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BESSEMER TRUST

Wealth Planning *Perspectives*

Empower Children to Lead Financially Healthy Lives

Parents with significant wealth face unique challenges teaching their children to be responsible, master necessary skills, and preserve their family's legacy. But there are time-tested strategies, and professional support, that can help everyone succeed.

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Inside This Issue

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Get Ready for the Future

These may be unsettled times, with the geopolitical landscape and global economics changing and the U.S. elections on the horizon. But the greater the uncertainty in the world at large, the more we as individuals might focus on what we can control directly. And one of the most important things we might do, especially now, is take charge of our own affairs.

This issue of *Wealth Planning Perspectives* is a good place to start — with insights on what you can do today to prepare for the future.

For parents who wish to help their children develop into financially capable adults, the cover article by Alyson Wise offers practical guidance and telling examples. (See "Empower Children," page 3.)

For all of us — no matter how young and healthy we might be — my article on page 6 identifies the five key documents we should put in place, right now, so we'd be protected if an accident, illness, or old age left us incapacitated.

For those in their 20s and 30s, the "#Adulting" article starting on page 7 outlines critical steps that can ensure financial well-being for years to come. If you have young adults in your life, they may find this piece useful.

Also in this issue, the "Helpful Information and Resources" section offers important news about the Corporate Transparency Act (CTA) for private business owners and insights for families with foundations.

I hope you find these articles helpful. If you would like to learn more about any one of these topics, full versions are available under the same headlines at www.bessemertrust.com. And if you have any questions, please don't hesitate to contact your client advisor or me.

We are looking forward to partnering with you throughout 2024.

At every phase of our lives, it can be a challenge and a joy to take good care of present needs and set the stage for later.

Cover Feature

Empower Children to Lead Financially Healthy Lives

Alyson Wise, Family and Philanthropy Advisor

Over the years, we've seen many families wrestle with these challenges and helped them to shape solutions that suit their circumstances — and children.

Many wealthy parents worry far more about how their financial privilege might affect their children than how external forces (markets, taxes, and the like) might affect their fortunes.

- Parents with significant assets must make concerted efforts to help their children learn about the stewardship of wealth.
- As unique as each family is, parents with wealth face some common challenges when helping their children to be fully engaged and responsible for their financial well-being and the family's goals.
- There are time-tested strategies to help the next generation embrace their financial adulthood and contribute to the family's legacy. This article offers a brief overview of these approaches. The Bessemer team is also available to help support families on their journeys.

Parents fervently hope — and are keenly aware of obstacles to ensuring — current and future generations develop values that align with theirs and a healthy relationship to wealth.

Our longstanding experience has taught us that, with awareness and discipline, they can foster a culture of "stewardship," in which their children are energized by a shared value system, animating it with actions both large and small.

Here, we share our insights into what families can do to help their rising generations thrive — and offer a glimpse of what Bessemer can do to help you along the way.

Challenges — and Potential Solutions

We see many families wrestle with challenges unique to their financial position and help them identify solutions. Here are some key points we've learned.

1. **Parents often have differing relationships with money. Future generations are best supported when parents proactively clarify, share, and model the values and behaviors they wish to pass down.**

By the time a couple has children, each parent has a relationship with money. Partners' default attitudes and behaviors can vary — sometimes significantly — in ways that they often don't anticipate. Even small differences can snowball over time, becoming a source of tension for couples and mixed messaging for their children.

For example, parents might agree that they want their children to be responsible and have agency over their finances, but disagree about setting expectations for study, work, and spending. However, we've seen that families can benefit greatly when parents are able to align and clarify the money messages they wish to share with their children.

Achieving that alignment often requires spouses to discuss their personal histories and negotiate a shared vision for their family. Doing so can help them hold themselves accountable and be more patient and empathetic with each other when things don't go according to plan.

2. Parents are frequently unprepared to discuss money. Children are empowered when parents proactively create and implement a plan for educating and communicating with their children.

