



Roth 401(k) available January 1, 2006

Imagine having your future retirement savings distributed to you tax free. That's what the Roth individual retirement account (IRA) is all about: Contributions are made with after-tax dollars, the funds grow tax-deferred and qualified distributions are tax free.

Roth IRAs have been popular for many years for taxpayers with adjusted gross income (AGI) below certain levels (\$160,000 for married individuals and \$110,000 for unmarried individuals).

Beginning in 2006, Roth 401(k) plans will be available to employees whose employers adopt the plans. One significant difference is that there are no income limitations to participating in a Roth 401(k).

Even highly compensated employees will be able to contribute up to \$15,000 per year and avoid income tax liability on the earnings in a Roth 401(k) (\$20,000 if an employee is eligible to make age 50 catch-up contributions).

Contributions to the plan must be designated as Roth contributions before the date they are contributed to the plan. The employer will treat the contributions as taxable income at the time of the contribution.

Employers can match contributions; however, they will be treated as pre-tax contributions subject to taxation upon distribution. Earnings will be tax deferred and distributions will be tax free if they are "qualified" distributions.

Generally, qualified distributions are distributions made after an individual reaches age 59½ and may not be made within five years of the first contribution to the plan.

Because 401(k) plans do not automatically have a Roth feature, employers must

amend their plans to include it, and additional recordkeeping functions must be put in place and the proper forms developed.

Telephone credit card scam

Con artists claiming to be employees of credit card security and fraud departments are calling consumers in an attempt to steal confidential credit card information.

A consumer is told his/her credit card account has been flagged because someone has tried to make a fraudulent purchase. The thief sounds professional, giving fake names, confirmation numbers and even the credit card company's correct customer service telephone number.

During the call, the consumer is asked to give confidential account information to confirm he/she is in possession of the card. Armed with this information, the crooks make fraudulent purchases, leaving consumers to deal with the mess.

Credit card companies do not normally request a customer's account information because they already have it. If you receive such a call, don't give your account information. Instead, report the call to your credit card company's customer service line.

Telephone excise tax refund opportunity

Taxpayers may have an opportunity for refunds of federal excise tax paid on long distance telephone bills for the past three years.

The federal government requires telephone service providers to collect a 3% excise tax on long distance services, including

800 numbers and phone cards. Various courts have recently ruled this excise tax does not apply to most modern long distance telephone plans.

Although the IRS has appealed some of these decisions, taxpayers should act now—before the time limits on claiming refunds expires—to preserve refund opportunities in prior years.

Refunds could potentially be as much as 3% of long distance phone bills for the last three years. Of course, you will need to weigh the costs of filing in deciding whether or not to pursue refunds.

New rules combat abusive tax shelters

As the U.S. government combats abusive tax shelters, those taxpayers involved in them are required to disclose them on their tax returns.

Unfortunately, the wide net cast by the government to enforce disclosure is broad

What's inside:

- ◆ Page 3 - *Education tax breaks: know your options*
- ◆ Page 5 - *Fraud: easier to identify & reduce risk than recoup losses*
- ◆ Page 6 - *Future is yours: plan wisely with your advisor's help*
- ◆ Page 7 - *Market commentary from BKD Wealth Advisors*
- ◆ Page 8 - *BKD Public Interest Council announces new member*

and also may catch many innocent taxpayers, including businesses and individuals.

For tax returns due after October 22, 2004, the new rules impose penalties as high as \$100,000 on individuals and \$200,000 on C corporations that fail to include the special disclosure.

These penalties are essentially automatic and apply even if there is *no* understatement of income. The special disclosure is required when a taxpayer engages in a "reportable transaction," generally one of the following, although certain exceptions apply:

Listed transactions - The IRS has determined certain transactions are likely to be abusive tax shelters and has identified them in published guidance that applies to all taxpayers, not just big corporations. Details about listed transactions are available at irs.gov/businesses/corporations.

