Welcome PAH & PYP Members

Agenda

Topic	Speaker	Duration, min	Start, CDT	Stop, CDT
Opening & Introductions	**Claira Crane**, President PYP	5	13:00	13:05
Current Financial Landscape + Q&A	**Lisa Shalett**, CIO Morgan Stanley Wealth Management	25	13:05	13:30
Finance 101	**Margo Geddie**, Senior VP Morgan Stanley Wealth Management	10	13:30	13:40
Estate Planning	**Elizabeth Chand**, Executive Director, Morgan Stanley Wealth Management	10	13:40	13:50
General Q&A	Open	10	13:50	14:00

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The Path to Financial Wellness

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Understanding your situation is the first step

1 Calculate your income

2 Track current expenses

3 Separate needs and wants in the context of your overall goals and objectives

4 Set your budget

5 Stick with it, monitor your results and adjust if necessary

!

REMEMBER

Don't forget to plan for annual or semi-annual expenses like holiday or birthday gifts, wedding season, property tax payments, etc.

Categorizing your expenses

The 50/30/20 Budget Rule

50%

Needs

Bills you must pay and are the things necessary for survival.

Examples include rent/mortgage, groceries, insurance, health care, utilities.

30%

Wants

Things you spend money on that are not absolutely essential.

Examples include dining out, entertainment subscriptions, vacation, expensive gadgets.

20%

Savings & Investments

Examples include saving for emergency fund, retirement savings, debt repayment.

!

TIP: BUDGET TO ZERO

Give every dollar a name, meaning all your income has a place in your budget. If there's still money left after you've entered all those expenses, put it toward a money goal, like paying off debt.

Be sure you have an emergency fund

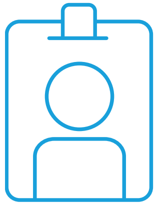
No matter how well you plan, stuff happens. It is best practice to have funds available to cover 3 - 6 months of expenses

There are five types of financial emergencies[1]

Hint: A wedding or a fun vacation isn't one of them.

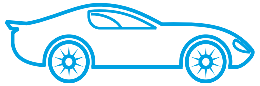
If you can't afford it, it's ok to say no.

Dip into your emergency savings account if you encounter:



Unemployment

Medical Emergency



Car Trouble

Home Expenses

Travel to a Funeral

1. How FOMO can Ruin Your Finances, The Muse, 2019

Common savings goals

EMERGENCY FUND

Any goal can be derailed by an emergency. Having an emergency fund with up to 6 months of living expenses for a cushion can help you stay on track for more meaningful things.

SHORT TERM PURCHASES

Saving to buy a car or going on a vacation. Short term goal savings should be liquid and easy to access when you need it.

HOME PURCHASE

You may need a down payment and closing costs, not to mention all the fees that come with home purchase – make sure you have smart projections of the initial outlay needed.

EDUCATION

Whether you’re funding educational expenses for your child or yourself, you can save via a 529 account to take advantage of tax benefits.

RETIREMENT

Life moves pretty fast, retirement will be here before you know it. There are many ways to save for retirement, 401(k)s and IRAs are the most common.

Saving toward a goal or multiple goals

Prioritize your savings goals based on key factors:

- Time horizon – short, medium and long term goals
- How much money you need to achieve the goal
- Priority level

Savings Calculation	**Amount you need to save / time horizon = amount to save per month**

Savings timeframes

SHORT TERM GOAL
1-3 years

Examples:
Saving for a vacation, car, or building emergency fund

Best practice:
Keep your money towards these goals liquid so you can access the cash when needed.

Common investment options:
Savings account, CD

MEDIUM TERM GOAL
4-20 years

Examples:
Saving for a wedding, home purchase, child's education

Best practice:
Take advantage of specialized investment vehicles. Keep an eye on how much investment risk you take.

Common investment options:
529, savings, stock market

LONG TERM GOAL
20+ years

Examples:
Saving for retirement

Best practice:
Build and reassess your plan every few years to ensure you're on track to your goal

Common investment options:
IRAs, 401(k)s, stock market

Questions to consider for retirement

We all have a different vision about what retirement should look like, but everyone benefits from having a sense of what they are working towards

You can borrow money to fund an education, to buy a home or to start a business.

Retirement is the one life event you can't borrow to fund.

Saving early is key to setting yourself up for a secure retirement

- When do you want to retire?
- How much income will you need in retirement?
- How do I calculate how long I might live?
- Who do you need to consider or care for? Partner? Kids? Parents?
- How do you start saving for retirement?
- Will you work part time or enjoy a life of leisure?
- Do you wish to leave an inheritance?
- What is your ideal living situation in retirement?

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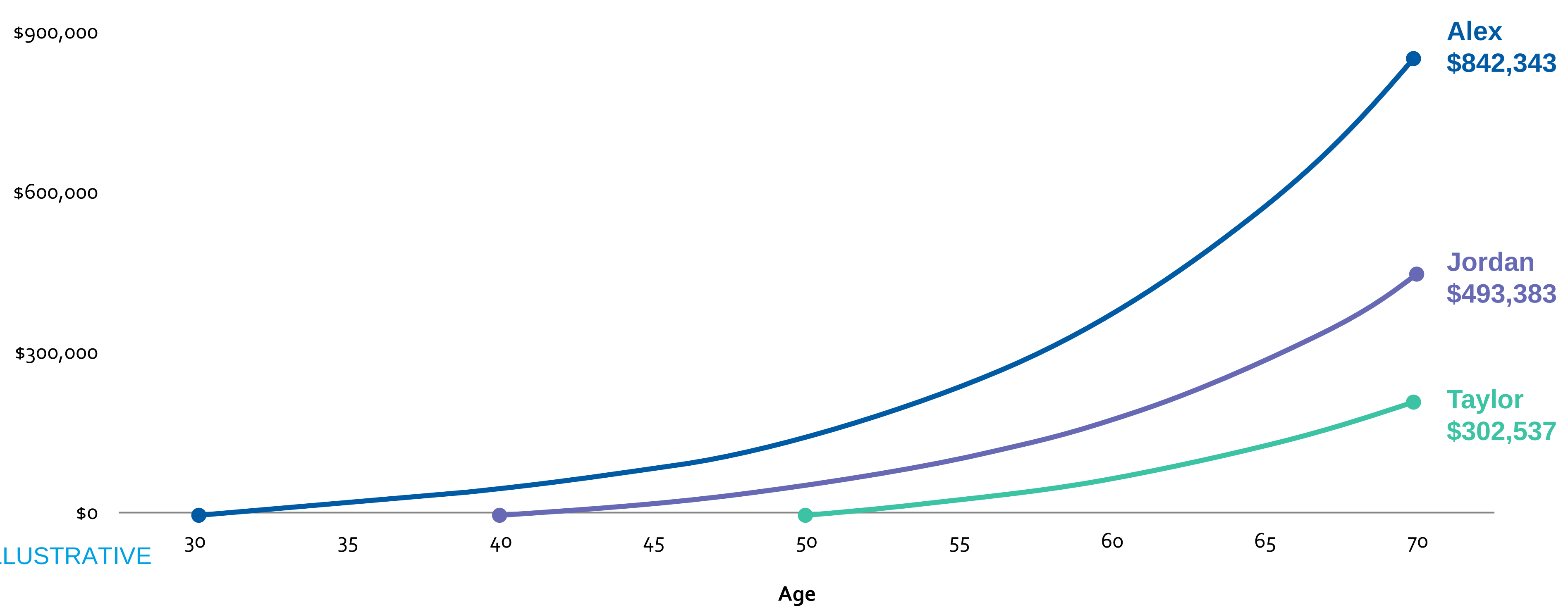
Start saving early: time is money