As soon as children can browse the internet, they have access to a tremendous amount of financial information: home prices, school tuition, salary ranges. This level of transparency means parents are no longer the sole voice deciding when and what to disclose to their children about their family's wealth.

Children also can develop assumptions (not always accurate) about their family's finances without their parents knowing. For this reason, we recommend clients proactively educate their children about money and communicate more about the family wealth as they grow.

Teaching Your Children: Tips for Every Age

Age	Skills
5–8	• Teach children how to count, handle money • Help them prioritize spending choices • Read books and play games that reinforce good money skills • Offer an allowance
9–12	• Explore wants vs. needs • Build money vocabulary and understanding of basic budgeting • Open a parent-controlled checking account • Encourage entrepreneurial activities and nonprofit volunteerism
13–18	• Introduce teens to core investing concepts, financial knowledge, and skills • Help contextualize the family's financial position • Give teens a budget to make small charitable donations
18–21	• Transfer management of monthly expenses • Introduce credit and monitor responsible borrowing • Set up a Roth IRA and discuss long-term investing • Begin preparing young adults for roles as trust beneficiaries • Formalize family meetings
21–25	• Introduce family wealth structures, purposes, and assets
25+	• Invite participation in key communications, decision-making

To learn, children must be engaged and supported with opportunities that match their learning style and developmental stage. We can offer some general guidelines about what to teach and when (see "Teaching Your Children: Tips for Every Age," above). We also find that young people often need different entry points for mastering financial education. For example:

- If someone is very competitive and open to learning about finance, we might introduce investing by setting up a practice investment portfolio they can compare to benchmarks.
- For those who are less inclined to finance, we might set up a donor-advised fund and describe how the fund is invested to generate

returns that can support their favorite charitable causes.

3. **Wealth can erase some teaching opportunities. It helps if you can communicate clearly and consistently, sharing more about the family's wealth picture over time.**

When a family's finances are tight, parents regularly navigate financial trade-offs; they have ample opportunities to teach their children about budgeting and family priorities.

When there are fewer financial constraints, parents often must manufacture opportunities for their children to make tough decisions. The exercise for children from a wealthy family is more abstract — not, "Can we afford that new dress for the dance?" but rather, "Should we buy it?" and "Why?"

These questions become easier to answer when children have an integrated and internalized understanding of their financial position and family values. We often encourage families to talk about their values at the dinner table with young school-age children. Progress by creating a practice of family meetings at which you can discuss matters of significance — particularly those associated with planning and financial decision-making.

4. **Young people can feel uncomfortable about their wealth. Create opportunities for your next gen to learn, expand their worldview, and explore their identities.**

It is important to create opportunities for children to learn the same lesson from a number of teachers in a variety of contexts.

Peers and non-family mentors become especially important in young adulthood when, developmentally, it is healthy for young people to search outside the family unit for learning and identity-building opportunities.

Bessemer Trust offers clients multigenerational client advisory teams, giving young people access to experts who are closer to their own age. We also invest in exclusive next gen events, where young clients can meet peers from the Bessemer community who are also navigating their wealth identity and their responsibility to steward a family's legacy.

We Have Seen It Done — and Done Well

The story of Bessemer's founding family highlights what is possible for families who are committed to empowering their children and creating a legacy. At Bessemer, we have had the privilege of helping many families achieve their own true-life multigenerational success stories. We look forward to helping you shape your own.

Learn more: A full version of this article is available at www.bessemertrust.com.

A Quick Guide to How Bessemer Can Help

Our firm can support you and your family in this journey. Please connect with your client advisory team to learn more about how to:

1. **Model values and behaviors by …**
   a. Exploring values and money messages
   b. Drafting family mission statements
2. **Teach your next gen about finances by …**
   a. Creating a plan and using resources that can support your efforts at home
   b. Finding age-appropriate educational resources such as apps, games, videos, and programs
3. **Communicate clearly and consistently by …**
   a. Creating a letter of wishes
   b. Initiating conversations about family wealth and legacy
4. **Help your children learn from others and through experience by …**
   a. Attending Bessemer's next gen workshops and other peer-learning events
   b. Launching your own next gen philanthropy program

Featured Expert

These Measures Can Protect Your Family if You Are Incapacitated

James L. Kronenberg
Chief Fiduciary Counsel and
Head of Wealth Planning

Mr. Kronenberg is Chief Fiduciary Counsel at Bessemer Trust.

