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Winning UHNW Business Owner Clients *Move Up Market With CNR Advanced Planning*

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Agenda

Business Owners & The Need for Private Wealth Solutions

Business Owner Advisory

Comprehensive Wealth Assessment

Field Based

Business Exit Planning

Advanced Planning

Additional Techniques

Next Steps



Business Owners:
The Need for Private Wealth Solutions



The Current Business Owner Profile ... And the Need for Strategic Transition Planning Advice

67

Average Age of a
Baby Boomer¹

~50%

Percentage of privately
held businesses owned by
Baby Boomers in the
United States²

>80%

Percentage of owner's
wealth tied up in their
business³

86%

Percentage of business
owners who agree having a
transition strategy is
important, but 60% do not
have a plan⁴

63%

Percentage of business
owners who say they do
not know their exit
options⁵

30%

Percentage of family
businesses that transition
to the second generation
and then only 12% survive
to the third generation⁶

¹ Walking to Destiny: 11 Actions an Owner MUST take to rapidly grow value & unlock wealth, Christopher M. Snider, 2016; adjusted to reflect most recent completed year 2022

² US Census Bureau

³ Certificate in Exit Planning, Module 1, Exit Planning Institute, 2018

⁴ City National Bank, April 2020

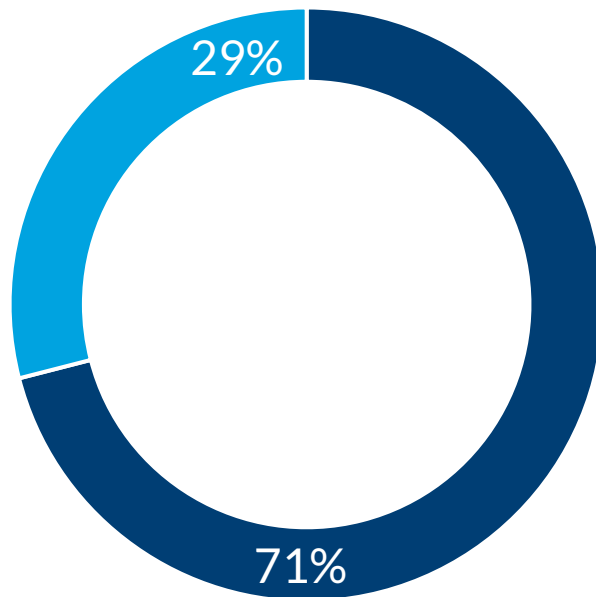
⁵ Walking to Destiny: 11 Actions an Owner MUST take to rapidly grow value & unlock wealth, Christopher M. Snider, 2016

⁶ A Lasting Legacy: Ensuring The Future Of Your Family Business (forbes.com), Janice DiPietro, Nov 21, 2019

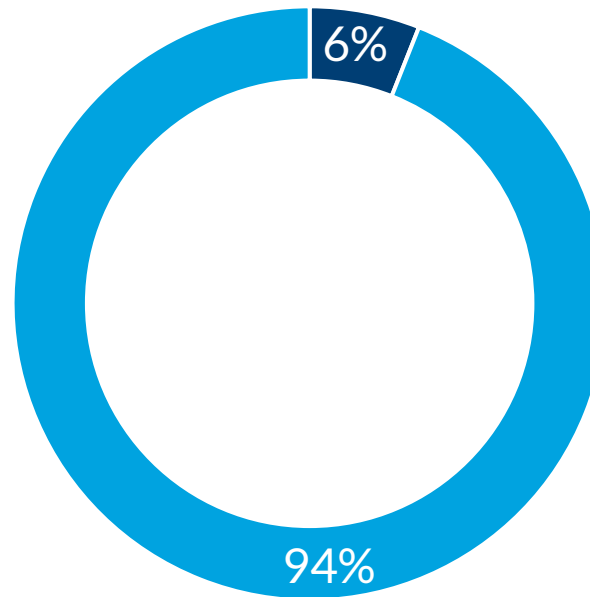


Transitioning A Business: A Personal and Complex Decision for an Owner

71% of business owners anticipate exiting the business within the next 5 years¹



However, only 6% begin the process for preparing for a transition more than 2 years in advance²



The decision to exit a business has implications for a business owner and their family as well as for the:

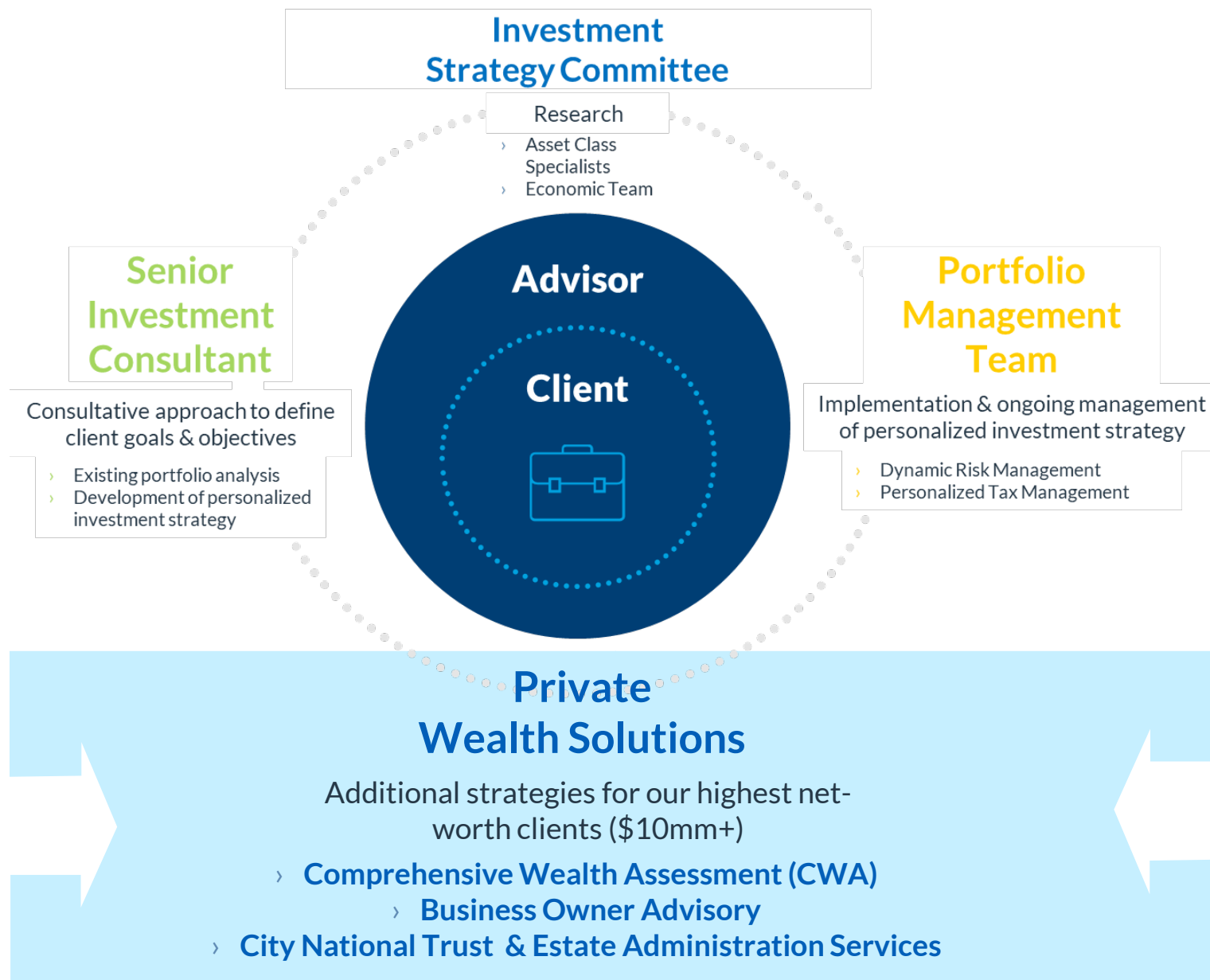
- Management team
- Employees
- Suppliers
- Customers
- Local Community

¹ State of Owner Readiness Report, Exit Planning Institute, 2021

² National Center for Middle Market, 2022



Private Wealth Solutions



Business Owner Advisory

New advisory offering focused exclusively on the private business owner segment.



Provides strategic, practical, and objective advice to private business owners and their families on business transitions



Understands the goals and objectives of the private business owner and determines how these goals can be achieved in an efficient, accretive and tax-advised manner



Works with other professional advisors to give guidance across a multitude of industries, geographies, and varying stages of preparedness



Early Planning is Key to a Successful Transition

Early planning allows you time to consider alternatives and take steps to prepare your business and family.

Business planning conversations may include:

- Business transition options
- Role of family in the future business
- Management incentives
- Insurance (key man, buy/sell)
- Business succession planning
- M&A/valuations
- Retaining key employees
- Corporate governance

**Advance
Planning**

Pre-Transition

Exit

Post-Transition

Personal wealth planning conversations may include:

- Cash flow and lifestyle analysis
- Defining charitable goals
- Liquidity re-investment from business sale
- Minimizing transactional/wealth transfer taxes
- Determining potential inheritance for future generations
- Emotional challenge of leaving a business and next chapter planning



Comprehensive Wealth Assessment (CWA)

A complimentary, holistic service offered in collaboration with financial advisors to supplement their existing client value proposition and help them attract, win and retain more UHNW clients.



CNR's Comprehensive Wealth Assessment provides:

- An opportunity for UHNW clients and their advisor to identify gaps and educate themselves on strategies best suited to their goals
- A comprehensive, holistic analysis of each aspect of a client's financial well-being
- A customized output tailored to each client and their advisor, and designed to position the advisor to lead the client through the implementation of recommended strategies



The CWA Approach

Once the UHNW client has been identified and engaged, we implement our four-step process.



2021 & 2022 CWA Wins with Financial Advisors

Region	Amount (\$)	Category	Planning Strategies
Mid-Atlantic	\$15M	Business Sale/M&A, Agricultural	CRUT, SLAT
Southeast	\$175M	Business Sale/M&A, HVAC Company	Wealth Transfer Cash Flow Analytics
Northwest	\$30M	Business Sale/M&A, Chemical Co.	SLAT, Asset Protection, CRT
Central	\$10M	Business Sale/M&A Franchisor	SLAT, Asset Protection
Southwest	\$13M	Business Sale/Assisted Living	DAF, SLAT, CLAT
Mid-Atlantic	\$10M	Business Sale/Real Estate	Exit & Cash Flow Modeling
Central	\$13M	Business Sales/Construction	SLAT, DAF, Retirement Planning
Southeast	\$25M	Business Sale/Post Sale Client	Asset Protection, SLAT
Southeast	\$24M	Concentrated Stock	CRUT, SLAT
Mid-Atlantic	\$11M	Concentrated Stock	CRUT, DAF, Opp. Zone
Southeast	\$45M	Lottery Winner	CWA Education
Northeast	\$10M	Oncology Surgeon	Estate Planning, Roth, Life Insurance
Total	\$382M+		

See terms & definitions in the appendix.