The power of investment returns over similar time horizons can yield dramatically different results



Alex
- $3,000 invested per year between ages 30 and 70
- Total Invested: $123,000

Jordan
- $4,000 invested per year between ages 40 and 70
- Total Invested: $124,000

Taylor
- $6,000 invested per year between ages 50 and 70
- Total Invested: $126,000

The investors all contribute about the same total amount.

At 70, Alex has over $300,000 more accrued than Jordan and over $500,00 more than Taylor due to compounding interest.

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Helpers on your Journey

Tax Professional

- Prepares and files your tax return(s)
- Identifies applicable deductions
- Provides strategic advice on how to potentially lower your tax burden

Attorney

- Drafts or revises important documents like Wills, Estate Plans, Trusts, and Prenuptial Agreements
- Negotiates real estate contracts and divorce settlements
- Represents you in court, arbitration, or other legal hearings

Financial Professional

- Provides investment advice
- Buys or sells securities on your behalf and/or provides you recommendations
- Recommends strategies to pay off your debt and/or save for education or retirement
- Provides estate planning and insurance planning support

For a free consultation with an Advisor, please reach out to

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The returns on a portfolio consisting primarily of sustainable investments may be lower or higher than a portfolio that is more diversified or where decisions are based solely on investment considerations. Because sustainability criteria exclude some investments, investors may not be able to take advantage of the same opportunities or market trends as investors that do not use such criteria.

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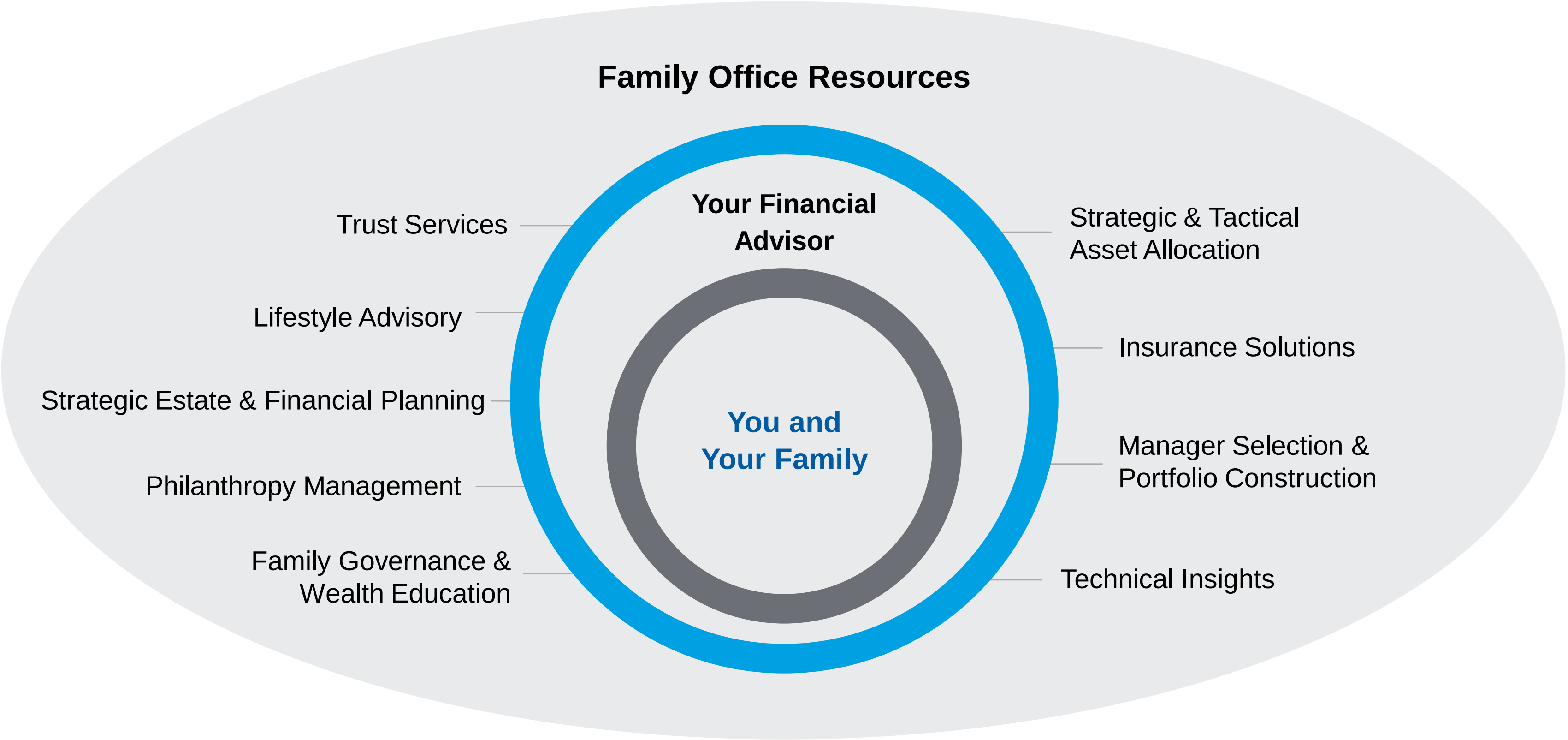
Estate Planning Overview