Confidential transactions - A confidential transaction is one that contractually obligates a taxpayer not to disclose the strategy to others. These obligations have been used by promoters of abusive tax shelters to protect the secrecy of their proprietary ideas and strategies.

Transactions with contractual protection - A transaction has contractual protection if the taxpayer has a right to a refund of professional fees because a tax strategy did not achieve the promised results.

This includes certain but not all contingent fee agreements. Claims for refunds on amended returns are generally not included in this category.

Promoters of abusive tax shelters sometimes use contractual agreements to convince taxpayers to "play the audit lottery."

Large loss transactions - Generally, loss transactions include capital losses and others because of worthless stock, casualties, disaster, insolvent financial institutions, theft and wagering.

These losses are reportable if they exceed the following thresholds:

- ◆ For C corporations, \$10 million in any single tax year or \$20 million in any six-year period
- ◆ For other taxpayers, \$2 million in any single tax year or \$4 million in any six-year period
- ◆ For foreign currency transactions, the threshold is reduced to \$50,000 for individuals and trusts

Large book vs. tax differences - If the tax treatment of a transaction differs by more than \$10 million from the taxpayer's book treatment, the transaction is generally subject to the special disclosure rules.

This rule applies only to publicly traded companies or businesses with total assets of \$250 million or more.

Transactions involving a brief asset holding period - Certain abusive tax shelters are characterized by very brief ownership of certain assets or investments.

This includes any transaction that results in the taxpayer claiming a tax credit exceeding \$250,000 if the underlying asset giving rise to the credit is owned for 45 days or less.

In addition to the required taxpayer disclosures, certain individuals who organize, sell or give advice about one of these transactions are required to make a special dis-

closure to the IRS and maintain a list identifying the people involved.

Any such advisor who fails to comply is subject to a penalty of as much as \$200,000 or more for nondisclosure and a \$10,000 per-day penalty for not maintaining the list.

There are instances in which all the above transactions are legitimate and are not abusive; however, legitimate transactions must nonetheless be disclosed to avoid potential penalties.

If you are involved in any of these transactions, notify your BKD advisor immediately.

Safeguard important records from disaster

No one *expects* to be the victim of a disaster, but, every year, people find themselves in the midst of fires, floods, earthquakes and other catastrophic events, often with little, if any, time to prepare.

And, every year, personal and financial records are lost because they can't be located quickly in an emergency.

To safeguard your personal and financial records, it's important to organize them for easy access in case a disaster suddenly forces you from your home.

Personal records to safeguard

- ◆ Family birth certificates
- ◆ Adoption papers
- ◆ Social Security cards
- ◆ Health insurance identification cards
- ◆ Marriage certificate, divorce decree or separation agreement
- ◆ Passports

Financial records to safeguard

- ◆ Deeds to your home and other property
- ◆ Vehicle titles and registrations
- ◆ Auto, life and homeowners insurance policies
- ◆ Bank account information
- ◆ Investment records
- ◆ Wills, trust agreements and other estate planning documents
- ◆ Mortgage and loan agreements
- ◆ Credit card information
- ◆ Copies of tax returns

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Education tax breaks: know your options

Whether you're paying college tuition now or expect to do so in the future, consider existing tax breaks.

If one of the tax breaks outlined here isn't enough to significantly defray your school bills, you may be able to put them together to increase your tax savings. But be careful: There are limits to how they can be combined.

Higher-education expense deduction

- If you pay college tuition this year, you may be eligible for a deduction.

The maximum deduction of \$4,000 will be available if your modified AGI does not exceed \$65,000 (\$130,000 if you are a joint filer).



A \$2,000 deduction is available to those with AGI up to \$80,000 (\$160,000 for joint filers). Married couples that file separate returns and individuals who can be claimed as dependents are not eligible.

After 2005, the deduction will no longer be available.

Hope and Lifetime Learning credits

- The Hope Scholarship credit may help you recover up to \$1,500 of qualified tuition and related expenses annually for the first two years of post-secondary education.