Early Engagement Best but “Never Too Late”

Examples

- **Prior to Going to Market**
 - Medical Waste Management Company/\$30M investable
- **Prior to LOI**
 - Industrial Chemicals Manufacturer/\$30M investable
- **Prior to Contract**
 - Franchise Company/\$15M investable
- **Prior to Sale**
 - HVAC Company/\$60M investable
- **Post Sale**
 - Sale Proceeds in play/wire house competition/\$30M investable



What Distinguishes City National Rochdale

- **Labor Intensity:** Correlated to size and nature of opportunity
- **Broader Scope:** Estate and Income Tax, Asset Protection, Philanthropy, Investments
- **Deeper Dive:** Doc Reviews, Reverse Engineering, Cash Flow Analytics
- **Distinct Process:** Crystallization to Implementation
- **Integration of Planning:** with CNR Portfolio Managers and City National Bank Trust Administration Services
- **Complimentary and Ongoing**



Field Based *Business Exit Planning*



Recent Business Sale Process

Financial Advisor

- 15 years experience, but mostly mass affluent clients
- Long term friendship with client (hunting buddies)
- Managed \$750,000 IRA on behalf of client

Client

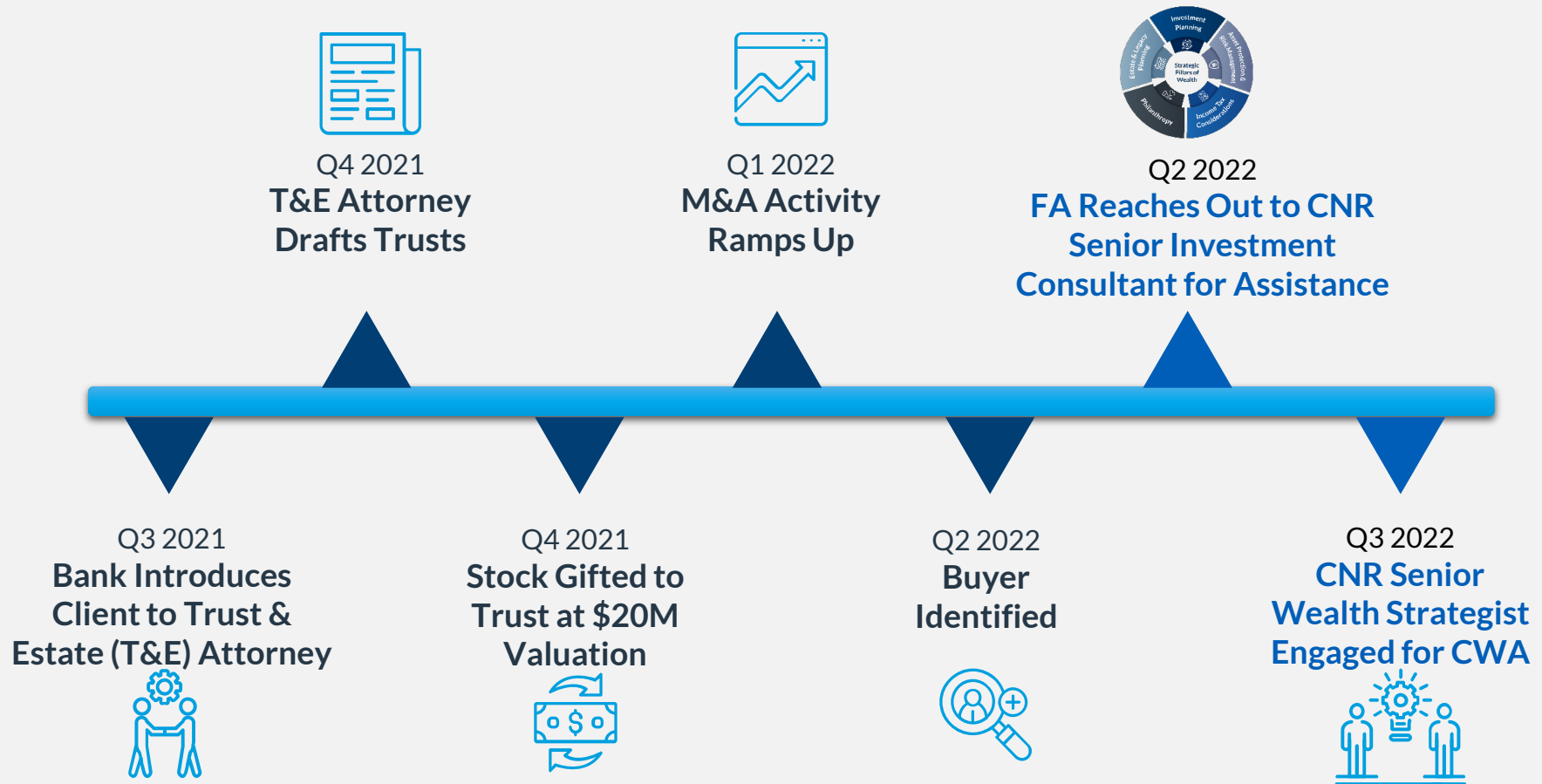
- Owner of closely held HVAC business with largest market share in the region

