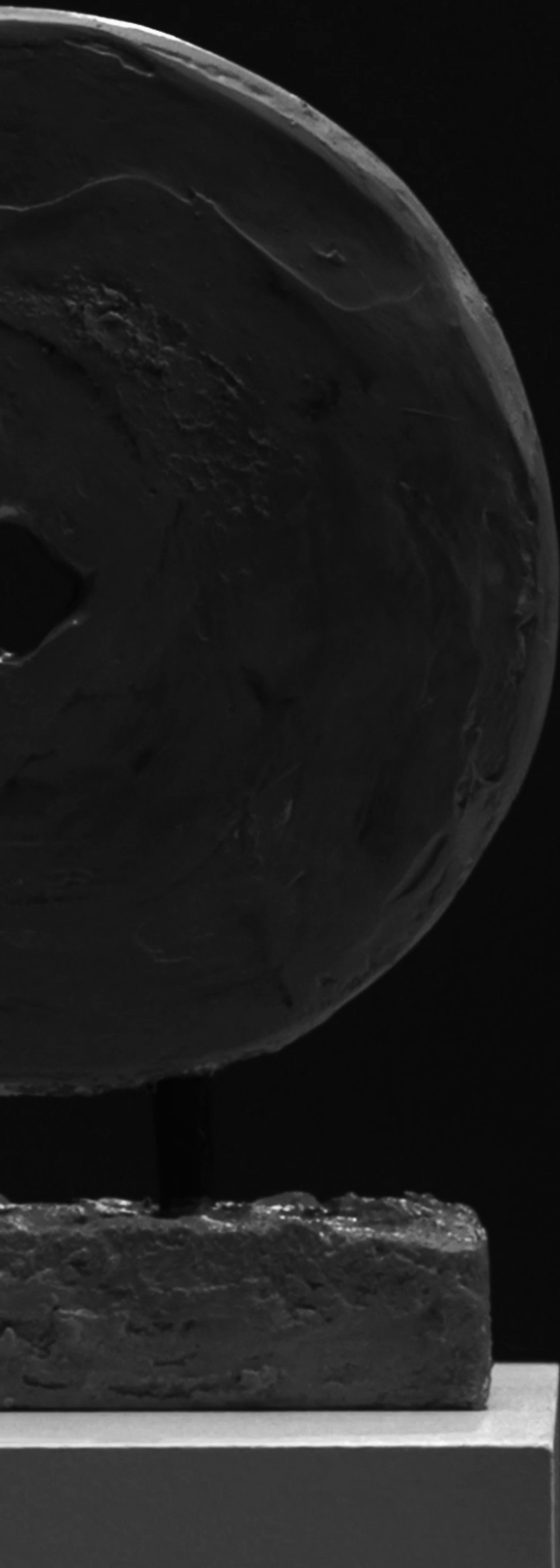

NewEdge WEALTH

The NewEdge Wealth Strategy Process

"HOPE IS NOT A STRATEGY"
- VINCE LOMBARDI

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Like most things in life, when it comes to wealth strategy, without a process, the outcome is reliant on hope.

Successful Wealth Strategy is a process that requires a team of advisors that are collectively focused on the goals specific to your family and the steps that are necessary to attain them. It leads to better decision-making, often better returns on capital, and a more concise mission as to what your wealth should accomplish. It is not a one-time discussion, nor a document that is put together that you file away without ever looking at it again.

We find that financial advisors often sell or provide "financial plans" to clients to justify their value and to make clients feel like the investment recommendations being made are in line with longer term goals. However, counter to their purpose, they are sometimes viewed as ancillary benefits above and beyond investment advisory advice. We believe that a strategic Wealth Strategy is critical to long-term planning, while also setting the stage for ongoing conversations and course corrections.

The outcome of a properly executed Wealth Strategy is a series of processes put in place, specific to each client, that helps identify the behaviors, structures and investments that are necessary to achieving their aspirations. At NewEdge Wealth, our team of strategists have created a system designed to help clients define their aspirations and confidently make the decisions required to accomplish the necessary tasks to achieve them.

