CERITY PARTNERS®

Executive Financial Counseling

Planning to Protect Your Life's Work

www.ceritypartners.com

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01. INTRODUCTION

The financial life of an executive is complex. In addition to the demands of continuously growing revenue, profits, and managing the business, executives have personal planning needs which are often overlooked or are secondary to the demands of the company. Managing and coordinating these financial disciplines effectively while ensuring the executives are receiving their maximum value takes time and energy. It also requires expertise to coordinate the diverse financial disciplines required to ensure that executives are receiving maximum value from their compensation and benefits.

Executive Financial Counseling is for senior leaders who wish to optimize their wealth creation, minimize risk, and maximize outcomes of their company's compensation and benefit plans. As a company-sponsored benefit offered to senior leaders, executive financial counseling provides tailored support and objective advice for every area of an executive's financial life. The support can be an individual engagement, or through a wider company engagement.

Data shows that this service is critical in keeping executives satisfied and confident in their role:

» According to the 9th annual Employee Financial Wellness Survey by PwC in 2020, 55% of executives say that financial challenges cause them the most stress.

» 50% of executives say they don't fully understand their compensation and benefits packages, according to the 2017 State of Executive Financial Counseling.

» That same report shows that 81% of executives would gain greater peace of mind if all their financial counseling services were provided by a single partner.

Indeed, for executives, the benefits of Executive Financial Counseling are multi-layered. By working with a single point of contact for all their financial needs, from estate planning to tax preparation, from investment planning to insurance, they gain:

Efficiency

The executive has one dedicated contact who oversees all their financial, tax and estate planning needs, which gives them time to focus on other priorities.

Objectivity

The executive receives objective advice that's in their best interest and tailored to their personal financial situation.

Results

The executive can receive full value from their compensation and benefit plans, save taxes, financially protect their families, and preserve and grow their wealth.

In turn, Executive Financial Counseling helps the organization:

Attract and retain talent

Executives gain a better understanding of their compensation and benefit plans, which leads to increased appreciation and utilization of the company's rewards.

Mitigate risk

The executive receives the professional advice they need to comply with various regulatory, tax and company requirements, mitigating reputational risk and legal exposures for the company.

Improve capacity

Executive Financial Counseling enables the company's human resources department to focus on greater priorities.

Increase productivity

With their financial health addressed, executives can focus on their professional responsibilities, such as growing the business.

Decrease stress

Giving the monitoring and preparation of important financial matters to professionals, executives will feel less anxiety, which will positively affect their work and that of their team.

This white paper explores some of the key decisions faced by executives throughout each stage of their financial life. We start by examining some of the more popular compensation and benefits top executives receive and then illustrate the various decisions required to protect and grow their assets.

We make the case that as complexities grow over time, and executives gain more in compensation and benefits, they require more careful and expert financial guidance. Executive Financial Counseling is the platform for that guidance. The partnership between the counseling team and the executive is, we believe, is lifelong, adapting to the regulatory and legislative environment, as well as the executive's evolving financial priorities.

ABOUT THE AUTHORS

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02. COMPENSATION AND BENEFIT PLANNING

Compensation and benefit plans are designed to attract, retain, and motivate the senior leadership team. How compensation and benefit plans are structured is critical to any organization's executive recruitment strategy. The best plans consider the unique needs of the executive, utilize all the tools the company can offer, and ideally are integrated by offering a financial planning benefit to help.

Executive benefits are designed to go beyond the conventional salary and benefits available to most salaried or hourly employees. Instead, they are meant to recognize the value of the executive and the extensive demands the organization places on them to lead and produce positive results.

For those reasons, executive plans are often results-driven; for example, if the company meets or exceeds its annual objectives for growth, the executive will receive a greater payout. This compensation strategy aligns the executive directly with the shareholder.

Traditionally, executive compensation is divided six ways:

1

Base salary

An annual salary paid monthly or bi-weekly. Base wages tend to represent just 25% of overall compensation. According to IRS rules, there is a $1 million limit on the number of deductible compensation that a company can pay their CEO, CFO, and three other most highly paid executives.

