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SUCCESSFULWOMEN

TIMELY INVESTMENT AND FINANCIAL PLANNING TOPICS

Foster financial literacy and family values

The two go hand in hand when preparing your heirs.

Timing discussions around money while clearly communicating your financial values with heirs can be tricky.

You may already be asking yourself: How will I help them understand this is more about passing on a legacy than money? What financial knowledge and decision-making skills do my heirs currently have? Will my family understand the importance of charitable giving as much as I do?

We've compiled some insights below to help you build a solid foundation for your values and principles long before any money changes hands.

OPEN LINES OF COMMUNICATION

Talking about inheritance may be uncomfortable for some families for a variety of reasons. Facing the prospect of losing a loved one can be very overwhelming. Disparities in bequests to your children can also be a sensitive issue to discuss.

But while these might be difficult conversations to have, the sensitivity of these topics emphasizes the importance of addressing them. Once you've built a foundation for honest, open financial conversations, your heirs will gradually become more comfortable addressing these topics in time.

If possible, bring all your heirs together, or at least those inheriting the majority of your estate, to help ensure everyone is aligned and understands your intentions.

(continued on the next page)

Foster financial literacy and family values (cont.)

You may not go into all the specifics during these group conversations, but it's valuable to set expectations and open lines of communication among your heirs too. Transparent dialogue may mitigate the risk of any strife between them later.

Group sessions are important, but it's recommended you also take the time to sit down with each heir individually to discuss their gift and role in the estate process. After all, each of your heirs has their own needs, aspirations and special relationship with you.

At some point – and it doesn't have to be the first or second meeting – consider introducing your family members to your advisor so they can start to build a relationship and feel comfortable asking questions as they arise. Your advisor can provide their office as a neutral location to host the meetings and serve as an impartial mediator among you if needed.

INVOLVEMENT AND GUIDANCE

It's only natural to want to prioritize the well-being and financial preparedness of your loved ones, especially to make sure they're well-equipped to manage their inheritance as well as make the most of it.

When the time is right to initiate these discussions, it's crucial to ensure the topics you plan to bring up are right for the maturity level and financial literacy of your heirs. The overarching goal is to gradually instill and enhance their financial literacy, and that process should happen well in advance of the inheritance itself.

For example, young ones in elementary or middle school can often grasp important lessons about tradeoffs. You can point out that skipping out on buying a treat every day after school might mean getting that Lego set or video game at the end of the month. Incorporating everyday money management skills, like spending, saving and sharing, helps build a strong foundation that makes your heirs good stewards of your wealth later in life.

Once your loved ones become adults, don't be shy about sharing more details about the story of your wealth. As young adults, they're perhaps pursuing their own investment opportunities and planning for their future. They may be putting money into their first job's 401(k) or learning how a health savings account works, so will already have some knowledge to draw from.

Discussing the hard work and smart decisions you've made to earn your wealth with your heirs is an engaging approach that can foster credibility and respect in the long run. Inspiring them to understand how you've nurtured and grown your nest egg through the years may be the catalyst for your heirs to carry your values forward.

PASSING DOWN VALUES

Wealth often represents the accumulation of a lifetime of hard work. By passing down both financial wealth and values, you can ensure your legacy is preserved and future generations understand the principles that guided your success.

By instilling values like financial literacy, philanthropy and a robust work ethic, you'll set your heirs up for success as well-prepared and responsible stewards of the wealth they inherit. Lead by example, set clear expectations, communicate openly, and provide your heirs with the opportunities to learn and make decisions. A unified – and communicated – vision for your family's wealth will leave you feeling confident that your heirs understand the responsibility and great privilege of carrying on a meaningful legacy.

NEXT STEPS

- Open communication channels early to talk about responsible stewardship.
- Encourage involvement with your heirs to promote philanthropy.
- Talk to your advisor to set your intergenerational wealth plan in motion.