The objective of any wealth strategy is to achieve your financial goals — to end up at a point where you achieve what you want with your wealth and leave behind a legacy you are proud of. Easy, right? For many families with multi-generational wealth, the path toward goal attainment and coherent legacy is fraught with difficult decisions and obstacles. For most of our clients, these decisions are made more difficult given the complexities of their wealth, not to mention the personal dynamics of children, families, employees and friends. Ultra high net worth clients have needs that go far beyond what typical planning would entail.

Given these complexities, it's no surprise that somewhere between 60-70% of wealth is lost by the second generation, depending on which study you look at.[1] As wealth passes from one generation to the next, more family members end up pulling from the same pool of capital (sometimes many more and some more than others). When you add ongoing tax obligations and inefficient investment decisions, a rapid drawdown on the original wealth pool tends to kick in.

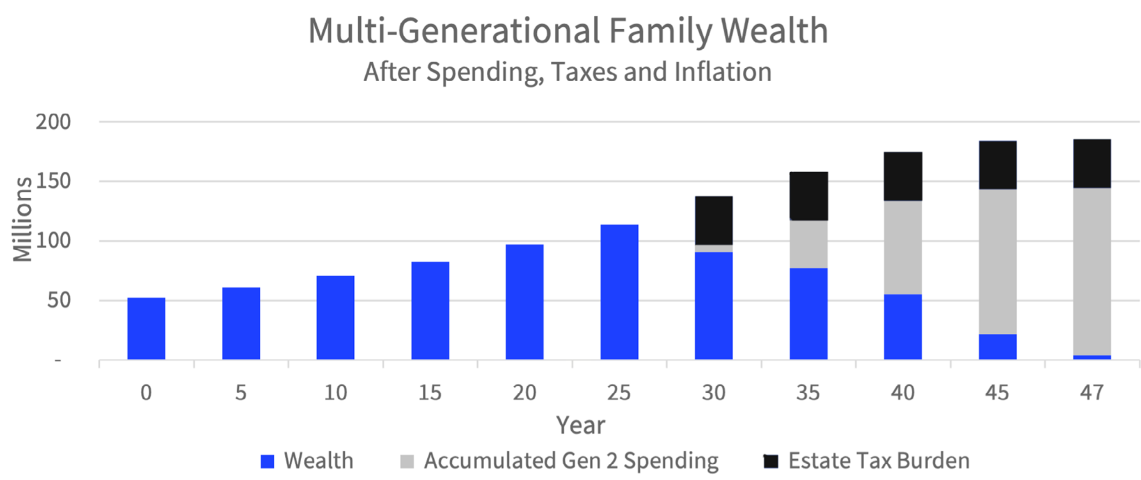
How the first generation chooses to address these challenges and embrace opportunity sets the foundation for the road to success. Poor decision-making with the first generation (or the lack of decision-making altogether) can quickly accelerate both opportunity cost and improper wealth-related habits being formed across generations.

Unique Stress for Business Owners

When a family is confronted with an offer to purchase their business, the once steady-handed leaders can find themselves suddenly riding an emotional rollercoaster. While it may start with joy and excitement, once numbers start to be passed around and time has allowed for it all to sink in, stress and anxiety often come along with it.

The stress starts to build as the family confronts the transition of their operating company to an investment company, the loss of potential income and what that means, and trying to determine if the sale price will enable them to support their lifestyle and legacy goals.

With a complete and holistic understanding of the client's financial and family information, these stresses can be alleviated.



The Goals of Our Strategic Wealth Strategy Process Include:

1. A Clear Vision for the Future: A thorough understanding of where you stand today, quantifying what success means to you, and forecasting what your wealth could look like at various points in the future across several different scenarios. Answers to the question, "What happens if?"

2. Evidence-Based Decision Making: A framework that enables you to make confident decisions about your wealth, grounded in data, not opinions — even when there are multiple, complex and sometimes constantly changing or competing variables at play.

3. Understanding Where Your Leverage Is: A clear idea of which variables, or levers, can be manipulated to help avoid unwelcome outcomes and which ones can be used to achieve outcomes you might not have thought possible.