Wealth and Estate Planning Strategists

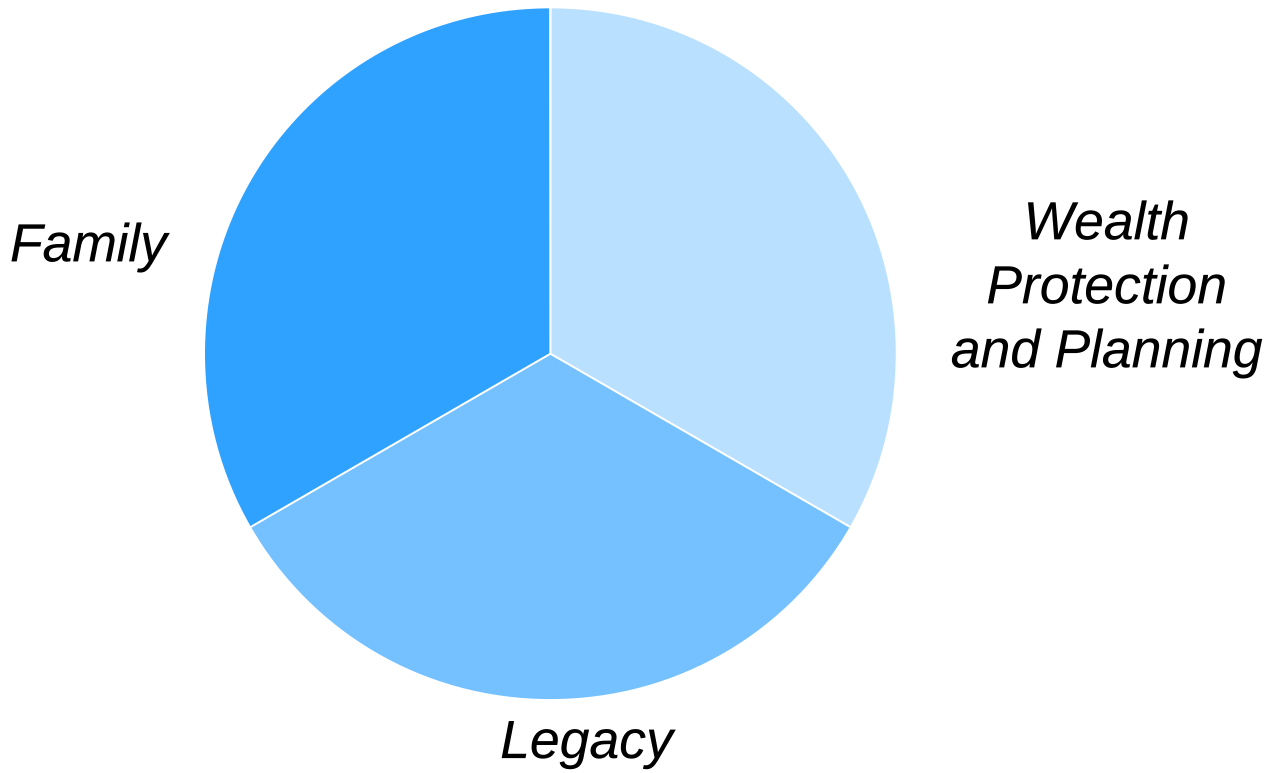
Family Office Resources

Morgan Stanley's Family Office Resources

Family Office Resources develops technical expertise, tools and networking events that enhance the ability of your Financial Advisor to serve as your Family Wealth Advisor.



Estate Planning



Why do I need estate planning?

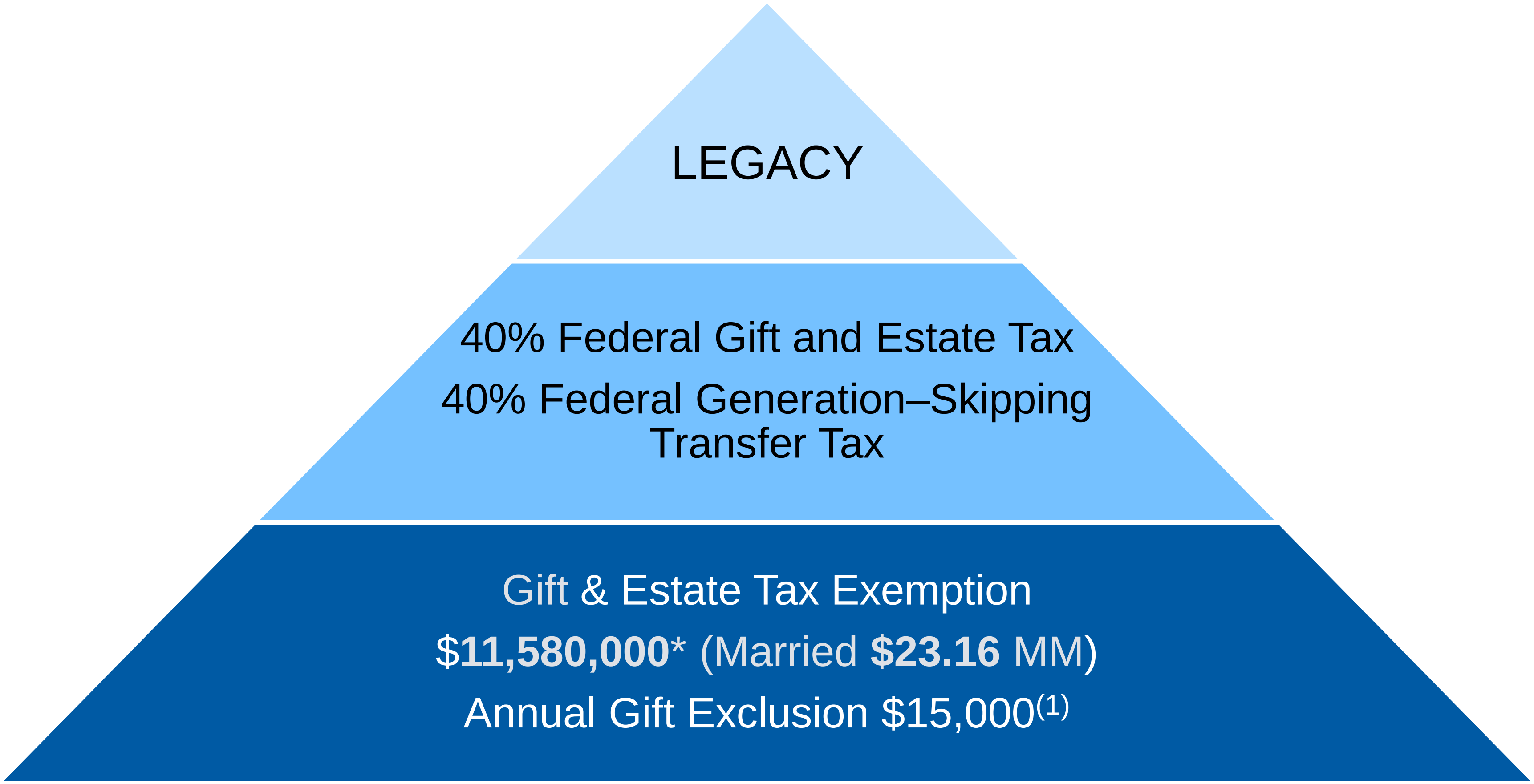
At any wealth level:

