



Donors' Dreams, Investment Realities

Date

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BNY MELLON
WEALTH MANAGEMENT

Dreams Don't Match Realities

Donors' Dreams

- High returns
- Low volatility
- Growth of principal
- Consistent/growing distributions
- Safety



Investment Realities

- Lower returns
- Higher volatility
- Flat or rising interest rates
- Impact of inflation on distributions
- Risk

Gift Management

SUPPORTING THE LIFE CYCLE OF EACH CHARITABLE GIFT



Gift Management

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Stewardship is our Focus



1. Negotiation

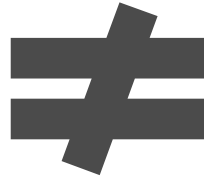
Payout Rate

Negotiation

PAYOUT RATE

Donors' Dreams

- A higher payout is always better



Investment Realities

- A higher payout rate can reduce beneficiary distributions and charitable remainder value

Charitable Remainder Unitrust

HYPOTHETICAL GROWTH BASED ON 6.0% ANNUAL RETURN

Year	Beginning of Year Value	Growth	5% Distribution to Beneficiary (End of Year)	Charitable Remainder
1	\$1,000,000	\$60,000	\$50,000	\$1,010,000
2	\$1,010,000	\$60,600	\$50,500	\$1,020,100
3	\$1,020,100	\$61,206	\$51,005	\$1,030,301
4	\$1,030,301	\$61,818	\$51,515	\$1,040,604
5	\$1,040,604	\$62,436	\$52,030	\$1,051,010
6	\$1,051,010	\$63,061	\$52,551	\$1,061,520
7	\$1,061,520	\$63,691	\$53,076	\$1,072,135
8	\$1,072,135	\$64,328	\$53,607	\$1,082,857
9	\$1,082,857	\$64,971	\$54,143	\$1,093,685
10	\$1,093,685	\$65,621	\$54,684	\$1,104,622
11	\$1,104,622	\$66,277	\$55,231	\$1,115,668
12	\$1,115,668	\$66,940	\$55,783	\$1,126,825
13	\$1,126,825	\$67,610	\$56,341	\$1,138,093
14	\$1,138,093	\$68,286	\$56,905	\$1,149,474
15	\$1,149,474	\$68,968	\$57,474	\$1,160,969
16	\$1,160,969	\$69,658	\$58,048	\$1,172,579
17	\$1,172,579	\$70,355	\$58,629	\$1,184,304
18	\$1,184,304	\$71,058	\$59,215	\$1,196,147
19	\$1,196,147	\$71,769	\$59,807	\$1,208,109
20	\$1,208,109	\$72,487	\$60,405	\$1,220,190
21	\$1,220,190	\$73,211	\$61,010	\$1,232,392
22	\$1,232,392	\$73,944	\$61,620	\$1,244,716
23	\$1,244,716	\$74,683	\$62,236	\$1,257,163
24	\$1,257,163	\$75,430	\$62,858	\$1,269,735
25	\$1,269,735	\$76,184	\$63,487	\$1,282,432
Total:			\$1,412,160	\$1,282,432

- Increasing beneficiary distributions
- Increasing charitable remainder
- Expected charitable remainder higher than original gift amount

Charitable Remainder Unitrust

HYPOTHETICAL GROWTH BASED ON 6.0% ANNUAL RETURN

Year	Beginning of Year Value	Growth	8% Distribution to Beneficiary (End of Year)	Charitable Remainder
1	\$1,000,000	\$60,000	\$80,000	\$980,000
2	\$980,000	\$58,800	\$78,400	\$960,400
3	\$960,400	\$57,624	\$76,832	\$941,192
4	\$941,192	\$56,472	\$75,295	\$922,368
5	\$922,368	\$55,342	\$73,789	\$903,921
6	\$903,921	\$54,235	\$72,314	\$885,842
7	\$885,842	\$53,151	\$70,867	\$868,126
8	\$868,126	\$52,088	\$69,450	\$850,763
9	\$850,763	\$51,046	\$68,061	\$833,748
10	\$833,748	\$50,025	\$66,700	\$817,073
11	\$817,073	\$49,024	\$65,366	\$800,731
12	\$800,731	\$48,044	\$64,059	\$784,717
13	\$784,717	\$47,083	\$62,777	\$769,022
14	\$769,022	\$46,141	\$61,522	\$753,642
15	\$753,642	\$45,219	\$60,291	\$738,569
16	\$738,569	\$44,314	\$59,086	\$723,798
17	\$723,798	\$43,428	\$57,904	\$709,322
18	\$709,322	\$42,559	\$56,746	\$695,135
19	\$695,135	\$41,708	\$55,611	\$681,233
20	\$681,233	\$40,874	\$54,499	\$667,608
21	\$667,608	\$40,056	\$53,409	\$654,256
22	\$654,256	\$39,255	\$52,340	\$641,171
23	\$641,171	\$38,470	\$51,294	\$628,347
24	\$628,347	\$37,701	\$50,268	\$615,780
25	\$615,780	\$36,947	\$49,262	\$603,465
Total:			\$1,586,141	\$603,465