Under the Lifetime Learning credit, up to \$2,000 per year can be used for each additional year of post-secondary education or job training.

Both credits are phased out for joint filers with \$85,000 to \$105,000 of AGI and for single/head-of-household filers with \$42,000 to \$52,000 of AGI.

Married individuals who file separate tax returns may not claim either credit.

Section 529 plans - If you are saving for college, consider participating in a

qualified tuition program (also called a Section 529 plan).

These state-sponsored plans offer the opportunity to invest for a child's higher education in a tax-favored manner.

You cannot deduct plan contributions for federal tax purposes; however, some states allow a deduction for state tax purposes for contributions to their particular state-sponsored plan.

The benefit is that account earnings are never taxed if the money is used for qualified education expenses (including tuition, room, board and books) at an eligible educational institution. There is no annual income limitation for making contributions.

Coverdell ESAs - You also might consider putting aside up to \$2,000 a year per child in a Coverdell Education Savings Account (ESA), formerly an education IRA.

For federal tax purposes, these accounts are treated in much the same way as Section 529 plans, but the funds also can be used for certain elementary and high school expenses.

ESAs also may provide many more investment options than state-qualified tuition programs.

Annual contributions for a beneficiary are limited to \$2,000. To make the maximum contribution, the contributor's AGI can't exceed \$95,000 for a single filer or \$190,000 for a joint filer.

Partial contributions are allowed with AGI between \$95,000 and \$110,000 (single) and \$190,000 and \$220,000 (joint).

Piecing together the puzzle

There are limitations so be careful how you piece these tax advantages together.

For instance, you can't claim the education expense deduction for expenses paid with tax-free earnings from an ESA or a qualified tuition program.

Example: In 2004, Maude paid \$20,000 for her daughter's college tuition. Of the \$20,000, \$18,000 came from earnings in her state-qualified tuition program.

Maude may deduct only \$2,000 (using the higher-education expense deduction) on her 2004 tax return (\$20,000 - \$18,000).

In addition, the Hope Scholarship credit or the Lifetime Learning credit cannot be claimed in the same year you claim the higher-education expense deduction.

Example: In 2004, Jack qualified with higher education expenses of \$6,000. He also was eligible for the Hope Scholarship credit. He would have to decide whether to claim the deduction or the credit because he cannot claim both.

Solving the puzzle

Selecting from the various education tax provisions to increase your tax savings can be challenging.

Couples with an AGI of less than \$105,000 who are faced with choosing between the credit and the deduction should consider the after-tax benefit of both options.

Example: Sam and Sally paid \$30,000 in 2004 for their son's last year of college. They earn less than the AGI limit and are in a 25% tax bracket.

If they take the maximum \$4,000 higher-education expense deduction, the tax benefit will be \$1,000 (\$4,000 × 25%); however, if they take the Lifetime Learning credit instead, the tax benefit will be \$2,000.

The combination of the various income phase outs and your income level may make some of these decisions for you.

Example: If your income is too high to allow you to take the Hope Scholarship or Lifetime Learning credit, your only choice may be to take the deduction for higher-education expenses.

Everyone's situation is different. Though there is no magic formula for increasing the savings available from education-related tax breaks, it may be possible to fit different plans together into a puzzle that works best for you. ❖❖❖

You also may want to make a list of the names, addresses and phone numbers of your financial institution, insurance agent, attorney, doctor and financial advisor and keep them with your records.

You've gathered them—now what?

Now that you have all your important documents together, you'll want to keep them that way. One option is a fireproof box you can take with you during an evacuation, but you also should keep copies of all important documents in a safe place *outside* your home.

You could rent a safe-deposit box for copies; just be sure someone who doesn't live in your home has a key. You may even want to stash some extra cash or a credit card in both places to cover expenses for food or a hotel room.

Document your possessions

Having a list of what you own can help you file insurance claims or tax deductions in the event of a loss. Inventory your furniture, audio and video equipment, appliances, computer equipment, jewelry, collectibles and other expensive items.