2

Performance-based annual incentive

Commonly known as a "bonus," this reward is paid and is delivered when the executive achieves certain objectives such as increasing market share, developing new products, establishing a new corporate strategy, or expanding successfully to a new market. The executive is often paid according to a two-tier structure: When the executive reaches the objectives and when the executive surpasses the objectives. The purpose of this structure is to incentivize the executive to go beyond expectations in delivering superior results.

3

Performance-based long-term incentive

This benefit can be in the form of incentive stock options (ISOs), non-qualified stock options (NSOs), stock appreciation rights (SARs), restricted stock, performance-vested stock, or other equity compensation. The Compensation Committee develops a plan to incentivize executives for achieving long-term strategic plans. The company establishes a defined performance deadline for the executive to meet the set objectives.

4

Benefits

These can run the gamut, including 401(k) match, flexible spending accounts (FSA), health savings accounts (HSA), dependent care, vacation, medical and life insurance, and more. Beyond broad-based offerings, most companies provide a nonqualified deferred compensation plan to corporate executives. This gives executives the right to voluntarily defer salary amounts until a certain date, retirement, or death. Additionally, companies may provide a supplemental employee retirement plan (SERP), which takes the place of traditional pension plans. *Both plans are discussed in detail on Page 6.*

5

Executive perquisites

A perquisite helps the executive perform better at their job. Perquisites may include a company vehicle, access to security or airplanes for personal travel, home communications systems, country club memberships, tickets to special events, and executive financial planning and tax preparation services.

6

Severance/change in control payments

Often referred to as "golden parachutes," these agreements typically protect the executive when they are involuntarily terminated, or if they lose their position due to a merger or sale.

Executive Financial Counseling programs expand traditional compensation and benefit plans for executive leaders by providing ongoing financial education, specific advice, and assistance with implementation. Their objective is to help the busy executives grow his or her wealth while sparing them the time and proficiency required to navigate complex tax and compliance regulations. Executive Financial Counseling programs provide proactive assistance to ensure that executives understand, maximize, and fully appreciate their compensation and benefit plans.

Executive Financial Counseling programs cover many aspects of an executive's plan, but three are most common:

» Equity planning
» Retirement planning
» Risk management

Equity Planning

Equity represents a significant percentage of an executive's overall compensation. Its purpose is to intertwine the executive's long-term financial goals with the employer's growth, creating a natural incentive for the executive to perform well. This compensation strategy also incentivizes corporate and shareholder goals to increase the market value of the company.

Executives turn to financial advisors because their compensation packages are often complex. They require expertise to create and maintain a strategy, to manage these assets to avoid unintended tax consequences, and to protect and grow wealth.

There is no discounting the trend of stock awards in executive compensation packages. In 2018 alone, the value of stock awards in executive compensation packages grew by nearly 20% in Russell 3000 companies. Slightly higher increases than were seen in 2017.

The four primary forms of equity are stock options, restricted stock, performance shares, and employee stock purchase plans.

Stock options

Stock value occurs when the company performs well, increasing the stock price. The executive also may realize a potential benefit if they hold the shares long after they are exercised. While stock option awards may take several forms, one that is becoming more common is the incentive stock option (ISO). ISOs are a special category of stock options that allow an executive to defer ordinary income taxes at exercise. If the shares are held for more than one year from the date of exercise and two years from the date of the option grant, then the sale proceeds are taxed at the more favorable long-term capital gains rate, thus eliminating ordinary income taxes. With ISOs, there is an AMT tax component and possible state AMT (CA)

Restricted stock and restricted stock units (RSUs)

Restricted stock is not transferable until certain conditions are met. Once those conditions are met, the stock can be transferred to the person holding the award. The executive cannot sell until the restricted stock vests. While the executive cannot sell the stock until that time, the executive is allowed voting rights and dividends. If the grantee leaves the company before the stocks vest, they forfeit the stock altogether. RSUs have similar vesting requirements, however voting rights are not allowed until the stock vests. Vesting periods bind the executive to the company. Also, the executive is not granted stocks, they are promised stock once vesting is complete.

Performance shares

Performance shares are awarded over a specified time if certain performance measures, such as financial goals or return-on-equity, are attained.

Employee stock purchase plans.

These are the simplest forms of stock options. The executive can purchase as much stock as they desire at a discount and payment is deducted from their payroll. While plans are limited to contributions totaling $25,000 per year, the key is to later sell to gain from the discount.