In this role, he is responsible for the firm's trusts and estates department, including its trustee and executor services. He also oversees Bessemer's entire suite of wealth planning capabilities: estate planning, tax consulting and management, insurance and risk management, philanthropic advisory, family wealth stewardship, and private asset advisory. He is a member of the firm's Executive Committee and Management Committee.

Prior to joining Bessemer, Jim was an attorney at Patterson, Belknap, Webb & Tyler LLP in New York City, practicing in its trusts and estates and tax-exempt organizations departments. Before that, he worked in the General Counsel's office at the Metropolitan Museum of Art.

Jim earned a J.D. and an LL.M. in taxation from the New York University School of Law and a B.A. in political science from the University of Pennsylvania.

Everyone needs to think about how an accident, illness, or old age might render them unable to handle their financial matters or healthcare and protect their interests — and family. Planning for these events can prevent a bad situation from becoming worse.

Q: Is it really necessary to plan now for incapacity in addition to all my other estate and wealth planning?

A: It is critical that every estate plan contemplate a period of potential incapacity before death. It is never too early to begin this planning — no matter how young and/or healthy we might be.

First, of course, accidents are always possible, and none of us wants to leave our families scrambling during emergencies to attend to our financial and personal affairs. But also, incapacity is an increasingly common feature of many people's final years, given that medical science is helping us live longer but not always better.

Q: What, exactly, does "planning for incapacity" entail?

A: It doesn't have to be complicated. You can simply put in place a few legal documents that allow others to make financial and healthcare decisions for you if you become unable.

To protect your finances, we recommend speaking with your lawyer about *a power of attorney and a revocable trust*.

A power of attorney names someone as your agent to act on your behalf and can be effective immediately. A revocable trust can supplement the power of attorney: It allows you to retain complete control over your assets, with your named successor trustee taking over only when you are unable (due to incapacity or death).

To protect your healthcare, we'd recommend that you and every member of your family execute three documents as soon as possible: *a healthcare proxy, a living will, and a HIPAA release form*.

A healthcare proxy identifies the person authorized to make medical and personal care decisions for you when you are unable to do so. A living will, also known as an advance directive, expresses your wishes about giving or withholding artificial life support when there is no expectation of recovery. A HIPAA release form names all the people to whom medical personnel are authorized to release your otherwise private healthcare information, so they can remain informed of your condition.

Your trust and estate lawyers should be able to help you with all of these.

Learn more: A full version of this article is available at www.bessemertrust.com.

#Adulting: Helpful Tips for Living an Adult Life

Michelle Chun, Fiduciary Counsel
Amy Schnitzer, Fiduciary Counsel

Take a little time now in your early adult years to attend to some key financial matters and you'll soon be very thankful that you did.

Becoming an adult brings a dizzying array of decisions and responsibilities around your career, finances (including a possible inheritance), family, other relationships, technology, philanthropy, and more.

- Young adults are faced with many new responsibilities that can be overwhelming. But what you do in your 20s and 30s can not only ensure your financial well-being now, but also well into the future.
- Here, we offer a simple guide to the critical steps everyone should consider taking as they begin the journey into adulthood, face personal and professional changes, and set the stage for their later years.

This roadmap outlines critical steps you might want to take from a financial perspective during your 20s and 30s to ensure you stay on the right track.

As the Journey Begins: Attend to Personal Finances

Take full advantage of your employee benefits. If you have an employer, you may be pleasantly surprised by the range of benefits you may be offered beyond salary or other incentive-based compensation.