- Decreasing beneficiary distributions
- Decreasing charitable remainder
- Expected charitable remainder less than original gift amount

Negotiation

PAY ME NOW OR PAY ME LATER

Consequences of higher payout of 8% vs. 5%

Lower charitable remainder

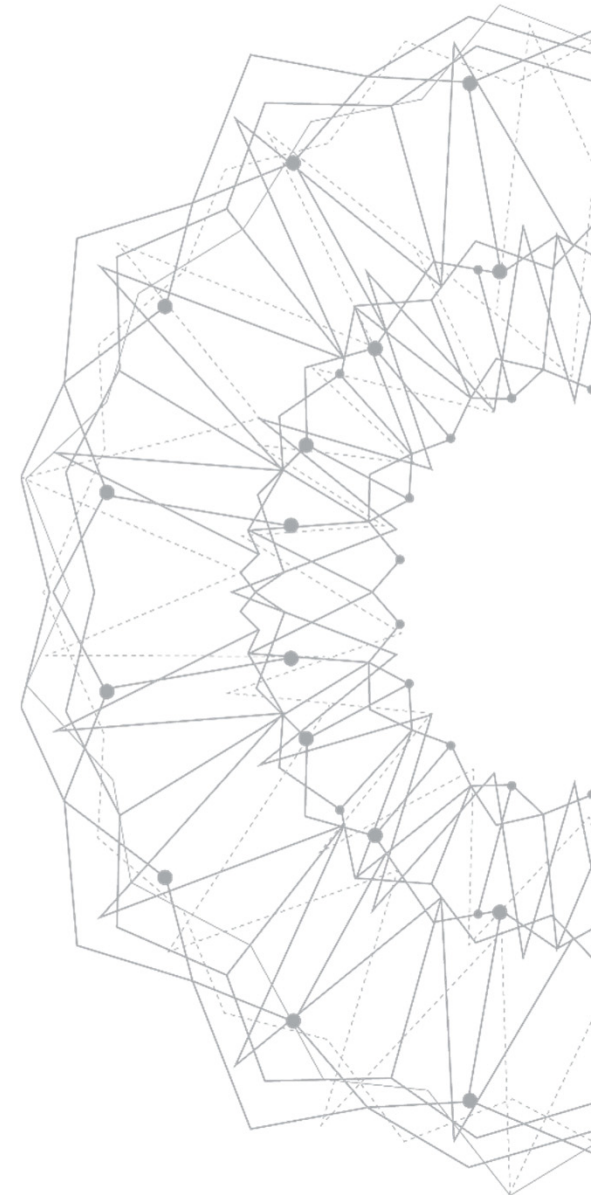
- \$600 k vs. \$1.2 million => 50% reduction

Decreasing charitable distributions

- Annual distribution decreases by 38% from year 1 to year 25

Total beneficiary distributions

- \$1.58 million @ 8% vs. \$1.41 million @ 5% => +12% over life of trust



Gift Management

SUPPORTING THE LIFE CYCLE OF EACH CHARITABLE GIFT

Stewardship is our Focus



1. Negotiation

Payout Rate

2. Completion

Funding Assets, Concentrated Positions

Completion

FUNDING ASSETS, CONCENTRATED POSITIONS

Donors' Dreams

- Hold the funding asset, diversification doesn't work



Investment Realities

- Concentrated portfolios are higher risk portfolios

Concentrated Wealth

SUMMARY

Definition

- Portfolio dominated by position in a single stock

Causes

- Equity-based compensation
- Initial public offerings
- Stock-based acquisitions

Characteristics

- Low tax cost basis
- Lack of diversification

Conflicts

- Diversify portfolio
- Defer embedded tax cost

Concentrated Wealth Risk

RECOVERING FULL VALUE

If a Stock Falls This Much	It Must Rebound this Much to Fully Recover	Years to Recover (at 10% per year)
10%	11%	1.1
20%	25%	2.4
25%	33%	3.1
50%	100%	7.4
75%	300%	14.7

