STIFEL

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WEALTH PLANNING
NEWSLETTER

Inside This Issue

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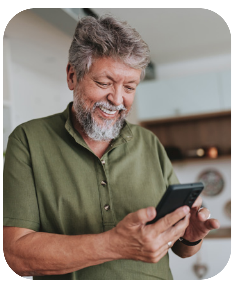
Wealth Planning Lessons From the Olympics

Every two years, the entire sporting world comes together for a spectacle like no other. Athletes proudly don their nation's colors and carry its flag in pursuit of glory. As spectators, we have a front-row seat to countless triumphs of the human mind, body, and spirit. While the Olympic Games provide us with lasting memories and hours of entertainment, they also provide us with lessons we can apply to various aspects of our lives, including our finances. This issue of the Wealth Planning Newsletter aims to help you identify some of these lessons and apply them to the wealth planning process.

Training for Success

- ☐ Test your financial plan's ability to handle obstacles and challenges using certain modules within Stifel's financial planning software.
- ☐ Consider the impact of the unexpected loss of employment income due to disability through the disability module.
- ☐ Quantify the impact of long-term care costs through the long-term care module.
- ☐ Determine whether your plan may benefit from additional life insurance coverage through the life insurance module.



Handling Setbacks

- ☐ Take steps to mitigate the impact of unavoidable setbacks as you pursue your financial goals.
- ☐ Speak to your Stifel Financial Advisor to review your long-term disability insurance options.
- ☐ Ask your Stifel Financial Advisor to reach out to a member of Stifel's Insurance Solutions team to learn more about the potential benefits of a hybrid life/long-term care policy.

Looking Ahead

- ☐ Set out to better understand pertinent income tax concepts with the goal of improving your overall tax situation in future years.
- ☐ Understand how dividends are taxed.
- ☐ Learn what requirements must be met for a dividend to be considered qualified.

The Top of the Podium

- ☐ Build a financial plan that will allow you to enjoy life without too much sacrifice.
- ☐ Consider adjustments to your plan if your probability of success exceeds the confidence zone.
- ☐ Work with your Stifel Financial Advisor to utilize the What-If-Worksheet to fine-tune your plan.

Building Your Legacy

- ☐ Explore ways to leverage your financial achievements to build a legacy that will positively impact your family and those in your community.
- ☐ Consider holding a beneficiary's inheritance in further separate trust to protect assets from a beneficiary's creditors and preserve your financial legacy for future generations.
- ☐ Build a lasting charitable legacy by contributing assets to a donor-advised fund.

Training for Success

How Module Selection Can Strengthen Your Financial Preparedness

Olympic swimming legend Mark Spitz once said, “We all love to win, but how many people love to train?” Although he possessed immense talent, Mark Spitz realized that in order to reach his potential, he had to train harder than his peers. While everyone at the Olympic level possesses the requisite talent, only those who possess the patience and dedication to push themselves to the limit during training become champions like Mark Spitz. While this quote was made in the context of Olympic swimming, its wisdom extends beyond the pool to other venues, including the financial planning arena.

Your financial plan is an essential tool as you build toward retirement. While many investors will create a financial plan, those who are most successful in pursuing their retirement spending goals possess the patience and dedication to push the plan to its limits by testing its ability to handle obstacles and challenges thrown its way. Implementing the appropriate modules in Stifel’s financial planning software can help with this.

Disability Module

The unexpected loss of employment income due to disability can jeopardize your pursuit of financial goals. The disability module directly considers the impact of this potential loss of employment income. You can specify projected income needs to evaluate whether an unexpected disability to you or your spouse would cause a shortfall. The information gleaned from the disability module will help you and your Stifel Financial Advisor come up with a plan to adequately address any potential challenges an unexpected disability would cause.