4. An Intentional Legacy: Whether your goal is to leave your legacy to the next generation or philanthropic organization – developing a plan for who your wealth will benefit, how it will benefit them and when they will benefit from it.

5. An Investment Plan with a Purpose: With a clear wealth strategy defined across segregated pools of capital — each aligned to the purpose and timing by each beneficiary pool — investment decisions can be made away from the noise and emotional reactions that come with fluctuations in the markets.

6. Meaningful Family Meeting Facilitation: As we work together to build out the roadmap for your family's future, we help prepare the next generation for wealth by addressing any knowledge gaps around a variety of topics. From an introduction to finance, to educating your heirs on their roles as responsible inheritors and the entity structures in place, to bringing the family into philanthropy and everything in between.

The consequences of making the "wrong decision" or the anxiety triggered by the potential negative impacts that wealth can have on immediate family members and heirs can seem overwhelming. Oftentimes, what should be a rewarding process — establishing a legacy and dreaming of the impact wealth could have on future generations — ends up being stressful with conflicting emotions and many sleepless nights.

Our team has worked with individuals at this same stage in life for decades. So instead of focusing solely on the outcomes and working backwards, our Strategic Wealth Planning Process starts in the present moment and builds a roadmap towards success. It's a journey that we take together with clients, and it is a process that we have created and refined to help alleviate the burden off our clients' shoulders when managing the complexities of wealth.

We believe our Strategic Wealth Planning Process provides our clients with the confidence to make informed decisions about their wealth — now and into the future. One of the primary objectives of this process is the identification and avoidance of behavioral biases from investing which helps prevent reacting based on market conditions and increases the odds of a more impactful legacy. In short, our process seeks to provide peace of mind to you and your family that you're doing what you need to do today to achieve your objectives for tomorrow and beyond.

Strategic Wealth Planning Process

Exclusively for NewEdge Wealth Clients

Having worked with families of significant wealth for decades, our Strategic Wealth Planning Process has been explicitly designed to help take much of the burden off our client's shoulders. We have devised a six-step framework intended to place clients in a more proactive, purpose-built, and decision-ready stance regarding all matters surrounding their wealth. Whether you are a successful entrepreneur, private equity professional, corporate executive, or family member of generational wealth, our process is uniquely tailored to address specific needs families may face.

1. Data & Dynamics Download: A complete exploration and analysis of the current financial picture and the dynamics within your family and/or beneficiaries of your wealth. We help you get organized so we can clearly define both your short and long-term goals and objectives, while understanding potential issues that are unique to your situation.

2. Evaluation & Forecasting: Identifying the balance between financial needs and wants for today vs. forecasted outcomes. Defining your levers and quantifying success within established guardrails.

3. Capital Partitioning: Segregating capital by likely use and beneficiary. The goal is to fully fund what you will likely need in your lifetime while defining and funding your legacy with the capital that will outlast you.

4. Structure & Governance Engineering: Optimizing wealth transfer strategies with tools and structures to efficiently manage excess/legacy capital. Work with future generations to help prepare them for the wealth.

5. Investments: Separately manage the partitioned capital to meet your requirements, the requirements of your intended beneficiaries, and your legacy based on individual return requirements, capacity for volatility and time horizons of each pool.

6. Prepare to Course Correct: Constantly monitor and review where you are today against the defined objectives, while making adjustments as tax and estate planning laws evolve.

01	02	03	04	05	06
Data & dynamics download. Get organized. Deep discovery. Put goals on paper.	**Evaluation**. Financial needs vs. forecasted outcomes. Define your levers. Quantify success.	**Capital partitioning**. Segregating capital by likely use and beneficiary.	**Structure & governance Engineering.** Wealth transfer strategy optimization.	**Investment Process.** Allocate capital based on desired outcomes and needs of beneficiaries.	**Execute & Prepare to course correct.** Monitor constantly.

