

The Lifetime Advantage: Why Managing Wealth Requires a Holistic Approach





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Introduction: Why Wealth Management

Is your wealth a destination ... or a starting point?

When managed thoughtfully – and intentionally – wealth opens up possibilities for personal realization and fulfilment. It can fund aspirations, fuel new opportunities or create a lasting legacy that reflects your goals and values for generations to come. But getting there takes planning.

As wealth increases, so does the complexity that surrounds it. At some point, parking your assets in an investment account and relying on the advice of a sole attorney, broker or accountant for all your financial questions may not be enough to realize the full potential of your wealth. This is where wealth management comes in.

At LNW we take the many moving parts of your financial world – investments, taxes, cashflow, trusts, insurance, philanthropy, business or equity ownership – and integrate them under a comprehensive plan that fully reflects who you are, what you value and where you want to go.

This paper is for those who are new to the concept of wealth management, and to LNW. It explores the different services LNW provides to help you think of your wealth holistically and in context of your life. We hope it helps you realize what your wealth can achieve.



PART I - Wealth Planning: A Cohesive Way to Attain Your Aspirations

One of the greatest challenges to building and maintaining wealth is looking at it holistically. A family or individual may receive near-term tax advice from a CPA, suggestions on selling or buying a property from an estate agent, and separate recommendations from an attorney about a family trust. These disparate voices may not align. They may also be out of sync with the long-range vision of what you want your wealth to accomplish.

At LNW, we align and optimize the many moving parts of your finances to create a cohesive strategy for attaining your goals. Our wealth managers and sector experts put a roadmap in place for your entire financial future, then ensure each financial decision made on your behalf fits in with that plan. This doesn't mean working opposite an attorney or accountant you have a relationship with. It means working with them to make sure each decision strengthens your wealth plan with each passing year.

Just as important, we help you articulate a vision for your wealth. As families or individuals build or inherit wealth, they may not have the time to think about how their assets align with their values, goals, life philosophy, family member capabilities and other factors. We help you explore and define your life priorities and then ensure that the many components of your wealth plan are working together to achieve them.

Wealth Planning at LNW





PART II - Tax Efficiency Applied Across Your Asset Base

A tax-aware mindset is not about avoiding taxes; making your tax contribution is very important to society. Tax awareness means attaining the highest possible return after paying taxes. To make your wealth plan as tax-efficient as possible in line with your goals, LNW tax experts work closely with colleagues in investments, wealth planning and trust services.

Our aim is to drive better tax outcomes across your entire asset base, as well as your investment portfolio.

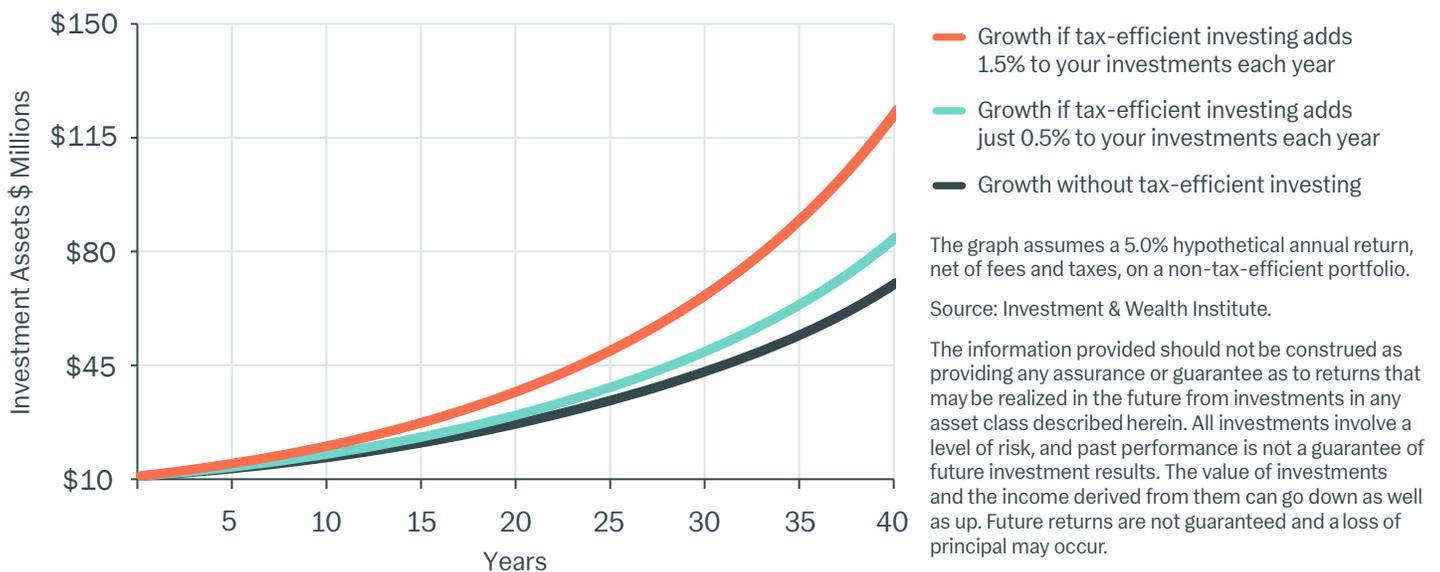
LNW strategic tax planning can help optimize tax efficiency across your entire asset base by:

- Assessing your overall tax exposure in terms of income, capital gains, gift & estate taxes (at the federal and state levels)
- Tracking how well tax strategies are working and making adjustments based on changes in your asset base, needs and goals
- Proposing strategies for increasing tax-efficiency in financial and investment accounts, existing and future trusts, your estate and legacy plans

We work with your CPA(s) to make proactive recommendations for your circumstances, so that you are not caught off guard by what your assets and finances are generating in terms of taxes. That means you always have a strategy integrated into your wealth plan for:

- Investment income
- Gift taxes
- Taxes generated by trust(s)
- Capital gains
- Estate taxes

For large investment portfolios that generate sizable income and capital gains annually, taxes can affect the net rate of return substantially over time. The chart below shows how returns can improve when taxes are managed consistently on an ongoing basis.



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Tax Strategies for Building, Accessing and Transferring Wealth

At LNW, we can work strategically with your accountant to seek tax advantages as you build, access and transfer wealth. In wealth building, we help improve after-tax investment returns in multiple ways, including:

- 1. Tax-effective asset location:** The tax treatment of your investment accounts – taxable, tax-deferred or tax-free – can greatly affect net return over time. We advise on strategies to optimize net return for you and your beneficiaries by minimizing taxes on taxable investments, making the most of tax-deferred investments, including in the private markets, and creating a base of tax-free investments, including via municipal bonds or Roth IRA conversions. We also advise on withdrawal strategies from your various accounts to maximize tax-efficiency in line with your cash flow needs and tax-effective ways to fund a major purchase.
- 2. Tax-managed portfolios:** Long-term capital gains are taxed at lower rates than income and can be offset by losses. This creates opportunities for portfolio tax management that require ongoing vigilance. For example, especially during down markets, portfolios are reviewed for opportunities to sell certain investments at a loss, so that the loss can be used to offset current and future gains. The investment is replaced with a similar one, maintaining the strategic asset allocation and risk/return targets.
- 3. Tax-aware manager selection:** When selecting asset managers and strategies for portfolios, we focus on after-tax returns and managers who make it a point to limit investment taxes through efforts such as coordinated tax-loss harvesting or strategies to offset short-term gains. We'll suggest investing with an asset manager only if we are confident in their potential to generate the targeted risk-adjusted return after taxes.

When it comes time to accessing wealth, there are numerous ways to lower the tax impact. The right strategy depends on your unique situation, but a few examples include:

- Timing the sale of appreciated assets (business interests, real estate, collectibles, etc.) in ways that spread out the capital gains
- Timing the sale or transfer of vested equity compensation (RSUs, RSAs, stock options)
- Accessing deferred compensation
- Funding trusts to capture the benefits in terms of estate taxes, privacy and control; managing the trust assets to minimize annual taxes for the trust and the beneficiaries
- Arranging a real estate exchange or change in use
- Making lifetime gifts to family and charities, including the creation of a foundation or endowment
- Borrowing against existing assets to fund major purchases

Tax awareness becomes particularly important in the transfer of wealth. Many different tools exist that can be used in combination to control the transfer of assets in a tax-effective manner, including titling of property and accounts, a will, various types of trusts and lifetime gifts. Strategic use of these tools can maximize what your family and/or a chosen charity receives. Perhaps more important, an effective wealth transfer strategy can preserve family harmony and make sure assets are passed along in a way that reflects your intent and values.