Competitor to Financial Advisor

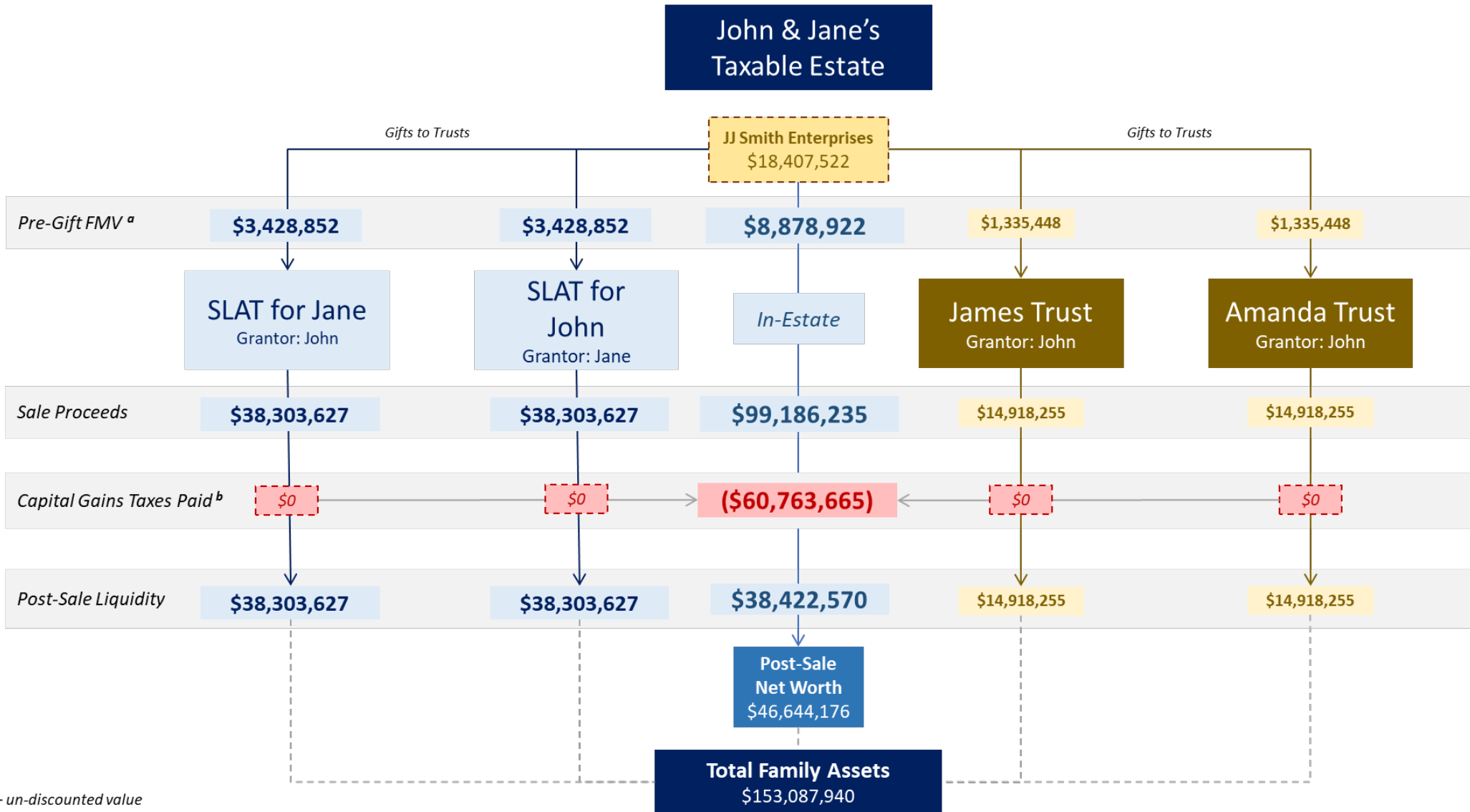
- Mega Bank who managed clients 401K plan (100+ employee) for many years
- Introduced client to outstanding Trusts and Estates Attorney a year ago



Planning Timeline: Recent Business Sale Process



Gift of Business Interest to Trusts – Flow Chart



a – un-discounted value

b – since all trusts are grantor trusts, all capital gains taxes are paid by John & Jane

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Actual Results May Vary

All decisions regarding the tax/legal implications of your investment/estate planning should be made in consultation with your independent tax or legal advisor.



