



The Lifetime Advantage: Why Managing Wealth Requires a Holistic Approach

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Introduction

Is your wealth a destination ... or a starting point? The answer depends on the financial decisions you make after attaining it.

When managed thoughtfully — and intentionally — wealth opens up possibilities for personal realization and fulfillment. 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 rises, 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 Laird Norton Wealth Management (LNWM) we take all the complex, moving parts of your financial picture – investments, trusts, taxes, cashflow, insurance, philanthropy, business or stock ownership, and family – and integrate them into 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 our firm. It explores the different services LNWM provides, so you get a better understanding of what it means to look at wealth holistically. We hope it helps you realize what your wealth can achieve.



I. Wealth Planning: A Cohesive Strategy That Reflects 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, advice on selling or buying a property from a real estate agent, and separate recommendations from an attorney about another aspect of their life. 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 LNWM, we pull all those different pieces into a cohesive strategy. Our advisors and financial experts put a roadmap in place for your entire financial future, then ensure each financial decision you make fits in with that plan. This doesn't mean working opposite an attorney or accountant you have a relationship with. It means working together to make sure decisions strengthen your wealth planning picture with every passing year.

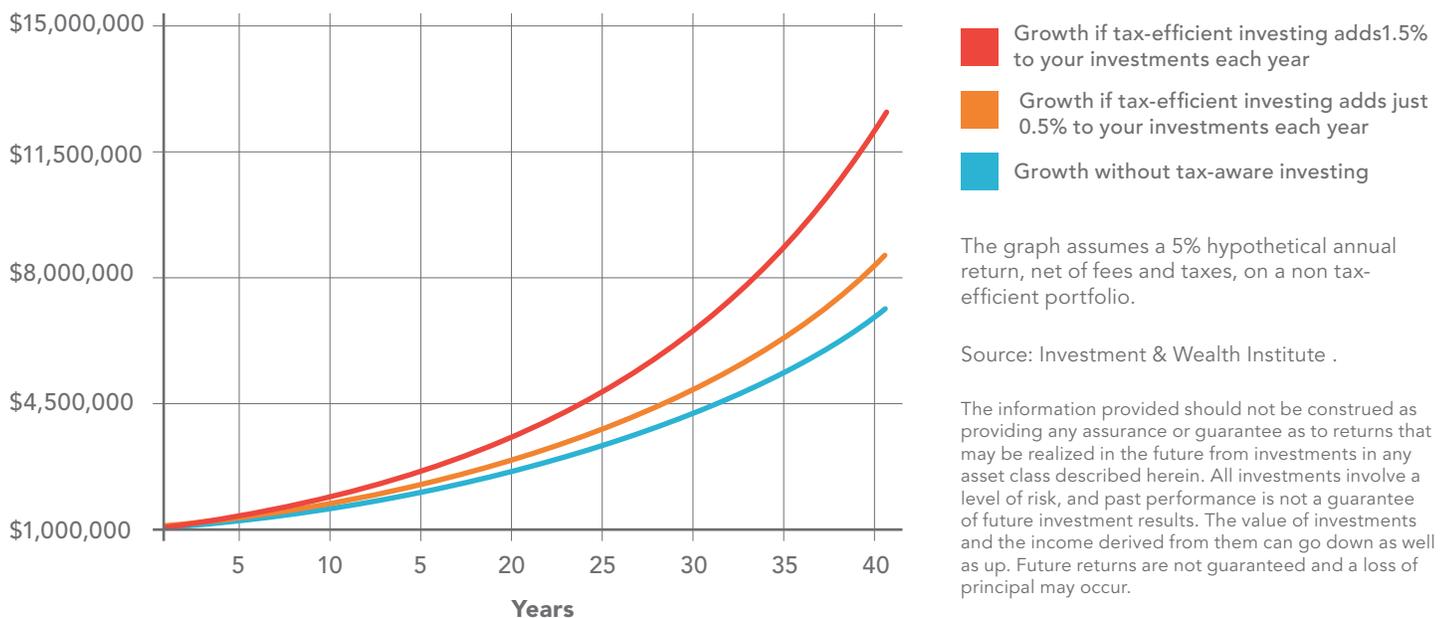
Just as important, we help you articulate a vision for your wealth. Many families and individuals may build wealth without thinking about how they will tie it to their values, goals, life philosophy, family and other factors. We help you define these priorities, and ensure your entire financial plan reflects them.