- Guardianship of minor children
- Protect assets
- Express wishes
- Protecting children
- Protecting yourself – incapacity
- Probate avoidance

How?

- Last Will and Testament
- Revocable Trust
- Trusts for family
- Appointment of fiduciaries
- Powers of attorney and health care directives

Transfer Tax Planning



1. Reflects the 2020 inflation adjusted federal exclusion and exemption amounts.

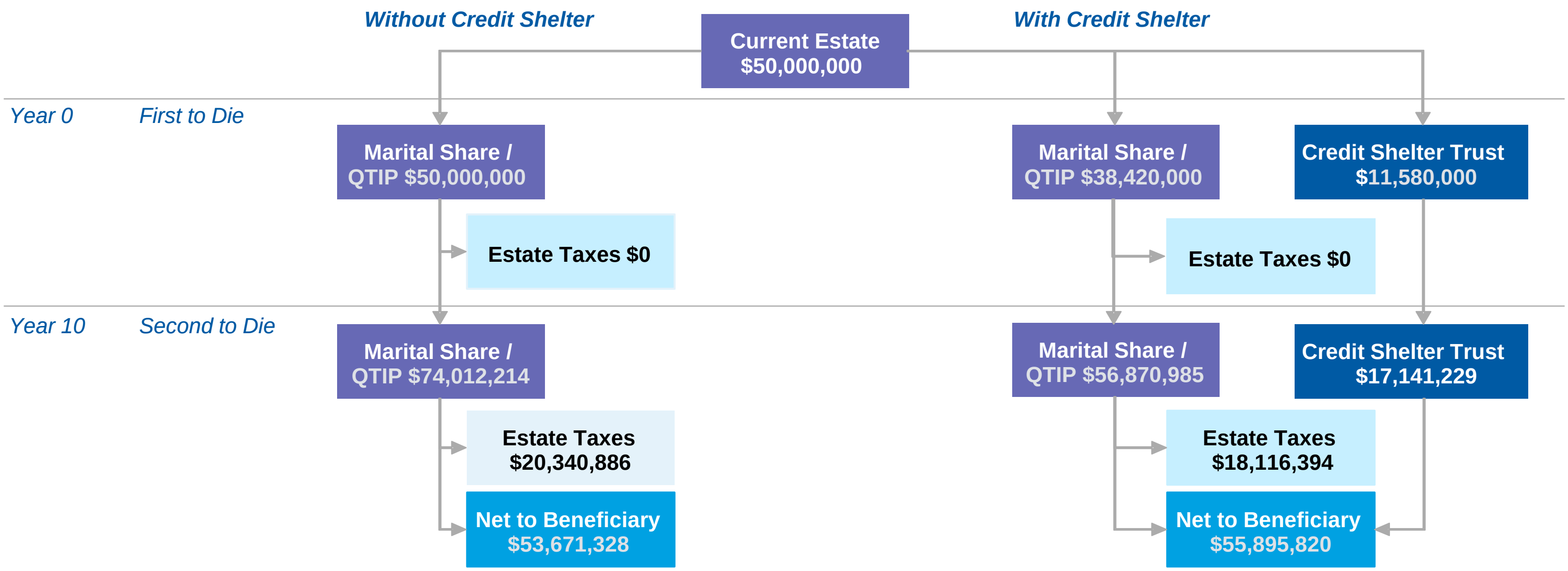
Transfer Tax Planning

- Goals
  - Maximize exclusions and exemptions
  - Reduce taxable estate
  - Provide for tax efficiencies
- Strategies
  - Basic gifting
  - Leveraging exemption
  - Estate freeze techniques
  - Asset location

Credit Shelter Trust (CST)

Assumptions	
Lifetime Exemption of the First Spouse	**11,580,000**
Lifetime Exemption of the Second Spouse	0
Credit Shelter Amount	**11,580,000**
Estate Tax %	40%
Annual Investment Net Return	4%

The following is an illustration of a **$11.58MM** credit shelter trust funded upon the death of the first spouse. The credit shelter trust is not subject to estate tax on the death of the surviving spouse.