One of your primary benefits may be healthcare. Given that healthcare is often among a household's greatest expenses, it's important to choose a plan that best suits your needs. Options can include:

- Your parents' plan — Until age 26, you could stay on your parents' plan, after which you could extend this coverage for 36 months under COBRA. However, as this tends to be a more expensive option, it may be wise to look elsewhere.
- PPO plan — Preferred provider organization plans generally pay a high portion of medical costs but also require high monthly premiums. This option could suit you if you see doctors regularly, take expensive medicines, or are expecting a child.
- High-deductible plan — Such plans usually have lower premiums and come paired with a healthcare savings account that enables you to put a portion of your salary aside, tax-free, for medical expenses.
- Flexible spending account (FSA) and/or health savings account (HSA) — While no substitute for health insurance, the upside of FSAs and HSAs is that the dollars you put into them are pre-tax and can be used for an array of healthcare expenses not otherwise covered by

insurance, including prescription eyewear and over-the-counter medications. There is a limit to the amount that can be contributed to these accounts each year, and with an FSA, any unused funds will be forfeited at the end of the calendar year.

Be sure to explore all the other benefits offered by your employer. Common benefits include other insurance coverage (dental, vision, life, disability, accidental death and dismemberment), pre-tax commuter dollars, parental leave, legal services, therapy, childcare, wellness resources, gym memberships, and discount programs with major retailers.

Build a solid credit history. If you want to take out a loan for a large purchase, such as a car or a home, you'll need a well-documented credit history. Create one by opening individual accounts in your name and under your Social Security number. The best way to keep your credit score high is by paying off the entire balance of any credit card by the stated date.

Consider your dwelling. Should you buy or rent a house or apartment? This decision will depend on your lifestyle as well as finances. Among other factors, evaluate personal timelines, loan options (from family or financial institutions), available interest rates, and tax deductions.

Understand your assets and financial accounts. Your investment accounts may come in many forms, from standard brokerage and retirement accounts (such as traditional IRAs, Roth IRAs, and 401(k)s) to 529 plans and trusts. If you need access to funds, it may be preferable to draw on some accounts before others. Generally, retirement accounts and trust assets should be tapped last.

Set money aside for a rainy-day fund. Create a cushion in case your usual income stream is disrupted. Generally, it's advisable to hold three to six months' worth of expenses in a liquid account (such as a checking or money market account).

Secure important documents. Make sure to gather your Social Security card, birth certificate, passport, and (if applicable) marriage license. Consider storing hard copies in a metal fireproof box and electronic copies in a secure online location, such as a cloud-based storage service.

Develop a relationship with professional advisors. Specialists in personal finance, investments, accounting, and the law can help you assess your goals, implement strategies, facilitate discussions among family members, and keep you informed about investment opportunities and tax laws that might impact you.

Look Ahead: Marriage? Children?

Consider a prenuptial agreement. If you are contemplating marriage, you might reduce the potential for future disputes about finances (and protect any inherited wealth) by signing a prenup with your future spouse. This contract defines which property you will hold separately or jointly. It also describes how assets will be divided or disposed of in the event of a death or divorce.

Plan for children's education. If you have children, it's never too soon to start planning to pay for their education. As soon as possible after a birth, speak with your advisors about how you might use 529 plans and/or trusts or other strategies to pay for their schooling — whether that be primary school, college, graduate school, or alternative programs.

Act Now to Safeguard Your Future

Provide for your later years. For most people, no matter how young they may be, saving for retirement should be a priority, as today's actions can greatly impact long-term financial security.

Contribute as much as you can now to your retirement plans (401(k), traditional IRA, Roth IRA, or similar) so those tax-advantaged dollars have the opportunity to grow, compounded, over the years. Many employers will match these contributions up to certain dollar limits, which means they are offering additional compensation you don't want to leave on the table.

Provide for loved ones. Take care of all the basics: Correctly title accounts, designate beneficiaries, execute fundamental estate planning documents, and consider purchasing life (or other) insurance.