How EFC Helps:

All stock options are complex and require an understanding of value creation, vesting, tax consequences, cash flow, and restrictions. Despite their many benefits, stock options can result in severe tax penalties if not managed correctly. Additionally, many corporate executives need to adhere to certain holding requirements and black-out periods. Financial counselors understand the vesting and basic adjustments and are often reconciling the sale of the shares with the custodian.

Retirement Plan Benefit Planning

Retirement plans for executives are designed to maximize deferrals and the special tax treatment it affords. Qualified deferred compensation plans like 401(k) plans provide executives with the right to voluntarily defer earnings and income tax on salary, bonuses, and other compensation until retirement. This provides future income beyond their 401(k) plan savings once they leave the workforce and could reduce taxes if the executive is in a lower tax bracket once they receive the deferred compensation.

Supplemental Executive Retirement Plans, or SERPs, are also a deferred compensation plan but one that requires certain vesting conditions. The advantages to the executive are that he or she can tailor it to their specific needs, and they can defer tax consequences while their benefits accrue.

How EFC Helps:

Executive Financial Counseling programs focus on retirement planning to help the executive make informed decisions about which plans best fit their vision of their post-workforce life. Because the advisor has expertise and knowledge of evolving tax laws, they can help executives best grow their qualified and non-qualified plan assets.

Risk Management Planning

Executive risk management involves insurance and estate plan offerings that assure their personal and family needs are managed properly. Risk management services assure the executive receives life insurance, disability, long-term care, auto, home, personal liability (umbrella), and estate planning needs are managed correctly to protect the executive and his or her loved ones.

Typically, risk management falls into three categories:

» Insurance coverage
» Asset protection
» Policy selection

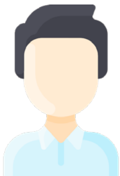
How EFC Helps:

Executive Financial Counseling programs help executives identify the policies that address their personal risks and provide solutions to their estate planning objectives, disability, or other ongoing needs. Executive Financial Counseling programs can also specialize in wealth protection, transfer strategies, asset titling and beneficiary review, charitable planning, and gift coordination. The result is a customized personal risk management and insurance program that helps the executive achieve their goal while mitigating potential tax liabilities, not just for them but also for their heirs.

The terms and layers of executive compensation are complex. To take full advantage of their long-term benefits requires a thorough knowledge of tax, estate planning, insurance, and other areas that are continually evolving over time. EFC programs are suited to make sure each executive enjoys the fruits of their compensation package and that their wealth and well-being are protected during and after their employment.

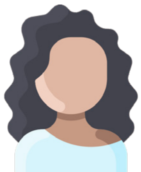
Where are Executive Financial Counseling programs needed the most? As the next section will show, each step in the hierarchy of executive financial needs is intertwined with the other. Through sound financial planning at the beginning, and careful planning along the way, the financial journey for executives can flourish for them and subsequent generations of their family.

CASE STUDY (A): Compensation and Benefit Planning



Tony Stark (36)

Private Tech Company Executive



Pepper Potts (34)

Public Tech Company Executive (via acquisition of former private tech company)

CHILDREN	NET WORTH
2	**$5MM**
» Morgan, age 4 » Howard, age 2	» Concentrated stock position in Pepper's current company » Rental property » Primary residence in San Francisco » ISOs, RSUs, and NQ options in Tony's current company

High tech has been good for Tony Stark and Pepper Potts of San Francisco. Tony holds a suite of RSUs, ISOs, and NQ options while Pepper maintains a large position in her her current company (largely due to the equity she held in her former company). The thirtysomething couple's current net worth: $5 million.

Recently they decided to establish long-term financial goals. They face tax consequences of exercising ISOs, they have no estate plan in place, have no track record of charitable giving, are worried about reducing exposure to their current employers' equity performance, and California potentially adopting tax law changes which could compel them to change their resident state.

The EFC advisor addressed their concerns by taking the following steps. First, the advisor created an Investment Policy Statement that documented a strategy that applies to their portfolio. From there they implemented an option collar to hedge some of their concentrated positions. They also exerciesed some of Tony's ISOs in coordination with NQ stock options and RSU vests. A long-term strategy to divest out of Pepper's employer's stock exposure was created in a tax-optimized manner that leveraged tax loss harvesting and opportunity zones. Finally, the advisor established pour-over wills with revocable trusts while naming powers of attorney, and health care proxies.

