Welcome to Parkhurst Financial Services, Inc. Market Update Luncheon

Presented by

Parkhurst Financial Services, Inc.,

SEI Private Trust Co.,

AssetMark and JP Morgan Asset Management

Agenda

Opening remarks
Individual Presentations
Joshua Hemmert
Dean Mioli
David Lenz

Questions and Answers
Closing remarks by
Jon J. Parkhurst, CPA, CFP®

Joshua Hemmert, executive director, is an investment specialist in J.P. Morgan Asset Management's Multi-Asset Solutions team, based in New York. An employee since 2004, Joshua is the lead U.S. Investment Specialist for flexible income-oriented strategies and also spends time on many of the group's other outcome-oriented portfolios. Prior to his current role, he led the Subadvisory channel and focused on custom multi-asset mandates. Joshua has also worked with a range of other institutional clients in the past, including defined benefit pension plans, endowments and foundations. He started his career with J.P. Morgan working on the implementation of tactical asset allocation across balanced portfolios. In addition to his current role, Joshua serves as JPMorgan Chase's investment committee representative at The Clearing House. He obtained a B.A. in Finance and Economics from the Honors Tutorial College at Ohio University. Joshua is Series 3, 7, and 63 licensed.

Joshua Hemmert, Executive Director, Multi-Asset Solutions at J.P. Morgan Asset Management

J.P. Morgan Asset Management

Market Review and Outlook

***Joshua Hemmert** – JPMorgan Multi-Asset Solutions*

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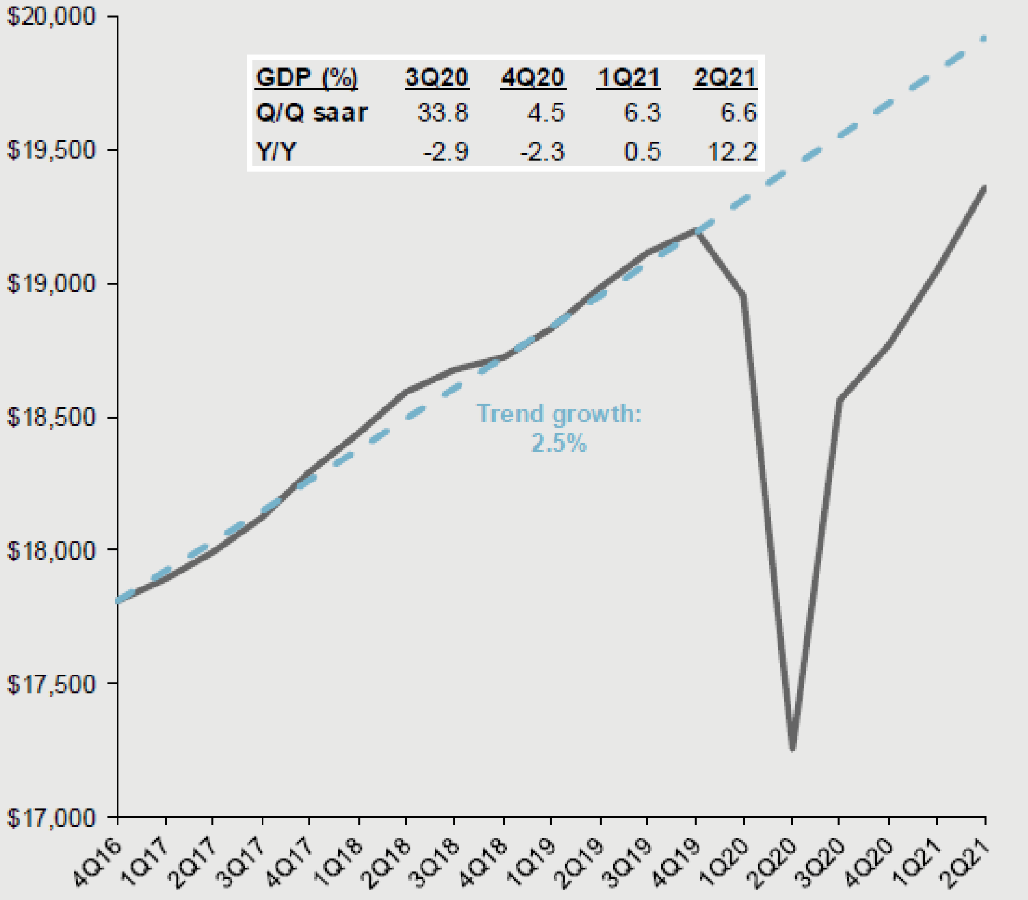
Best economic growth since the early 80's

Real GDP

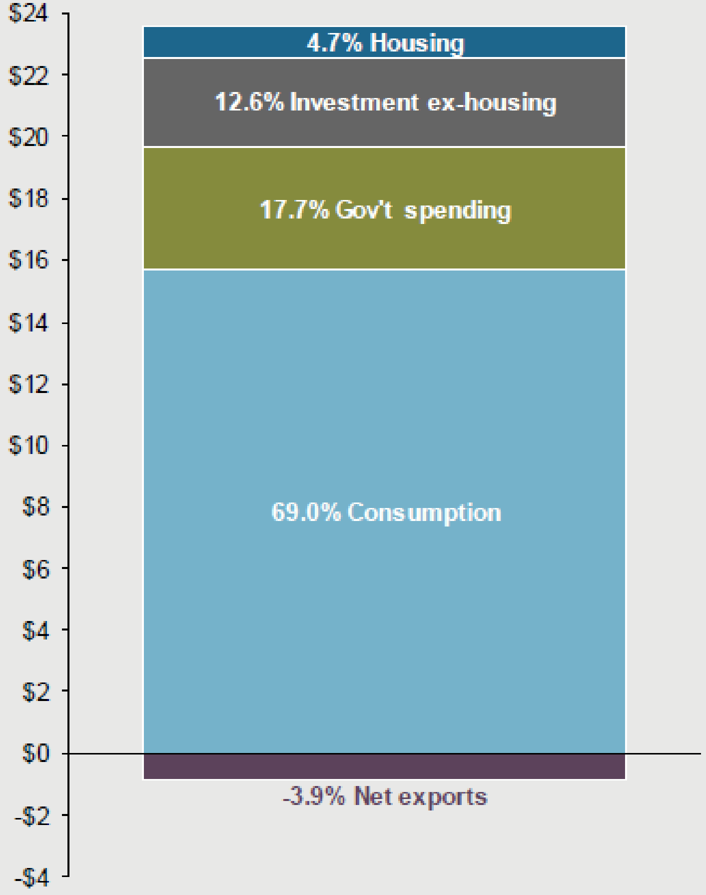
Billions of chained (2012) dollars, seasonally adjusted at annual rates

