# LET'S TALK MONEY®

July/August 2023

**Karen Petrucco**
Account Manager

**LTM Client Marketing**
45 Prospect Ave
Albany, NY 12206

**Tel:** 800-243-5334
**Fax:** 800-720-0780
sales@ltmclientmarketing.com
www.ltmclientmarketing.com

I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

High Net Worth Version

LTM Client Marketing
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## Environmental Social and Governance

**Environmental and social issues are heavily reported topics in American news these days. This heightened awareness among citizens has led to cultural changes in areas from environmental issues to human rights. Financial services firms have created a new form of sustainable investments in response to this cultural shift.**

### Growing Popularity

ESG mutual funds, an acronym for Environmental, Social and Governance*, are comprised of companies that work to address everything from human rights and climate change to fair pay and diversity. And while the definition of these funds is not always clear, their growing popularity is.

**ESG INVESTMENTS HAVE TWO PURPOSES: INVESTING IN A SOCIALLY RESPONSIBLE HOLDING AND EARNING A PROFIT.**

According to the *2022 Investment Company Institute Fact Book,* 740 mutual funds and exchange traded funds (ETFs) with assets of $529 billion were invested in ESG securities at the end of 2021, up from 583 funds and $381 billion in assets the year before.

What type of stocks meet ESG criteria? One might be a company that uses technology to capture carbon from the atmosphere while another might simply be a waste management firm. Or an ESG company might populate a board of directors with diverse members while taking extra steps to avoid investments based in countries with human rights abuses.

There are dozens of other causes that could qualify as ESG initiatives. The problem is that average investors could have difficulty sorting through differing definitions of what is socially responsible.

*(continued on page 3)*



FR2023-0310-0153/E HNW

# DECODING INVESTMENT JARGON

**Because it is so commonplace, investment jargon can stump even regular investors. But high net worth investors may want to pay extra attention to decipher this handful of definitions.**

***Angel Investor –*** A person or organization directly investing in a company, which is usually in the startup phase.

***Convertible –*** Not the car, but a loan to a company that later may be converted to stock.

***Private Offering –*** Also known as an exempt offering, private offerings are an interest in a company not registered with the Securities and Exchange Commission (SEC).

***Private Placement –*** A direct investment in a security or real estate fund not traded in public markets, typically made by private offering.

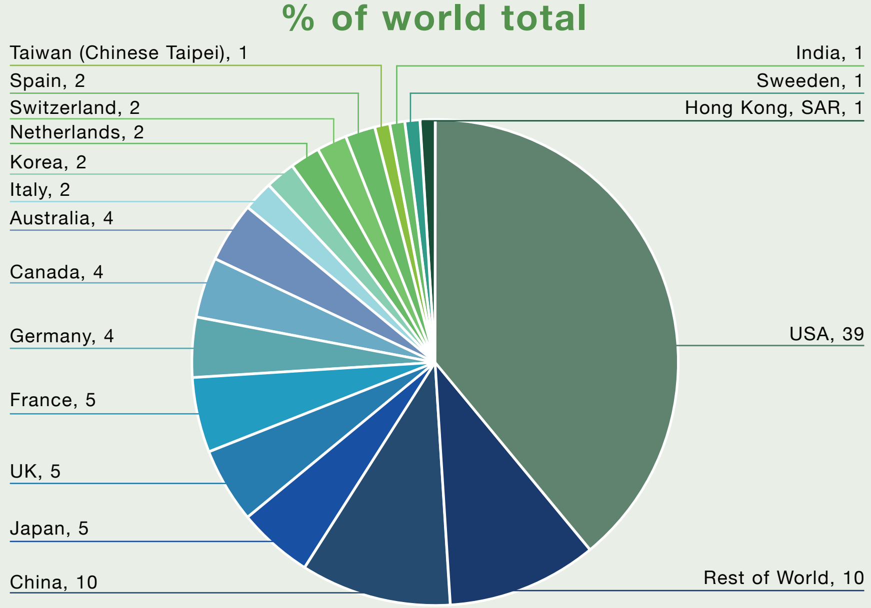
***Registered Offering –*** A security sold to the public that is registered under the Securities Act.