*This strategy does not assure a profit and does not protect against loss. It involves continuous investment regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low-price levels. Investing involves risk, including the possible loss of capital. There is no assurance that any investment strategy will be successful. Withdrawals from tax-deferred accounts may be subject to income taxes, and prior to age 59 1/2 a 10% federal penalty tax may also apply. Matching contributions from your employer may be subject to a vesting schedule. Please consult with your financial advisor for more information.

Sources: yahoo.com; fundingthefuturelive.org; worth.com; preparingheirs.com; raymondjames.com.

Structured lending: A strategic tool for sophisticated individuals

Customization that serves the multifaceted needs of private wealth.

Your financial requirements are multifaceted, necessitating strategies tailored to your specific needs. Structured lending can be a valuable addition to a high-net-worth individual's financial plan, helping you optimize cash flow, maximize tax efficiency and realize important estate planning goals.

As a complement to traditional securities-backed lending options, structured lending involves customized loan terms to meet specific borrower needs. Customized loan terms may include loan size, rate, structure, repayment schedules and financial covenants.

Structured lending is typically leveraged in situations where a borrower's financing needs aren't met by traditional lending options, or if you have substantial wealth and want to borrow strategically for advantageous outcomes.

STRUCTURED LENDING COLLATERAL

Similar to securities based lines of credit (SBL), structured lending is a customized credit solution that provides diversification and liquidity without disrupting your long-term financial strategy. Qualifying collateral may include traditional marketable securities, concentrated equity positions, exchange funds, hedge funds, cash surrender value of life insurance, and more.

Assets leveraged as collateral may also include other less liquid or illiquid securities, meaning they're more difficult to value or sell. This added degree of complexity requires specialized knowledge to structure the loan.

WHY LEVERAGE BORROWING AS A WEALTHY INDIVIDUAL

Financial thought leaders often advocate for the benefits of aggressively paying down debts and living without it where you can.

But for wealthy individuals, strategic borrowing can offer opportunities – even in market environments with relatively high interest rates.

This is because certain lending options can allow you to keep assets invested – and growing – while also providing you with liquidity access.

Overall, structured lending can be a useful tool to leverage debt and complement your portfolio, but you need to truly understand whether debt can help you take a balanced approach to liquidity without disrupting your investments, retirement plans or lifestyle.

WHERE THERE'S OPPORTUNITY, THERE'S RISK

Structured lending can be customizable, but with that flexibility comes a need for more specialized knowledge. That's where your advisor and their network of professionals can help.

Remember, mandatory legal and regulatory requirements can add complexity to a lending process. As a result, loan documentation and legal agreements must also be carefully completed to ensure they're accurate and compliant.

While structured lending under the right conditions can be a powerful tool in wealth creation, it's important to reach out to your advisor to understand if specific lending opportunities are a good match for your needs.

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Sources: raymondjamesbank.com; investopedia.com; forbes.com; capco.com

Tax-advantaged accounts: A powerful addition to your financial plan

The benefits of tax-efficient wealth management

A tax-advantaged account offers certain tax benefits to encourage individuals to save or invest for specific purposes, such as retirement, education or healthcare. These accounts can help you lower your taxable income, defer taxes or avoid taxes altogether if used for qualified expenses.

Beyond tax efficiencies, tax-advantaged accounts also offer estate planning benefits, access to a variety of investment options, coverage for future medical and education expenses and potentially simpler tax reporting.

TYPES OF TAX-ADVANTAGED ACCOUNTS

RETIREMENT PLANS

There are several tax-advantaged account options, each with its own benefits and rules:

- **401(k) plans** are employer-sponsored plans that allow employees to contribute a portion of your salary to the plan on a pre-tax basis. Your employer may also match a portion of the money you contribute. Contributions and investment gains within a 401(k) plan are tax-deferred until withdrawn.
- **Traditional Individual Retirement Accounts (IRAs)** allow you to contribute a certain amount on a yearly basis. Contributions may be tax deductible, but like 401(k) plans, investment gains are tax-deferred until they're withdrawn.
- **Roth IRAs** are individual retirement accounts that allow you contribute a certain amount each year with after-tax dollars. Roth IRAs don't have required minimum distributions (RMDs) and any qualified withdrawals are tax-free, including both contributions and earnings. (Tax-free and penalty-free withdrawals can be made after the age of 59½, and once the account has been open for a minimum of five years.)