GDP (%)	3Q20	4Q20	1Q21	2Q21
Q/Q saar	33.8	4.5	6.3	6.6
Y/Y	-2.9	-2.3	0.5	12.2



Components of GDP

2Q21 nominal GDP, USD trillions



Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Forecasts are not a reliable indicator of future performance.
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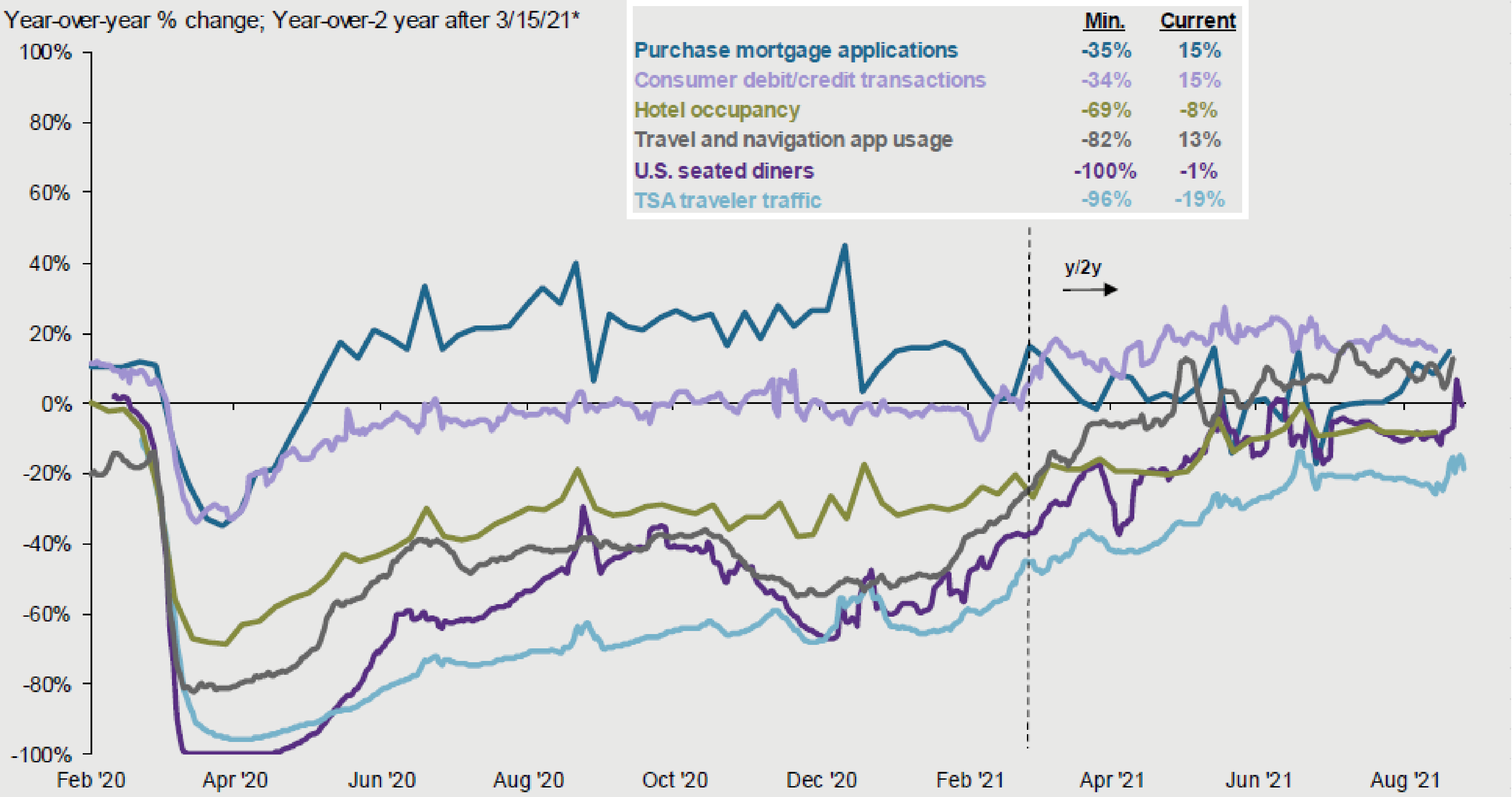
High-frequency data

Year-over-year % change; Year-over-2 year after 3/15/21*



Source: App Annie, Chase, Mortgage Bankers Association (MBA), OpenTable, STR, Transportation Security Administration (TSA), J.P. Morgan Asset Management. *Beginning 3/15/21, all indicators compare 2021 to 2019. Prior to 3/15/21, figures are year-over-year. Consumer debit/credit transactions, U.S. seated diners and TSA traveler traffic are 7-day moving averages. App Annie data is compared to 2019 average and includes over 600 travel and navigation apps globally, including Google Maps, Uber, Airbnb and Booking.com. Consumer spending: This report uses rigorous security protocols for selected data sourced from Chase credit and debit card transactions to ensure all information is kept confidential and secure. All selected data is highly aggregated and all unique identifiable information—including names, account numbers, addresses, dates of birth and Social Security Numbers—is removed from the data before the report's author receives it.

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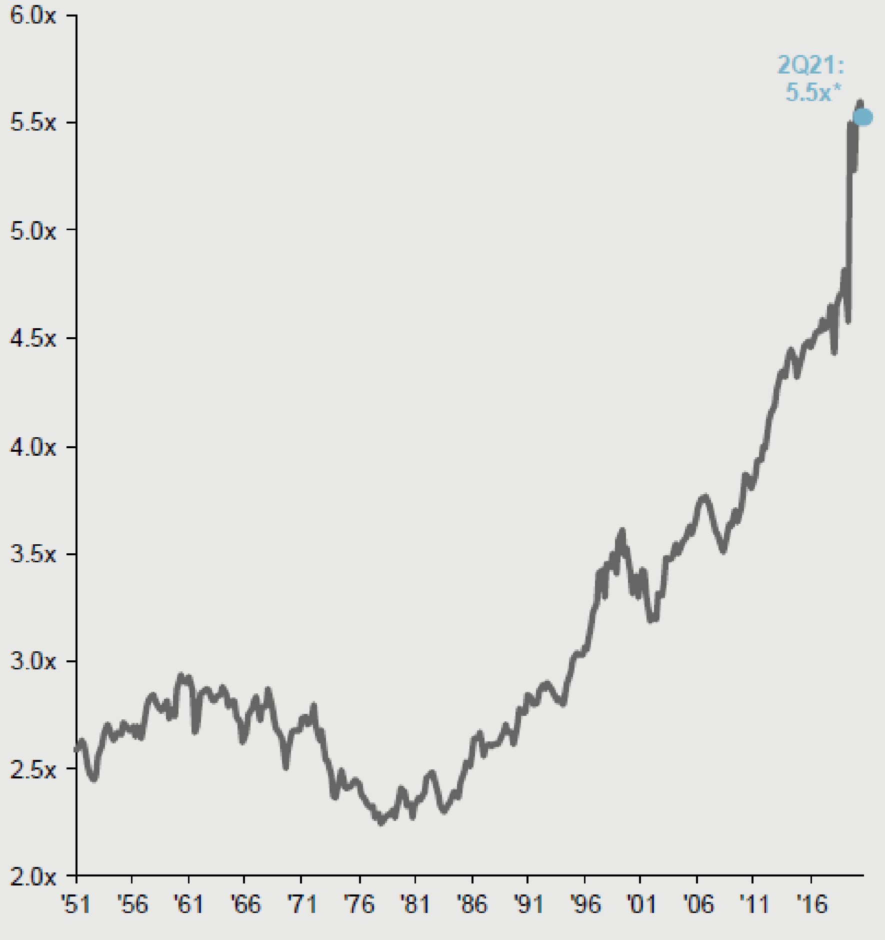
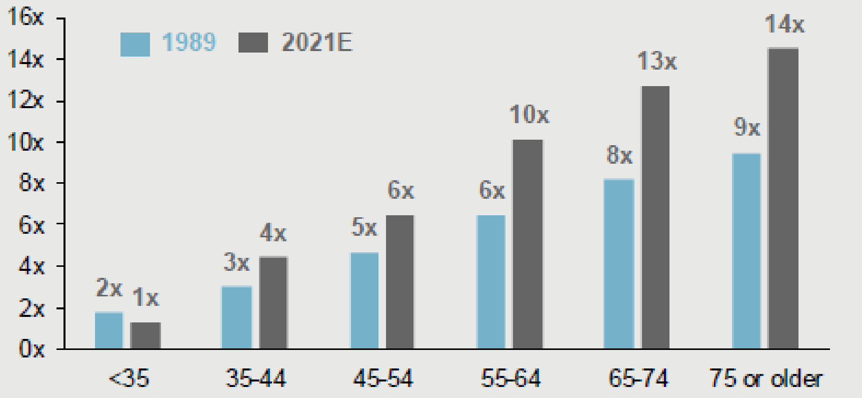
Financial asset appreciation has been a tailwind for many

Ratio of U.S. financial assets to GDP



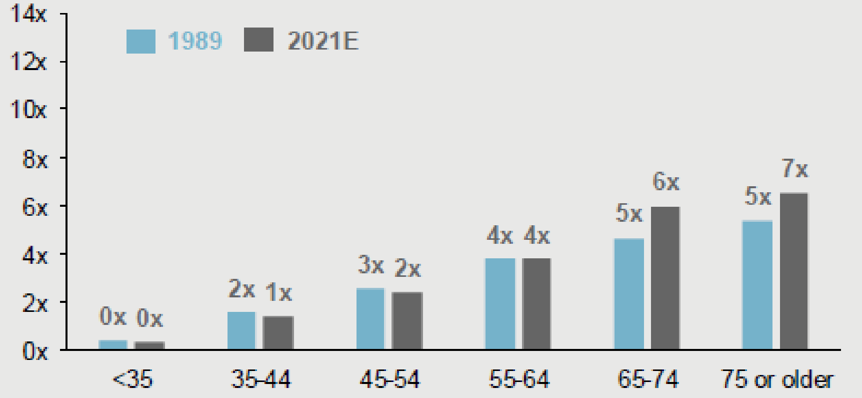
Ratio of mean wealth to income, by age group