Long-Term Care Module

Long-term care costs can have a significant impact on the results of your financial plan. The long-term care module can help you quantify this impact. The module estimates long-term care costs in your state of residence to help you visualize how they may affect your financial plan. If you have an existing long-term care policy, this module can help you determine the extent to which the policy will cover these costs. It can also help you and your Stifel Financial Advisor assess whether it would be prudent to explore the purchase of additional long-term care insurance coverage.

DID YOU KNOW?

Medicare does not cover most long-term care expenses. Speak with your Stifel Financial Advisor and visit medicare.gov to determine which, if any, long-term care costs Medicare will cover.

Life Insurance Module

The untimely passing of you or your spouse can have a major impact on your family’s financial well-being. The life insurance module determines if assets and existing life insurance coverage are sufficient to fund your family’s financial goals or if additional coverage is needed should you or your spouse pass away today. You and your Stifel Financial Advisor can use this information to assess whether your plan may benefit from additional life insurance coverage.

Moving forward, view your financial plan through the lens of an Olympic athlete and prioritize training and preparation. Implement the modules detailed above to push your plan to the limit to help keep it on track despite any unexpected obstacles thrown its way.

Handling Setbacks

Using Insurance to Manage Risk as You Work Toward Retirement

When training for the Olympics, athletes often face setbacks. Some setbacks may be minor inconveniences, while others may threaten to derail the athlete's pursuit of Olympic glory. Similarly, investors often face setbacks as they work toward retirement. While you can't necessarily avoid setbacks, you can take steps to mitigate their impact on the pursuit of your goals. Among the most impactful potential setbacks investors must consider addressing are an unexpected disability or need for long-term care.

Guard Against an Unexpected Disability

According to the Social Security Administration, about 1 in 4 of today's 20-year-olds will become disabled and entitled to Social Security disabled worker benefits before reaching age 67. If you were to be among the 25% of Americans facing an unexpected long-term disability, how would your family cope? How would you replace your lost income? What impact would your disability have on your family's pursuit of future financial goals?

While Social Security disability benefits may help alleviate some of the financial burden of a long-term disability, the benefit amount may not be sufficient to allow you and your family to live comfortably while continuing to pursue future financial goals. A long-term disability insurance policy may be an option to help cover this gap. Some policies may replace up to 70% of your income in the event of disability. Furthermore, if premiums are paid with after-tax dollars, then, generally, benefits are paid income tax free. If you are interested in learning more about your long-term disability insurance options, speak to your Stifel Financial Advisor.

DID YOU KNOW?

The Social Security Administration estimates that only 35% of the private sector workforce has long-term disability insurance.[1]

Prepare for Future Long-Term Care Expenses

During your working years and early retirement, you may be tempted to ignore the potential future costs of long-term care. This would be a mistake, as long-term care costs can significantly impact your family's pursuit of their financial goals. In order to help plan for these costs, you should first work with your Stifel Financial Advisor to incorporate them in your financial plan. You may even choose to utilize our planning software's long-term care module to help you visualize the impact long-term care costs would have on your plan.

Based on the results of your plan's long-term care module, you may also want to discuss with your Stifel Financial Advisor whether you would benefit from a hybrid life/long-term care policy. This type of policy is often used by clients in place of a traditional long-term care insurance policy. For more information on this topic, ask your Stifel Financial Advisor to reach out to a member of our Insurance Solutions Team.

Setbacks in life are unavoidable. Whether you are an athlete training for the Olympics or an investor striving to achieve a fulfilling retirement, it's important to have a plan in place to deal with these setbacks when they occur. With a little foresight and preparation, you can help ensure any setbacks you face will not completely derail your family's pursuit of their goals.

[1]Social Security Fact Sheet. See https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf.

The Top of the Podium

Building a Financial Plan That Will Allow You to Enjoy Life Without Too Much Sacrifice

Imagine standing on the podium as your national anthem plays. You have spent countless hours training through blood, sweat, and tears. This moment is a dream come true – you are an Olympic champion! This success, however, came with a price, as you were forced to make countless sacrifices along the way.