Write down what you paid for the items, and keep the list, along with sales receipts, with your important documents. To help prove what you own, photograph or videotape your possessions.

Computer software programs also are available that can help you organize your records. Make sure you print a hard copy of the information or copy it to a disk and store it with other important documents.

Put it in writing

Susie wanders in half an hour late two or three times a week. James checks his personal e-mail and monitors Internet auction prices at work. They're both good workers, but they're giving other employees the wrong message.

If your company has problems like these or wants to avoid them, it might be time to

create an employee handbook. Sound too "corporate"? The truth is, even small businesses can benefit from an employee handbook.

Having things in writing puts employees on equal footing, gives you rules to enforce and helps new hires learn them quickly.

Put the following in writing:

Mission statement - Paint the big picture. What is your company all about? What are its goals? A mission statement can help employees feel more like part of the team.

General policies - Spell out your dress code, hours of operation, pay periods, holidays, policies for telephone and Internet use and other general information.

Leave - Cover your policies on sick leave, vacation time, maternity leave, jury duty, personal and funeral leave and military duty.

Benefits - Provide information about health, disability, or life insurance or other

benefits.

Discipline - Some courts consider employee handbooks as legally binding contracts. Check with an employment attorney for help and advice.

BKD can help you put it in writing. We offer comprehensive human resources (HR) consulting services that include:

- ◆ Employee retention
- ◆ Productivity enhancement
- ◆ Supervisor training
- ◆ Competency assessments
- ◆ Organized labor relations
- ◆ Policies, procedures and regulatory compliance
- ◆ Benefits and compensation

We can assist you in acquiring valuable HR skills that can help your company work more effectively with its employees.

An HR management assessment can help measure your overall HR effectiveness by pinpointing your company's strengths and weaknesses. Contact your BKD advisor for more information.◆◆◆



Fraud: easier

by David Bowden, Springfield,
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When employees decide to commit fraud, they act on a decision to misappropriate their employer's assets.

When it comes to fraud prevention, changing the attitudes and actions of owners and managers can be more important than knowing what a dishonest employee is about to do.

As an owner or manager, it's possible to unknowingly create situations that not only invite embezzlement but help perpetrators get away with it.

Though you may be used to looking at reports and asking questions about the figures you see on paper, how well do you understand what goes on behind the numbers?

Your employees are behind the numbers, including trusted individuals who you'd never think could pose a fraud risk to your organization.

The more you know about your risks, the better able you are to help your organization save thousands of dollars by sealing opportunities employees can use to commit fraud.

The basics

First, to reduce the risk of embezzlement, you must accept that it can and does happen inside any entity that handles money. **If you think it can't happen to you, then you only increase the risk it will occur.**

We all like to think we're good judges of character, but the most common words a fraud investigator hears are "I didn't think he/she was that type of person."

Decision makers are devastated when an employee betrays them. When we place great trust in another human being, we let our guard down and often fail to take basic precautions, which puts perpetrators in the best possible position where they can inflict the most damage.

to identify & reduce risk than recoup losses

Second, just because you can't see it now, doesn't mean that embezzlement hasn't happened. Such crimes can take place undetected for several years.

Third, if something doesn't seem quite right, pay attention to your "gut feelings." Perhaps it's the explanation you receive about a questionable expense report item, a payable or a receivable.

Don't be tempted to accept an explanation if something seems unusual. Search for supporting documentation and follow up. It takes a little extra time, but it can pay large dividends.

Pay attention: Does an employee's lifestyle match his/her income? Does an employee frequently work after hours? Does someone with many responsibilities skip vacations? **If an activity seems wrong, investigate immediately.**

Internal controls a must

You can implement a number of internal controls to reduce your risk of fraud. Two of the best: **Divide key responsibilities between employees and check your employees' work unannounced.**

Criminal suspects often admit being able to do practically anything because of their access to so many records and because no one ever looked at what they were doing.