1. Data & Dynamics

The Data (or the "What")

Getting organized is arguably the most essential step to successful planning. Ensuring that your entire team of advisors is up to speed on the state of your assets today and strategies that have been previously executed is foundationally vital. We work with you to gather this data, to help understand the scope of all of your assets, including how each asset is owned, and identify what you would like to do with them in the future and what success means to you.

The details associated with this part of the process are critical as they will lead to better decisions down the road. Sometimes something as simple as how an asset is owned (joint with rights of survivorship vs. tenants in common) can have significant (and frequently unintended) consequences.

Dynamics (or the "Who")

No wealth strategy is complete without acknowledging the inevitable convergence of family dynamics and assumed outcomes — not to mention unassumed outcomes in terms of untimely deaths, broken marriages and the constantly evolving estate and tax landscape. What's more, there is also the underlying internal tension between setting aside enough to enjoy the fruits of your labor and success today while planning for tomorrow's legacy.

> "The hardest part is starting. Once you get that out of the way, you'll find the rest of the journey much easier."
> - Simon Sinek

At the beginning of this process, we take the time to understand what's top of mind, your philosophies, goals and concerns regarding wealth so that the recommendations presented to you align with your views.

With this thorough understanding, our team can provide targeted recommendations to help you deal with the most critical issues. For example, we look at scenarios such as: defining "equality" amongst your heirs while also being "fair" when transitioning a business; motivating children to be responsible stewards and contributors of wealth; special needs concerns related to children or family; aligning your estate planning goals with your philanthropic mission; and making sure that opportunities are not missed for significant generational wealth savings.

2. Evaluation & Forecasting

We don't rely on our opinion or feelings alone when developing a wealth strategy for you and your family. In fact, because opinions are often born from personal experiences from people that have different circumstances, opinions are often contradictory person to person, thus further complicating the decision-making process. While a successful wealth strategy requires experience to consider the qualitative results of any decision, we strive to deliver recommendations based on calculated and scientific analysis. We subscribe to the idea that vagueness is a cause of inaction and that modeling allows for the reduction of vagueness.

Our quantitative modeling tools help provide confidence around how much wealth you will require to support your desired spending goals and project your capital needs based on various business, personal, or market outcomes. These critical areas of understanding enable you to make the decisions that matter today and well beyond.

The output of this modeling approach helps provide answers to questions like:

- *How much wealth will I require over the remainder of my life to maintain my current level of spending? Can I spend more?*
- *How much can I gift or give away and which assets can I part with without impairing my lifestyle?*
- *How much wealth will I be leaving behind? What estate tax obligation will my heirs be responsible for?*
- *How much do I need to sell my business for to ensure that working remains optional?*
- *How much of my company/investment can I gift based on a number of potential outcomes?*
- *How should I think about asset allocation and investments as it relates to me and my needs?*
- *How does a change in expenses affect my likelihood to succeed financially?*

While it is helpful to know what we are solving for, the evaluation process can also help clients understand where they may want to focus their attention. Frequently, the process of forecasting can present clients with unknown concerns or opportunities that they may not have considered before.

The output of the evaluation process is a decision-making framework that enables you to understand the impact of decisions before they are made. In addition, the use of stress testing and multiple scenario analysis allows for guardrails to be established based on how outcomes change given adjustments in the variables (expenses, return, risk, gifting, valuations, etc.).

For multi-generational families, the output may include calculating capital required to maintain spending needs for the wealth creation generation. In addition, through the employment of statistical analytics, we can calculate a probability-weighted likelihood of success to help stress-test financial or estate planning decisions before they are made.

3. Capital Partitioning – A Multi-Horizon Approach

There is a tendency for the generation that creates family wealth to view all the family wealth as their own — they earned it after all. But if the wealth generator's capital is managed as one single portfolio — tied to their personal time horizon and goals — then the long-term legacy goals and/or needs of all other likely beneficiaries are not being considered. Because those other beneficiaries tend to have longer time horizons, the aggregated portfolio will likely underperform long-term expectations over time.