While you may not be a gold medalist, you may be able to relate to the sacrifices required to achieve career-related success. Maybe you worked late on a Wednesday while your children had a soccer game. Perhaps you worked on a Saturday to meet a deadline while your wife was being honored as teacher of the year. Sacrifices like this often lead to regret. Having regrets is part of life, but we can strive to live in a manner that reduces the number of regrets we have.

For many, money is a common source of regret. According to a survey conducted by Lincoln Financial Group, 62% of retirees would like to go back and plan for retirement differently.[1] One reason for this is people tend to regret spending too much. Rarely do you hear people lament they saved too much money, but perhaps you should. Maybe there is such a thing as saving too much, especially if doing so results in too much sacrifice. A carefully devised financial plan can help you strike a balance between saving for retirement and enjoying the fruits of your labor.

At Stifel, our financial plans rely on a Monte Carlo simulation that conducts 1,000 trials to assess the likelihood your assets will allow you to achieve your retirement spending goals. The results are conveyed to you as a "probability of success." A probability of success between 75% and 90% is generally considered to be in the confidence zone and indicates a successful plan (note your exact confidence zone range may vary some depending on your age). While conventional wisdom may suggest a probability of success above the confidence zone is a great achievement, this is not necessarily the case. Instead, it may indicate you are sacrificing too much.

In many ways, a probability of success above the confidence zone is like showing up to the airport 10 days before your flight. Of course you didn't miss your flight, but at what cost?

If your plan shows a probability of success above the confidence zone, what adjustments can you make so you are able to enjoy a successful retirement without sacrificing too much?

1) ***Retire Earlier*** – Time is your most valuable resource. Don't spend more of it than necessary grinding away at the office. You'll never hear somebody on their death bed say, "I wish I would have worked more."

2) ***Increase Your Living Expense*** – Create an alternate scenario in your plan to illustrate the impact of an increased living expense. The ultimate goal would be to increase your living expense to a level that still yields a probability of success squarely in the confidence zone (but not above it).

3) ***Create Additional Spending Goals*** – Go on an international vacation, treat yourself to a sports car, buy a vacation home, or gift money to family and/or charity. You've worked hard for your money. Don't be afraid to enjoy it!

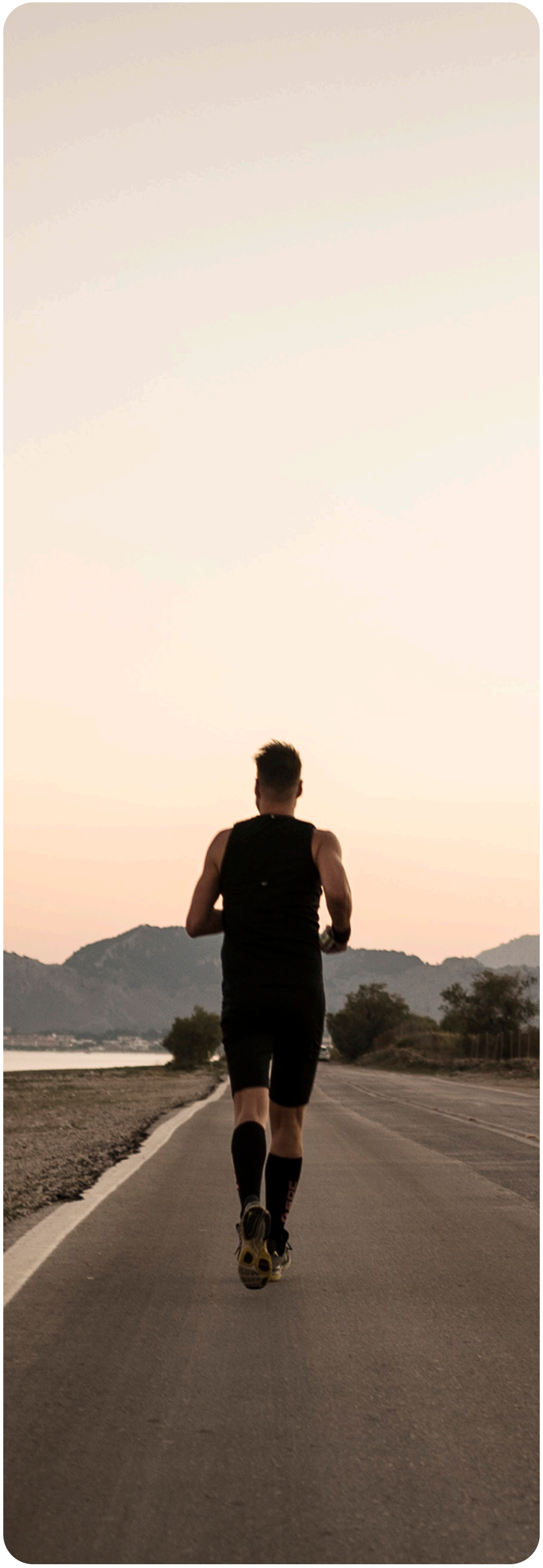
4) ***Save Less*** – Reduce your savings level and spend more money on discretionary items.