Philanthropic Strategies

CHARITABLE REMAINDER TRUSTS

Advantages

- Satisfies both charitable and investment goals
- Allows designation of private foundation as charitable beneficiary
- Provides tax-efficient diversification of portfolio and reduction of risk
- Increases cash flow for donor or other non-charitable beneficiary
- Permits current-period income tax charitable deduction
- Removes assets from taxable estate

Considerations

- Participation in upside price appreciation of contributed assets is limited
- Remainder interest is transferred to designated charity
- Payment to donor or non-charitable beneficiary must be at least 5% of trust principal annually
- Annual payment to non-charitable beneficiary may not exceed 50% of value of trust assets in any given year
- Charitable remainder interest must be worth at least 10% of initial value of trust assets

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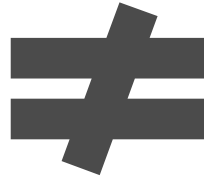
Risk/Return

Investment

RISK/RETURN

Donors' Dreams

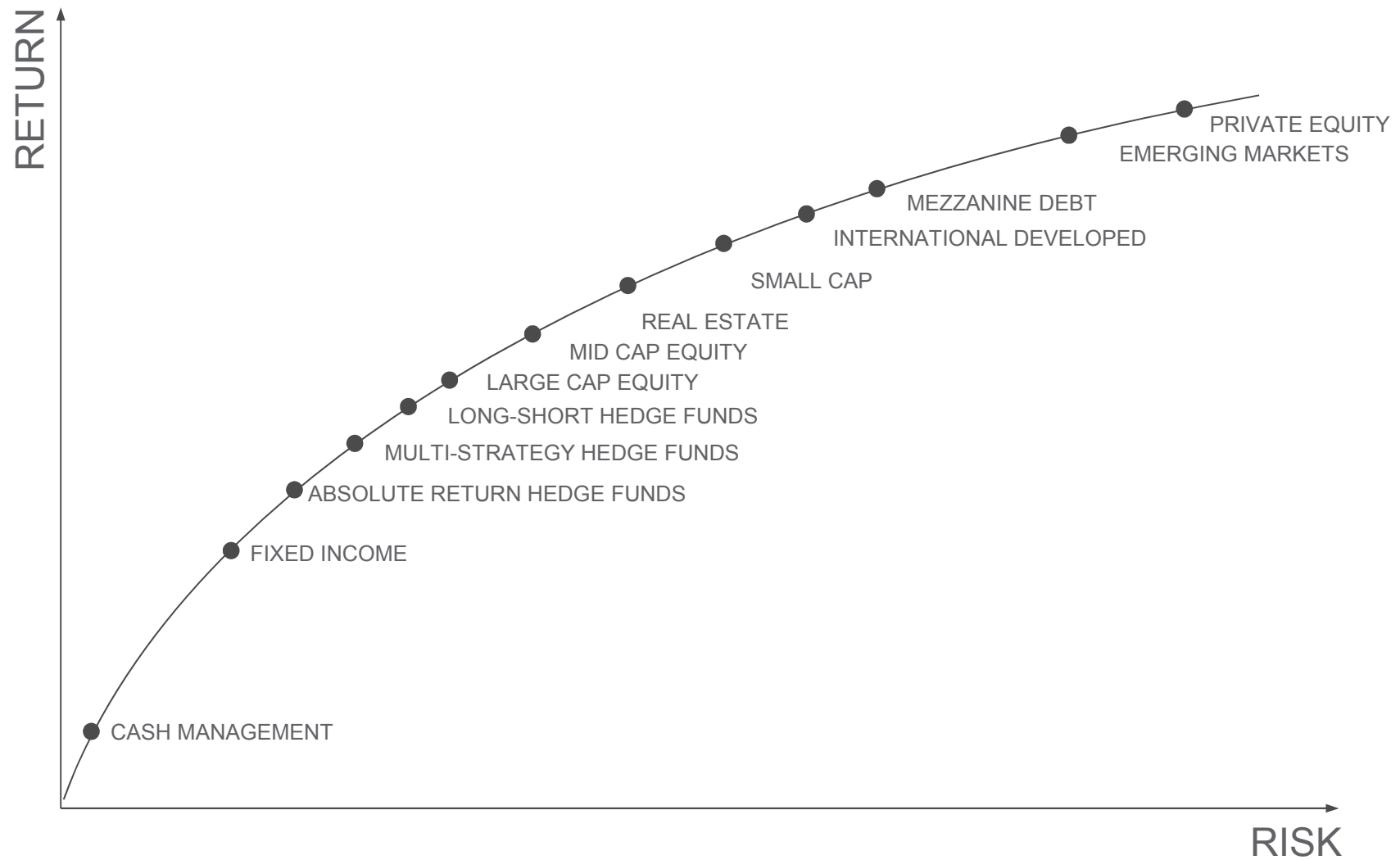
- There are plenty of high return/low risk assets to invest in