Rules and benefits vary from account to account and depend on your tax situation as well as any future changes in tax laws. Tax-deferred retirement accounts allow you to put off paying taxes upfront, which means you have to pay at the point any money is withdrawn.

EDUCATION PLANS

529 plans are specifically designed to help families save for future eligible education expenses, such as tuition, fees, books and certain living costs. These plans create a tax-advantaged account where you can save money earmarked for education expenses. You can contribute post-tax funds to this account, and when it comes time to cover qualifying educational costs, you won't be obligated to pay federal taxes on the money withdrawn.

The two primary types of 529 plans:

- **College savings plans** allow you to invest in a variety of investment options, such as mutual funds, certificates of deposit (CDs) and money market funds. Over time and based on the performance of the investments you choose, the value of your account will fluctuate.
- **Prepaid tuition plans** give you the opportunity to prepay tuition at eligible colleges at today's prices, helping you lock in tuition costs and avoid future price increases. Aside from tuition, withdrawals from these plans can also be used for various qualified expenses like room and board.

Tax-advantaged accounts: A powerful addition to your financial plan (cont.)

A Coverdell Education Savings Account (ESA) is another education plan option that works similarly. While the money used to fund these types of accounts isn't tax-deductible, you'll enjoy tax savings on any money you make on your investments.

The key difference between 529 plans and Coverdell ESAs is that a Coverdell ESA has a lower annual contribution limit per beneficiary and can be used to cover a range of qualified education expenses for both college and K-12 expenses. Coverdell's offer a more flexible investment universe, including individual securities, like stocks and bonds.

HEALTH PLANS

There are two main types of tax-advantage health plans:

- **Health Savings Accounts (HSAs)** are tax-advantaged savings accounts that allow you to save for qualified medical expenses. HSAs require you to be enrolled in a high-deductible health plan. Interest earned within an HSA is tax-deferred, allowing investments to grow without being taxed until withdrawn. However, HSA withdrawals are tax-free providing they're used for eligible medical expenses.
- **Flexible Spending Accounts (FSAs)** are employer-sponsored accounts that allow employees to set aside pre-tax dollars for qualified medical expenses or dependent care expenses like deductibles and copayments. Contributing to an FSA can reduce your taxable income from your gross salary before taxes are withheld.

Not only can health-related tax-advantage accounts help you cover future medical expenses, but they can also be used as a long-term and diversified savings vehicle to help you plan for the future.

NEXT STEPS

- Consider your long-term financial goals and aspirations.
- Evaluate your income sources, expenses and tax exposure.
- Explore with your advisor which tax-advantaged accounts may be right for you.

Please note, changes in tax laws may occur at any time and could have a substantial impact upon each person's situation. While we are familiar with the tax provisions of the issues presented herein, as Financial Advisors of Raymond James, we are not qualified to render advice on tax or legal matters. You should discuss tax or legal matters with the appropriate professional.

Contributions to a traditional IRA may be tax-deductible depending on the taxpayer's income, tax-filing status, and other factors. Withdrawal of pre-tax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 1/2, may be subject to a 10% federal tax penalty.

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.

401(k) plans are long-term retirement savings vehicles. Withdrawal of pre-tax contributions and/or earnings will be subject to ordinary income tax and, if taken prior to age 59 1/2, may be subject to a 10% federal tax penalty.

Investors should consider, before investing, whether the investor's or the designated beneficiary's home state offers any tax or other benefits that are only available for investment in such state's 529 savings plan. Such benefits include financial aid, scholarship funds, and protection from creditors.

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. The tax implications can vary significantly from state to state.

Sources: synchronybank.com; experian.com; investopedia.com; americanfidelity.com; hsacentral.net

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