Annual mean net worth vs. mean pre-tax family income



Ratio of median wealth to income, by age group

Annual median net worth vs. median pre-tax family income



Sources: Bureau of Economic Analysis, Federal Reserve, J.P. Morgan Asset Management. *2Q21 estimates are from J.P. Morgan Asset Management (Left). 2021E refers to 2Q21 estimates by J.P. Morgan Asset Management (Right). U.S. financial assets includes U.S. financial assets held by rest of world and excludes rest of world assets held by U.S. entities. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward statements, actual events, results or performance may differ materially from those reflected or contemplated.
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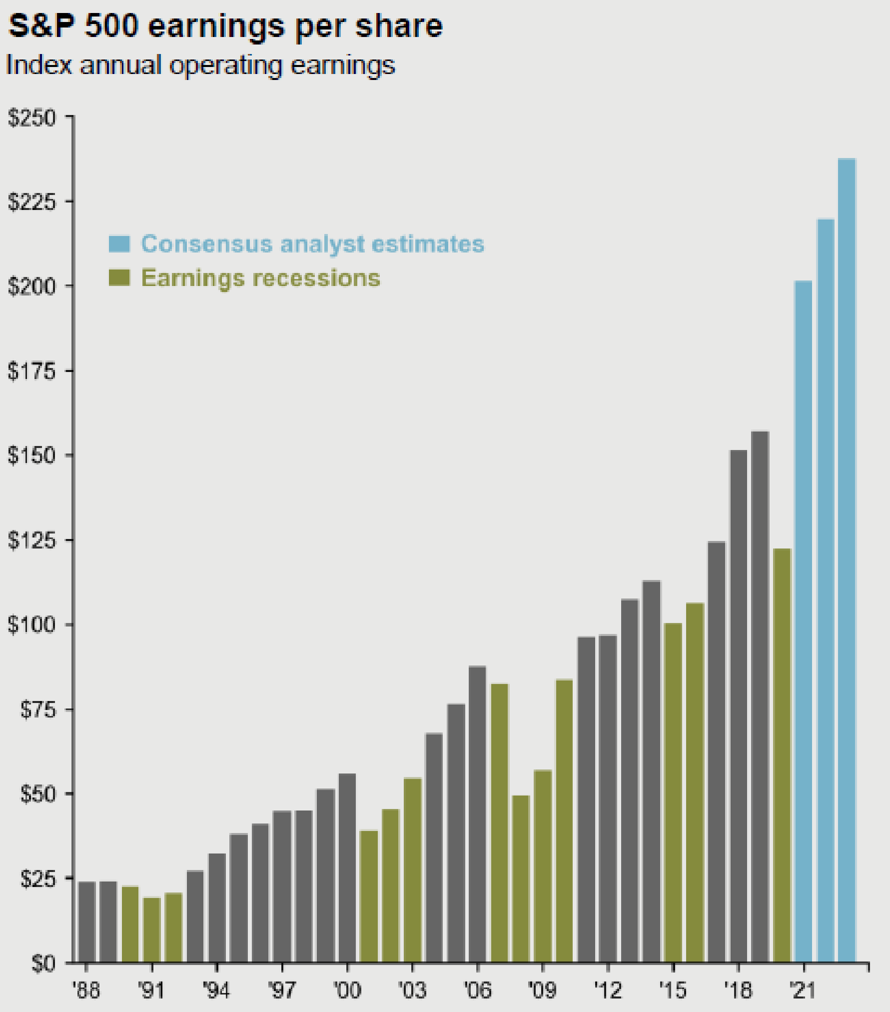
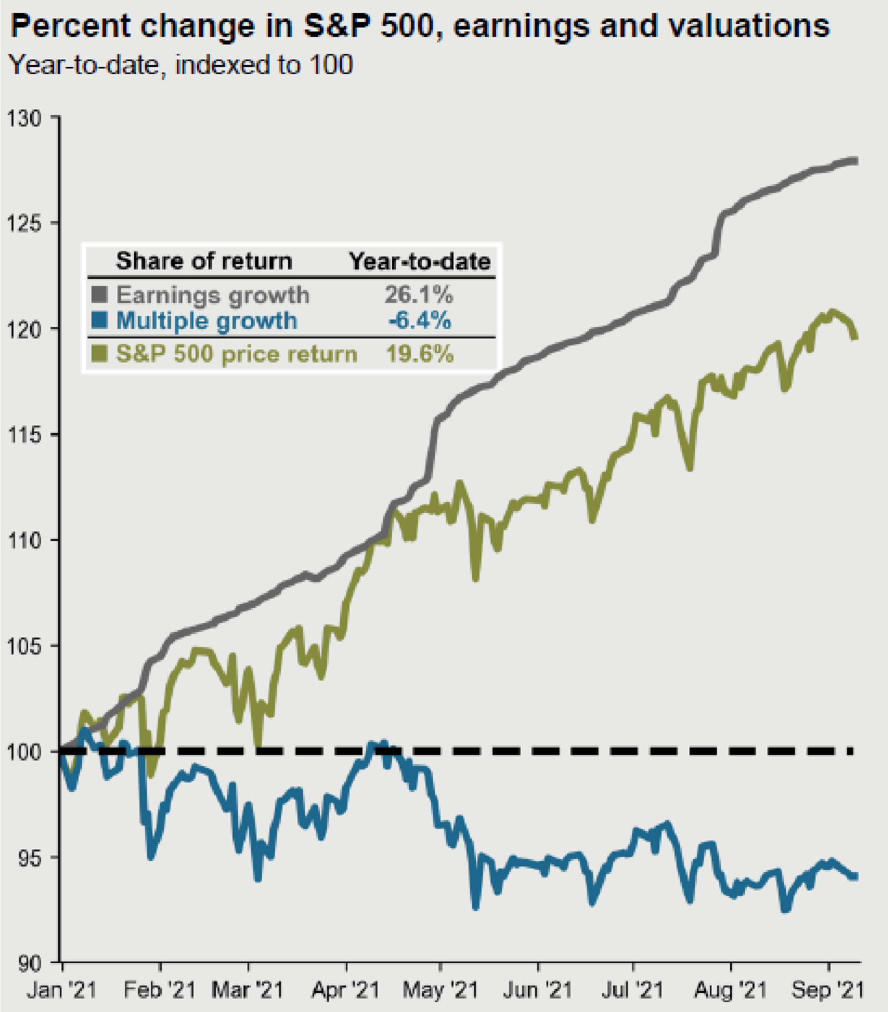
Corporations are delivering strong profits





Source: FactSet, Compustat, Standard & Poor's, J.P. Morgan Asset Management.
Historical EPS levels are based on annual operating earnings per share. Earnings estimates are based on estimates from Standard & Poor's and FactSet Market Aggregates. Past performance is not indicative of future returns.
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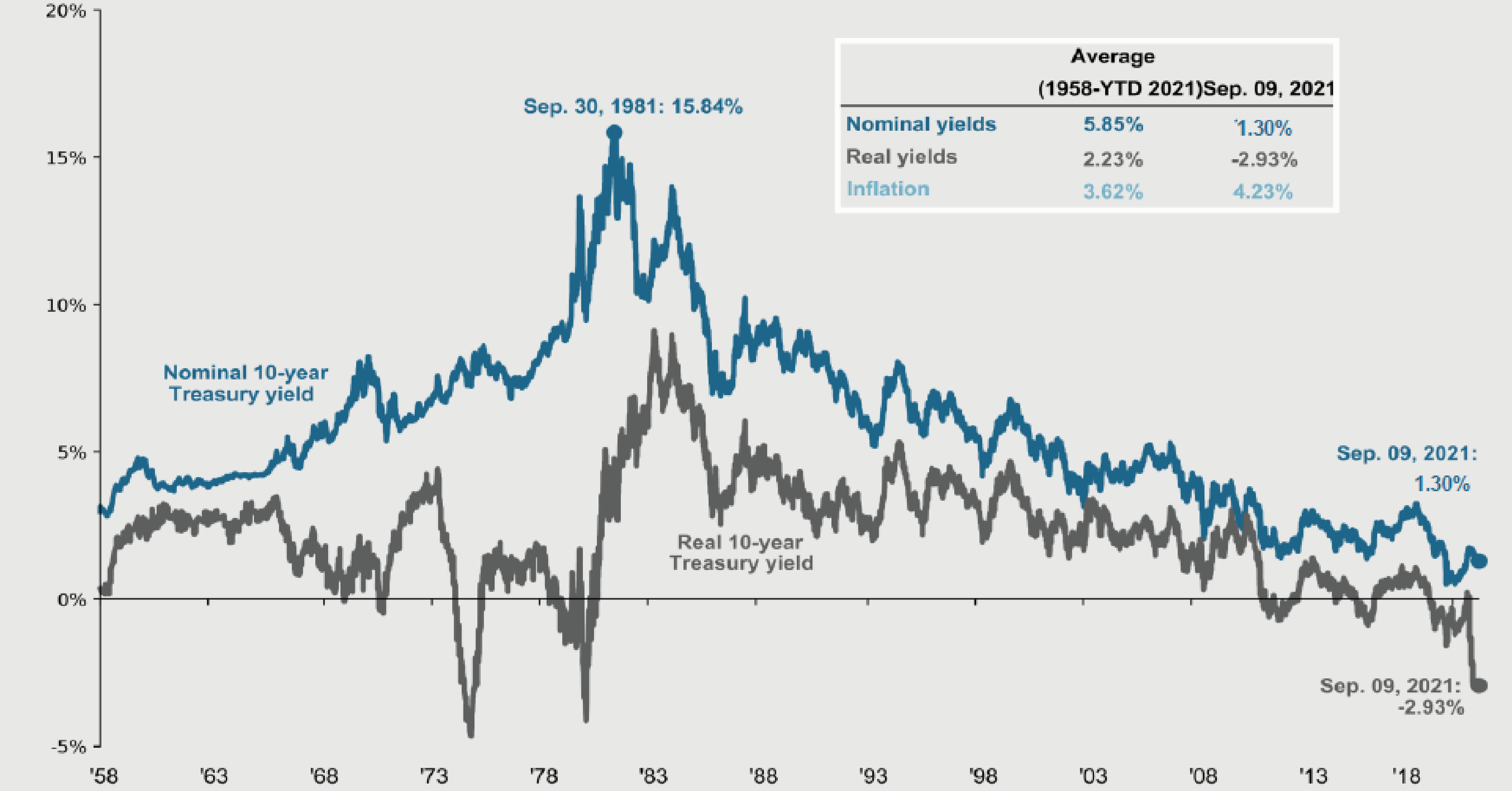
Nominal and real 10-year Treasury yields