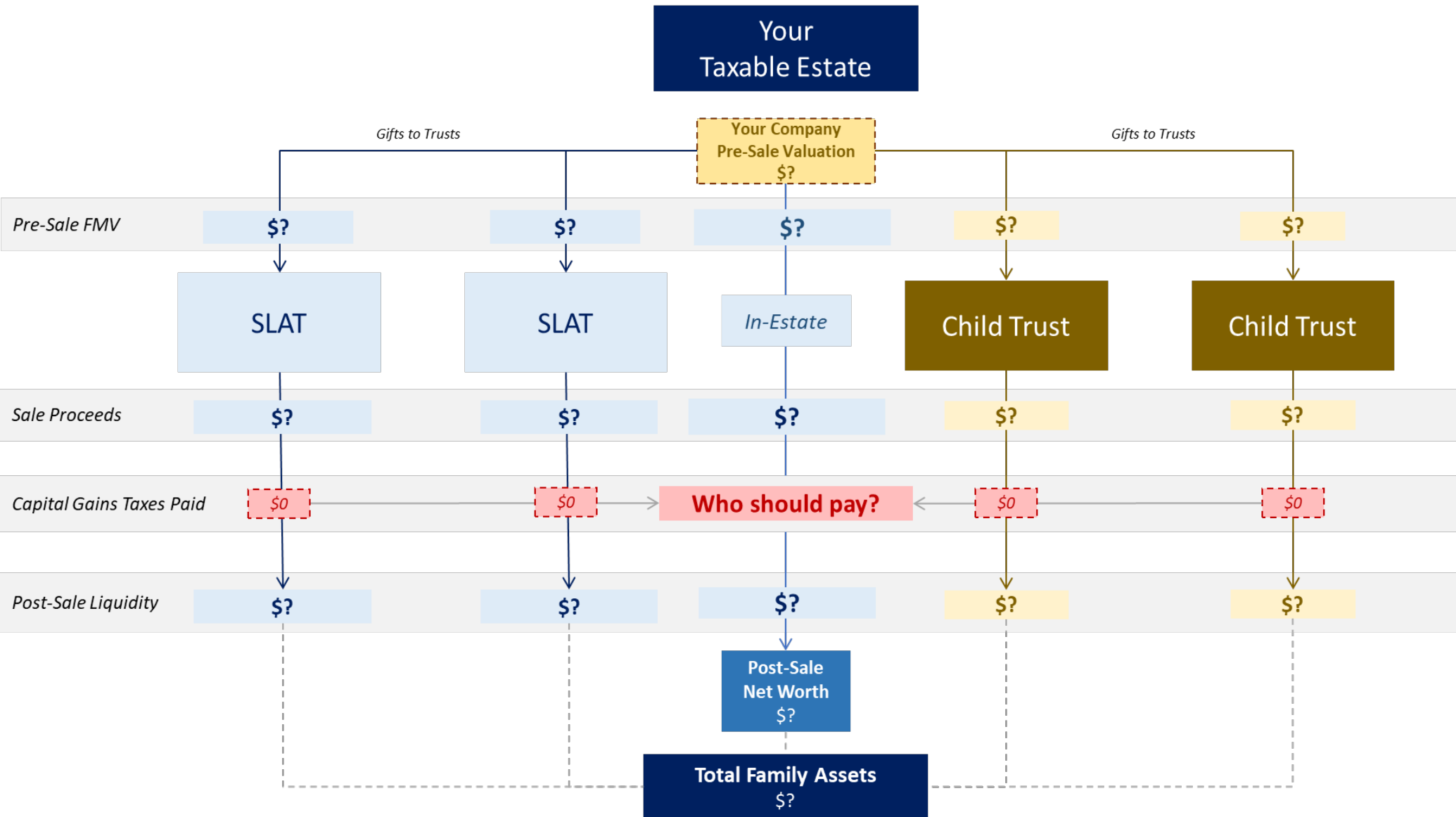
Asset Titling Considerations – Estate vs. SLATs

- Estate / Revocable Trust
 - Low cost-basis assets
 - Low growth
 - Assets that might create liability (cars, boats...)
- SLATs
 - High cost-basis
 - High growth
 - Legacy assets (i.e., family retreat...)
- Money Sources
 - Estate
 - Distributions from SLAT
 - Loans from SLAT
 - Sell to or swap assets with SLAT

SLAT – Spousal Lifetime Access Trust



Reverse Engineering Your Plan



Advanced Planning: *Additional Techniques*



Three Key Drivers

The three key areas are estate tax, income tax and asset protection.

Cap Gains Tax Mitigation Strategies

- Charitable
- “Mainstream” Strategies
- “Exotic” Strategies (for education only, planning risks duly noted)

Lock-In Bonus Exemption

- SLAT¹ vs. IDGT²
- One “lock-in” vs. two (\$12.92MM vs. \$25.84MM)³
- Other Sale, Gift and Loan to Trust Strategies

Portfolio Asset Protection

- Portfolio Transfer Analysis
 - Baseline versus:
 - Installment Loan (healthy)
 - Private Annuity (less than normal life expectancy)

¹ SLAT (Spousal Lifetime Access Trust) – irrevocable trust naming spouse (and descendants) as beneficiary.

² IDGT (Intentionally Defective Grantor Trust) – irrevocable trust naming descendants as beneficiary.

³ Basic Exclusion Amount per the IRS. Please see the Appendix for additional information.



Capital Gains Tax Mitigation Strategies

Consider when selling low cost basis assets

- **Charitable**
 - Charitable Remainder Unitrust (CRUT)
 - Donor Advised Fund (DAF)
- **Statutory**
 - Qualified Small Business Stock (C-Corps only)
 - Opportunity Zones
- **“Exotic” (for education only, planning risk duly noted)**
 - Deferred Sales Trust
 - Delaware Statutory Trust
 - Partnership “Basis Swap” (flow through only)

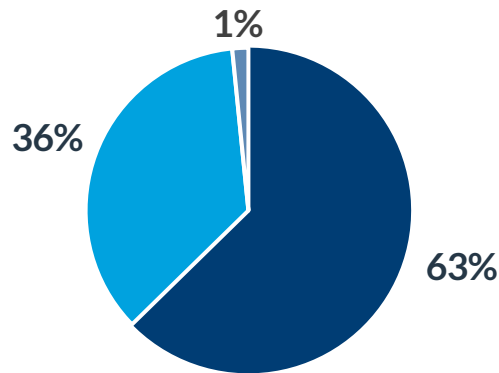
Be sure to consult with your other advisors on the tax, accounting and legal implications of actions you may take based on any strategies or information presented. See terms & definitions in the appendix.