***Restricted Stock Award –*** Offered by companies as compensation, this award has varied tax consequences that may require the counsel of your accounting professional.

***Seed Round –*** The beginning of a company marketing or development effort usually funded by angel investors and others.

## NUMBER OF US DOLLAR MILLIONAIRES BY COUNTRY, 2021

### % of world total






# INCREASE AND PROTECT WEALTH WITH LIFE INSURANCE

In its most basic form, life insurance* is pure financial protection. Most people buy life insurance to provide the financial means to pay final expenses, cover outstanding debts and leave family with the financial ability to carry on.

For high-net-worth individuals, however, life insurance can help meet a variety of financial challenges from helping to protect and even increase intergenerational wealth to financially protecting a closely held business against a variety of risks, life insurance can help meet a variety of financial challenges.

## Multi-Purpose Vehicle

For example, life insurance can simply be a means to leave a cost-effective financial legacy behind for a favored charity without depleting assets earmarked to family beneficiaries. Affluent estates often use it to help offset estate taxes. While life insurance proceeds are generally income tax free, they are considered part of an estate for estate tax purposes unless coupled with an irrevocable life insurance trust (ILIT).

Life insurance is also one way owners of closely held businesses fund a buy-sell agreement or protect against a key employee's loss. Both strategies, when paired with a properly structured arrangement, use life insurance's death benefit to offset resulting financial losses.

When one child inherits a family business and another isn't involved in it, life insurance can also be used to equalize an estate. Permanent life insurance's cash value can also supplement retirement income or increase the policy's death benefit.

There are a handful of varied life insurance types, each one offering different advantages and disadvantages. Additionally, you need to be wary of overfunding any cash value policy that creates a modified endowment contract, which would result in losing many of the tax benefits. So, it is important to seek the help of a financial professional to ensure you use the right type of insurance and structure with any life insurance policy.

**Applications for life insurance are subject to underwriting. No insurance coverage exists unless a policy is issued and the required premium to put it in force is paid. Accessing cash values may result in surrender fees and charges and may require additional premium payments to maintain coverage and will reduce the death benefit and policy values and may have tax consequences. Guarantees are based on the claims-paying ability of the issuer.*

# INVESTING FOR GOOD

*(continued from page 1)*

## Differing Definitions

Multiple organizations rate securities according to varied ESG characteristics, which can cause some confusion when exploring ESG stocks or, for that matter, ESG fixed income securities, for your investment portfolio. Other organizations benchmark ESG funds for financial comparisons and not ESG characteristics.

You could do the homework yourself by examining an ESG fund's holdings or exploring an individual security's activities to find holdings that meet your definition. Even then, you might find a company complying in one area, such as an electric vehicle maker reducing carbon emissions, but tripping up elsewhere because the materials in lithium-ion batteries that power these vehicles can be toxic when extracted.

Some companies may also "greenwash," using deceptive practices to qualify as an ESG holding. Or they may simply overstate or exaggerate their ESG practices, making them difficult for investors to understand.

## For More Help

How do you choose? You could look at all ESG ratings available and make a consensus choice. Or you could spending time reseaching online. But the easiest way might be to consult your financial professional about your investing and ESG goals.