Transfer $2,224,492 more to beneficiary

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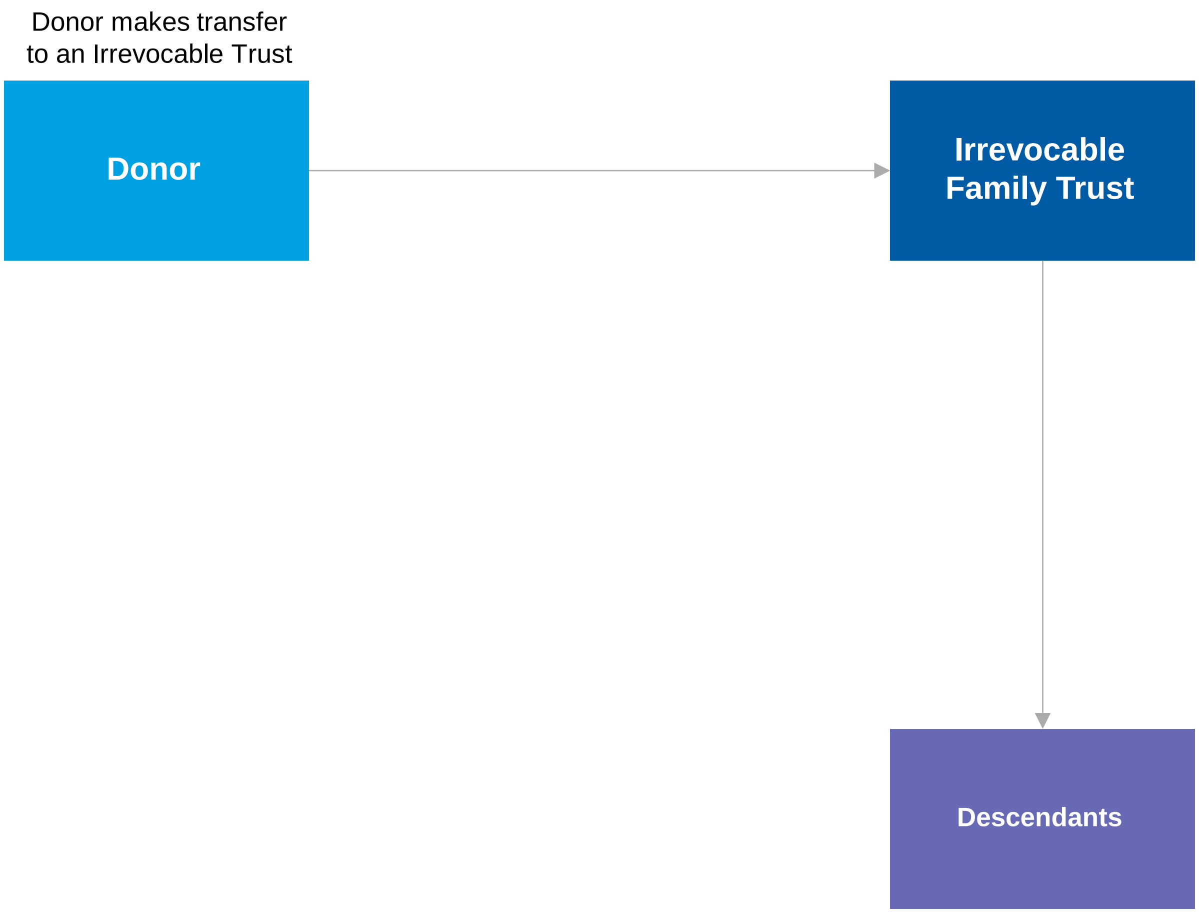
Planning with Irrevocable Trusts



Designing the Trust

- Spouse may be a beneficiary
- Trust may be generation-skipping (Dynasty)
- Trust may be its own taxpayer or grantor may be deemed to own the assets for income tax purposes (“grantor trust”)
- Provide incentives for children
- Provide guidelines for distributions
- Name Trustees

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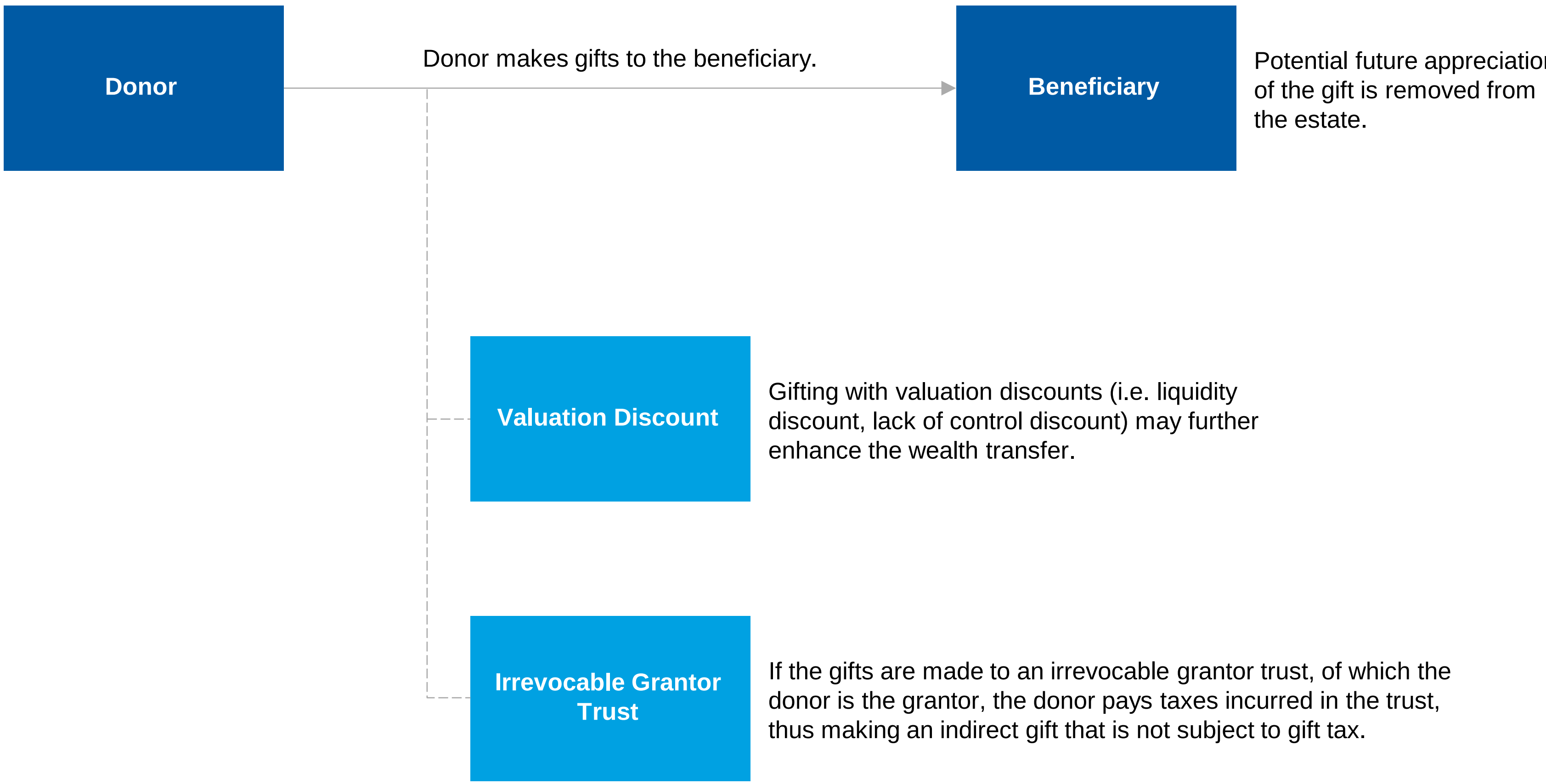
Gifting Early



