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SUCCESSFULWOMEN

TIMELY INVESTMENT AND FINANCIAL PLANNING TOPICS

Mastering a significant wealth event

Whether sudden or planned, the right steps can help you take charge of your newfound assets.

A significant wealth event occurs when liquid assets under your control increase in a meaningful way. These events can be planned, like with the sale of something valuable, or unplanned, like a sudden windfall from an inheritance. Whatever the source may be, significant wealth events come with changes.

If managing significant wealth is a new experience for you, then it may alter your self-perception. Friends and family members may begin to perceive you differently as well. It's important to ask the right questions and work closely with a financial advisor to ensure you receive the right guidance to successfully navigate the opportunities and potential challenges that wealth can introduce.

There are many things, both planned and unplanned, that can lead to a significant wealth event in your financial life.

Significant wealth can result from:

- Sale of real estate or other family asset
- Capital markets transaction (e.g., IPO)
- Substantial inheritance
- Lump-sum retirement payout
- Divorce
- Legal settlement
- Exercise of stock options
- Unexpected financial windfall
- Success as an athlete or entertainer

Each wealth event is unique, from your personal financial situation to the amount of the assets acquired and the circumstances that led you to receive it. There are also emotional factors to consider. A significant wealth event

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Mastering a significant wealth event (cont.)

can often inspire compulsion, whether in the form of excessive spending or reckless investing without a greater plan in place. But there are things you can do to avoid the common pitfalls of a significant wealth event. No matter where your wealth comes from you should be ready to take steps that will ensure it works for you.

> Significant wealth events are happening with women at a higher rate than ever before amid the largest transfer of intergenerational wealth in history. The financial services industry is already adapting to a landscape where women have control of more wealth.

BEFORE

Because significant wealth events can be the result of your good planning paying off, it's possible to prepare before the event. This is the time to assemble your financial team, address potential tax consequences and event timing, establish a cash flow budget and consider pre-transaction tax mitigation strategies. All of these things will help you ensure that the wealth you receive is preserved and that you are setting yourself up to make it last.

DURING

In the midst of a significant wealth event, especially an unexpected one, avoid large expenditures based on impulse, work with your financial advisor to determine secure cash holding structure and finalize a long-term wealth management plan. These steps will help you become a good steward for your wealth and help you stay savvy during this period of changes to your financial life.

AFTER

Once things start to settle down following a significant wealth event, you should implement your plan and review its progress with the help of your financial advisor. This can range from estate and tax planning to investment management and the potential risks associated with significant wealth. These risks, including fraud and frivolous lawsuits, may be unfamiliar but can harm your wealth if you aren't prepared. Finally, reflect on and outline your financial legacy and the impact you would like to have on others, then incorporate steps into your long-term financial plan that align with these goals.

Throughout your wealth event, there are several key strategies you can employ to help manage your wealth effectively and make the most of your chosen lifestyle.

Establish a "waiting period" during which you make no large purchases or allocations, helping you prevent ill-considered spending.

Monitor your tax strategies with the help of a qualified tax professional. They can provide you with guidance on tax planning strategies catered to your individual situation.

Prioritize your privacy to safeguard your personal activities and life events. Money often attracts attention, and discretion can be paramount for those not used to having it.

No matter where your wealth comes from or when, it's important to have a plan in place. Start by identifying all potential sources of wealth in your life, and then take the necessary steps to prepare for those possibilities. If you unexpectedly come into wealth, it's not too late to create a plan for that, too. With the guidance of a trusted financial advisor, you can preserve your wealth, cherish your lifestyle and cement your legacy.

NEXT STEPS

- Evaluate possible wealth-generating sources in your life.
- Prepare for unexpected wealth events to ensure you're ready.
- Make a plan for any anticipated wealth.
- Talk to your advisor to discuss proactive measures for wealth preparation.

The five most popular methods for funding education

Know which options work best for you and plan early.

With the cost of higher education rising, it's important to determine how you and your family will fund it. There are several options to consider, each with their own pros and cons.

How much time you have to save, your access to liquidity and the types of accounts and assets you already possess can push you toward one vehicle over another. Here are five of the most popular methods of funding education.

529 SAVINGS PLAN

This flexible, state-sponsored savings account covers qualified primary, secondary, and college expenses, as well as qualified U.S. apprenticeship programs and some abroad. Investments are usually in mutual fund-like portfolios, with fixed income options available. A 529 can have certain incentives exclusively for residents of the state the 529 is administered in.[1] In a typical 529 plan:

- Maximum account size varies, but there are no limits on income or age to contribute.
- No federal deductions are allowed for contributions.
- The account owner controls withdrawals.
- Earnings are tax deferred.
- A 10% penalty is charged for nonqualified withdrawals.
- Beneficiaries can be changed from person to person depending on need.

> Thanks to the SECURE 2.0 Act, 529 funds can now be rolled over into Roth IRAs under certain circumstances.

529 PREPAID PLAN

These behave similarly to a regular 529 savings plan but allow you to prepurchase a certain percentage of tuition credits for in-state postsecondary programs that are guaranteed to be the equivalent of the future cost.