In the next section, we cover one of the most effective wealth transfer tools, utilized frequently by people or families with significant assets.

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PART III - The Strategic Use of Trusts: More Control, Privacy, Peace of Mind

As your financial situation becomes more complex, you are likely to need more control as to how your wealth is titled and transferred to others. Many families with significant wealth rely on a series of trusts.

A trust is a legal arrangement in which you, the grantor, place assets in a trust account for the benefit of one or more beneficiaries. A beneficiary can be a family member, friend, favorite charity or even a beloved pet. The trustee is a fiduciary who is responsible for administering the trust, managing the assets and distributing income or principal to the beneficiaries.

For individuals and families with significant wealth, trusts offer distinct, ongoing advantages. With a trust, you can be intentional with your wealth, passing it along in a targeted, time-released manner. Trusts also offer tax advantages and privacy. Finally, assets placed in a trust bypass what can be a lengthy, contentious and expensive probate process, especially for assets located in different states or overseas.

Trusts offer additional benefits depending on the type of trust and your unique needs. For example, some trusts are specifically designed to hold real estate or a business, assets designated for a philanthropic organization, or to preserve government benefits for a disabled beneficiary.

Our Role

As a trust company since 1967 and a registered investment advisor (RIA), LNW has the depth of experience and capabilities to serve you and your family during the life of the trust(s). We can:

- Advise on which type of trust(s) work would work best for your specific situation and provide input to the attorney drafting the trust documents
- Serve as trustee or co-trustee of the trust
- Provide strategic, tax-efficient investment management of the assets in the trust
- Work closely with the trust beneficiaries to ensure your intentions and legacy are carried forward

How Can You Benefit From a Trust?

The following is a sample of some of the common motivations:

- Reduce estate taxes
- Protect privacy
- Avoid the expense and delay of the probate process, including for assets in other states
- Provide for family members, including young children, in case of incapacity or death
- Provide for children and grandchildren in the event of a second marriage
- Provide for a family member with intellectual, physical or emotional challenges
- Allow a trustee to manage assets in case you become incapacitated
- Provide long-term support to charities whose work you value



PART IV - Investments: Targeted Risk, Expanded Opportunities

As your wealth grows, you have an opportunity to access investment opportunities that would not be available to retail investors. Managing risk also becomes paramount. The LNW investment team is here to help you do both.

We start by establishing a targeted level of risk for your portfolio. That risk target is based on the level of price volatility that you can, should and are willing to take and which we think can allow your portfolio to grow at a rate that can fund your life goals. We thoroughly test, including through extensive simulation, whether the mix of investments we are recommending for your portfolio is likely to result in the targeted levels of risk and return.

Our investment team researches and recommends the asset managers and strategies we think will work optimally for your portfolio, and we use our size to negotiate more favorable terms (such as lower fees and minimum initial investments) on your behalf.

Depending on the size of your asset base and circumstances, we can help you expand your portfolio beyond traditional investments into asset classes and opportunities most retail investors cannot access on their own. LNW has more than three decades of experience investing in the private markets. Over time, we have developed a network of relationships and due diligence capabilities that allow us to source opportunities in a variety of sectors and strategies, including:

- Private equity
- Hedge funds
- Private real estate
- Natural resources
- Other direct investments

Once your investment portfolio is created to target the appropriate risk and return targets, our experts continually monitor it to make sure it is aligned with your overall wealth plan. The result is a strategic business plan for investing geared to maximize the probability that you will achieve your financial and non-financial goals in the real world using real dollars (after taxes, fees, inflation).

Our Guiding Investment Principles

- To create for you a strategic business plan for investing that brings vision, structure and discipline to the preservation and growth of your capital, often over multiple generations.
- To invest objectively and independently for your sole benefit. We do not accept sales commissions or other incentives to recommend certain investments over others.