	Average (1958-YTD 2021)	Sep. 09, 2021
Nominal yields	5.85%	1.30%
Real yields	2.23%	-2.93%
Inflation	3.62%	4.23%

Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month except for September and August 2021 where real yields are calculated by subtracting out August 2021 year-over-year core inflation.
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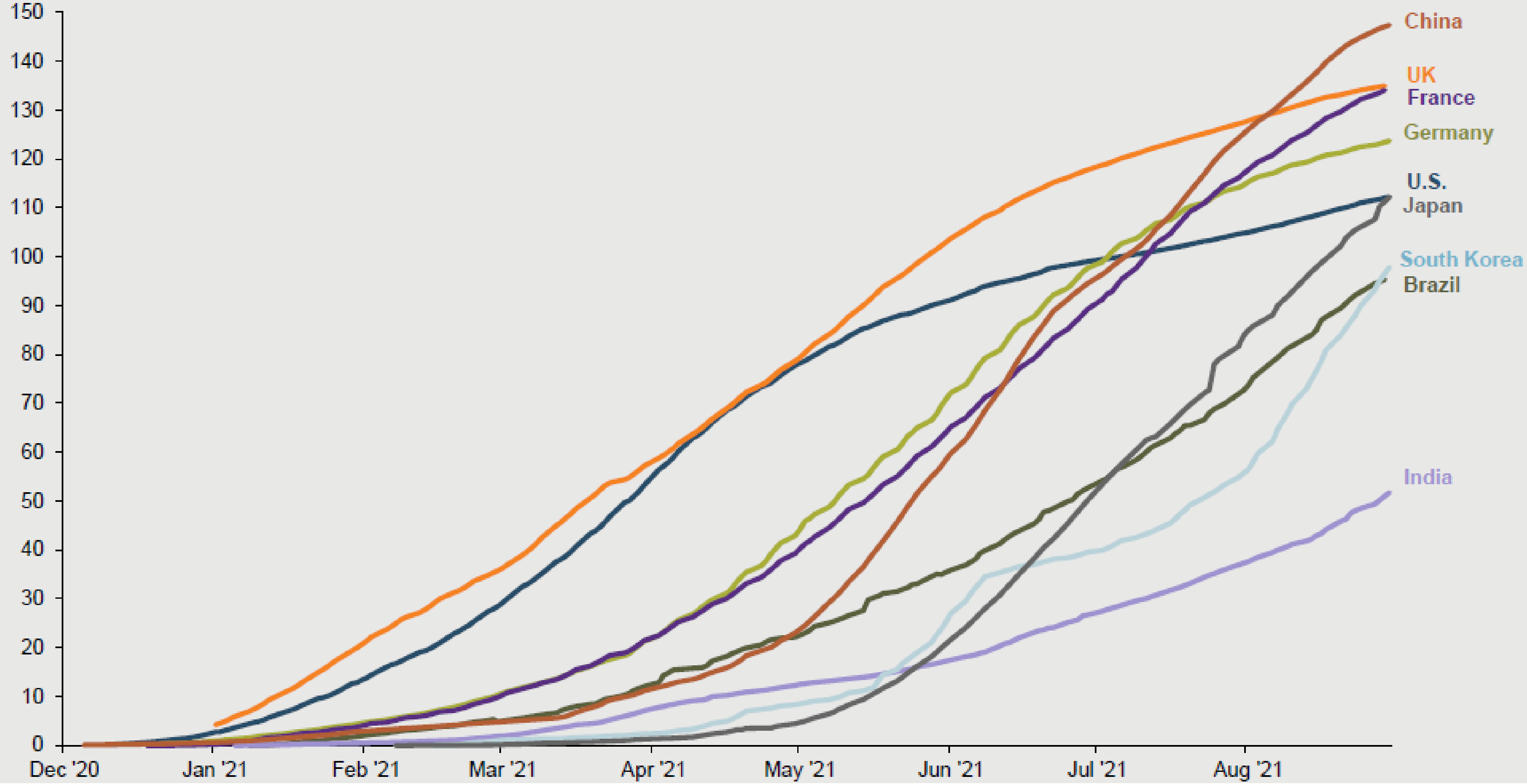
Global COVID vaccinations and 'resiliency'

COVID-19 vaccine rollout

Total vaccine doses administered per hundred people



Source: Our World in Data, J.P. Morgan Asset Management.
Total vaccine doses administered per hundred people. Includes both first and second doses in the case of a two dose vaccine regimen.
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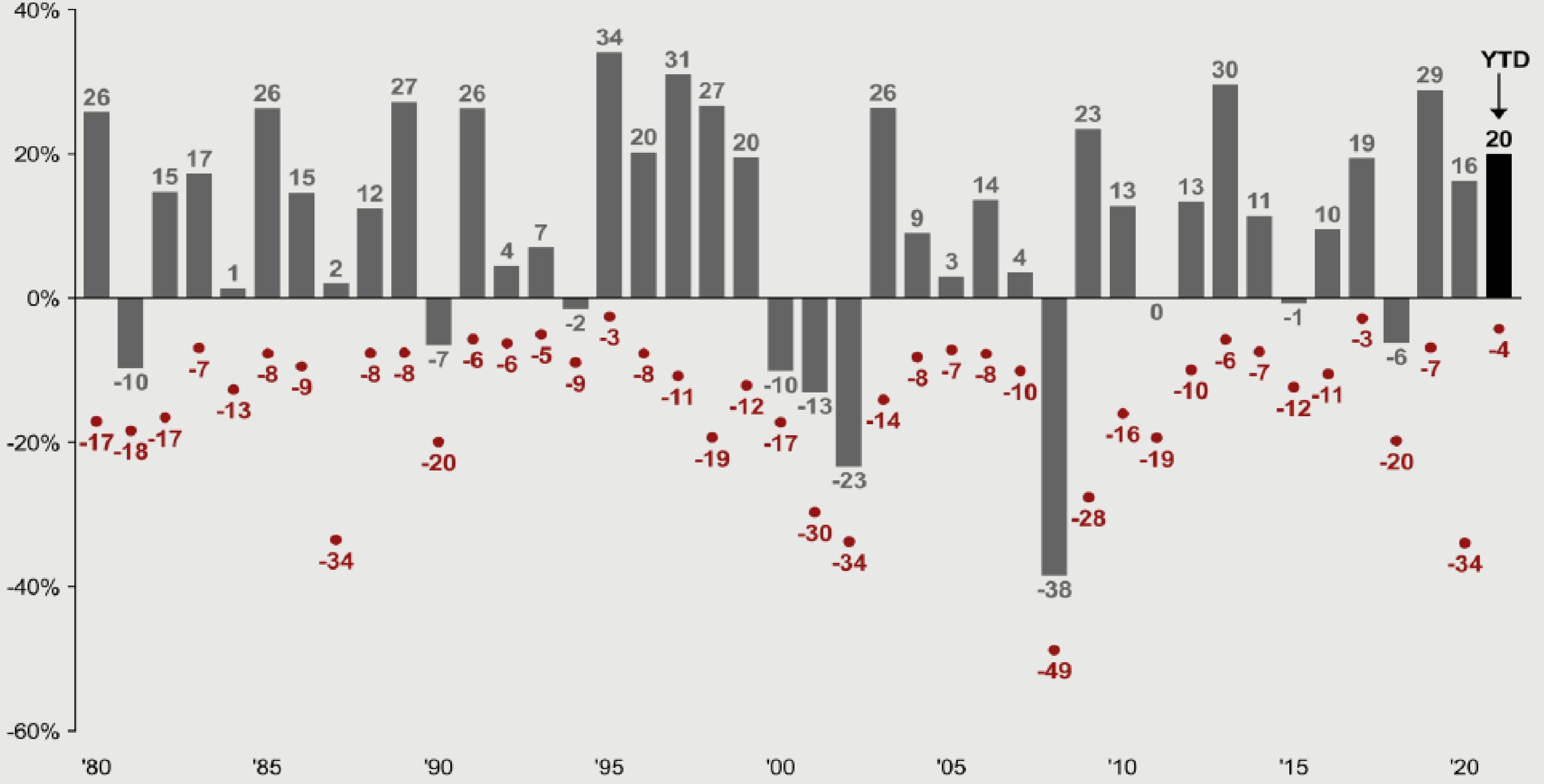
Annual returns and intra-year declines