Investment Realities

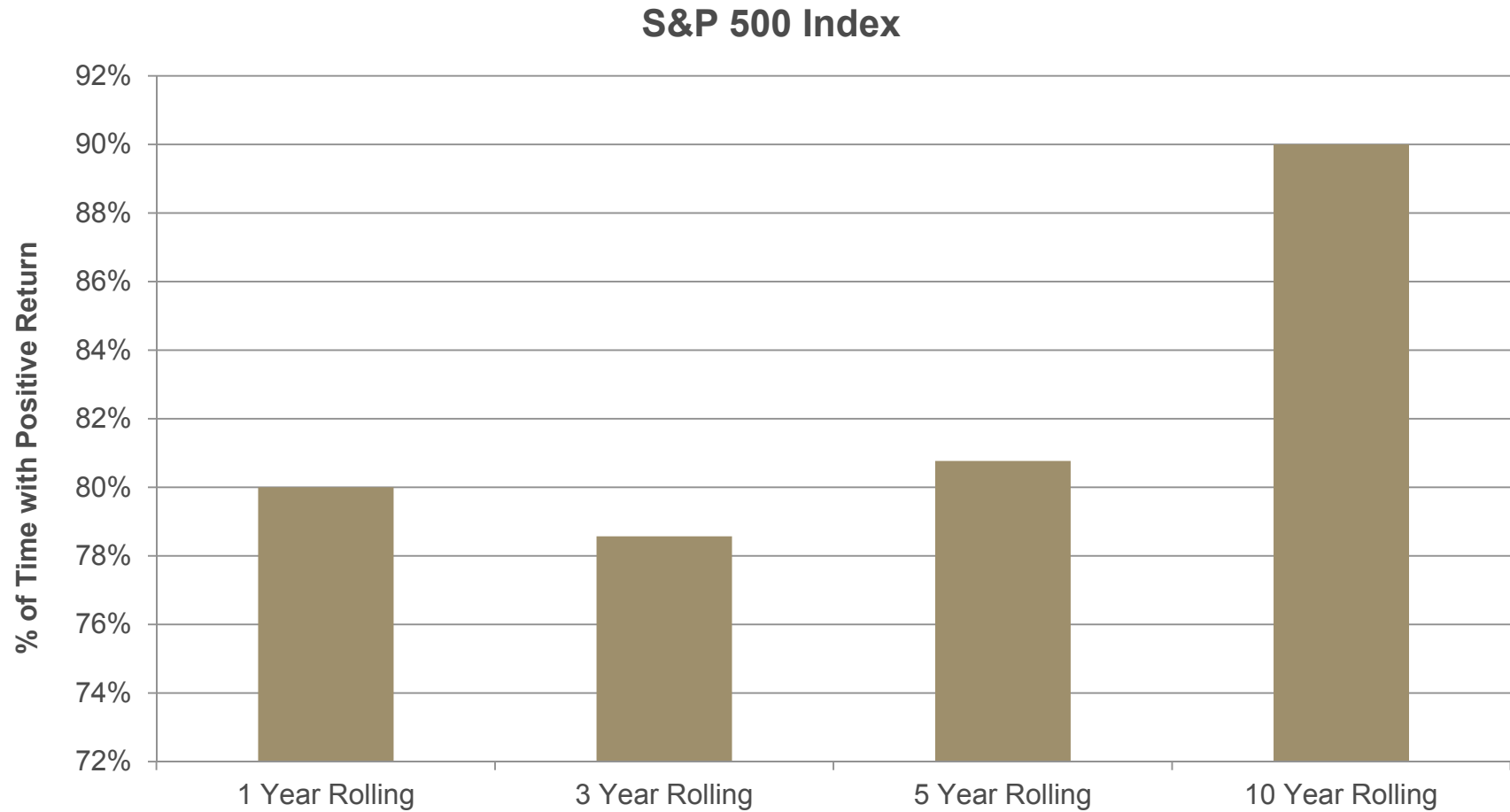
- There is a trade-off between risk and return

Asset Classes Across the Risk and Return Spectrum



Time Horizon

RETURNS HISTORICALLY POSITIVE FOR LONG TERM INVESTORS



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3. Investment

Risk/Return

4. Administration

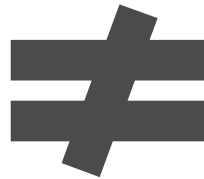
Taxes

Administration

TAXES

Donors' Dreams

- All of the trust distributions I receive will be 'tax free'