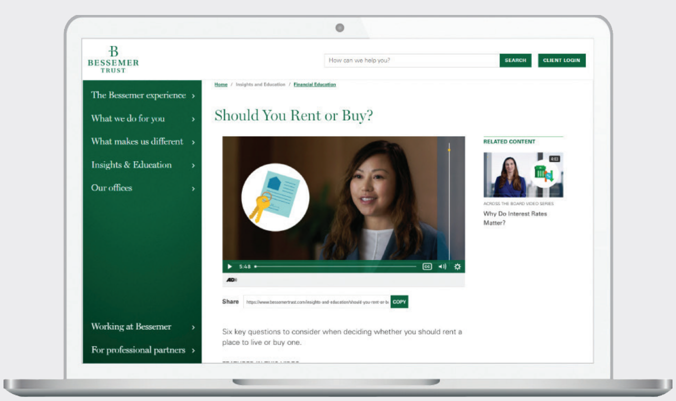
- Account titles and designated beneficiaries — Certain assets, such as retirement accounts and life insurance policies, require you to name one or more beneficiaries on a beneficiary designation form. Even if you have other estate planning documents (such as a will), those assets would not be covered. In some cases, it might also make sense to leave other assets (such as real estate or bank accounts) to your desired beneficiaries by naming them as joint owners or by funding payable-on-death (POD) or transfer-on-death (TOD) accounts.
- Fundamental estate planning — We recommend you have, at a minimum, documents that dispose of your assets at death (a will or a will paired with a revocable trust) and documents providing guidance and authority if you're disabled (a power of attorney, healthcare proxy, HIPAA release form, and living will).
- Life insurance — If, at your death, your lost income would cause a hardship for your dependents, you should consider purchasing one or more life insurance policies to cover the shortfall. Keep in mind that some coverage may be available through your employer, although the coverage may not continue if you leave that employer.

Get Advice

All of these matters are important for living an adult life — but you do not have to make any of these key decisions alone. Bessemer's experienced specialists are happy to help find answers that suit your circumstances and goals.

Learn more: A full version of this article is available at www.bessemertrust.com.

Have You Seen the Latest?



Bessemer has a series of short videos explaining core financial concepts. Learn or refresh your knowledge of key basics.

To explore the library of online videos now available, scan this QR code:

Helpful Information and Resources

New Disclosure Requirements for Private Business Owners

To fight money laundering and the financing of terrorism, governments around the world have begun to require that privately owned companies disclose the names and identifying information of their owners and agents.

The U.S. has joined this effort. A new rule issued under the federal Corporate Transparency Act (CTA) generally requires private companies operating in the U.S. to make new disclosures to the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN).

The new requirements took effect on January 1 of this year, and timeframes for meeting them are short. Companies that existed before January 1, 2024, have one year, those created in 2024 have 90 days after receiving their notice of registration, and those formed after 2024 have just 30 days. Updates and corrections are due within 30 days of any change.

Strict compliance is essential as penalties can be stiff: $500 per day, per violation of the rule, up to $10,000, and/or up to two years of jail time.

While it is still unclear what will be done with the disclosures FinCEN collects, the government has indicated that the information will not be made public.

What every business owner needs to know: The centerpiece of the CTA is a requirement that a reporting company disclose to FinCEN all of its beneficial owners and company applicants, along with their personal identifying information.

The information is to be submitted via an electronic filing. It must be updated whenever there is a change to the company's status, beneficial ownership, or a beneficial owner's identifying information.

More specifically, the rule governs:

- Reporting companies — Any entity created by a document filed with a secretary of state or similar office under the law of a U.S. state or a foreign entity that registers to do business in the U.S. Examples include corporations, limited partnerships (LPs), limited liability companies (LLCs), and statutory trusts.
- Beneficial owners — Any individual who, directly or indirectly, "either exercises substantial control over the reporting company, or owns or controls" at least 25% of the ownership interest of the reporting company. When determining whether a beneficial owner has met this 25% threshold, some types of ownership interests must be aggregated.
- Company applicants — Any individual who files (or directs or controls the filing of) the document that creates or registers the reporting company.
- Identifying information — Reports to FinCEN must include:

  For the company — The company's full legal name, any trade or d/b/a name, its business street address, the U.S. jurisdiction in which it was formed or registered, and its U.S. or foreign taxpayer identification number.