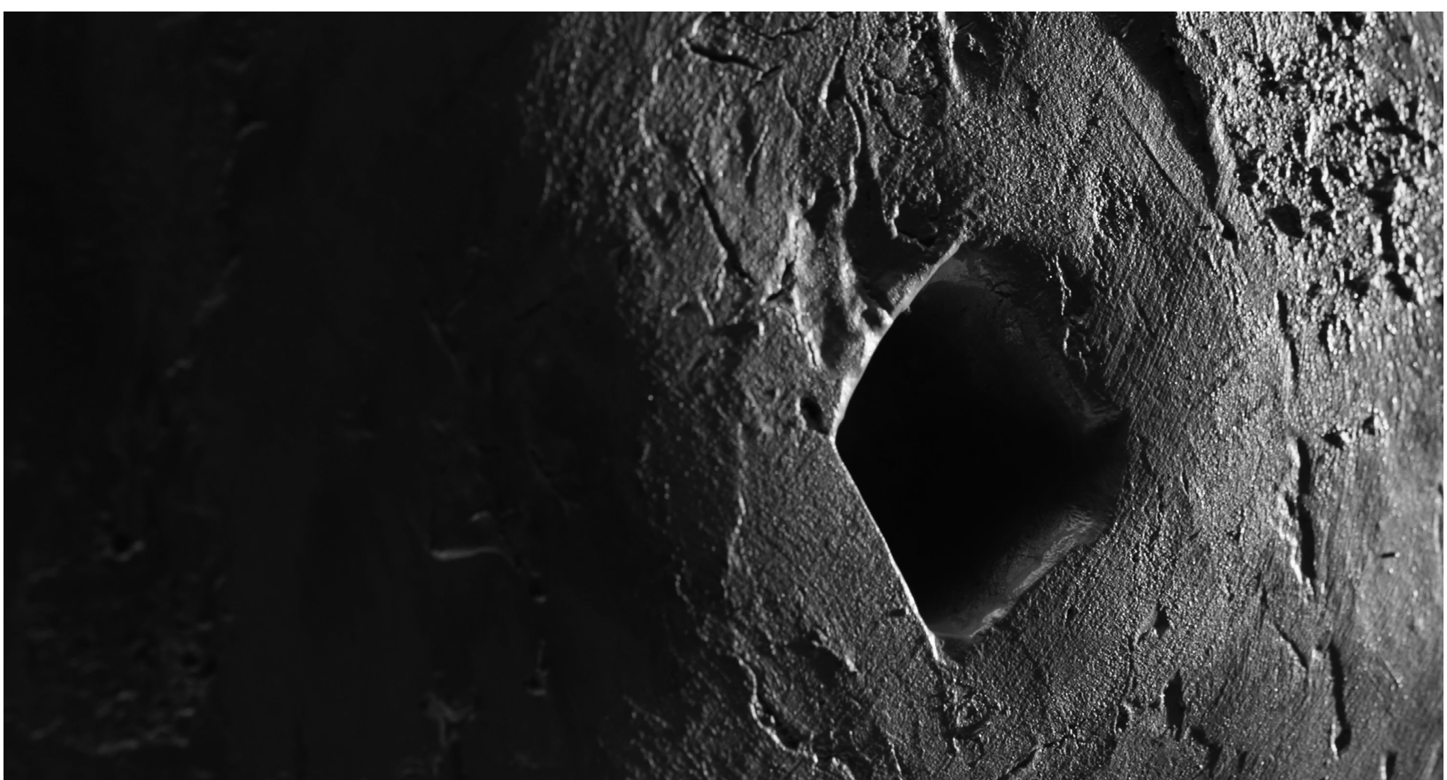
As an example, let's say a family has $50 million in investable assets where the wealth-creating generation is in their 60s. If we look at the likely lifespan of the wealth-creating generation alone and allow market volatility to dictate the investment approach across all of the capital in the portfolio, then as they age, the typical approach would be to move towards a more conservative stance, mitigating total volatility. So, in this case, let's assume a simple moderate risk allocation is used across all assets, which would be executed as 50% of liquid assets invested in stocks and 50% in bonds for the remaining 20 to 30 years of their life. Assuming normalized returns, we can project that the $50 million invested in a moderate risk allocation such as this could grow to just over $100 million over those three decades. Not bad.