II. Tax Awareness: A Crucial Aspect of Any Financial Decision



A tax-aware mindset isn't about avoiding taxes; making your tax contribution is very important to society. Tax awareness means having the largest possible return in your pocket after paying them. And when you're talking about a high-net-worth portfolio, taxes can affect those returns substantially. The chart below shows the impact taxes can have on a portfolio, and how returns can improve when taxes are managed affectively.



At LNWM, we work strategically with your accountant to seek tax advantages as you build, access, and eventually transfer your wealth. In the wealth building phase, we help improve after-tax returns in three different ways:

- 1. Smart asset location:** An asset location strategy matches your high-taxable income producing assets (bonds, dividend-paying stocks) and high-turnover assets (stock funds that trade often) with tax-advantaged accounts. On the other end of the spectrum, investments that generate little taxable income and/or few trading gains (such as municipal bonds and growth stocks) are allocated into taxable accounts.
- 2. Tax-aware manager selection:** When selecting investment managers to invest your wealth, we seek out managers who prize tax awareness. That means they limit short-term trading and take advantage of losses in the portfolio to offset gains.
- 3. Tax -loss harvesting:** Taxable accounts allow you to write off investment losses against gains. When stock prices fall, we routinely review your portfolio for opportunities to sell certain investments at a loss, so that the loss can be used to offset current and future gains.

When it comes time to access the wealth you have built, there are numerous strategies to lower the tax impact. The right strategy depends on your unique situation, but a few items include:

- Optimally timing withdrawals from your retirement accounts
- Selling real estate, business interests or other assets in installments to spread the capital gains and take advantage of a lower tax bracket over multiple years
- Utilizing trusts to control wealth over your lifetime and beyond
- Converting a residential investment property to a principal residence before selling it
- Strategic gifting to family and charities

Tax awareness becomes particularly important in the transfer of wealth. You have a lot of tools at your disposal to control the transfer of assets (titling of property, a will, various types of trusts, gifting, power of attorney, etc.) in a tax-effective manner. Using them to your advantage maximizes what your family 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 intentions and values.

We cover one of the most effective wealth transfer tools – and one of the most utilized among high-net-worth investors – in the next section.



III. Trusts: More Control Over the Transfer of Your Wealth



As your financial situation becomes more complex, you may need more than a will to control how your wealth will transfer to others. Many families rely on 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.

Many wealthy individuals and families utilize trusts because they offer several advantages relative to wills. With a trust, you can be more intentional with your wealth, passing it along in a targeted, time-released approach. Trusts also offer tax advantages and more privacy than a will, which is a public document. Finally, many high-net-worth investors prefer trusts because assets placed in a trust bypass an often-lengthy probate process.

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

Our Role

Whatever the situation, LNWM is positioned to serve you and your beneficiaries through the life of the trust. As the oldest and largest independent trust company based in the Northwest, and a registered investment advisor, we are uniquely capable of:

- Advising on which type of trust(s) work best for your situation
- Serving as trustee or co-trustee of the trust
- Providing strategic investment management of the assets in the trust
- Working closely with your beneficiaries to ensure your intentions are carried out and your legacy is preserved



How Can You Benefit from a Trust?

There are many different reasons why people set up trusts. The following is a sample of some of the common motivations:

- Reduce estate tax
- Protect privacy
- Avoid the expense and delay of the probate process
- Avoid probate in other states where you hold real estate
- Set up a fund for your own support in case you become incapacitated
- Provide for family members that might have special needs
- Require oversight of assets for family members who may not be able to responsibly manage their finances without assistance
- Provide for your children and grandchildren in the event of a second marriage
- Manage assets to care for minor beneficiaries
- Provide for a charitable beneficiary
- Avoid operational disruption during a business succession



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. We put professional investment experts in your corner to do both.

We start by establishing a targeted level of risk for your portfolio. That risk level is based on the level of price volatility you and your finances can tolerate and which we think can allow your portfolio to grow at a rate that can fund your life goals. We then run thousands of simulations to test 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 also researches investment managers to recommend the best strategies for your portfolio and uses our size to negotiate more favorable terms (such as lower fees and minimum initial investments) on our clients' behalf.

