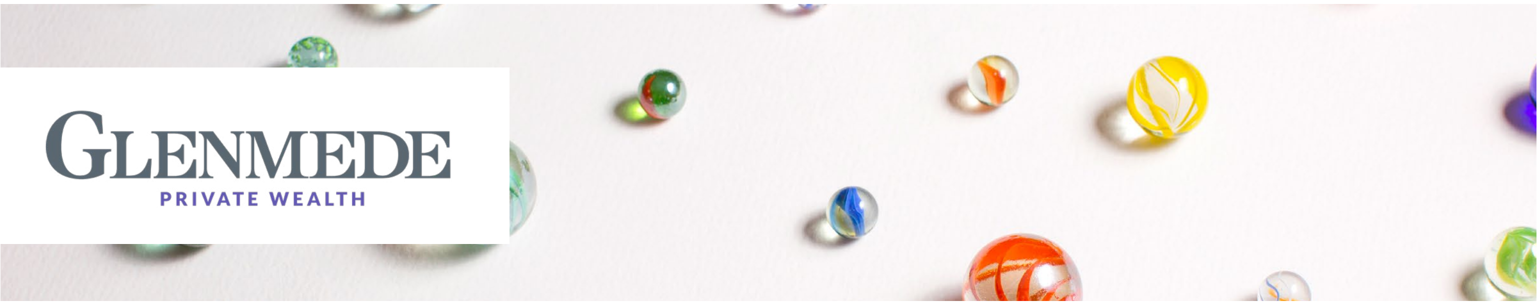

GLENMEDE
PRIVATE WEALTH

How a Goals-Based Wealth Review Can Help Preserve Wealth Across Generations

On the most basic level, wealth preservation begins as a need to ensure that individuals or couples have sufficient assets to maintain their lifestyle. For many, a longer-term objective is to preserve wealth across generations of family members and for charitable endeavors.

It is no surprise that investors often gravitate to portfolio performance as the primary means to protect and grow assets. Yet from our experience, there are four critical strategies of equal, if not greater, importance:

- **Control consumption:** This requires a vigilant review of expenses and outflows. It is important to have a solid financial plan that correlates current assets to future goals, wealth transfer plans and expenses — mapping out strategies over time. Tools that help monitor future progress are also important. Along these lines, we advocate that families hold regular review meetings with their advisors to actively manage consumption patterns and to reaffirm the guidelines governing distribution requests.
- **Protect assets:** Preserving wealth requires the pursuit of a disciplined strategy to protect assets from unforeseen or difficult-to-forecast events. This begins with a review of personal, business and property insurance coverage to ensure policies are current and coverage is adequate to protect against unforeseen events.
- **Minimize taxes:** Tax laws are complex and, when combined with an evolving regulatory landscape, require careful navigation. We collaborate with clients to proactively review significant transactions and mitigate potential income tax implications. There are many wealth transfer strategies and techniques that can be implemented, but the key is to identify the strategy or combination of strategies that best addresses the client's goals. Where there are substantial assets, we may recommend one or more of the following tax-advantaged options: annual exclusion gifts, unlimited tuition gifts, transfer exemption gifts, taxable gifts, intrafamily loans and grantor retained annuity trusts, among others.
- **Prepare for transition:** Proper estate planning documents should accurately and clearly articulate your current intentions, as expressed through a will, revocable trust, durable power of attorney, healthcare proxy or living will. While each introduces a distinct vision for the use of assets, wealth preservation is almost always a shared objective. In our experience, we have observed how these areas can have a greater effect on a portfolio than even investment performance.

The Goals-Based Wealth Review process

With the above factors in mind, we have found that aligning an investor's wealth objectives with an investment strategy is the foundation for successful personal wealth management. The techniques and technology used to make planning and investment decisions continue to evolve, and Glenmede leverages these developments through our dynamic Goals-Based Wealth Review process.