S&P 500 intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 31 of 41 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2020, over which time period the average annual return was 9.0%.
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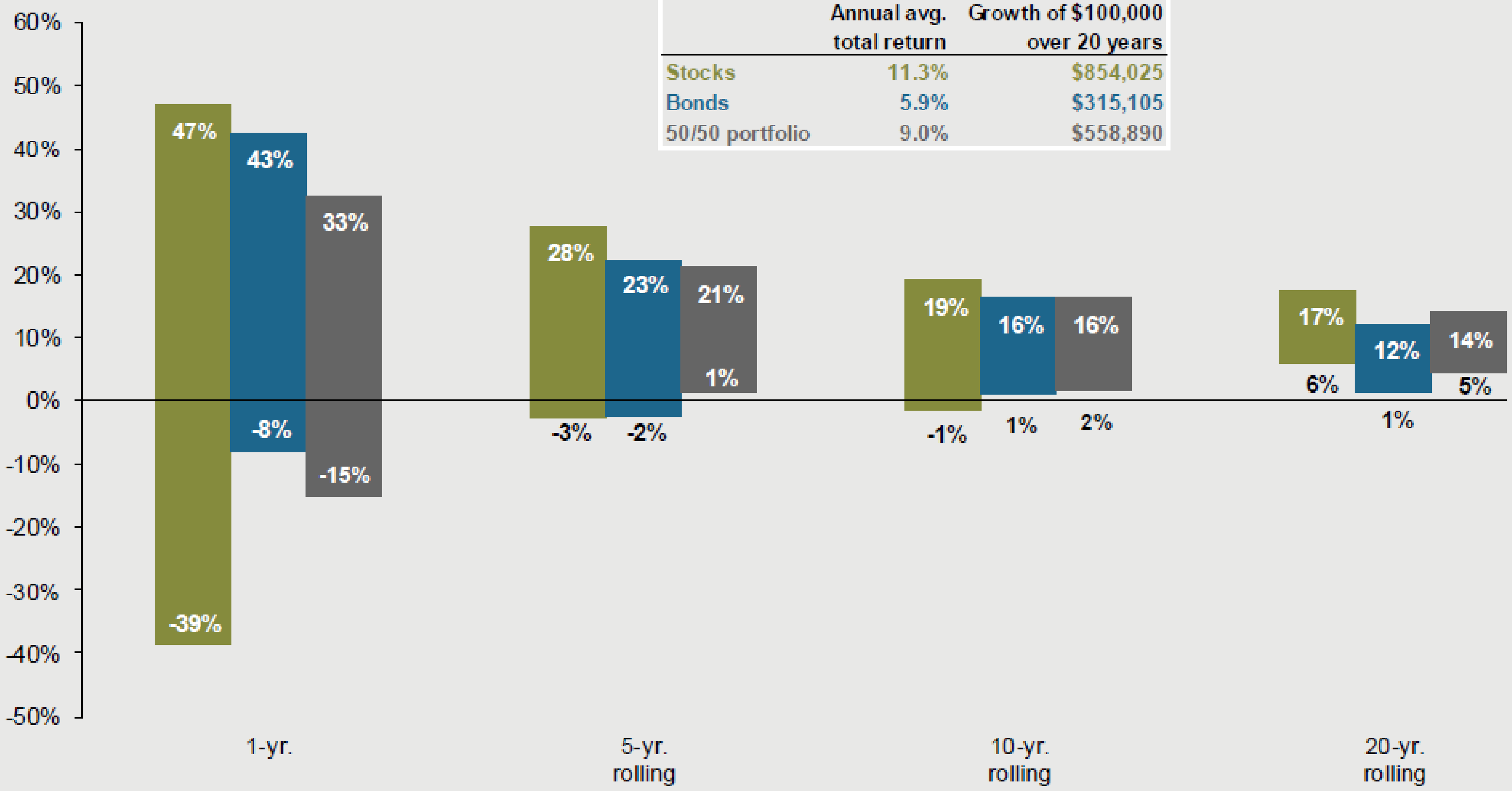
Time and diversification are your friends

Range of stock, bond and blended total returns

Annual total returns, 1950-2020

	Annual avg. total return	Growth of $100,000 over 20 years
Stocks	11.3%	$854,025
Bonds	5.9%	$315,105
50/50 portfolio	9.0%	$558,890



Source: Barclays, Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.
Returns shown are based on calendar year returns from 1950 to 2020. Stocks represent the S&P 500 Shiller Composite and Bonds represent Strategas/Ibbotson for periods from 1950 to 2010 and Bloomberg Barclays Aggregate thereafter. Growth of $100,000 is based on annual average total returns from 1950 to 2020.
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All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Equities:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index®** measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index®** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index®** measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index®** measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index ®** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index ®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

Fixed income:

The **Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Barclays Municipal Index**: consists of a broad selection of investment- grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg Barclays US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Bloomberg Barclays US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg Barclays US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg Barclays US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg Barclays US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index (EMBI)** includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)** is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.

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Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex – U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index - Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Definitions:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Global macro strategies trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

Merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Relative Value Strategies maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

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Unless otherwise stated, all data are as of September 9, 2021 or most recently available.

Guide to the Markets – U.S.

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J.P.Morgan Asset Management

Year End Tax Strategies and Insights

Dean Mioli
CPA, CFP®, CIMA®, CLU®, AEP®
Director of Investment Planning
Independent Advisor Solutions by SEI

SEI New ways. New answers.®

•Agenda

- Basic Estate Plan
- Sensible Taxation and Equity Promotion (STEP) Act of 2021
- Income Tax Highlights
- Roth Conversion
- Back Door Roth IRA
- Required Minimum Distribution Planning
- Federal Capital Gain/Loss Planning
- Itemized Deductions/Donor Advised Fund
- Next Steps

•Estate Plan Check Up

- Have Clients Addressed Basic Planning Needs?
  - Wills
  - Trusts
  - Durable Powers of Attorney
  - Living Wills and Health Care Directives
  - Updated Beneficiaries of Life Insurance Policies and Retirement Plans

Sensible Taxation and Equity Promotion (STEP) Act of 2021

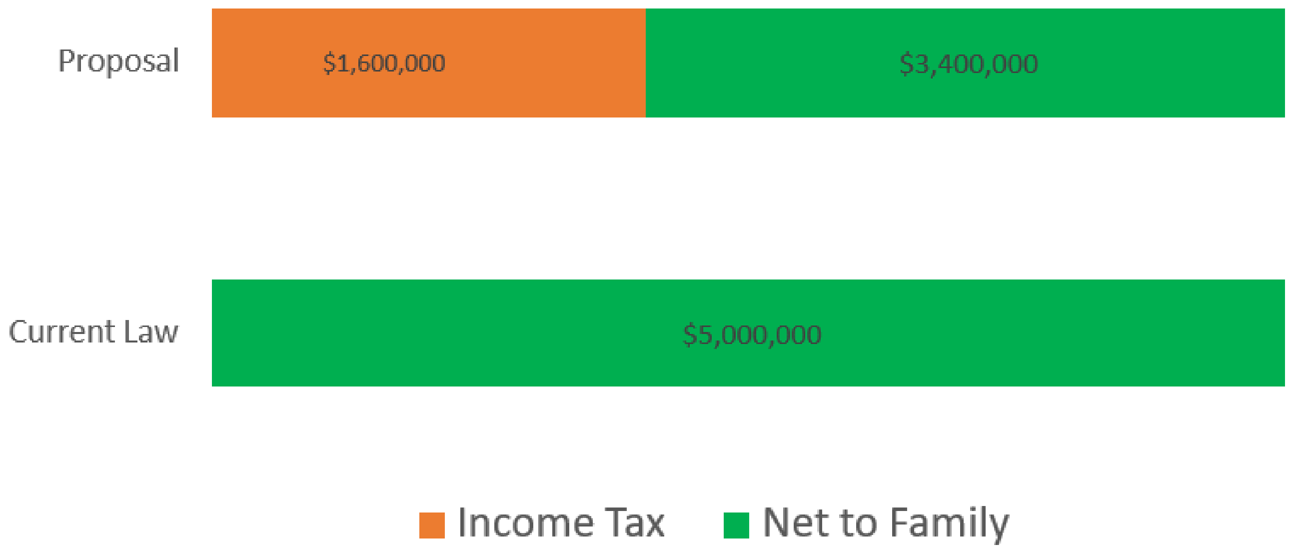
Eliminate the “Step-up”