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Gifting Early Using Lifetime Exemption

Gifting to an Irrevocable Grantor Trust

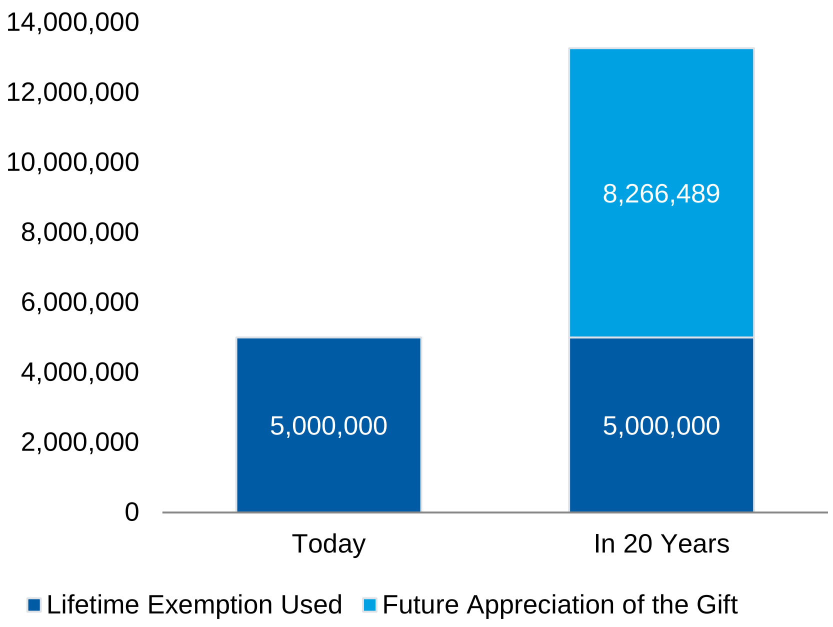
- The following is an illustration of a hypothetical scenario, where parents use a portion of their lifetime exemption to make an upfront gift to an irrevocable grantor trust for the benefit of their children.
- The potential future appreciation of the gift is removed from the estate.

Assumptions	
Assets Gifted to Irrevocable Grantor Trust	5,000,000
Annual Investment Gross Return	5%
Time Horizon (Year)	20

In 20 Years	
Assets in Irrevocable Grantor Trust	13,266,489
Lifetime Exemption Used	5,000,000
Assets Transferred Free of Gift or Estate Taxes	**8,266,489**
Gift or Estate Tax %	40%
Tax Savings from Early Gifting	**3,306,595**

- *Hypothetical example is for illustrative purposes only.*
- *Not representative of any specific investment.*
- *The example assumes the full amount of the appreciation in the trust would otherwise be subject to estate tax (i.e., the estate is large enough that the full exemption will be used).*

Assets Outside the Estate



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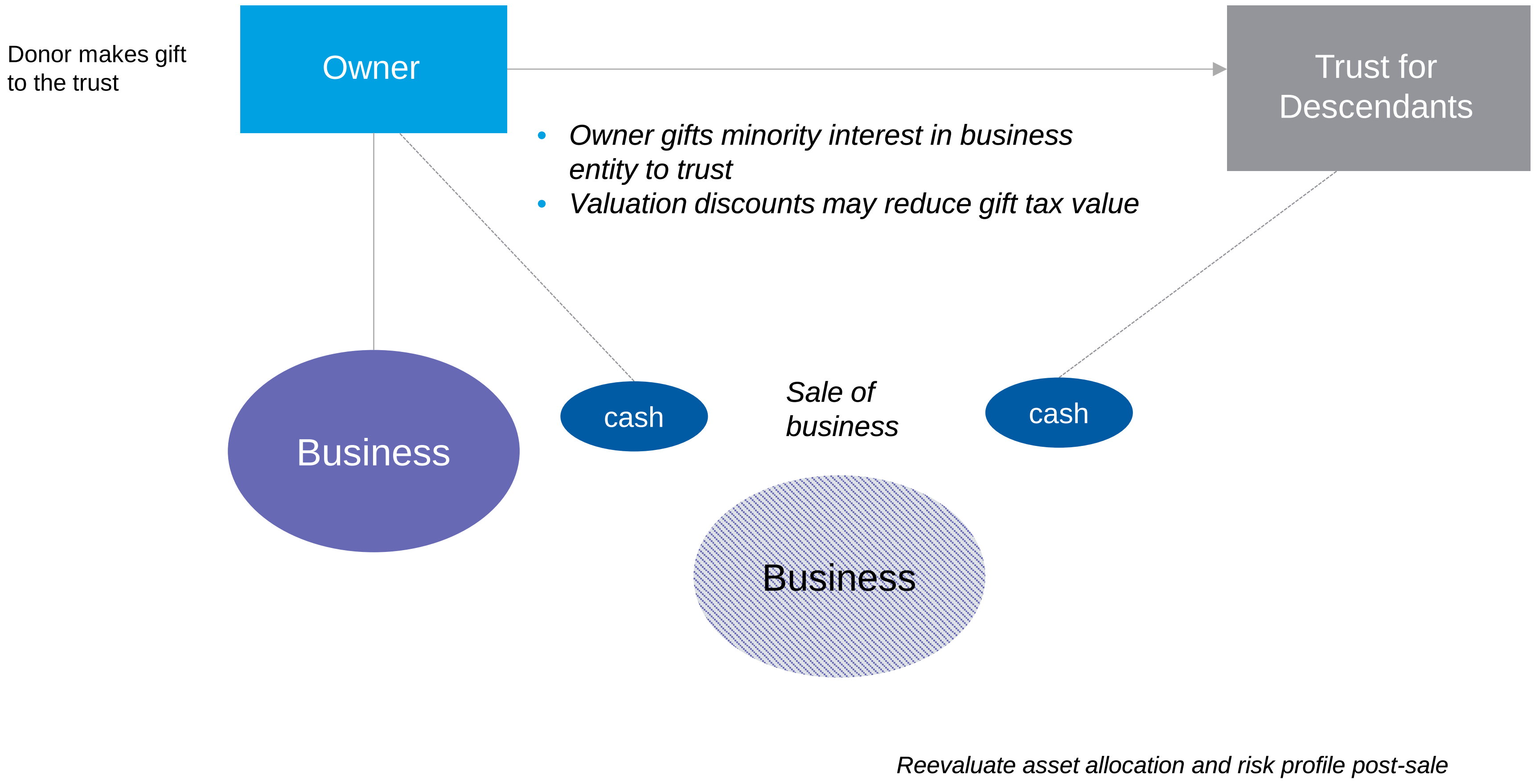
Pre-liquidity Planning and Leveraged Gifting