UGMA/UTMA

While not carrying any special provision for educational use, the Uniform Gifts/Transfers to Minors Act (UGMA/UTMA) lets you transfer assets to your child without setting up a costly trust. You can transfer cash, bank accounts, stocks, bonds, mutual funds, real estate, limited partnerships, fine art, patents, and royalties (for UTMA). Features include:

- No annual contribution limit or withdrawal penalties
- Not tax-deductible
- Control of withdrawal transfer to child upon reaching age of majority
- Proceeds qualified for any expense for the child's benefit
- Accounts are taxable; Under age 19, amounts over $2,600 taxed at parent's federal rate

COVERDELL EESA

Once called the "education IRA," this savings alternative is a trust or custodial account for educational expenses, which can include a wide range of securities. Features include:

- Contribution limit of $2,000 per year per beneficiary
- Income contribution limits up to $110,000 for single filers and $220,000 for married
- Contributions not tax deductible, but account earnings tax deferred
- Tax-free qualified withdrawals
- Beneficiary changes when under age 30 allowed

ROTH IRA

In some cases, you can withdraw tax-free funds from a Roth IRA for qualified higher education expenses. But, considering it's your retirement fund, use this option cautiously.[2]

Talk with your advisor to see which college savings plan – or combination of plans – is right for you and your loved ones.

[1] Certain conditions may apply. Earnings in 529 plans are not subject to federal tax and in most cases state tax, as long as you use withdrawals for eligible education expenses, such as tuition and room and board. However, if you withdraw money from a 529 plan and do not use it on an eligible education expense, you generally will be subject to income tax and an additional 10% federal tax penalty on earnings. As with other investments, there are generally fees and expenses associated with participation in a 529 plan. There is also a risk that these plans may lose money or not perform well enough to cover education costs as anticipated. Most states offer their own 529 programs, which may provide advantages and benefits exclusively for their residents. An investor should consider, before investing, whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Such benefits include financial aid, scholarship funds, and protection from creditors. The tax implications can vary significantly from state to state.

[2] Unless certain criteria are met, Roth IRA owners must be 59½ or older and have held the IRA for five years before tax-free withdrawals are permitted.

Why the "no debt" approach isn't optimal for every investor

Your portfolio can be the key to managing cash and maintaining flexibility

Many of today's financial gurus often say you should aggressively pay down debt and live without it. But you've also probably heard that it takes money to make money. And if you have the means and the know-how to grow it, then borrowing can be a sound financial strategy.

WHY WEALTHY INVESTORS BORROW

Certain lending solutions can allow you to keep your assets invested, and potentially growing, while providing access to liquidity. That's particularly important because time in the market can be a key to long-term portfolio growth and success.

A line of credit is often an inexpensive way to get cash when you need it. It can also enable executives to monetize stock ownership without incurring capital gains or reducing ownership in their company.

As long as the cost of borrowing is lower than the amount you're earning by borrowing it, then it can help you continue to build wealth.

USING DEBT TO LOWER TAXES

Debt can be used as a savvy tax strategy, particularly if your income comes in nontraditional forms, such as shares in a company you founded. That's because interest on a loan may be lower than what you might pay in capital gains taxes from selling shares. By borrowing against your shares, you can continue enjoying your lifestyle without liquidating wealth.

You can also borrow to fund tax-advantaged assets like real estate. Since mortgage debt interest is tax deductible up to a certain amount, the savings in taxes on a significant mortgage could be larger than the mortgage interest.

Even in a higher interest rate environment, the cost of borrowing can be lower than the cost of selling an asset when you have collateral.

THREE TYPES OF COLLATERALIZED DEBT

Asset-backed loans can provide access to liquidity while enabling the underlying asset to continue growing. If this sounds enticing, consider the following options:

Securities based lines of credit – Leverage your existing assets as collateral to access capital quickly, at a relatively low interest rate and without disrupting your asset allocation.[1]

Pledged asset mortgage – You can finance up to 100% of the purchase price of your home using eligible securities as collateral in lieu of a down payment or equity position, helping you keep securities invested and avoiding potential capital gains taxes.[2]

Tailored lending – A customized credit solution gives you access to liquidity by leveraging illiquid assets that are otherwise difficult to value or sell.[1]

A SPECIAL WRENCH FOR YOUR FINANCIAL TOOLBOX

Figuring out when it's best to strategically borrow or when to just pay cash can be a complicated question. Your financial advisor has access to tools that can help your money work for you, including giving it a second job through a collateralized loan.

This is for informational purposes and is not intended to be tax advice. Please consult with a tax advisor for specific questions regarding qualified expenses.

Past performance is not indicative of future results. There is no assurance any investment strategy will be successful. Investing involves risk including the possible loss of capital.

[1] A line of credit , such as a securities-based line of credit or a structured line of credit, may not be suitable for all clients. Borrowing on securities-based lending products and using securities as collateral may involve a high degree of risk, including unintended tax consequences and the possible need to sell your holdings, which may lead to a significant impact on long-term investment goals. Market conditions can magnify any potential for loss. If the market turns against the client, he or she may be required to quickly deposit additional securities and/or cash in the account(s) or pay down the loan to avoid liquidation. The securities in the pledged account(s) may be sold to meet the collateral call, and the lender can sell the client's securities without contacting them.

[2] A Pledged asset mortgage program is not suitable for everyone. A loan client may be at risk of losing money in their collateral account due to market volatility. This may require the deposit of additional equity into the collateral account, which could result in further losses.

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