When was the last time your organization conducted a fraud check up? It may be worth the expense to have an experienced professional periodically investigate your internal controls for improper structuring or questionable transactions.

It costs far less to assess risk and maintain sound internal controls than it does to recover losses after they've occurred.

And if you discover fraud?

If you discover you're the victim of fraud, do you confront the employee you suspect? Stay calm, but have a plan of

action. **To avoid further loss, act quickly but act correctly.**

If you have a fidelity bond—which is the best-case scenario—contact your insurer and also speak with an attorney when you discover the theft and get legal advice.

A mishandled confrontation and/or investigation can result in further losses if the suspect sues your organization because it can't prove its case.

Yes, that happens, so carry out the interview and investigation professionally. **To avoid being victimized twice, respect the rights of the accused.** Conducting such an interview takes extensive preparation and an understanding of how people react in interview settings.

Entities sometimes confront suspected employees who confess; however, the suspect may only divulge what he/she thinks you already know. You may not learn the true extent of the crime or your losses.



Suspects often try to reduce the damage they've caused by seeking sympathy, offering apologies or promising to make restitution, which you may never receive.

Another common problem is obtaining what some fraud examiners call a "blanket confession." This is where the suspect *generally* explains what happened but does not confess to a specific crime.

Example: An employee tells you he/she

stole \$10,000 from your organization. You might think this a satisfactory confession, but it won't stand up in court if the individual doesn't identify specific fraudulent transactions, such as how, when and where the crime was committed and what was done with the money, etc. **Tie confessions to supporting records.**

How you document what is said or done during a confession can affect the way a suspect's statement can be used in court by your private attorney or a prosecutor.

Prosecuting fraud demands skill & experience

Not everyone speaks your business or industry's language, which can be a major challenge in investigating and prosecuting white-collar crime.

It's difficult to translate a complex set of facts and supporting documents into an understandable product a jury will find interesting and easy to follow, but unclear information won't help you win your case.

If a jury loses interest, or the presentation is too complex, the purpose is defeated. **Working successfully with the legal system takes experience and skill.** That's what certified fraud examiners bring to the process.

BKD's Forensics & Dispute Consulting (FDC) team includes certified fraud examiners skilled in using forensic computer services to gather and analyze evidence.

Members of our FDC team can help you assess risk, which can help reduce your chances of becoming a victim of fraud. If you already are a victim, our FDC consultants can conduct interviews, prepare reports and testify for you in court.

Contact your BKD advisor or FDC advisor for more information. ❖❖❖



Future is yours: plan wisely with your advisor's help

by Jim Lincicome & Mike Loveless, BKD Wealth Advisors, LLC,
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For generations, investors have grappled with the question “How much risk am I willing to take?” This classic investment strategy is at work in 401(k) plans across the country.

Evolution of planning

Plan administrators hand out one version or another of a tool called the “Risk Quiz.” You answer a handful of questions about your investment time horizon and willingness to take risks. Based on your score, you are assigned an asset allocation (60/40 equities to bonds or 80/20, etc.).

The risk-based approach to investing was created to help pension plan administrators oversee large pools of nontaxable assets. The strategy is designed to create a well-diversified, generally conservative investment portfolio that does not underperform a given benchmark index.

It's a strategy that works well for corporations because they have an investment time horizon that stretches to infinity and a board of directors who will be disappointed if the quarterly investment returns don't compare favorably to the benchmark.

As interest in investing grew, the risk-based strategy was adopted for the public, but it is an imperfect fit.

Most investors have specific goals, such as retirement or funding a child's education. These goals require a specific amount of money at a specific point in time regardless of the performance of any benchmark index.

To help investors achieve their goals, some financial services firms have developed an investment approach called goals-based planning.

Goals-based planning offers more realistic approach

Risk-based planning is grounded on the unlikely assumption your investments will deliver a specific rate with no fluctuation, but with goals-based planning, the probability your investments will perform worse or better than expected is factored in.