- **Forced recognition of unrealized gains when assets are transferred at death**
  - $1,000,000 exemption
  - $2,500,000 exemption per couple (including principal residence)
  - “protections so that family-owned businesses and farms will not have to pay taxes when given to heirs who continue to run the business”
  - No forced recognition if the property is donated to charity
  - Portability between spouses

Legislation proposed in both Houses of Congress & Described in the Green Book

Consider a decedent with an asset valued at $5,000,000 with a basis of $0 with a 40% income rate (for easy math)

With the $1,000,000 Basis Exemption

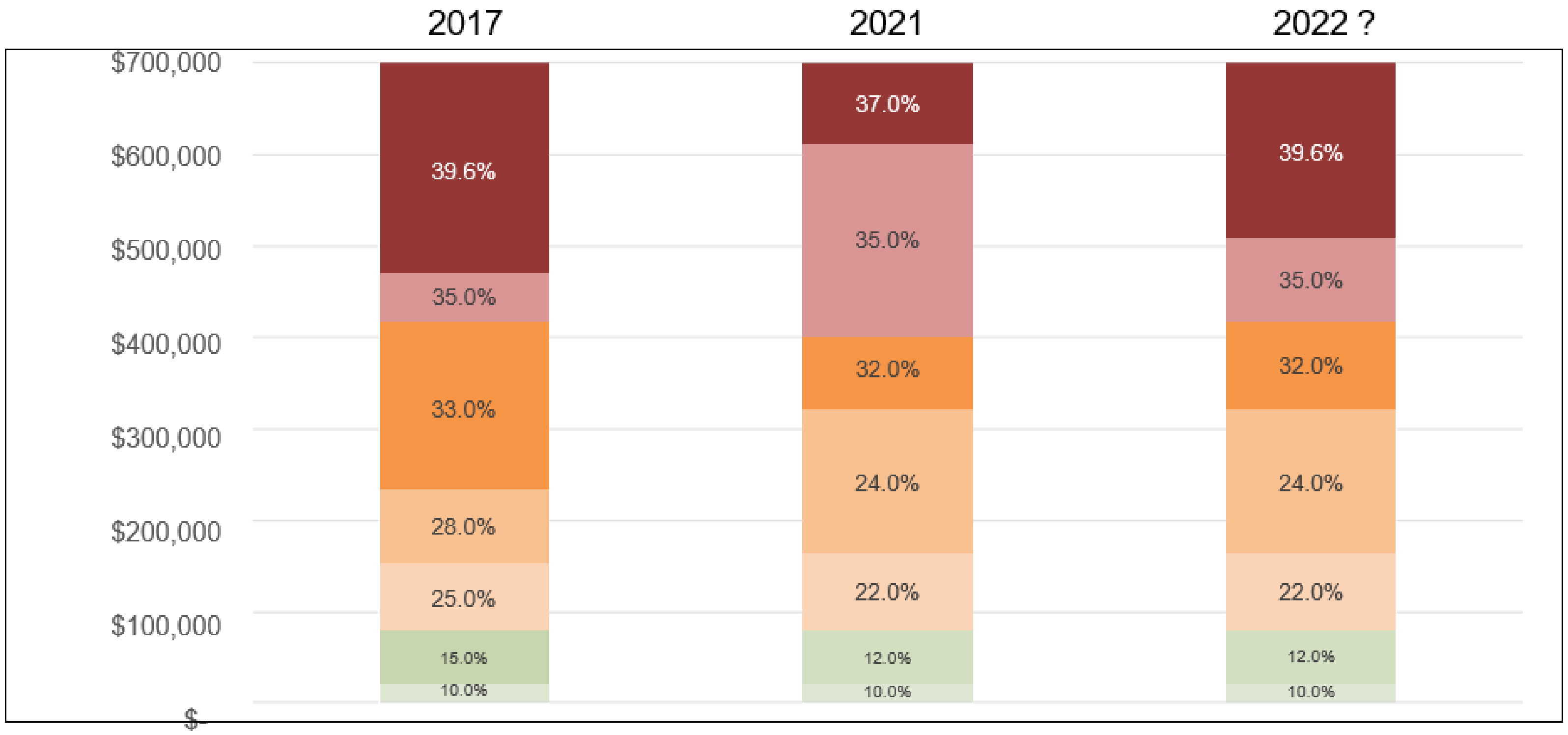


Income Tax Planning

- Possible Income Tax Changes
- Roth Conversions
- Donor Advised Fund

Married Filing Jointly

Tax Brackets per the IRS and Biden Green Book



President Biden’s Campaign Tax Policy Proposals

- **Proposal to Expand Social Security Tax**
  - Applies to earned income over $400,000
  - The established 12.4% rate & employee/employer split retained
  - Creates a tax-free gap between the Social Security base and the $400,000 threshold
  - $142,800 is the 2021 Social Security Limit

https://www.wealthmanagement.com/high-net-worth/biden-hits-campaign-trail-tax-policy-proposals

President Biden’s Campaign Tax Policy Proposals

- Proposal to Cap Deductions to a 28% Tax Benefit

Itemized Deductions of $40,000

	Marginal Tax Rate					
	22%	24%	32%	35%	37%	At 39.6%
Current Deduction Tax-Value	$ 8,800	$ 9,600	$ 12,800	$ 14,000	$ 14,800	$15,840
Proposed Deduction Tax-Value	$ 8,800	$ 9,600	$ 11,200	$ 11,200	$ 11,200	$11,200

https://www.wealthmanagement.com/high-net-worth/biden-hits-campaign-trail-tax-policy-proposals

Top Tax Planning Ideas for 2021

Creating opportunity through action

Roth Conversions

Creating opportunity through action

Roth Conversion (2021 Tax Rate Schedule)

Tax Rate	Single	Married (Filing Jointly)
10%	$0 to $9,950	$0 to $19,900
12%	$9,9951 to $40,525	$19,901 to $81,050
22%	$40,526 to $86,375	$81,051 to $172,750
24%	$86,376 to $164,925	$172,751 to $329,850
32%	$164,926 to $209,425	$329,851 to $418,850
35%	$209,426 to $523,600	$418,851 to $628,300
37%	$523,601 and higher	$628,301 and higher

Source: IRS

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Roth Conversions - Reasons to Convert

1. Taxpayers have special favorable tax attributes, including a high basis ratio, charitable deduction carry-forwards, investment tax credits, net operating losses (NOLs), etc. These attributes reduce the effective tax rate of the conversion.

2. Suspension of the minimum distribution rules at age 72 provides a considerable advantage to the Roth IRA holder. This allows for additional tax-free deferral.

Roth Conversions - Reasons to Convert

3. Taxpayers benefit from paying income tax before estate tax compared to the income tax deduction obtained when a traditional IRA is subject to estate tax. This is because the IRC § 691(c) deduction is inefficient.

4. Taxpayers who can pay the income tax on the IRA from non-IRA funds benefit greatly from the Roth IRA because of the ability to enjoy greater tax-free yields. This is because of the ability to move funds from a “taxable” to a “tax-free” tax asset class.

Roth Conversions - Reasons to Convert

5. Taxpayers who want to leave IRA assets to their family, are well advised to consider making a Roth IRA election for that portion of their overall IRA funds. This is because no distributions are required for ten years after death, generally.

6. Post-death distributions to beneficiaries are tax-free and make funding a GST-exempt trust much more efficient. This is possibly the most advantageous aspect of a Roth IRA conversion.

Mathematics of Roth IRA Conversions - Critical decision factors:

- Tax rate differential (year of conversion vs. withdrawal years)
- Use of “outside funds” to pay the income tax liability
- Pairing tax strategies
- Need for IRA funds to meet annual living expenses
- No RMDs
- Tax-free post-mortem distributions
- Time horizon
- Estate tax considerations
- Ten Year “Roth Coast” period
- Roth distributions have no effect on Medicare premiums or taxation of social security benefits.

The key to successful Roth IRA conversions is usually to avoid large jumps in brackets (e.g., converting at a 32% rate when distributions will likely be subject to a 24% rate will often be ineffective).

Taxation of Roth IRA Distributions

	Distribution within 5 years	Distribution beyond 5 years
Age < 59½	Income Tax: Yes (earnings only) 10% Penalty: Yes (earnings & taxable portion of prior conversion amounts)	Income Tax: Yes (earnings only) 10% Penalty: Yes (earnings only)
Age ≥ 59½	Income Tax: Yes (earnings only) 10% Penalty: No	Income Tax: No 10% Penalty: No

Back Door Roth Conversion

Who is an ideal candidate?