Impact Investing: The Benefits of Broader Analysis

For many of our clients, investing is not just about financial gain; it is also about improving the world we live in. We call the intersection of your financial and non-financial objectives impact investing. While impact investing can reflect personal values and a desire to drive positive change, we believe impact investing is first and foremost an investing discipline.

We believe asset managers that broaden their investment analysis to include environmental, social and corporate governance criteria can reduce portfolio risk and enhance returns. That's because impact issues such as climate change are increasingly relevant to asset pricing, creating many new investment opportunities and risks. Just as important, we think companies that operate in a sustainable manner have lower operational risk.

As your wealth grows, so do the opportunities for impact investing. The kind of impact as well as the depth and breadth of that impact varies by approach and the objective. At LNW, we provide a full spectrum of impact investment strategies. In broad terms, these include:

- Investing in companies with improving environmental and social business practices and transitioning to more sustainable business models
- Investing in businesses with products and services that address fundamental social and/or environmental challenges
- Using stewardship, engagement and shareholder proposals to push for change

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PART V - Thoughtful Giving that Aligns with Your Values & Legacy

By supporting the people and organizations you believe in, you are putting your assets to some of their highest use. A thoughtful, long-term plan maximizes your positive impact and minimizes the effect on your taxes and overall financial picture.

At LNW, we help develop and implement legacy and philanthropic plans that support your impact goals and aspirations. This typically includes a long-term strategy and rationale for giving and the vehicles that can most efficiently achieve the intended goals, ranging from direct gifts to nonprofits to Donor Advised Funds (DAFs), a trust, a foundation, or project specific partnerships. Each element of a charitable giving plan serves a purpose and can be combined with the others for maximum benefit.

If you are ready to take your philanthropic work even further, we can advise on the creation and management of a foundation or endowment to ensure ongoing funding over many generations. And because we believe in investing in the communities we work in and have relationships with local nonprofits, we can help you connect with (and learn from) nonprofit organizations so that you can give in the most helpful way possible.

Giving to family members also requires thoughtful planning. A well-intentioned giving strategy strikes a delicate balance between empowering your loved ones and ensuring responsibility with the gifts they receive. Advising recipients to be good stewards of these gifts is also important and part of the support LNW can provide.

Importantly, giving strategies are not static. With knowledge of the causes and people you want to support over the long term, we can help you give strategically and tax-efficiently.

Evaluating Nonprofits

A donor's relationship with a nonprofit can be based on trust or a full accounting of how each dollar donated is spent. Often, it is somewhere in between. No matter the approach, due diligence on nonprofits is always important, and something LNW wealth managers can help you assess. Among the most important considerations:

Mission Statement: The nonprofit's purpose should align with your values and focus on issues that you want to have a positive impact on.

Impact: Established nonprofits should be able to provide evidence of impact. This includes data on the outcomes of their programs and specific success stories.

Financial Health: IRS Form 990 provides detailed financial information about the nonprofit's operations. Key sections include total revenue, total expenses, executive compensation and spending on programs vs. overhead. Key questions:

What percentage of the budget is allocated to programs versus administrative and fundraising expenses? A common benchmark is that at least 75% of spending should go towards programs.

How does the nonprofit ensure financial transparency and accountability?

Note that nonprofits are required to make their Form 990 available to the public, and it can be accessed through resources like GuideStar or ProPublica's Nonprofit Explorer.

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PART VI - Your Next Big Thing: Strategies for Business Owners and Executives

If you are a business owner or corporate executive, you face unique circumstances when it comes to your wealth. Much of your net worth – financially and emotionally – might be tied up in your career or a business. Pivoting to the next phase of life requires preparation and foresight.

For business owners, we wade through the important questions that lead to an exit strategy that works best: How much will you net after all taxes and fees? If you transfer part or all of the business to family members, what is the most tax-efficient way to do that and still meet your own income needs?

Our experts in tax, estate and wealth planning can assess succession or exit plans in context of your life goals. Once a buyout, sale or other type of transition occurs, we can help you invest the proceeds from your business, creating an investment portfolio that meets your needs now and in the future, as well as trusts and estate planning vehicles that align with what you want your wealth to accomplish.