By introducing strategies that the couple had no awareness of in the past, the EFC advisor helped protect current assets from tax liabilities and put them into a position to make gains from their current positions over a long period of time.

03. EXECUTIVE FINANCIAL PLANNING FOR LIFE: THE 5 STAGES

While optimizing compensation and benefits is critical to an executive's long-term success, it is equally important to understand where their personal finances fit into a holistic financial strategy. While every executive walks a unique path, there are a series of fundamental building blocks that, if implemented thoughtfully, will not only provide safety and stability but also the foundation for more advanced planning.

One way to view these financial priorities is through the parallel with Maslow's Hierarchy of Needs. In 1943, American psychologist Abraham Maslow developed this theory, which states that psychological health is determined by a strict ordering of needs. The hierarchy is typically depicted as a pyramid, with the most basic needs at the bottom and the most advanced at the top.

The same can be true for building and maintaining financial health.

The Hierarchy of Individual Financial Needs loosely maps to the career trajectory of an executive. While the details of individual circumstances vary wildly, consider the following:

As we move through the various stages, we will note how many financial areas may be influenced by compensation and benefits and enhanced by the guidance of an executive financial counselor.

Stage 1: Cash Flow and Basic Needs

The first step towards building a strong financial foundation is the fulfillment of basic needs. This includes items such as food, housing, clothing, transportation, and other expenses. At this stage, the executive requires an honest analysis of the proportion of one's income that is spent on necessities.

This is important because of the ever-present risk of "lifestyle creep." Lifestyle creep is when a person spends more money when they make more money, regardless of any changes in their actual needs. This is often driven by both social and psychological needs to fit in with one's peers, as well as internal biases that skew our perception of mental accounting.

The easiest way to remedy this for the executive is to critically analyze lifestyle choices to ensure basic needs are separated from lifestyle enhancements.

Not only is this process useful for improving the executive's financial hygiene over time, but many of these basic needs may also be negotiated into compensation arrangements. For example, as described earlier, perquisites often include allowances for housing and travel, as well as other business and personal expenses.

Stage 2: Financial Security

After basic needs are met, financial safety is the next priority. This stage breaks down into two broad categories: emergency funds and insurance.

Because life is full of uncertainties, it is important to be prepared. Having cash reserves in an emergency fund is important for dealing with unexpected setbacks. And while the size of the emergency fund depends on the executive's lifestyle, cash inflows and outflows, and risk tolerance, a useful rule of thumb is to save between 3-6 months of expenses in an emergency fund.

47% of adults have enough savings to cover 3 months of expenses.[1]

Once these savings are in place, the next step is to protect earning power and assets through insurance. The primary purpose of insurance is to ensure that sudden or unexpected events do not pose a material threat to the financial future of the executive or their family. The challenge is the inability to determine exactly how much insurance coverage is needed.

Here there is a simple solution: consult an executive financial counselor and establish a financial plan.

Example: *Life insurance.*

If the executive is single with no dependents and has enough savings to cover expenses related to their death (burial, attorneys, estate costs, etc.), life insurance may not be necessary. For others, the amount of coverage depends on a dizzying number of variables, including but not limited to:

- Burial and final expenses
- Outstanding debts across all creditors including credit cards, personal loans, auto loans, student debt, mortgages, and other outstanding debts
- The ages of beneficiaries
- The desired level of income replacement
- College tuition for children
- Wealth transfers
- Estate taxes
- Business needs
- Charitable giving

75%

of employees would have trouble payingfor expenses if they became disabled for several months.

48%

of employees say they need disability coverage.

4%

of employees demonstrate a high level of knowledge about disability insurance.

2

Working with an executive financial counselor to develop a financial plan not only ensures all these variables are considered, but it also allows the executive to explore different scenarios, including self-funding, that might change their life insurance needs.

Long-term disability insurance should also be a consideration. If the executive's goal is to protect earning power, consider the following statistics:

» More than 26% of today's 24-year-olds can expect to be out of work before they reach retirement age for a year or more because of a disability.