**Investing in ESG funds may create risks or forego exposures available to other types of products which could negatively impact performance. Redeemed shares may be worth more or less than their original value. Past performance won't guarantee future results.*

# HOW TO CREATE A VALUE STATEMENT

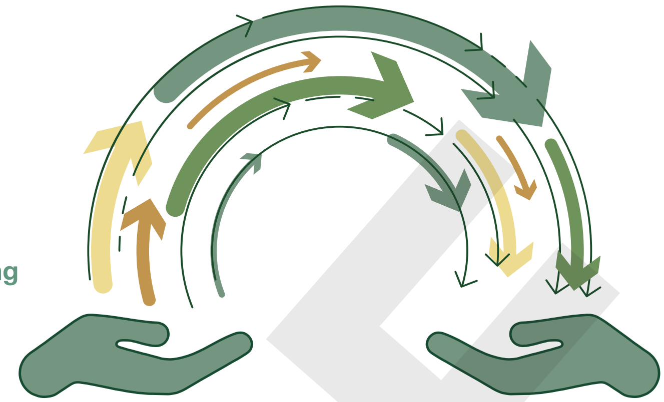
**If you are interested in choosing among potential charitable endeavors, a value statement can guide you and your loved ones.**

First, sit down with your family and determine what's important to all of you. Buy-in is crucial, especially if you're trying to pass on your values along with your wealth to future generations.

For example, you and your spouse may want to benefit arts organizations going forward, while your children want to aid social organizations. Write one sentence to start your value statement, such as *"Our family will devote our financial resources and efforts toward aiding both the arts and organizations that help during disasters."*

Then, you might follow up with specifics such as helping children in need or a local theater group. You may even decide that you will give a certain annual percentage of a portfolio's gains to charity. Your words and your charitable choices are up to you and your family. Communicate and you'll find the process will run more smoothly.

# THE NUTS AND BOLTS OF A CHARITABLE LEAD TRUST



**High net worth families often face the dual challenges of giving to charity while also ensuring that loved ones – especially a surviving spouse and children – remain financially secure. A charitable lead trust can help meet these dual challenges.**

### Know the Difference

Those people who use trusts both for charitable giving and providing for loved ones typically use one of two trusts. The charitable lead trust – the focus in this article – guides charitable planned giving for a set amount of time, after which beneficiaries, which are often family, receive the remaining assets from the trust.

**A CHARITABLE TRUST CAN HELP PROVIDE FOR A FAVORED CHARITY AND LOVED ONES.**

A charitable remainder trust, which we will detail in the next issue of Let's Talk Money, does the opposite. A person named in the trust, typically a family member, receives income from the trust for either their lifetime or another predetermined amount of time. At the end of the term established in the trust, all remaining assets go to charities named in the trust.

Both types of trusts are typically irrevocable, making their terms extremely difficult to change. Before creating either of these, enlist the help of the appropriate legal, tax and financial professionals.

### The Basics

Once you contribute assets to a charitable lead trust, its terms will distribute those assets as instructed. The charity or charities named in the trust typically receive donations at least annually as a percentage of assets or as a fixed annuity payment. At the end of the term, any beneficiaries – another charity or loved ones – may receive remaining assets.

### The Benefits

A charitable lead trust can help reduce potential estate taxes and help enable intergenerational wealth transfer, while also benefitting a favored charity or charities. Depending on how the trust is set up, it may also create income tax advantages.

For example, a grantor trust creates an income tax deduction for the donor up front, but taxes are then paid by the donor upon receiving any income from the trust. A non-grantor trust establishes a separate trust to pay taxes, so the individual donor doesn't get an income tax deduction.

Choosing the right trust for your situation can be complicated, so it is advisable to consult an estate planning attorney and other trusted advisors before establishing this or any irrevocable trust.

*This content does not constitute financial, insurance, investment, legal, tax, or general lending advice. Consult your financial, legal and tax professionals regarding your personal needs, goals and circumstances.*



## We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

**ADVERTISING REGULATION DEPARTMENT REVIEW LETTER**

March 21, 2023

Reference: **FR2023-0310-0153/E**
Link Reference : FR2022-1228-0094

Org Id: 23568

1. Let's Talk Money Newsletter - July/Aug 2023 High Net Worth
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850
t 240 386 4500
f 240 386 4568