CWA Approach Can Help Drive Additional Assets to Heirs

- Clients are ages 66 and 65 with 3 adult children and 5 grandchildren
- Contemplating sale of business to third party in the near future
- Primary objectives are optimizing business value and minimizing estate taxes
- Client’s business is worth \$40MM and their total current net worth is \$60MM
- Client selected solution that included transfer of business interest to two Spousal Lifetime Access Trusts (SLATs)

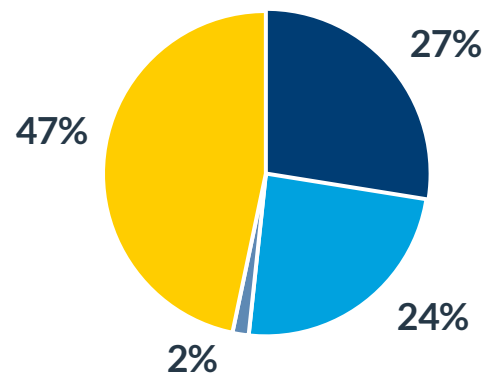
No Planning - 2026
Net to Heirs:
\$47.7MM (Age 71)



Net Estate to Heirs (\$47.7MM)
Taxes & Expenses (\$27.2MM)
Charitable Bequests (\$1.2MM)
Heirs Assets (\$0.0MM)

Total to Heirs: \$47.7MM

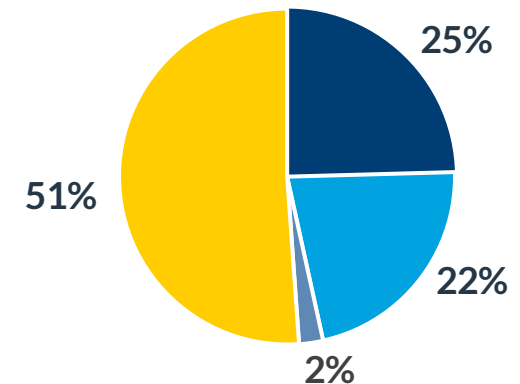
With CWA - 2026
Net to Heirs Advantage:
\$8.4MM (Age 71)



Net Estate to Heirs (\$20.8MM)
Taxes & Expenses (\$18.3MM)
Charitable Bequests (\$1.2MM)
Heirs Assets (\$35.3MM)

Total to Heirs: \$56.1MM

With CWA - 2043
Net to Heirs Advantage:
\$17.3MM (Age 88)



Net Estate to Heirs (\$29.6MM)
Taxes & Expenses (\$26.5MM)
Charitable Bequests (\$2.8MM)
Heirs Assets (\$61.6MM)

Total to Heirs: \$91.2MM

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Actual Results May Vary

*Assumes current law, 5% growth, and clients’ death at age 88

Additional support available upon request.



Baseline (No Planning) vs. CRT and SLAT (Planning)

Consider the impact of multiple strategies:

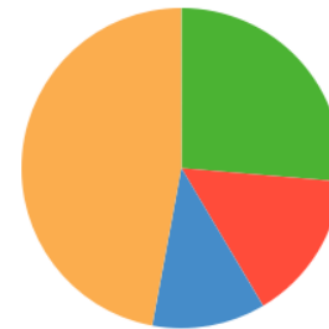
No Planning
Estate Transfer Value & Costs - 2026



- Net To Heirs (42.87%)
- Taxes & Expenses (20.80%)
- Heirs Assets (36.33%)

DETAILS			
Year:	2026		
Gross Assets:	\$76,668,259	100.0%	
Gross Estate:	\$48,817,036		
Taxes & Expenses:	\$15,946,921	20.8%	
Net To Heirs:	\$32,870,115	42.9%	
Assets Transferred to Heirs:	\$27,851,223	36.3%	
Total to Heirs:	\$60,721,338		

Planning
Estate Transfer Value & Costs - 2026



- Net To Heirs (26.33%)
- Taxes & Expenses (15.14%)
- Charity Assets (11.46%)
- Heirs Assets (47.07%)

DETAILS			
Year:	2026		
Gross Assets:	\$88,219,237	100.0%	
Gross Estate:	\$36,585,547		
Taxes & Expenses:	\$13,356,603	15.1%	
Net To Heirs:	\$23,228,945	26.3%	
Assets Transferred to Heirs:	\$41,521,486	47.1%	
Total to Heirs:	\$64,750,431		
Assets Transferred to Charity:	\$10,112,203	11.5%	
Total to Charity:	\$10,112,203		
Total to Heirs & Charity:	\$74,862,634		

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Actual Results May Vary
Additional support available upon request.



Post-Sale Liquidity Asset Protection

- Spousal Lifetime Access Trusts (SLATs) and other irrevocable trusts are afforded a very high level of protection from potential judgement creditors of both the grantor and beneficiaries
- Liquidity* held inside the taxable estate is generally not protected