Unlike traditional approaches that treat wealth planning and investment management as separate processes, the Goals-Based Wealth Review integrates all areas of Glenmede's expertise in a unified planning approach. Experience shows that when clients and their relationship managers consider wealth objectives and investment options in tandem, it yields deeper insights and empowers clients to make better, more informed choices. The result is greater confidence in a wealth plan that allows clients to realize long-term spending, gift and estate and philanthropic goals. We recommend the Goals-Based Wealth Review when developing an initial investment policy statement and wealth plan, and whenever life circumstances or wealth goals change.

Five-step framework

Through in-depth discussions with their Glenmede relationship manager, clients evaluate their wealth objectives and investment options — aided by data that helps quantify and visualize choices across multiple scenarios — until their wealth goals and investment strategy align with a high probability of success. The Goals-Based Wealth Review unfolds over a series of five steps, outlined below, each of which leads to more nuanced conversations about how a client's goals and risk tolerance affect the probability of achieving lifelong income and asset sufficiency.

1. Create a personal balance sheet

The first step is to create a personal balance sheet that establishes a clear picture of current assets, liabilities and net worth. Clients who prefer a guided approach can work with their relationship managers to develop their balance sheet, while others may choose to use WealthView, Glenmede's online personal financial management tool. WealthView accommodates all types of assets, including those managed outside of Glenmede, such as savings plans, private equity, bank accounts and real estate. It can also incorporate liabilities, including mortgages and future taxes on deferred compensation.

2. Create or update personal wealth objectives

Setting long-term goals can be the most challenging part of the process. Most of us do not plan decades in advance and tend to focus on life's immediate opportunities and challenges. Relationship managers help clients to think through the passions they want to fulfill during their lifetime and the values they want to transfer to future generations. These wealth objectives are then quantified as future spending needs and assets intended for loved ones and charitable interests. The result of this process is a summary document that serves as a touchstone for future discussions.

3. Assess the probability of meeting goals

Once the personal balance sheet has been created and wealth objectives documented, the data is used to determine whether a client's current assets and future income will be sufficient. Glenmede models the future state of cash flow, taxes, assets and liabilities using two methods to assess the probability of the client achieving success, which Glenmede defines as having enough money to meet lifetime goals.

The first model assumes invested assets earn "normal" future market returns, allowing the client to see how much money they and their heirs could have over time.

Since market returns are rarely normal, the second model projects return assumptions for a wide range of market environments — good, bad and everything in between. This analysis quantifies the probability of a client's wealth plan delivering future income and meeting legacy and philanthropic goals. A probability of 85% or above is a strong indicator of future success.

4. If the probability is too low, evaluate alternative planning and investment options

What happens if the initial projections fall below the 85% threshold? In that case, the client and their relationship manager will refine goals and evaluate different investing or wealth planning strategies — all with an eye toward arriving at a new wealth plan that raises the probability of success to at least 85%. In those conversations, the client may decide to revise spending plans, alter investment allocation and/or consider using different legacy or philanthropic planning techniques. In theory, each of these variables can be thought of as a "lever" that can be adjusted to raise the probability of success. In reality, however, clients typically grapple with several variables simultaneously. For example, they might want to see what would happen if they decrease their spending, increase a legacy gift or take on slightly more risk in their investment portfolio.

5. If the probability is too high, consider more ambitious goals

What happens if the initial projection shows an extremely high probability of a client achieving their goals? In that case, discussions will focus on considering loftier goals and a more ambitious approach. This might include spending more money on personal interests, moving assets from an estate at an earlier age or making more sizable gifts to a charity within their lifetime. Even if a client is content with the original objectives, it is useful to understand just how attainable a new dream might be.

Conclusion

Over the years, Glenmede has guided many families through the intricacies of estate, financial and tax planning. While each introduces a distinct vision for the employment of their assets, wealth preservation is almost always a shared objective. In our experience, we have observed how these areas can have a greater effect on a client's assets than even investment performance.

A Goals-Based Wealth Review helps clients visualize the complex relationship between their goals, investments, risk and wealth planning alternatives across different scenarios. The result is the confidence and peace of mind that comes from a coordinated investment policy statement and wealth plan designed to support a set of goals long into the future.

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