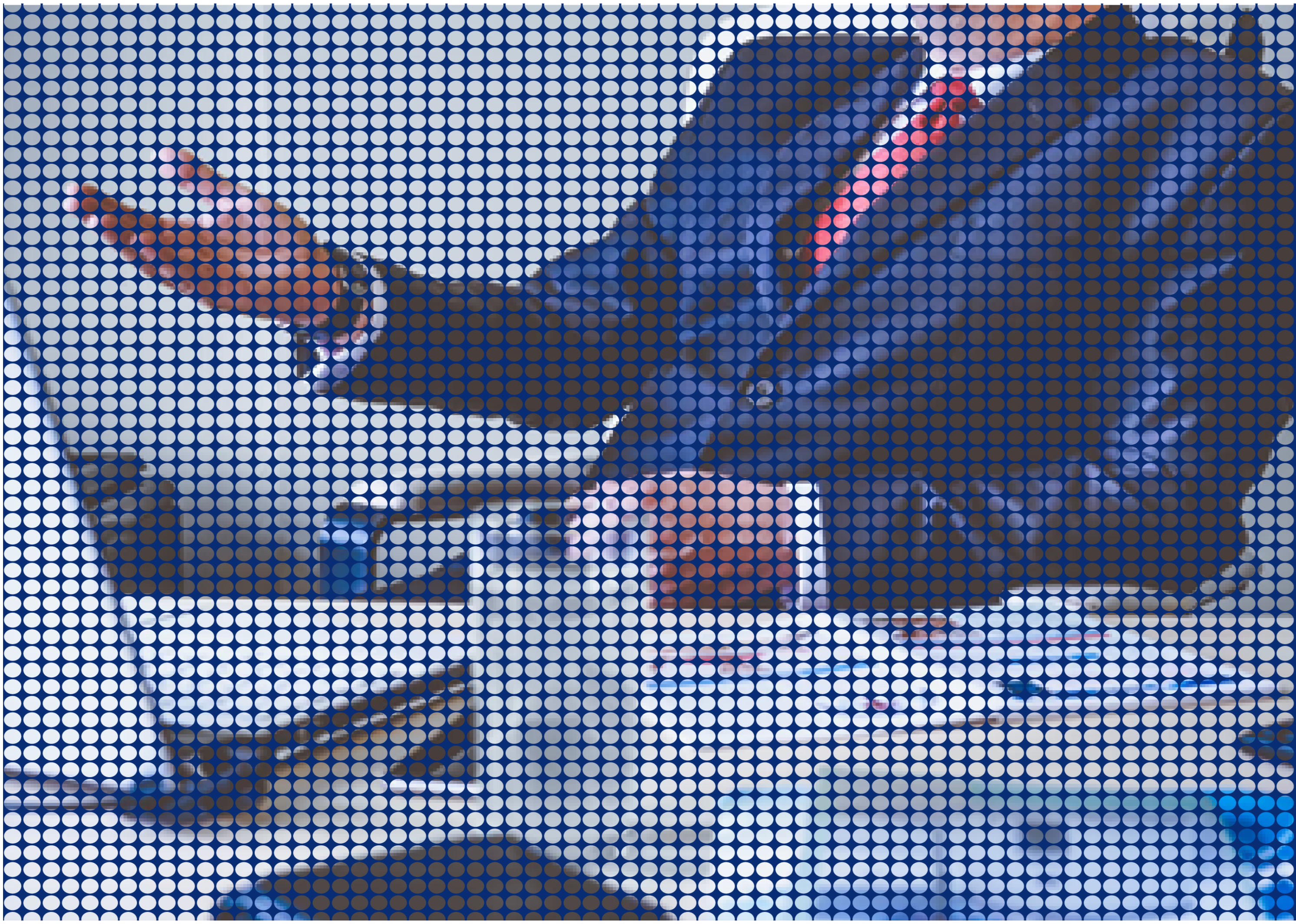

Investing Through Unit Investment Trusts

A reference guide for financial advisors and their clients.

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Sponsored By

At the end of 2018, there were almost 5,000 UITs with assets of approximately $70 billion.

UITs in Brief

Unit investment trusts—or UITs for short—are a type of investment fund. Investors in UITs purchase units of the trust, which represent an ownership interest in the investments held by the UIT. The trust may distribute any interest or dividend income earned on a schedule established by the trust. (The distributions may be subject to tax.)