But, what if we can determine through our modeling that we can support both the current and planned spending and lifestyle needs of the wealth creation generation by allocating just $20 million of the $50 million in assets into a portfolio with that same moderate risk profile — 50% invested in stocks and 50% in bonds? In other words, we can provide for the needs of the wealth-creating generation with the same level of risk exposure, while utilizing a much smaller pool of assets.

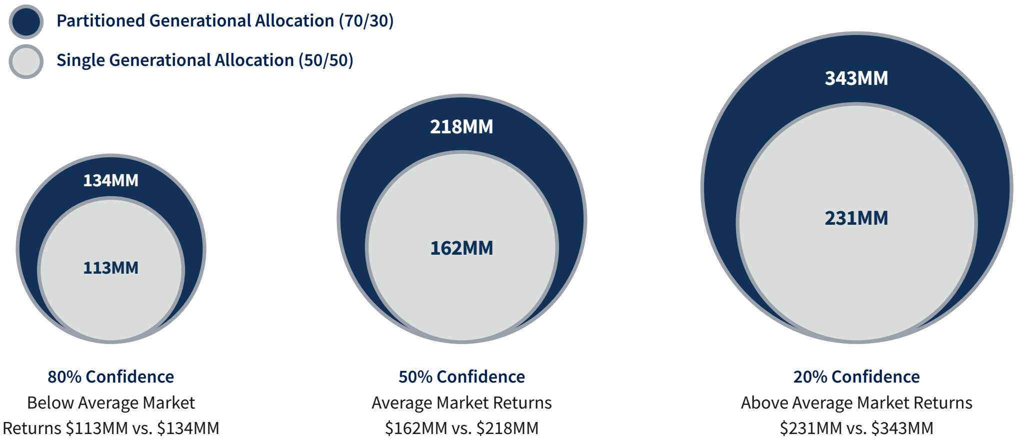
That then leaves $30 million of capital — what we call the legacy pool of assets — that can be invested based on a much longer time horizon with less focus on the impact volatility may have. This could be a time horizon that isn't just decades, but generations out – and often includes beneficiaries that are yet to be born. Moreover, because the legacy pool has a longer time horizon, that portfolio can typically tolerate greater market volatility. Thus, an allocation with greater exposure to risk assets that can deliver higher potential returns can often be supported.

In this scenario, if we assume roughly 85% to equities and 15% to fixed income allocation for the legacy pool, the result of this increased allocation to risk assets statistically increases the likelihood that the total wealth of the family will increase substantially over 30 years (albeit with higher volatility). Under this scenario, we calculate a potential of total assets — both the portion allocated to the wealth-creating generation and the legacy pool — reaching $156 million over 30 years, assuming normalized expected returns. That's an extra $50 million in assets due to a more aggressive allocation without significantly impacting the wealth-creating generation's ability to live their desired lifestyle.

Even in the event of poor average market returns, we would expect a $21 million increased value than if we were to invest in a moderate allocation for the entire portfolio.



Partitioning Wealth may allow you to seek higher returns by enabling a higher tolerance for volatility.
$50,000,000 growing for 30 years.



Single Generation Portfolio	Value of Pool	Fixed Income	Equities
Personal Use Capital	50,000,000	50%	50%
Legacy Capital	Undefined	N/A	N/A
Weighted Average Allocation		**50%**	**50%**
Partitioned-Generational Portfolio	**Value of Pool**	**Fixed Income**	**Equities**
Personal Use Capital	20,000,00	50%	50%
Legacy Capital	30,000,000	16%	84%
Weighted Average Allocation		**30%**	**70%**

Managing Wealth Across Multiple Horizons

As the example above demonstrates, families can benefit from breaking their wealth up into pools of capital, to be invested based on the needs and time horizons of the various beneficiaries it is designated for — grandchildren, charities, education, endowments, etc. Because each one of these pools of capital has a purpose distinctly different from the other pools of capital, each one can and should be managed differently.