Leveraged Gifting



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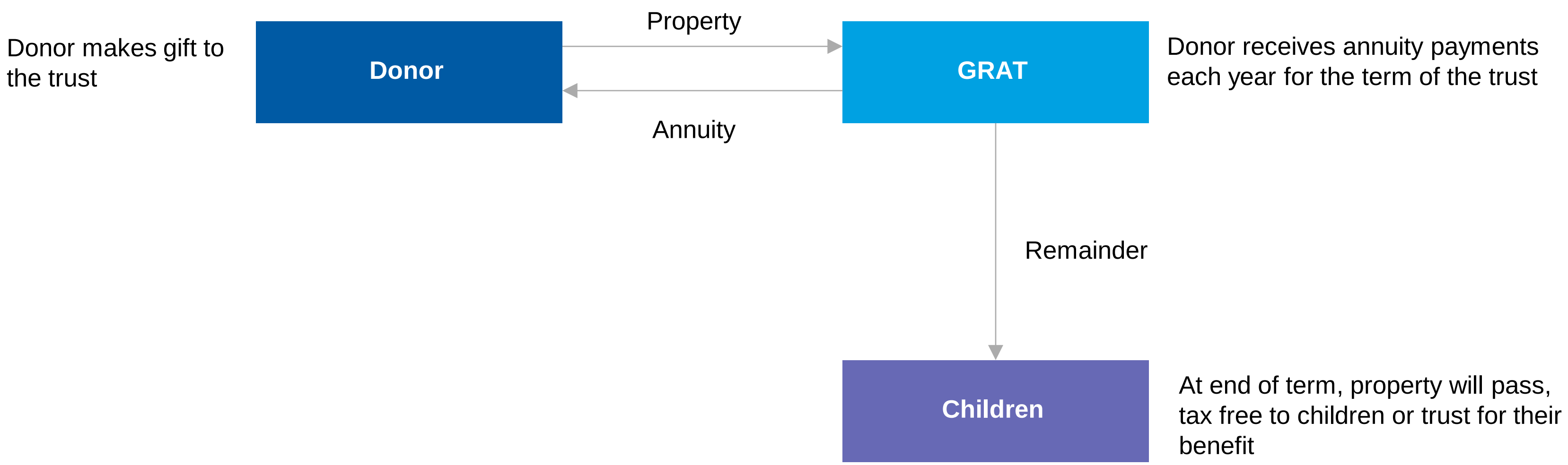
Grantor Retained Annuity Trusts (GRATs)

One Type of Leveraged Gift, a GRAT, Allows An Individual To Transfer Property To A Trust, Retain an Annuity And Remove Future Appreciation above an IRS Hurdle Rate (If Any) On The Donated Property From his or Her Estate



- *The donor transfers property to an irrevocable trust.*
- *The donor will receive an annual annuity for a term of years and selects beneficiaries to receive any remaining the trust property at the end of the term.*
- *The retained annuity is structured so that its fair market value approximates the value of the property transferred to the GRAT (thus "zeroing out" the gift).*
- *The IRS's prescribed growth rate is used to determine the current fair market value of the annuity.*
- *The term of the trust must be carefully considered because some or all of the trust property will generally be included in the donor's estate if the donor dies during the trust term.*
- *When the GRAT's total return (income and appreciation) exceeds the IRS discount rate used in valuing the annuity (and the donor outlives the trust term), all excess value will pass transfer tax free to the remainder beneficiaries.*
- *Note: A GRAT is not an annuity itself. It is a mechanism under which a donor transfers property to a trust and retains an income interest in the form of annuity payments.*

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Grantor Retained Annuity Trust (GRAT)

“Zeroed-out” Flat Annuity Grat

- The following is an illustration of a “zeroed-out” flat annuity GRAT funded with $1,000,000 marketable securities
- In this hypothetical scenario, the donor receives an annuity worth $349,460 per year for 3 years and the remainder beneficiaries receive (outright or in continuing trust) asset worth $55,953

Assumptions:

Term of Trust	3
Principal	$1,000,000
7520 Rate	2.4%
Annual Investment Return	5.0%

Key Outputs:

Annuity to Donor (%)	34.9%
Annuity to Donor ($)	$349,460
Remainder	$55,953

Year	Beginning Principal	Growth	Annuity Payment	Remainder
1	$1,000,000	$50,000	$349,460	$700,540
2	$700,540	$35,027	$349,460	$386,107
3	$386,107	$19,305	$349,460	$55,953

Hypothetical example is for illustrative purposes only.
Not representative of any specific investment.
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Grantor Retained Annuity Trust (GRAT)

“Zeroed-out” Flat Annuity GRAT

- The following example is the same as the “zeroed-out” flat annuity GRAT except the annuity grows 20% per year. There is still no taxable gift on funding the trust (i.e., the value of the annuity stream is still roughly equal to the principal contributed to the trust).
- However, the amount of asset passing to the beneficiaries at the end of the term may increase reflecting the potential benefit of having asset stay in the trust longer and generate compounded returns for the beneficiaries. In this hypothetical scenario, the remainder beneficiaries receive asset worth $59,296 , or $3,343 more compared to the flat annuity scenario.