  For each beneficial owner and company applicant — Full legal name, date of birth, current residential address (or, for a company applicant, the business street address), a copy of, and the unique identifying and issuing jurisdiction of, an acceptable identification document.

  Alternatively, for both — It may be advisable to request an identifying number from FinCEN.

Actions to take now: If you control or have a beneficial ownership interest in an entity that has been formed or registered with a U.S. state, you should consult, as soon as possible, with that entity's legal counsel regarding its disclosure requirements.

Please note: Bessemer is required to disclose your identifying information (or FinCEN identifier) to FinCEN if you are a beneficial owner of a reporting company for which Bessemer is obligated to report (for example, if we are the manager of a limited liability company).

Even when Bessemer is not a controlling party of a reporting company, the firm may be required to disclose your information to the party obligated to report to FinCEN. This may be the case if, for example, Bessemer is a trustee of a trust that has an interest in a reporting company for which you are a beneficial owner.

Family Foundations: Thriving Through Transitions

Family foundations move through a distinct life cycle. Starting with the excitement of a launch, they tend to grow, maturing into stability and navigating periods of transition and renewal.

One of the most common triggers for transitions from one phase to the next is a change in board leadership. The following case study, while hypothetical, is based on scenarios we've seen — and helped — clients' foundations manage.

Case Study: From the Kitchen Table to the Boardroom Table

After selling their business, Robert and Anna decided to devote more time and resources to philanthropy.

They started a foundation to support education, healthcare, and social services for low-income communities in the midwestern city where they had both been raised in modest circumstances; in Florida, where they had lived; and in France, where they were stationed early in their careers.

Robert and Anna encouraged their children, when young, to donate part of their allowances and volunteer for charities that the family foundation supported. As teenagers and young adults, they were asked to explore and recommend new charities for the family foundation to support.

As these children launched careers and started families, they had less time for the foundation.

Then, Anna developed a fatal illness, and Robert suffered an incapacitating stroke. Suddenly, the children were not only coping with their grief but also running a foundation.

Unfortunately, the foundation had no governance framework for the children to follow; the new responsibilities and ambiguities were a strain. Fearing they might not carry on their parents' legacy, the children turned to Bessemer for help.

Bessemer's philanthropic team recommended some immediate changes:

1. Regularly scheduled board meeting with formalized agendas
2. Voting procedures to elect one of the siblings president
3. Coaching for the new board president on how to manage formal meetings and ensure all voices are heard

The Bessemer team also shared some best practices for governance. They encouraged the foundation to adopt into its bylaws qualifications to serve on the board (age, relationship to the founder, and/or prior nonprofit volunteer or board service).

The team helped the board develop a document outlining board member roles and responsibilities. With drafting help from the foundation's attorney and coaching from the Bessemer team, the children instituted guidance for travel and expenses as well as a conflict-of-interest policy and process.

To ensure the foundation would endure through future generations, Bessemer helped the children establish processes for expanding the board with extended family members and, potentially, external experts. They also established officer role descriptions and a schedule for rotating positions, including the president.

Given that family members lived in far-flung locations, the board launched online communications. The new tools and operational framework gave the foundation the structure it needed to thrive.

Learn more: Full versions of both these articles are available at www.bessemertrust.com.

About Bessemer Trust

Privately owned and independent, Bessemer Trust is a multifamily office that has served individuals and families of substantial wealth for more than 115 years. Through comprehensive investment management, wealth planning, and family office services, we help clients achieve peace of mind for generations.

Wealth Planning at Bessemer

We believe that wealth planning is a fully collaborative pursuit. Your dedicated Bessemer specialists share ideas and develop comprehensive solutions to protect and transfer wealth and prepare your heirs as stewards. This coordinated approach has been central to our success in serving seven generations of our founding family, and it guides us as we manage wealth for you.