Important Information about Fixed-Income Securities Featuring a Survivor's Option (or "Death Put")

We have prepared this document to help you understand the common characteristics and risks associated with investing in fixed-income securities with a survivor's option feature to assist you in making a more informed decision when buying or selling these securities. This document is compiled for your information and is intended to be a conversation starter between you and your Baird Financial Advisor or other appropriate experts, such as your tax or legal advisors. Your Baird Financial Advisor is available to address your questions and discuss the features, characteristics, costs, and risks of any particular investment.

Characteristics of a Survivor's Option

A survivor's option, also known as a death put, is an optional redemption feature on a fixed-income security. Used as an estate planning tool, a survivor's option generally allows for the commission-free resale of the securities by the estate of the instrument's deceased beneficial owner. However, a decedent's estate must exercise a survivor's option prior to distribution to the ultimate beneficiary. The survivor's option almost always comes at a cost to the investor; typically either as a direct cost or a lower rate of return.

Diverse Requirements and Limitations on Exercising a Survivor's Option: An estate's ability to successfully exercise a survivor's option is subject to issuer-specific terms and conditions, which are contained in the security's prospectus or offering circular. The terms and conditions vary by account type, so you should carefully read the prospectus or offering circular for complete details on the survivor's option features. Generally, survivor's options may not be redeemed, or "put back", if held in irrevocable trusts. Moreover, the issuer retains the discretion to determine whether a survivor's option is eligible to be exercised if held in a certain type of account.

Certain requirements may need to be met before exercising the options and may vary from issuer to issuer. Some common requirements may be:

- Minimum holding periods (frequently at least 6 to 12 months);
- Limits on the total amount of principal that can be resold to the issuer;
- Limits for an individual deceased owner; and
- Differing eligibility guidelines for different types of accounts (such as trusts, joint accounts and Individual Retirement Accounts).

You should contact your Baird Financial Advisor to discuss and evaluate the characteristics, possible requirements, and limitations of an investment in a fixed-income security containing a survivor's option.

Understanding the Risk

Risk is inherent in any investment product or strategy. Certain of the common risks and other important considerations associated with investment in fixed-income securities with a survivor's option feature are highlighted below. You are strongly encouraged to review the prospectuses or other disclosure documents associated with any product for a more fulsome discussion of additional risks and other important considerations before making any invest decision. Additional information regarding investment risks generally and other important consideration is also available at https://www.bairdwealth.com/retailinvestor.

The risks and costs associated with purchasing a fixed-income security with a survivor's option feature are two important factors to consider before making a purchase decision. Securities containing a survivor's option will likely trade at a lower yield because of the option. Moreover, because of issuer-specific requirements and depending upon whether the security trades at a premium or discount, a survivor's option may ultimately have little or no value to a decedent's estate.

Fixed-income securities are also subject to other risks, which include but are not limited to:

- Interest rate risk, which is the risk a bond's value will decrease due to an increase in interest rates;
- Credit risk, which is the risk an issuer may not be able to meet its payment obligations under a loan or other contractual obligation;
- Liquidity risk, which is the risk a security may not be sold quickly enough to prevent or minimize loss;
- Default risk, which is the risk an issuer will be unable to make the required payments on their debt obligations; and

- Reinvestment risk, which is the risk that future proceeds derived from the security will have to be reinvested at a lower interest rate.

More Information

Before investing, it is important to read and understand the security's prospectus or offering circular and other informational documents provided by each issuer that describe a security's risks and costs. In addition, you should also discuss potential risks and costs with a Baird Financial Advisor. For a copy of the prospectus or offering circular, please contact your Baird Financial Advisor at 1-800-RWBAIRD.

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