The intention is to align each pool with the likely beneficiary and use of capital. From there, we like to divide client capital into two pools. The first is the amount of capital required to maintain the lifestyle and spending needs of the senior generation, or **Personal Use Capital**. The second pool, **Legacy Capital**, is the capital that is likely to outlive the wealth creation generation and remain for future generations and charitable causes.

Total Assets				
Personal Use Capital		Legacy Capital		
Today	Tomorrow	Beyond		
0-3 Years	Lifetime	2nd & 3rd Generation (25-75 Years)	Future Generations (75-150 Years)	Charitable Causes

With a prudent bifurcation of wealth, investment of the individual pools of capital can take a more targeted investment approach. In addition, because legacy capital tends to have longer time horizons inherently, this pool of capital tends to be more illiquidity tolerant and can often aim to achieve higher returns. Frequently this results in an increase in overall return expectations within aggregated family wealth depending on the size of the personal use capital pool required.

Understanding when your capital will likely be used is the first step toward a lasting legacy. To increase the odds that your wealth lives well beyond you, we help our clients focus on the areas where decisions need to be made today – what will be most impactful tomorrow and what needs to be in place to ensure a lasting legacy beyond you.

4. Structure & Governance Engineering

Understanding what you have and who it will likely benefit is fundamentally required to tackle what is often the most value additive part of the process – wealth transfer strategy optimization. This is often a recurring step as tax laws and regulations evolve, designed around defining the best strategies to accomplish your wealth transfer goals while minimizing taxes and maintaining flexibility to change course as needed.

Most ultra-high net worth clients will inevitably pass on wealth to the next generation but rarely focus on **when** and **how** that transfer should occur. While it is often advantageous to make the most impactful gift today from a tax and planning standpoint, it is also important to assess the impact that gift may have and if that is a suitable option. This is where we come in.

The topics most frequently discussed during this step include trust and estate planning, estate tax minimization, the timing of gifts, and use of trust assets by future generations. A myriad of taxes, including estate, gift and generation-skipping transfer taxes are all fighting against wealthy families' ability to transfer wealth. However, significant wealth deterioration can occur without understanding the tax impact and preparing for them.

There are many tools and strategies that we can employ to optimize wealth transfer. However, the sheer volume of available methods is often where clients find themselves in a state of inaction. It can simply be too overwhelming. When families attempt to plan without taking the time to understand what they have today, where they will likely be tomorrow and what is likely to be left beyond them, choosing the right strategies to employ is challenging. If the purpose, outcome, and consequences of an action are unknown, you are unlikely to take any action at all. And while there are strategies that can be employed that can preserve extraordinary amounts of intergenerational wealth by avoiding unnecessary taxation, what may be appropriate for one family may be inappropriate for another given their specific circumstances. Planning based on what your friends are doing tends not to end as well as expected.

Taking the time to review your existing estate plan, making sure the terms and ownership align with your aspirations, and accounting for your full financial picture and family dynamics is imperative. Our process incorporates questions, issue spotting, and the reconfirmation of any areas of concern. Our objective is to make sure your estate plan aligns with your goals in the most efficient way from both a tax and control standpoint. If you don't have a plan in place, it's time to build one – we can help with that.

This is also the part of the process where clients with well-coordinated teams of advisors (CPA, attorneys and financial advisor) tend to benefit greatly. A cohesive and responsive team allows families to focus on wealth creation and what matters most to them while their team works to spot the issues and opportunities as they are presented. The right team armed with the right information can bring the most appropriate strategies to you for consideration.

In this capacity, we view our relationship with clients similar to that of a COO to CEO. A good COO understands the organization's goals, the nuances around variables within the organization and when required, presents only a couple of targeted options to the CEO to choose from, rather than 10. This knowledge-based recommendation preparation helps accelerate decision-making with a reduced requirement for the client to understand every possible strategy that exists.

5. Allocating & Investing Capital

Once we have defined what capital exists today, what will likely exist in the future, who should benefit from it, when it should benefit them and how, then allocating capital becomes a relatively prescriptive exercise. By allocating capital based on the goals we are trying to achieve, we can more accurately seek investment solutions that meet the associated objectives.