The mathematical model used in these calculations is known as the “Brownian motion” or “random walk” model.



Goals-based planning takes into account the volatile nature of the stock market and demonstrates the potential impact both positive and negative market fluctuations can have on your portfolio.

Unlike the risk-based methodology that assumes a specific rate of return and multiplies it by the number of years in an investor's time horizon, the random walk method generates probability-based estimates of investment returns based on various theoretical paths to wealth accumulation.

Contributors to academic journals of finance and investment, as well as many commercially available investment-modeling programs, use this methodology.

Plan like a person, not a corporation

Unlike a corporate pension fund, it is more important for most investors to achieve a specific hard-dollar goal (\$1 million, \$3 million, \$5 million) than it is to meet or beat the performance of a benchmark index.

If you achieve the specific dollar goal that enables you to buy that beach house or retire in comfort, what difference does it make if you underperformed the S&P 500 or beat the Dow?

The next time you look at your portfolio, don't compare its performance to the benchmark index; compare its dollar value to your projected needs. Once you know where you are in relation to where you want to be, you can adjust your investment strategy accordingly.

If you're behind the curve, you can weigh the potential benefits of a more aggressive investment strategy against the peace of mind that may come from adding a few more years to your investment time horizon.

If you're ahead of where you need to be, you can consider the merits of reducing the risk level in your portfolio against the opportunity to achieve your goals sooner than anticipated. Proper planning helps you set attainable goals based on realistic expectations for investment performance.

If you plan properly for retirement and the best-case scenario occurs, you retire early and happy. If it doesn't, you can be confident you will retire on (or close) to your original schedule with your dollar goal covered.

For more information about goals-based planning or for assistance with your investment strategy, call your BKD Wealth Advisors contact. ♦♦♦



Market Commentary

by Jeff Layman, BKD Wealth Advisors, LLC, jlayman@bkd.com

As quickly as oil prices fell below \$45 per barrel in the last quarter of 2004, they rose back above their former peak of \$55 during the first quarter of 2005.

The anticipated drag high oil prices will have on economic growth caused stock prices to decline across the board, much as it did through the middle of last year.

Also, the cumulative effect of seven Federal Reserve (Fed) rate hikes over the past nine months caused market rates to rise, resulting in declining bond prices and slightly negative bond index returns.

For the quarter, the major index results are in the accompanying box.



The revised GDP growth figure for the fourth quarter of 2004 was reported in late February at 3.8%. This represented an upward revision to the preliminary estimate of 3.1%.

For the first quarter of 2005, the preliminary estimate was once again reported at 3.1%.

The pace of economic growth is expected to continue to slow as the year progresses, a normal occurrence at this stage of an expansion.

Fed rate hikes to continue

The Fed continued to raise rates during the quarter, albeit at a “measured” pace. The most recent increase is

the eighth since June 2004, bringing the Fed funds rate to 3%. This is roughly in line with the rate of inflation.

Fed policy continues to be accommodative, and our expectation is that the Fed will continue to raise rates through the middle of this year.

So far in 2005, the 10-year Treasury note yield (a proxy for bond market rates) increased from 4.2% to 4.5%.

Commensurate with the Fed’s actions, yields on shorter-term instruments have increased more significantly, resulting in a “flattening” of the yield curve.

Given the expectation of higher interest rates as the year progresses, total returns from bonds are expected to be modest in 2005.

Other areas influence economic growth

Other influential factors include:

- ◆ Labor accounts for about two-thirds of all costs for U.S. companies. With productivity increasing at a rate of about 3%, and average hourly earnings growth restrained, profit margins are improving for much of corporate America.

Combined with continued strength in the economy, the result should be double-digit earnings growth for the first quarter of 2005.

- ◆ The extraordinary growth in profits over the past two years has resulted in record amounts of cash on corporate balance sheets.