Assumptions:

Term of Trust	3
Principal	$1,000,000
7520 Rate	2.4%
Hypothetical Annual Investment Return	5.0%
Annuity Growth	20.0%

Year	Beginning Principal	Growth	Annuity Payment	Remainder
1	$1,000,000	$50,000	$288,844	$761,156
2	$761,156	$38,058	$346,613	$452,601
3	$452,601	$22,630	$415,935	$59,296

Key Outputs:

Remainder (Growing Annuity)	$59,296
Remainder (Flat Annuity)	$55,953
Difference	$3,343

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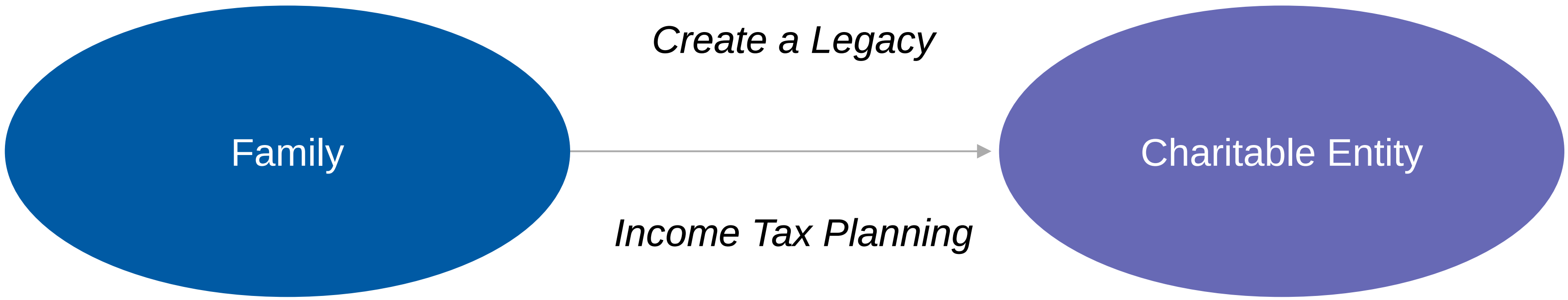
Philanthropy



Charitable Remainder Trust (CRT)

- Asset placed in trust with donor retaining an income interest and making gift of remainder to charity
- Income interest taxable to donor, but CRT itself tax-exempt, allowing assets remaining in trust to grow tax-deferred

Public Charity/Donor Advised Fund

- Entity supported and controlled by public or government which advances charitable purpose
- Higher income tax deductibility limitations.
- Not subject to private foundation rules

Private Non-Operating Foundations

- Privately funded entity which advances charitable purpose through grant-making
- Can be controlled by donor/family
- Lower income tax deductibility limitations.
- Subject to private foundation rules

Operating Foundation

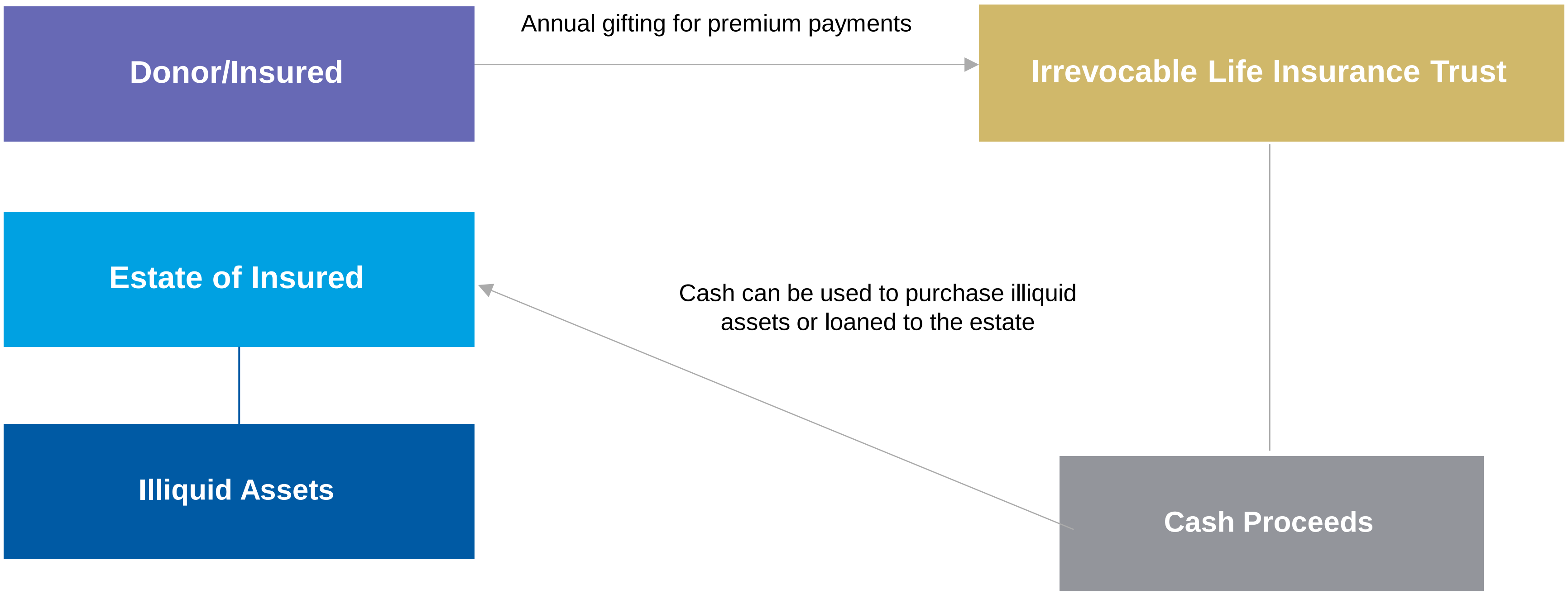
- Private foundation which actively advances its charitable purpose
- Can be controlled by donor/family
- Higher income tax deductibility limitations.
- Subject to private foundation rules

Supporting Organization

- Private foundation linked to a public charity
- Control shared between public charity and donor/family
- Higher income tax deductibility limitations.
- Not subject to private foundation rules

Illiquidity and Life Insurance

- Life insurance owned outside of the client's taxable estate can provide liquidity to help pay the estate tax



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