Executives who have much of their wealth tied to equity compensation face some of the same challenges as business owners. Having too much stock in the company you work for, even if you see the outlook as great, is a risk. We help lower that risk by creating a tax-aware plan so that you can systematically review your upcoming exercise dates for stock options or RSUs, and periodically sell a certain portion of vested shares and reinvest the proceeds to diversify your investments.

For those with vested stock that has appreciated greatly, taxes are another key consideration. We provide strategies to manage and possibly lower your tax bill while furthering your goals. For instance, you can transfer restricted shares to family members, a non-profit organization, or to a trust. The important thing is to align your equity comp with your overall wealth plan, instead of letting it drive major financial decisions or leave it on autopilot.

Exiting your business provides a rare window to reposition your wealth to live the life you want. The sale or transfer of the business presents an opportunity to do three key things:

- Save on taxes at all levels (income, capital gains, estate and gift taxes)
- Create an estate plan that supports your family, the causes you care about and your legacy
- Invest in a way that fully supports the life you desire

Since LNW's founding in 1967 by a business-owning family now in their eighth generation, we have helped successful business owners consolidate, preserve and maximize their wealth to benefit themselves, their families and their communities.



Part VII - Multigenerational Wealth Planning that Unites & Empowers Your Family

We can help your family methodically put in place the building blocks required to create a legacy that you all can be proud of for many generations. This often includes preparing the younger generations in the family for a substantial inheritance in line with their unique abilities, skills and interests.

Over many decades, we have seen what works well (and not so well) in family dynamics and the stewardship of multigenerational wealth. LNW was founded in 1967 as a trust company to serve the Laird and Norton families, our majority shareholders and now into their eighth generation as business owners and entrepreneurs. Since then, we have advised hundreds of other successful families on how to best align all aspects of their wealth – human capital and financial capital – to promote desired outcomes across generations.

LNW wealth managers have long partnered with parents and grandparents on age-appropriate conversations and activities that engage young people and help them develop financial awareness and responsibility. Drawing on proven techniques used by LNW wealth managers, as well as prominent psychologists and consultants, we work with the entire family to foster skills essential to financial well-being in tune with each person's unique abilities and interests. This can include working with young adults who are named as co-trustees to a trust.

We also help LNW families develop their family mission statement and then facilitate family meetings that allow the younger generations to better understand what is being handed down to them and how to use that to enhance their lives and those of others.

LNW Family Office Services

For families with significant multigenerational wealth that entails higher levels of complexity, LNW provides extra support via dedicated family office services. These services are structured around family members' unique needs and preferences, while ensuring the family's overarching goals are sustained and pursued.



Part VIII - A Big Picture View

Putting It All Together

Wealth provides an extraordinary opportunity to live the life you design and to positively influence the world around you. But big aspirations require a big picture view.

Investments. Trusts. Philanthropy. Family. Taxes. Business. Legacy. None of these elements can be considered in a vacuum. To realize the full potential of your wealth, every aspect of your financial picture must be considered and managed with your life goals in mind. We believe this holistic view provides you with a lifetime advantage, allowing each financial decision to build on what has come before, adding incremental value now and decades into the future. At LNW, we are ready to help you put all the pieces of a fulfilling life in place now and for generations to come.

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ABOUT LNW

Laird Norton Wetherby (LNW) serves exceptional families and individuals seeking to activate the full potential of their wealth. To help turn lifelong ambitions and multigenerational aspirations into reality, LNW brings to each client relationship a high level of care combined with deep expertise in wealth and legacy planning, investments, and trust and estate services.

Offering both RIA (Registered Investment Advisor) and trust services, LNW is committed to providing clients with unbiased, independent guidance and solutions. LNW has offices in Seattle, San Francisco, New York, Los Angeles and Philadelphia, as well as an affiliated trust company in South Dakota, empowering clients across the U.S. and around the world.

LNW is owned by employees and majority owned by Laird Norton Company, one of the longest-sustained family enterprises in the United States. To learn more, please visit LNWAdvisors.com

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