Determining the required allocation in each bucket results from our quantitative modeling exercise, which helps dictate how much capital is required and how much risk and volatility can be tolerated.

Personal Use	**Today**	12-36 Months of Spending Needs / Cash / Short Duration Investments / Liquidity
	Tomorrow	Lifetime Spending / Liquidity Over Illiquidity / Balanced Allocation / Moderate Risk
Legacy Capital	**Beyond**	Legacy Capital / Aggressive Risk / Illiquidity Tolerant
	Contingency	Insurance

Today: Living life costs money and we always want to be prepared for that. This bucket incorporates an understanding of income and expenses and focuses on ensuring we can satisfy upcoming and known obligations without requiring asset sales to fund your lifetime needs. Capital commitments, business liquidity, spending, travel plans, renovations, and gifts are all examples of this bucket's included costs/ expenses.

Tomorrow: Your Lifetime Present Value is a calculation of your total lifetime expenses discounted back to a single number based on a conservative return expectation. This pool of capital is generally invested in a comparably moderate risk-focused allocation with a tilt toward liquidity and dampened volatility. The goal here is most often to ensure that lifetime spending is taken care of regardless of market outcomes. When considering the risk levels in this portfolio, we remind clients that here more than anywhere, the path taken matters. Any need to invade this capital tends to be at times of market dislocation, thus preventing this pool from being severely impaired is a frequent goal.

Beyond: The capital that will last beyond you. It may not exist yet but planning for it is essential for everyone. Because of the extended time horizon and because access to liquidity from this pool is often not required, clients tend to be able to aim toward a higher level of risk in this pool than any other. In addition, this capital tends to be capable of investing in illiquid and sometimes concentrated positions as it seeks out higher rates of return with the ability to tolerate higher levels of asset price volatility.

Contingent: The solutions that can assist in the event course corrections are required or unanticipated events occur. This pool typically includes life insurance to help with loss of income, estate tax payments, illiquidity issues, etc.

Today
What does your wealth plan need to support lifetime needs in terms of today's expenses?

Tomorrow
What are we striving towards for the next phase of your life?

Beyond
What legacy do you want your life's work to leave behind?

Our asset allocation and investment solution decisions are defined by client needs, investment philosophy, and client biases. Client allocations are a function of what they require each pool of capital to achieve and are frequently optimized to attain a stated level of return goal. Strategic asset allocation is the primary driver of long-term returns. We take great pride in considering how clients should be allocated to achieve their goals, taking into account liquidity, emotional limitations and asset aversions.

6. Prepare to Course Correct

There is a saying that many successful people tend to subscribe to, "always know where the exit door is." The idea is that while things may feel like they are going as planned and no matter how much energy you put into planning for certain outcomes, things go wrong. When things do go wrong, the best outcome is typically to recognize that they are going wrong and to be able to present a solution as soon as possible. Monitoring and paying attention to the many moving parts of a multi-generational family is crucial and again often requires a well-coordinated team. We recognize that the best planning today may not be the best tomorrow. To deal with the possibility of changing needs, regulations, wealth, and family dynamics, we strive to achieve flexibility where we can so that we are ready when the need to change directions occurs. This is also a reminder of why details matter and information transparency is imperative.

Inaction: The Greatest Cost

Inaction, whether due to procrastination or because you don't think you are ready to act, can be detrimental to multi-generational wealth. As we age, decisions become harder to make, assets become more disjointed, expectations can be set improperly and family dynamics can become more challenging. While we recommend that clients start strategizing and planning as early as possible, we acknowledge that the motivation and drive to discuss wealth strategy can sometimes feel absent. Our role is to help you recognize the importance and value of dedicating the time today so that your wealth accomplishes what you want it to without regretting the opportunity cost that procrastination can create. Frequently, by the time a client feels ready to discuss these topics, they have given up many opportunities to benefit along the way – sometimes, the largest potential opportunities were missed.

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Important Disclosures

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