Perhaps more important, we can help our clients expand their portfolio beyond traditional stock and bond investments, into asset classes and opportunities they likely can't access on their own. Depending on the client's asset levels and unique risk and return objectives, we may provide access to any of the following:

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

Once those investments are in place, our experts continually monitor your collective portfolio, to make sure the investments align with your overall financial plan. The result is peace of mind and readiness for the future.

Our Guiding Investment Principles

- We invest your money as part of an overall financial plan that reflects who you are and what you want to accomplish in life. We call this integrated wealth planning.
- We invest objectively and independently on your behalf. We do not accept sales commissions or other incentives to recommend certain investments over others.



Sustainable Investing: A Growing Field of Interest

For many individuals, investing is not just about financial gain; It's also about improving the world we live in. We call this intersection between your financial and non-financial objectives sustainable investing. This concept has taken on many different names including socially responsible investing (SRI), ESG (Environmental, Social, Governance) investing, or impact investing. Regardless of the name, the goal is the same: To align your investments with what you value and what you think would benefit society.

We start by helping you crystallize and prioritize the issues you care about within the context of your overall financial plan. From there, we design solutions that can amplify the impact you want to make in these issues through your portfolio. We can utilize a variety of vehicles such as public equities, fixed income, community development finance institutions (CDFIs), and private market exposures such as private equity, debt or real assets and venture capital, to target specific issues such as climate change, sustainable resources, DEI, education, racial equality, financial inclusion, affordable housing, food systems and education, just to name a few.



V. Making the Most of Philanthropy and Giving Strategies



By supporting people and causes you believe in, you're 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.

To maximize impact on the charities you care about, you may want to establish a charitable trust or foundation to ensure ongoing funding for generations. In some cases, LNWM advisors may even work directly with the nonprofit organization you are contributing to 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. Educating recipients to be good stewards of these gifts is also important and part of the support LNWM can provide.

Importantly, giving strategies are not static. With knowledge of the causes and family members you want to support over the long term, we help you give strategically so that it minimizes the impact on your own taxes.

FOUR THINGS TO KNOW ABOUT NON-CASH GIFTS TO CHARITY:

- You must own the asset at least a year before giving, if you want the full tax benefit. If less than a year, the gift is valued at how much you paid for it.
- When giving assets to charities, the tax deduction is capped at 30% of your adjusted gross income in any one year (vs. up to 60% for some cash gifts).
- For non-cash gifts (publicly traded stocks, bonds) you have to determine the value. If the value is more than \$5,000, tax rules require extra documentation on your tax return.
- Plan in advance for the transfer. For gifts of securities, the transfer must be coordinated between your investment custodian and that of your intended gift recipient. While this is not difficult, it may take from a few days to a few weeks, depending on the security. For real estate and business interests, the transfer could take much longer, requiring the work of attorneys, CPAs and appraisers.

VI. Meeting the Unique Challenges of Business Owners and Executives



Business owners and corporate executives face unique circumstances when it comes to their wealth. Often, much of their net worth – financially and emotionally – has been tied up in their career or 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 for you: 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 financial planning crunch the numbers so you can have a realistic idea of how much you will receive in net cash under each exit scenario. We then help you invest the proceeds from your business, creating an investment portfolio that meets your needs now and in the future.

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 know the outlook to be 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 give you 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 financial plan, instead of letting it drive major financial decisions or go 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 our founding in 1967 by a business-owning family now in their seventh generation, we have helped successful business owners consolidate, preserve and maximize their wealth to benefit themselves, their families and their communities.

VII. A Big Picture View



Putting All of Life's Pieces 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 together and managed with your long-term vision and goals in mind. We believe this holistic view provides you with a lifetime advantage, allowing you to make decisions that build one upon the other. This is the Laird Norton way.



A Plan for Your Wealth and Life

Effective wealth planning is built on conversations that matter, as well as numbers.

[Find out more](#)

About Laird Norton Wealth Management

With more than \$7 billion in assets under management, Laird Norton Wealth Management is the Northwest's premier wealth management company. Founded in 1967 to serve the financial management needs of the Laird and Norton families, the firm now provides integrated wealth management solutions to approximately 700 individuals, families, business leaders, private foundations and nonprofit organizations.

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