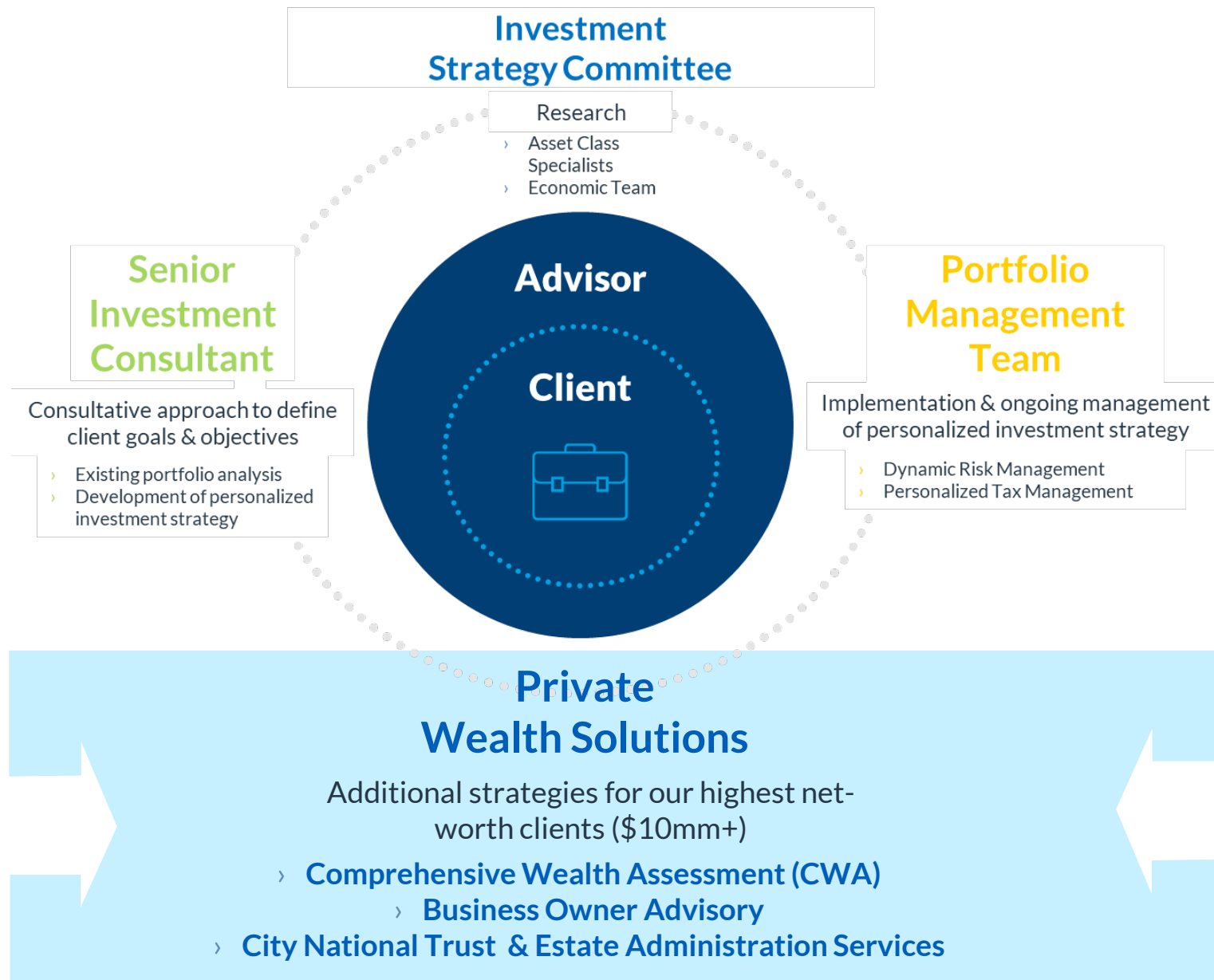
Consider Portfolio Transfers to:

- **Family Limited Partnerships (FLPs)**
 - Family Members as Limited Partners
 - Business Purpose?
- **SLATs & Other Grantor Trusts**
 - Traditional Loans
 - Self-Canceling Loans
 - Private Annuity Sales
 - Grantor Retained Annuity Trusts (GRATs)

*non-qualified liquidity
See terms & definitions in the appendix.



Private Wealth Solutions



Next Steps



Next Steps



Review your book of business and engage with Centers of Influence (COI).



Identify your top 2 to 5 UHNW clients and prospects.



Reach out to SIC to schedule a meeting with CNR Senior Wealth Strategist.



Appendix





2020

Joined City National
Rochdale

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Gerry Gaeta, JD, MSFS, CEPA

Managing Director, Senior Wealth Strategist

Gerry joined City National Rochdale in 2020 with over 25 years of Estate, Financial, and Business Succession Planning experience. Gerry also has several years of private practice experience as an attorney specializing in Estates and Trusts and Real Estate law. He is responsible for partnering with financial advisors and their clients to deliver Comprehensive Wealth Assessment (CWA) services that identify opportunities to enhance financial well-being across business exit planning, asset protection and risk management, income tax mitigation, philanthropy, and estate and legacy planning.

Previously, Gerry was a Managing Director of Financial Planning for First Republic Bank. In this role he supported the advanced planning needs of ultra high net worth clients in Southern California. Prior to this, he held several positions at New York Life including Advanced Planning Consultant and Private Placement Life Specialist. He also founded the Estate and Investment Planning Group at Midlantic Bank, served as Head of Financial Planning at Allstate Financial Services/Lincoln Benefit Life, and led the Prudential Securities entry into the Trust Services business.

Gerry earned a B.S. in Physics and a B.A. in Psychology from Widener University, a Master of Science in Financial Services (MSFS) from The American College, and a J.D. from New York Law School. Gerry and his wife split their time between Dallas, Texas and New York City, and he enjoys occasionally performing bossa nova and “Great American Songbook” tunes on guitar and vocals. Gerry was also once featured on Fox News for his unique commute to his Wall Street office: kayaking daily across the Hudson River.



**2022**Joined City National
Rochdale(201) 563-7431
John.dwyer@cnr.com

John Dwyer, CPA/PFS, CFP[®], CEPA

Director, Wealth Strategist

John joined City National Rochdale in 2022 with over 14 years of Income Tax, Estate, and Financial Planning experience. He partners with financial advisors and their clients to deliver Comprehensive Wealth Assessment (CWA) services that identify opportunities to enhance financial well-being across investment planning, asset protection and risk management, income tax mitigation, philanthropy, and estate and legacy planning.

Previously, John was a Financial Planner for First Republic Bank. In this role he supported the advanced planning needs of ultra high net worth clients across Southern California and the New York Tri-State area. Prior to this, he held several positions at Ernst & Young LLP, PricewaterhouseCoopers LLP, JPMorgan Chase, and Citibank.