» 5.6% of working Americans experience a disability lasting less than six months every year, most commonly due to pregnancies, musculoskeletal disorders, digestive conditions, mental health issues, and injuries.

» Some worker's compensation benefits may not apply to certain disabilities. Furthermore, Social Security disability Insurance is problematic due to low approval rates, lengthy processing delays, and low benefit levels. Working with an executive financial counselor to develop a financial plan not only ensures all these variables are considered, but it also allows the executive to explore different scenarios, including self-funding, that might change their life insurance needs.

For these reasons, it may make sense to carry personal disability insurance.

For executives further along in their financial lifecycle, additional asset protection strategies may be prudent. Again, if the purpose of this stage is to protect income sources for the family in addition to protecting individual earning power, the executive must not only protect income generated by their labor, but also by their assets. While the primary risks for people are death and disability, the primary risks for assets are damage and litigation.

Common sources of asset-based income include:

» Business interests

» Rental real estate

» Commercial real estate

Asset protection strategies can be extremely complex, but two general concepts to understand are asset segregation and legal domicile.

» Asset segregation refers to the holding of separate assets in separate legal entities. For example, imagine owning two rental properties. If both properties are owned by the same legal entity and a tenant is injured on one property resulting in a lawsuit, the legal entity is likely to be named, and both properties may be at risk. Under a similar fact pattern, if the two properties are owned in separate legal entities, only the sole property may be at risk.

» Legal domicile refers to the different rules regarding the establishment, maintenance, and statutory treatment of different legal structures in different domiciles.

With so many variations in strategy, entity, and domicile planning, it is vitally important to work with an experienced attorney with a deep understanding of best practices in asset protection strategies.

Stage 3: Wealth Accumulation

With basic needs and financial safety taken care of, it is time to focus on the third stage of financial health: wealth accumulation. While investment strategies are highly personalized, the general priorities at this stage are to:

» Leverage and fully fund retirement accounts

» Build a diversified portfolio across both qualified and taxable accounts

» Integrate alternative assets where applicablepital gains.

Retirement accounts

For most employees, the appropriate place to start accumulating assets is in tax-advantaged retirement accounts. This includes 401(k), 403(b), defined benefit pension, Traditional IRA, and Roth IRA accounts. Eligibility restrictions may apply to some of these options, but the tax benefits and potential company match become powerful over time.

For 401(k), 403(b), defined benefit pension, and Traditional IRA accounts, contributions and growth are tax-deferred. In the future, distributions from these accounts are taxable at the marginal income rate.

The tax benefits are two-fold:

» If the assets remain in the account, they are not subject to taxes on dividends, interest, or capital gains. These taxes are a significant performance drag and are especially pernicious over longer periods of time due to a reduction in compound growth rates, so this is a particularly powerful benefit.

» If the marginal tax rate in retirement is lower than during the executive's working years, income tax liability may be reduced.

Roth 401(k) and Roth IRA accounts also feature tax-deferred growth. The difference with these accounts, however, is that contributions are after-tax while future distributions are tax-free.

The decision to leverage Traditional versus Roth accounts will depend on individual circumstances, but in most cases, after fully funding an emergency account, retirement accounts are the next best place to direct free cash flow.

Investment accounts

For the executive, the goal at this stage is to build a diversified portfolio that matches their specific situation. This will vary depending on age, income and expenses, family details, financial goals, and other factors. However, working with an experienced executive financial counselor can make it is possible to develop a risk/return profile that matches the executive's goals and time horizon.

The executive's unique investor profile can translate into a strategic asset allocation. This allocation should be diversified across asset classes, regions, styles, factors, and other dimensions. Ideally, a comprehensive approach to wealth management should also include asset location optimization (to minimize tax exposure), active and passive investments, and tactical tilts.

Pay down debt or save?

Many people will at some point in their financial lifecycle face the question of whether to use free cash flow to pay down debt or increase savings.

Here's where executive financial counselors can help. They can show that the optimal strategy is to compare the highest after-tax interest rate to the expected rate of return for a given investment or portfolio, and then apply free cash flow to the highest rate.