Work with your Stifel Financial Advisor to utilize the What-If-Worksheet to fine-tune your plan and help ensure you remain on track for a gold medal-caliber retirement without sacrificing too much!

[1]Lincoln Financial, Consumer Sentiment Tracker, 2023

Looking Ahead

Understanding Dividend Income and How It May Impact Future Tax Years



For some Olympic athletes, the closing ceremonies mark the start of a new training cycle as they set their sights on improving their performance in future competitions. Similarly, after Tax Day, many Americans set their sights on future tax years with the goal of improving their overall income tax situation. One way to do this is by taking the time to better understand certain tax-related topics and how they can impact your return. While there are many income tax-related topics that the average taxpayer may not fully understand, one that impacts a significant number of taxpayers is the taxation of dividend income.

A dividend-paying stock, unlike a growth stock, regularly distributes a portion of profits to shareholders in the form of dividend payments. A dividend payment is either qualified or non-qualified. The questions and answers below provide a basic understanding of this distinction and how it may be beneficial to you from a tax perspective.

How are dividends taxed?

A non-qualified dividend is ordinary income. At the federal level, ordinary income is taxed anywhere from 10% to 37%. Conversely, qualified dividend income is subject to long-term capital gains rates, which range from 0% to 20%. The spread between a taxpayer's applicable ordinary income tax rate and applicable long-term capital gains rate may be significant.

What requirements must be met for a dividend to be considered qualified?

Generally, a dividend payment must meet two requirements in order to be considered qualified.

1) **U.S. Corporation/Qualified Foreign Corporation**
   The dividend must be paid by a U.S. corporation or a qualified foreign corporation. A foreign corporation is considered a qualified foreign corporation if it meets one of the following conditions:
   - The corporation is incorporated in a U.S. territory;
   - The corporation is eligible for the benefits of a comprehensive income tax treaty with the United States; or
   - The corporation's stock is readily tradable on an established securities market in the United States.

2) **Holding Period**
   The holding period requirement is satisfied once you've held the stock for more than 60 days during the 121-day period that begins 60 days before the ex-dividend date. The ex-dividend date is the date a buyer is no longer entitled to receive a recently declared dividend payment. For preferred stock, the holding period requirement is typically 90 days during the 181-day period beginning 90 days before the ex-dividend date.

Understanding the distinction between qualified and non-qualified dividends can lead to greater tax efficiency for your investment portfolio. For more information on this distinction, contact your Stifel Financial Advisor or see IRS Publication 550.[1]

[1] irs.gov/pub/irs-pdf/p550.pdf.

Building Your Legacy

Leveraging Your Financial Achievements to Positively Impact Your Family and Community

When the closing ceremonies come to an end, many Olympic athletes return home to an unfamiliar life. For years, their singular focus was Olympic glory. Now, many of those athletes will shift their focus toward building a lasting and meaningful legacy that transcends the world of sports. While most of us will never know what it takes to be an Olympic athlete, we can all share in the desire to build a lasting and meaningful legacy. This article will explore ways you can leverage your financial achievements to build a legacy that will positively impact your family and your community for generations to come.