John earned a Bachelor of Science in Accounting and a Master of Science in Professional Accounting (MSPA) from Seton Hall University. He also earned his Certified Public Accountant designation in 2019 and became a CERTIFIED FINANCIAL PLANNER[™] and Personal Financial Specialist in 2021. John and his wife live in New Jersey and enjoy cooking, road trips, and spending time at the Jersey shore.





Karen Reynolds Sharkey, CEPA, CPWA®

Managing Director, Head of Client Advisory and Services

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Karen Reynolds Sharkey is a managing director and head of Client Advisory & Services with City National Bank's Private Banking division. Based in New York City, she is responsible for developing new client strategies and partnering with relationship managers and leaders across the bank on client relationships and product delivery.

Ms. Reynolds Sharkey has nearly three decades of financial services experience. Prior to joining City National, she served as the national business owner strategy executive with Bank of America, where she directed the bank's strategy, outreach and offerings to entrepreneurs and their families across the country. Before that, she was the Metro market executive responsible for business development, relationship management and client advisory for high-net-worth individuals and their families. Prior to joining Bank of America, Ms. Reynolds Sharkey spent 17 years at J.P. Morgan working with high-net-worth and institutional clients.

Ms. Reynolds Sharkey earned her master's degree in business administration from New York University's Stern School of Business and her bachelor's degree in History and Economics from Rutgers College.

Active in the community, she serves on the founder's council of Cradles to Crayons – NYC, and the advisory council of Riverside Symphony.





Ken DiCairano, CFA®

Director, Head of Business Owner Advisory

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Ken P. DiCairano is a director and head of Business Owner Advisory within City National Bank's Private Banking division. Based in New York City, he is responsible for providing strategic guidance and developing innovative content for private business owners on timely issues such as business transitions, mergers and acquisitions, valuations, corporate governance, pre-transaction planning, and maintaining generational family businesses.

Prior to joining City National, Mr. DiCairano spent 12 years at J.P. Morgan exclusively focused on working with private business owners. He most recently served as the Executive Director for the eastern US region within the Private Business Advisory practice.

Mr. DiCairano is a CFA® charterholder and previously earned his bachelor's degree in Economics and Psychology from Dartmouth College.



Terms & Definitions

1. Grantor(s) – an individual who establishes a trust.
2. Trustee(s) – a person or firm that holds and administers property or assets held by a trust for the benefit of a third party.
3. Beneficiary(ies) – individual(s) for whom a trust is created.
4. CRT – Charitable Remainder Trust – an irrevocable trust where the grantor generally contributes appreciated assets or cash and the CRT provides payments to an initial income beneficiary(s). At the end of the trust term, any remaining assets will pass to one or more charitable remainder beneficiaries, which may include a private family foundation
5. CRUT – Charitable Remainder Unitrust - an irrevocable trust where the grantor generally contributes appreciated assets or cash and the CRUT provides fixed payments to an initial income beneficiary(s). The income is set at a fixed percentage of the annually appraised value of the assets held.
6. SLAT – Spousal Lifetime Access Trust – an irrevocable trust where one spouse (grantor) makes a gift into a trust to benefit the other spouse (income beneficiary) and other family members (remainder beneficiaries) while removing the assets from their taxable estate.
7. CLAT – Charitable Lead Annuity Trust – a split-interest irrevocable trust with two or more beneficiaries. The “lead” income beneficiary is the charity(ies) named under the terms of the CLAT and the “remainder” beneficiary(ies) is generally either the Grantor (Grantor CLAT) or the Grantor’s heirs (Non-Grantor CLAT).
8. IDGT – Intentionally Defective Grantor Trust – an irrevocable trust set up by an individual (grantor) to benefit another person(s) (beneficiaries). Any assets gifted to the trust are removed from the individual’s taxable estate for gift and estate tax purposes, but the grantor assumes any income tax liability on all income generated by assets held in the trust.
9. Basic Exclusion Amount – aka “Lifetime Exemption” – the amount of property that an individual can give away over the course of their lifetime without having to pay a gift tax
 - a) Current Law^a – this amount is \$12,920,000 for tax year 2023
 - b) 2026 Law^b – this amount is approximately \$7,000,000 for tax year 2026. This is an estimate of what the lifetime exemption will be after the Estate and Gift Tax Provision in the Tax Cuts & Jobs Act of 2018 (TCJA) sunsets on December 31, 2025 – the provision states that this amount will revert to its pre-2018 level of \$5,000,000, as adjusted for inflation.
10. FLP – Family Limited Partnership – a business or holding company owned by two or more family members within a partnership structure.
11. DAF – Donor Advised Fund – a vehicle that allows current tax deductions for irrevocable charitable gifts, without first identifying the specific qualified nonprofit organization(s) who will ultimately receive the funds. A DAF is considered to be a “public charity” and provides an immediate income tax deduction of up to 60% of donor’s adjusted gross income (AGI) for gifts of cash and up to 30% of AGI for gifts of appreciated assets.
12. GRAT – Grantor Retained Annuity Trust – an irrevocable trust that provides for annual payments to the grantor for a fixed term of years. At the end of the term, the remainder of the trust can be transferred to named beneficiaries. The payout rate is chosen by the grantor and the amount of the gift is based on the term of the trust and the Section 7520 Rate for that month. The value of the remainder, which can be zero, is reported as a taxable gift to the beneficiaries.

a – source: <https://www.irs.gov/businesses/small-businesses-self-employed/estate-tax>

b – source: <https://www.irs.gov/newsroom/estate-and-gift-tax-faqs>



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