1) Has earnings, (Wages, Self-employment income)
2) Can't make a Roth IRA Contribution directly
3) Has little or no pre-tax money in a Traditional IRA
4) Maximum contribution is limited to earnings or contribution limit whichever is less

Process:

1) Make a contribution to a Traditional IRA (non-deductible), $6k as an example, put cash in a money market fund
2) Since non-deductible, basis is created
3) Transfer contribution to a Roth IRA
4) Voila! You now have a Roth IRA without a tax bill

2021 Tax Rate Schedule

Tax Rate	Single	Married (Filing Jointly)
10%	\$0 to \$9,950	\$0 to \$19,900
12%	\$9,9951 to \$40,525	\$19,901 to \$81,050
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35%	\$209,426 to \$523,600	\$418,851 to \$628,300
37%	\$523,601 and higher	\$628,301 and higher

Source: IRS

Distributions from Qualified Accounts/RMD Planning

1) Age 72 is the new age for Required Minimum Distributions (RMDs)
2) Retirement Age to Age 72 is fertile ground distribution planning
3) Since earned income is down, your tax bracket could be down as well
    1) Strategy: Fill up lower tax brackets with IRA distributions
    2) Strategy: Fill up lower brackets with Roth conversions

When RMD time comes up, the traditional IRA and qualified plan balances will be lower

Resulting in smaller TAXABLE RMDs

Federal Capital Gain/Loss Planning

Capital Gain Harvesting may benefit those in the 10% or 12% Federal Tax Bracket

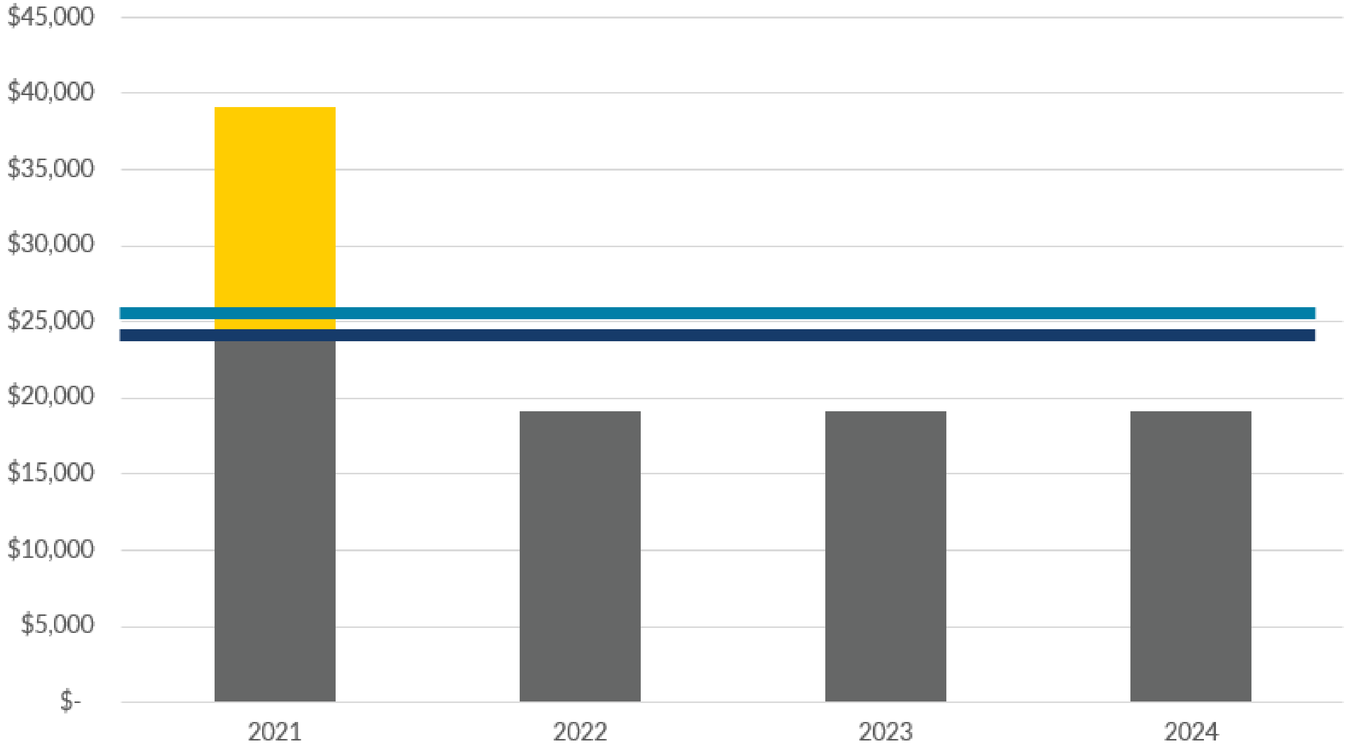
Long-Term Capital Gains Rate	Single Taxpayers	Married Filing Jointly
0%	Up to $40,400	Up to $80,800
15%	$40,401-$445,850	$80,801-$501,600
20%	Over $445,851	Over $501,601

- The 3.8% Medicare Surtax would apply when adjusted gross income is greater than $200k for single and $250k for married filing joint.
- The use of a tax loss Is limited. Taxpayers can take losses equal to their gains plus an additional $3,000 in a one tax year.
- Tax losses not used in the current year can be carried forward indefinitely.

Source: Internal Revenue Service
Tax rates effective 1/1/2020.

Donor Advised Fund

Deduction Lumping and Charitable Clumping for Tax Year 2021



MFJ Standard Deduction ($25,100)

Total Deductions without Lumping ($24,100)

Take contributions from future tax years and give in 2021 (the "Lump")

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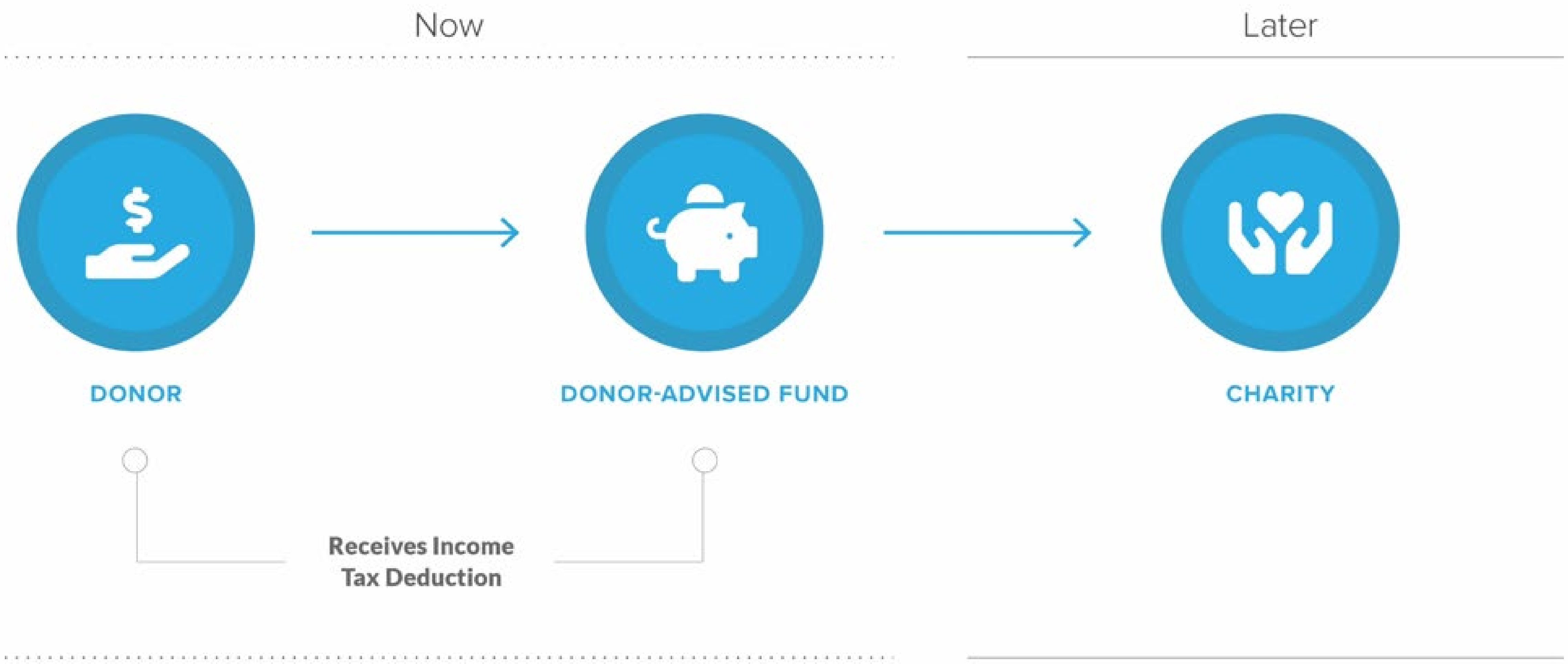
Donor Advised Fund (DAF)



Donor Advised Fund

Use Planning to Minimize Taxes When Possible: A Donor Advised Fund (DAF) is a great way to reduce tax costs.

- A Donor Advised Fund is a giving vehicle established at a public charity, a 501(c)(3). It allows donors to make a charitable contribution, receive an immediate tax deduction and then recommend grants from the fund over time.
- Donors can contribute to the fund as frequently as they like, and then recommend grants to their favorite charities whenever makes sense for them.