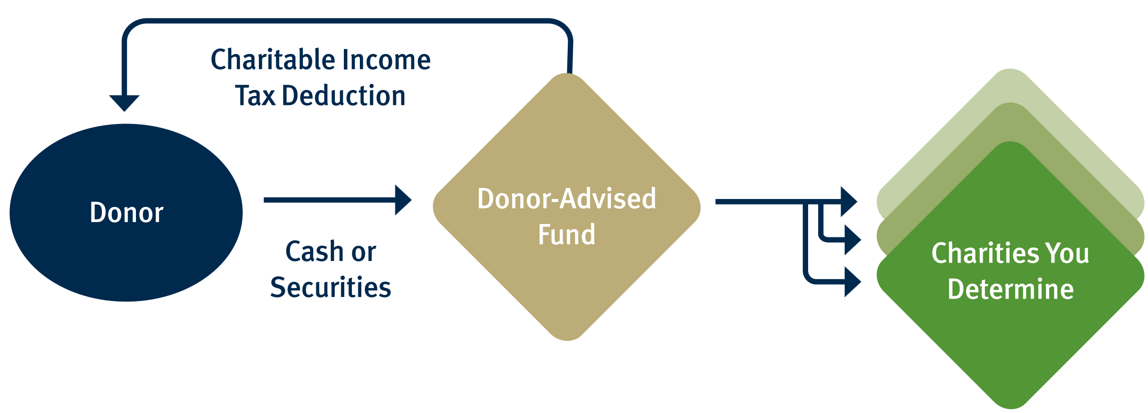
Building a Legacy of Financial Security for Your Family

A proper estate plan is critical to leaving a lasting financial legacy. If you are fortunate enough to accumulate more wealth than previous generations of your family, you may wish to work diligently to ensure this wealth will translate to financial security for future generations of your family. One way to accomplish this is by holding a beneficiary's inheritance in further separate trust. If structured properly, trust assets will be protected from a beneficiary's creditors (including a divorcing spouse) despite the fact distributions can be made to help the beneficiary maintain his or her accustomed standard of living. Furthermore, because the beneficiary may not be considered the owner of the assets in the eyes of the law, the assets and future growth may avoid further exposure to the estate tax upon the beneficiary's death. In essence, this type of trust planning can help you preserve assets from generation to generation in a tax-efficient manner.

Building a Charitable Legacy

One of the benefits of financial success is having the ability to give back to your community through charitable giving. Whether you want to make a charitable gift during your lifetime or at your death, there are a variety of tools at your disposal that will allow you to build a lasting charitable legacy. One such tool that has gained popularity in recent years is the donor-advised fund (DAF). A DAF is a charitable giving vehicle created and administered by a charitable organization to which individual donors contribute assets. Each donor's contributions are held in a separate account earmarked for charitable giving. The donor receives an immediate charitable deduction equal to the market value of the property contributed and avoids any taxable capital gain. The contribution is considered an irrevocable gift. This means that once you make a contribution, the DAF has legal control over the assets. However, you (or your representative) retain the ability to make investment and distribution recommendations.

DAFs are generally a good vehicle for people who want to make charitable gifts using a low-cost strategy that provides administrative convenience and flexibility. Those individuals who utilize DAFs are not interested in retaining an income stream from the contributed assets.



1. **Donor contributes cash or securities to Donor-Advised Fund.**
2. **Donor receives immediate income tax deduction.**
3. **Donor determines which charities receive funds.**

For more information regarding ways to build a lasting legacy through estate planning and charitable giving, reach out to your Stifel Financial Advisor, estate planning attorney, and/or tax professional.

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DAF
Preserve
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Olympic
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Probability
Confidence
Potential
Plan
Module
Disability
Insurance
LTC
Dividend
Capital
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