Companies have used a portion of this cash to pay down debt, pushing total debt for S&P 500 companies down to its lowest level since 1999.

In 2005, business spending will likely be stronger than consumer spending for the first time in several years, as

companies use these cash reserves to fund investment without incurring the cost of additional borrowing.

- ◆ Stock market volatility remains subdued, with the CBOE Volatility Index (the most commonly quoted measure of stock market volatility) hovering just above its 10-year low. Stocks continue to be attractive relative to bonds.

At 17 times 2005 expected earnings, the “earnings yield” of the S&P 500 is about 6% vs. 4.5% for the 10-year Treasury note. The valuation of the market is fair given current inflation expectations.

- ◆ International stocks posted slightly better results in the quarter than most U.S. indices. However, a stabilizing dollar resulted in a lesser currency contribution to international equity returns than in the past two years.

Given the challenges posed by the resurgence in oil prices and the increase in interest rates during the quarter, the modest decline in the S&P 500 could be considered a mild victory.

As the year unfolds, the impact these two factors will have on economic growth will become clearer. For now, economic and corporate earnings fundamentals remain strong. ♦♦♦

Market Indexes

January 1 - March 31, 2005

	1Q2005
S&P 500	(2.15) %
NASDAQ Composite	(8.10) %
Russell 2000	(5.34) %
MSCI EAFE	(1.26) %
Lehman Aggregate Bond	(.48) %
Lehman Municipal Bond	(.04) %

BKD Public Interest Council announces new member

Irv V. Belzer, managing partner of the Kansas City office of the law firm of Bryan Cave, has joined the BKD Public Interest Council.

Belzer is co-leader of Bryan Cave's commercial litigation client service group and has nearly 30 years of legal experience focusing primarily on business disputes and complex commercial litigation.

"Irv's legal background will be a great asset to the BKD Public Interest Council," says **Bill Fingland**, BKD managing partner. "His perspective will complement the accounting and business ethics expertise of our other Council members."

Belzer is well known in the Kansas City area, having served on the boards of the Greater



Kansas City Chamber of Commerce, the Kansas City Area Development Council and the University of Missouri-Kansas City Law Foundation as well as the Jewish Community Relations Bureau/American Jewish Committee.

Belzer is a second-term chair of The Learning Exchange, Inc. and is past president of the Board of Jewish Family and Children Services.

Belzer joins **Ray Dockweiler** and **Stephen Hayford** on the Council. Dockweiler is director emeritus of the University of Missouri School of Accountancy, Columbia, and Hayford is professor of business law, ethics and dispute resolution in the Kelley School of Business, Indiana University, Bloomington.

Belzer replaces **Tom Stewart**, one of the three original Public Interest Council members. Stewart is managing partner of and a practicing attorney for the Lathrop & Gage law firm of Kansas City.

BKD voluntarily formed the Council in 2004 as an independent advisory body to provide additional oversight of its professional and business practices.

Along with the public accounting firm of Moss Adams, BKD was among the first accounting firms to voluntarily create such advisory groups.

Since its formation, the Council has initiated an ongoing evaluation and monitoring of BKD's "tone at the top," quality control protocols, continuing education program and mentoring process. The results to date give high marks to the firm for cultivating a culture of integrity, with internal programs and processes in place that support that philosophy from the top down. ♦♦♦

Council Mission

"The Council's mission is to help ensure that BKD, acting of its own accord, meets its obligations and high duty to the public and its clients. The Council will fulfill that charge by independently monitoring and evaluating the firm's independence standards and other internal policies and procedures designed to establish and maintain the quality, objectivity and competency of BKD's people and services, and by examining any other matters deemed appropriate. The goal of these efforts is to assist BKD in achieving its ongoing commitment to the highest ethical, professional and business standards."

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To inquire about topics covered in this newsletter, contact your BKD advisor or **Jan House** at **417 831-7283** or **jhouse@bkd.com**.

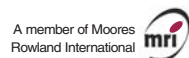
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