Possible Ways to Reduce Tax Costs:

- Donate appreciated securities – get out of the tax gain
- “Front load” charitable contributions in a high income year
  - A bonus or stock option exercise
  - Realized capital gains, no tax loss harvesting opportunities
  - Sold real estate or business
- Lump & Clump Strategy for Itemized Deductions: Accelerate charitable contributions into one year to hurdle the standard deduction and receive a tax benefit for charitable contributions
- Pair a DAF contribution with a Roth Conversion

SEI Giving Fund -

SEI Giving Fund is a Door-Advised Fund that offers donors the opportunity to make immediately deductible charitable contributions while retaining some influence over the charitable purposes for which those contributions are ultimately used.

Next Steps

1) Meet with your advisor and review your 2020 tax return
    1) How is 2021 different than 2020
    2) What is on the horizon for 2022
2) Review the top tax planning ideas for 2021
    1) Do any apply to you?
    2) Discuss with advisor
3) Keep an eye on Washington
    1) Will legislation be passed this year? When will it apply
    2) How does the legislation affect the planning above
4) Have a meeting in the fall with your advisor
    1) Decide if any tax strategy should be executed
    2) Consult with tax advisor
5) 5) Execute the plan
    1) Roth conversion – as an example

Questions?

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David Lenz, Attorney

David Lenz joined the firm in 2006, became a Partner in 2013 and was elected to serve as Managing Partner in 2020. His practice focuses on planning for and administering wealth transfer for individuals and families. He develops comprehensive plans that can involve complex charitable, retirement, and tax planning strategies, including commonly overlooked items such as digital assets and pets, and also helps families communicate their goals and purpose to the next generation. Beyond representing individuals with respect to their personal charitable planning, David also counsels organizations on issues ranging from formation and filing of applications for tax-exempt status for start-up nonprofit organizations to planned giving for established public charities and governance and compliance for private family foundations.

David is certified by the Ohio State Bar Association as a specialist in Estate Planning, Trust, and Probate Law and was a part of the Ohio State Bar Association's subcommittee that led to the adoption of the Revised Uniform Fiduciary Access to Digital Assets Act in Ohio in 2017. He is a frequent speaker and author on estate planning with digital assets and charitable planning.

David has also served as a leader in the local legal community, primarily through his volunteer efforts with the Cleveland Metropolitan Bar Association, where he is a past chair of its Estate Planning, Probate & Trust Law Section, its Estate Planning Institute, and its 3Rs Oversight Committee, which administers a program that sends lawyer volunteers into the Cleveland schools to teach constitutional law and career counseling in 11th grade U.S. Government classes. He has also led in various roles in his faith community, having served as President of his congregation, Advent Lutheran Church in Mentor, served nine years on the (regional) Synod Council for the Evangelical Lutheran Church in America, and is now serving a six-year term on the ELCA's national Church Council.

Past, Present, and Future: Tax Policy Impacts on Your Estate Plan

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What Will We Cover Today?

- **Past**: We will look back at the SECURE Act, which significantly changed planning before the pandemic hit.
- **Present**: We will look at the current state of estate tax laws and what people are doing now to improve their planning position.
- **Future**: We will look at possible estate and income tax proposals that could impact your estate plan.

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SECURE Act

Effective January 1, 2020

- Setting
- Every
- Community
- Up for
- Retirement
- Enhancement Act

Better Title?

- Stupid,
- Even for
- Congress,
- Undermines
- Retirement
- Expectations Act

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SECURE Act: Major Changes Impacting Retirement Plan Owners and Their Beneficiaries

Up to December 31, 2019	Beginning January 1, 2020
• RMDs begin at age 70.5	• RMDs now begin at age 72, but can be delayed until retirement
• Qualified Charitable Distributions (QCDs) begin at age 70.5	• QCDs still begin at age 70.5
• Stretching IRA distributions for beneficiaries' life expectancies	• Stretching IRA distributions ONLY for EBs (eligible beneficiaries); all others have general 10-yr distribution
• Leaving IRAs to charities was tax-advantaged	• Leaving IRAs to charities is still tax-advantaged, maybe now more tax-advantaged compared to the alternatives

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The "10-Year" Rule

- Generally, most beneficiaries (everyone other than "Eligible Designated Beneficiaries") will be limited to a 10-year distribution period
- Tax Disadvantage: This "10-year" rule will make income taxes to the beneficiary more burdensome
  - The distributions must be taken within 10 years of the death of the owner
  - The income received could also substantially increase the beneficiary's income tax bracket
- Estate Planning Techniques:
  - Charitable Remainder Trusts
  - Spray Trusts: Designed for asset protection and the ability to "spray" distributions among beneficiaries for better overall family income tax results

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Who is an Eligible Designated Beneficiary?

- Eligible Designated Beneficiaries:
  - Spouse
  - Minor child
  - Disabled individual
  - Chronically ill individual
  - Individual not more than 10 years younger than Owner
- NOT Eligible Designated Beneficiaries:
  - Adult children
  - Minor grandchildren, great-grandchildren, etc.
  - Sibling, Close Friend, or Partner 10 years or more younger than Owner
  - Anyone or anything else NOT listed as an EDB

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Current State of Estate Tax Law

- Current Law:
    - Estate, gift, and GST tax exemptions = $11,700,000 per person ($23,400,000 per couple). This represents a $10,000,000 base adjusted for inflation from 2010.
    - Estates or gifts above this amount are taxed at a 40% rate
- Built-in Change on January 1, 2026:
    - Base exemption is cut in half to $5,000,000, but inflation adjustment remains, so exemption will likely be a bit higher than $6,000,000 per person ($12,000,000 per couple).
    - Tax rate above the exemption remains at 40%

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Planning With Increased Exemptions

- Many married couples have set up “A/B” or “Credit Shelter Trusts” designed to allow twice the estate tax exemption to pass to their heirs.
    - No Ohio estate tax as of 1/1/2013 - Open up “B” Trust or “Family” Trust to children as well as surviving spouse.
    - With a net worth of up to $5,000,000, simplify the plan with an outright gift to the surviving spouse if control is not an issue
    - “Portability” allows surviving spouse to inherit Deceased Spouse’s Unused Exemption
- Even as we eliminate trusts for surviving spouses, we see significant use of trusts for children
    - Asset management for minors and young adults
    - Lifetime creditor protection

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Lifetime Gift to Lock in Large Current Exemptions

- When estate tax is calculated, lifetime gifts and transfers at death are combined and the exemption is applied.
- The estate tax exemption has never declined since 1934.
- Current IRS guidance says that if a gift is made to take advantage of the large exemption, the donor will not be assessed tax at death if the estate/gift tax exemption has decreased at the time of his or her death.
- Example:
    - Alice gives her children $11,000,000 this year. At her death, the estate tax exemption is $6,000,000. She will not be assessed an estate tax based on the "extra" $5,000,000 of tax-free gifts she made during lifetime.
    - Bill gives his children $2,000,000 this year. At his death, the estate tax exemption is $6,000,000. He will have only $4,000,000 of exemption left to apply to those gifts.

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Making a Large Gift to Take Advantage of Large Current Exemptions

- Make a gift to an irrevocable trust for children.
  - Use more than $6,000,000
  - Make the trust a "grantor trust"
  - Allocate GST exemption
- Make a gift to a "Spousal Lifetime Access Trust" or "SLAT."
  - Includes the spouse as a potential beneficiary in case the couple is concerned they don't have "enough" left after the gift.
  - Essentially, this is creating the "credit shelter trust" during your lifetime.
- Work with your financial advisor first to determine gift capacity.

Future State of Estate Tax Law

- Who Knows?
- During the campaign, President Biden had proposed reducing the exemption by:
  - Returning to the $5,000,000 exemption sooner; or
  - Returning to the 2009 rules of a $3,500,000 estate tax and $1,000,000 gift tax exemption
- President Biden's April address to Congress laying out his tax plans did not mention the estate and gifts tax exemptions at all. Instead, focus was on:
  - Ordinary income tax rates on capital gains
  - Eliminating step-up in basis at death
    - Under current law, unrealized gain at death is forgiven;
    - Under new proposal, death is a recognition event and the estate pays capital gain income tax on the appreciation.

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Charitable Planning for Elimination of Basis Step-Up

- For the charitably inclined, gifts of appreciated stock to charity will grow in popularity
  - Such gifts during lifetime will avoid capital gain income tax on appreciation that will eventually be due.
  - Such gifts at death would reduce the income tax bill owed by the estate.
- Consider gifts to Donor Advised Funds for administrative convenience
  - The Donor Advised Fund can receive a gift of a larger block of appreciated stock
  - The stock can be liquidated inside the fund at no tax cost
  - The donor can recommend cash grants in smaller amounts to various operating charities.

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Jon J. Parkhurst, CPA, CFP®

Questions and answers

Closing remarks

Thank you for Attending

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