An experienced financial counselor will assess the executive's assets to determine which scenario is best suited to help them reach financial freedom

Example:

If the executive carries a debt that is charging a net annual interest rate of 5% and over the remaining life of the loan, they expect their investment portfolio to earn a 7% net return, it makes sense to prioritize investing overpaying off debt.

In a reverse scenario where a credit card is charging net interest of 15% and the portfolio is expected to earn 7%, it makes more sense to prioritize paying down the debt first.

Alternative investments

Alternative investments represent a wide range of assets classes and strategies that often can offer higher return potential than traditional investments. While the most common way to invest in alternative investments is via venture capital or private equity funds, the asset class is significantly broader and encompasses everything from art collections to pipeline investment to private placements to real estate/assets and beyond. No matter what the investment, however, alternative investment are desirable for portfolio diversification.

For many executives, the challenge is understanding alternative investments and how to perform due diligence on managers and strategies. On top of that, executives often find it difficult to get access to the top managers. An executive financial counselor can help build a best-of-breed alternative investment portfolio or make alts a complementary part of their existing managed portfolio.

Stage 4: Financial Freedom

The fourth stage, financial freedom, is the point at which the executive has fully funded their lifetime income plan, enabling them to begin funding multiple simultaneous financial goals.

Once funding levels are fully met, additional income may be allocated either to additional savings and investment, or to other financial priorities. This includes not only lifestyle enhancements (such as travel, vacation homes, etc.), but also preparation for milestone life events such as:

- Marriage
- Starting or growing a family through birth or adoption
- Purchasing a home
- Saving for a child's education
- Saving for a child's wedding
- Financial support for elderly parents

Funding Levels

Funding levels simply describe the amount a person has in savings and investments at a given point in their financial lifecycle, compared to where their financial plan suggests they ought to be. If a person's saving rate is lower, or investment portfolio smaller, or projected retirement income lower than where it needs to be, then their "funding levels" are not being met. In that case, it may be prudent to refocus on earlier stages of the Hierarchy of Financial Needs.

29% of Americans over 50 feel prepared for retirement.[3]

Stage 5: Legacy

At this stage the executive is invested in the future: Who will reap the rewards of their professional career and how will they prepare the next generation for success? When legacy planning is executed properly with a professional financial planner, the executive can walk away knowing that their assets will be distributed according to their wishes after your death.

There are three main components of legacy planning: Estate planning, philanthropic planning, and business succession planning.

Estate planning

Estate planning is integral to the complete financial health of a family. The core components of a typical estate plan include a Will, Health Care Power of Attorney, Durable Power of Attorney for Property, and a Living Will. Even for non-taxable estates, a trusted advisor will establish Revocable Trusts for their ability to both address incapacity and pass on assets with an element of privacy.

Critical to estate planning is naming beneficiary designations for all IRAs, other retirement benefits, and life insurance policies.

Philanthropic planning

There are several ways an individual can incorporate charitable intent into their estate plans. One way is making a specific bequest in a will or a trust. There are also trust vehicles that may be considered during the lifetime of a client that produce either a stream of income or a pool of money at a specific term of years to a charity. These options have specific income and estate tax benefits.

Alternately, a residual portion of an estate may be earmarked for a designated charity, a family foundation, or a donor-advised fund. In the latter two cases, structuring a plan in this manner is a great way for individuals and families to continue a legacy of charitable giving.

Business succession planning

Business owners are obviously focused on growth and day-to-day company operations. Unfortunately, this often means they overlook planning on how to best preserve their legacy upon death, retirement, or disability. A succession plan should consider all potential scenarios – including the outright sale of the company or transfers of ownership to partners or employees.

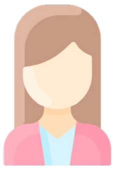
Plans like these can address life insurance of key employees, buy-sell agreements, and other ownership arrangements that can be tailored to the executive's business needs.

Why EFC Matters:

Legacy planning can fall prey to mistakes. Without the oversight of a professional, these errors could potentially destroy a lifelong legacy and add legal trouble and other complications for your loved ones and beneficiaries. To avoid this requires diligence over the entire process and an understanding of the potential tax and legal consequences behind each decision.