UITs have two unique features which distinguish them from other investment funds.

Fixed Term

Unit investment trusts are issued with a fixed term. Depending on the UIT's investment objectives and underlying assets, these terms have generally ranged from 1 to 25 years. The term as well as other important investment information is specified in the UIT's prospectus.

At the end of the fixed term, cash equal to the value of the units can be returned to investors. (Taxes may apply.) In certain cases, investors purchasing more than a specified number of units may have the option of receiving the investments held by the trust rather than cash (known as an "in-kind distribution").

Alternatively, investors may have the opportunity to roll their investment into another trust from the same, or different, sponsor. The "rollover" allows the unitholder to continue his or her investment program uninterrupted.

Buy and Hold Portfolio
Unit investment trusts are a buy-and-hold investment strategy. In other words, the securities in the UIT's portfolio normally do not change significantly during the life of the trust.

This buy-and-hold approach may be of interest to investors who would like a high degree of portfolio and potential income stability to implement an investment or financial planning strategy. A buy-and-hold approach also can add a level of investor discipline to one's long-term planning and goals.

What types of unit investment trusts are available? UITs using a variety of investment approaches are available in a wide range of asset classes. Popular options include trusts investing in tax-exempt (or municipal) bonds, taxable bonds, preferred securities, and common stocks from domestic and non-US companies.

Can a UIT be purchased in an individual retirement account? Yes. UITs can be held in most IRAs and brokerage accounts. Investors should check with their financial advisers for details.

Can a UIT be purchased in a fee-based account? Yes. UITs can be purchased in fee-based (also known as "wrap accounts") as well as brokerage accounts. Purchases in fee-based accounts are at a discount to the standard sales charge. Investors should check with their financial advisers for details.

Product Features

Daily Liquidity
Investors can redeem their unit investment trust shares on any business day at a price determined by the current value of the investment portfolio at the end of the trading day. The redemption price may be higher or lower than the purchase price. Be sure to check the UIT's prospectus for details.

Dividend Reinvestment
Most unit investment trusts allow investors to reinvest dividends into additional units of the same trust with no sales charge. Ask your financial adviser or read the UIT's prospectus for more information.

Regulation
Unit investment trusts are regulated by the U.S. Securities and Exchange Commission.

Professional Investment Selection
Investment professionals oversee the selection and purchase of trust portfolio components, after researching and evaluating the investments which are consistent with the objective of the trust.

Are the portfolio holdings of a UIT always fixed? Normally yes, but the trust supervisor may be able to authorize sale of a particular holding if severe, adverse conditions should arise.

What's the biggest difference between a mutual fund and a UIT? A mutual fund is more likely to be actively-managed, meaning that it regularly trades in securities, while a UIT follows a buy-and-hold strategy.

What about a UIT versus an exchange-traded fund (ETF)? An ETF, whether actively or passively managed, is also more likely to regularly trade its underlying securities, while a UIT follows a buy-and-hold strategy. In addition, investors purchase and redeem UIT units directly with the trust at the end of every business day; ETF shares are bought and sold in the market during the trading day.

Important Information for Investors

Fees and Taxes
Investors in unit investment trusts pay fees to participate in the trust. Investors generally pay a sales charge when they initially purchase units in UIT. They also pay an annual fee to cover the costs of operating the trust. Fees can have a significant effect on investor returns.

Investors may be liable for taxes on income associated with a UIT investment.

Risks

As with all investments, investors can lose money investing in unit investment trusts. Past performance may not be indicative of future results, and a UIT might not perform as well as an investor expects. Investing involves risk, including the risk of a loss of principal.

UITs will be affected by the performance of their investments. Security prices will fluctuate. UITs may be subject to additional risks depending on the investment strategy.

UIT portfolios are not actively managed. Except in limited circumstances, UITs will hold, and continue to buy, shares of the same securities even if their market value declines.

Prospectus

Complete information about a unit investment trust is included in the document called a prospectus. Investors should read and consider the prospectus carefully before purchasing a UIT. This type of investment may not be suitable for all investors. To determine if a UIT is an appropriate investment for you, carefully consider its investment objectives, risk factors, charges and expenses before investing.

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