No legacy plan can anticipate every single possibility, but a strategic and well-drafted plan will have significant flexibility to help the executive's family negotiate the challenges ahead. With that in mind, there is great value for the executive to have his or her wishes memorialized soonest. Executive Financial Counselors not only develop, but also monitor and update estate and legacy plans to ensure that they are still achieving client goals as both legislative and family environments can shift.

CASE STUDY (B): The 5 Stages of Financial Needs



Diana Prince (54)

Public Company Executive

Steve Trevor (53)

Retired - Previously Private Equity Business Owner

CHILDREN	NET WORTH
2	$20MM
» Megan, age 16 » Peter, age 14	» Primary residence in Florida » Secondary residence in Massachusetts » High base salary (Diana) » Annual RSU grants and residual NQ stock options (Diana) » 250,000 stock options in public company (Steve)

Diana Prince and Steve Trevor represent a couple that has experience working in both the public and private sectors. Diana is an executive of a public company while Steve is retired after spending many years operating a private equity firm.

They both needed help related to Steve's company which he sold a year ago. When it went public months later, share value quadrupled. Their combined investment portfolio had no coordination or strategy — he and Diana had been too busy to even streamline their accounts into a single institution! Besides that, they had no cash flow management or college funding established for their two teenage children. An estate plan? They hadn't gotten to that yet, either.

An EFC advisor helped get their house organized. After creating an Investment Policy Statement that outlies established goals and strategies, the advisor consolidated both of their 401ks from various employers into a single account. To help protect assets, a Donor Advisor Fund was put into place to better manage their charitable contributions until the time they are ready to create a foundation. They also exercised half of Diana's NQ stock options and converted the majority of the gains to long-term to limit state tax exposure.

The advisor also introduced the fifty-something couple to a Spousal Limited Access Trust (SLAT) which captures gains to offset the anticipated reduction of the Unified Credit exemption. A SLAT allows one spouse to make a gift in the trust for the other spouse, a strategy with the goal of removing assets from their combined estates. In that spirit, the advisor also made a series of deferred compensation recommendations for 2022 in anticipation of expected tax rate increases.

To protect their children, an annual budget was established for the family, which included a college funding plan. An estate plan, with approved health care and powers of attorney proxies, was also put into place. Thanks to their EFC advisor, the couple can now enjoy the remaining years at home with their children before sending them to college, knowing they can provide for tuition and everything beyond.

04. CONCLUSION

Executive Financial Counseling from Cerity Partners is an exclusive concierge service for senior leaders to help maximize the value of their compensation and benefit plans.

The seasoned experts at Cerity Partners operate as single team to provide tailored counseling for every aspect of an executive's financial life: Estate planning, financial planning and cash flow analysis, wealth management, tax planning and preparation, retirement planning, and much more.

For the organization, the benefits of Executive Financial Counseling are clear:

» **It is a recruitment tool.** No other benefit comes as close to showing top leadership the organization cares about making their multifaceted financial life easy, manageable, and transparent.

» **It is a risk mitigant.** Putting financial coordination into the hands of Cerity Partners helps to ensure all tax deadlines are met, and any risk that might generate reputational damage for the organization is avoided.

» **It is a productivity driver.** Managing their assets and wealth, as well as trying to understand their compensation package, may drain the executives of time and energy. Providing assistance for fulfilling these responsibilities means they have more time to drive the organization forward.

For the individual, the advantage of Executive Financial Counseling is not just the expertise and implementation it offers, but also time.

Given their responsibilities and the expectations of their role, executives are naturally busy. However, they have questions, goals, and want to ensure they are protecting their wealth and their families. Through Executive Financial Counseling they are assigned an advisor who will coordinate a team, each member an industry expert in estate and financial planning, tax law, investment management, insurance, and more. These advisors will listen and coordinate a series of specific actions that together create a holistic plan.

After that, the lead advisor will serve as the executive's personal CFO. They will work with the team to manage and monitor the plan. Their availability is always open. The executive will feel secure knowing tax deadlines will be met, growth potentials are being addressed, alternatives in investing are explored.

Access is easy. Executive Financial Counseling gives executives one central location where they can view and manage everything.

Contact Cerity Partners to explore how Executive Financial Counseling can fit the needs of your organization.

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Sources:

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[2] LL Global (MAY, 2019)

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