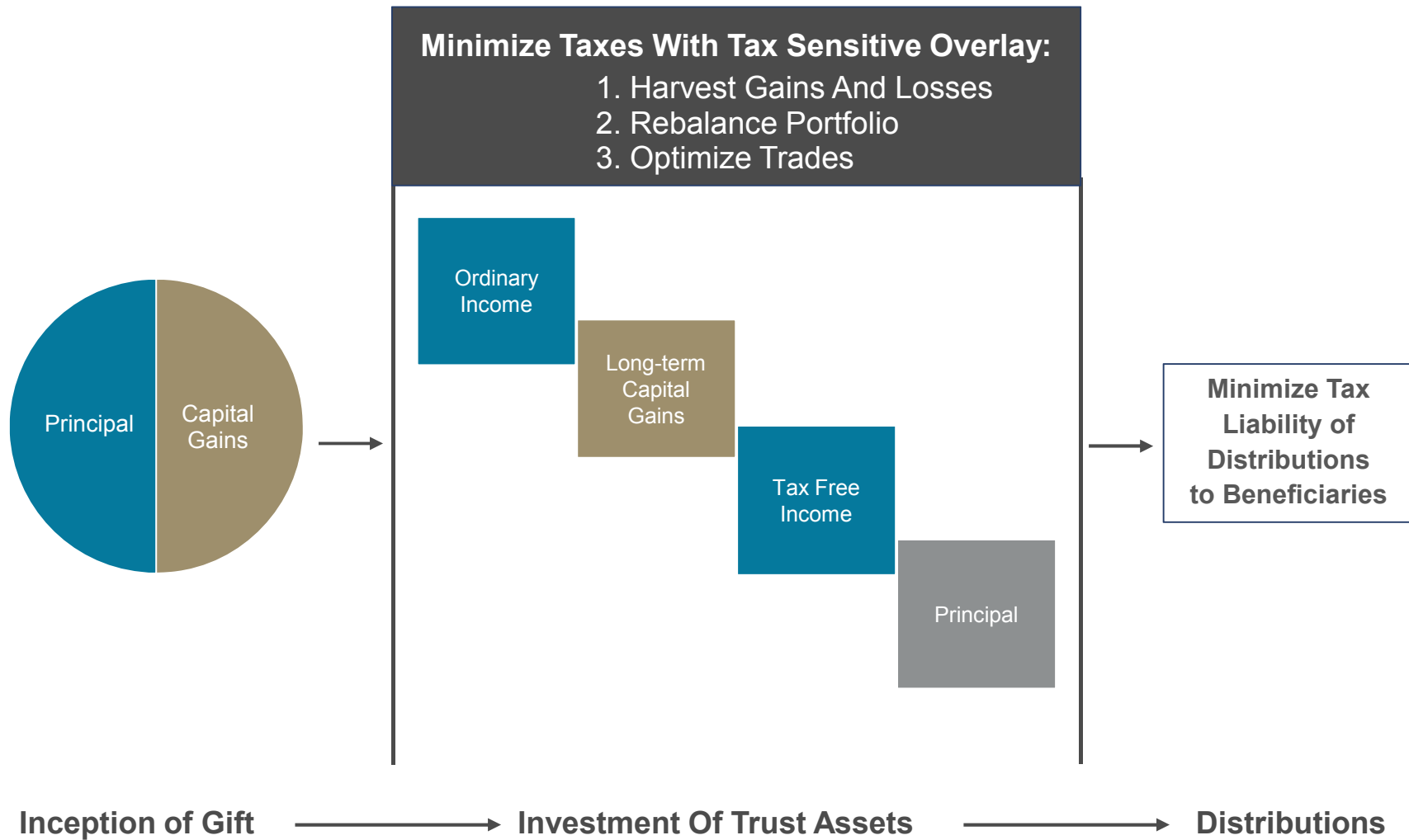


Investment Realities

- Gains/losses in the portfolio impact the taxability of beneficiary distributions

Administration

BENEFITS OF ACTIVE TAX MANAGEMENT



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Taxes

5. Review

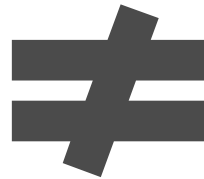
Change Asset Allocation

Review

ASSET ALLOCATION

Donors' Dreams

- Asset allocation should be based on your gut instincts and what you hear in the news



Investment Realities

- Asset allocation works when implemented in a disciplined manner, over a long-term time horizon

Review

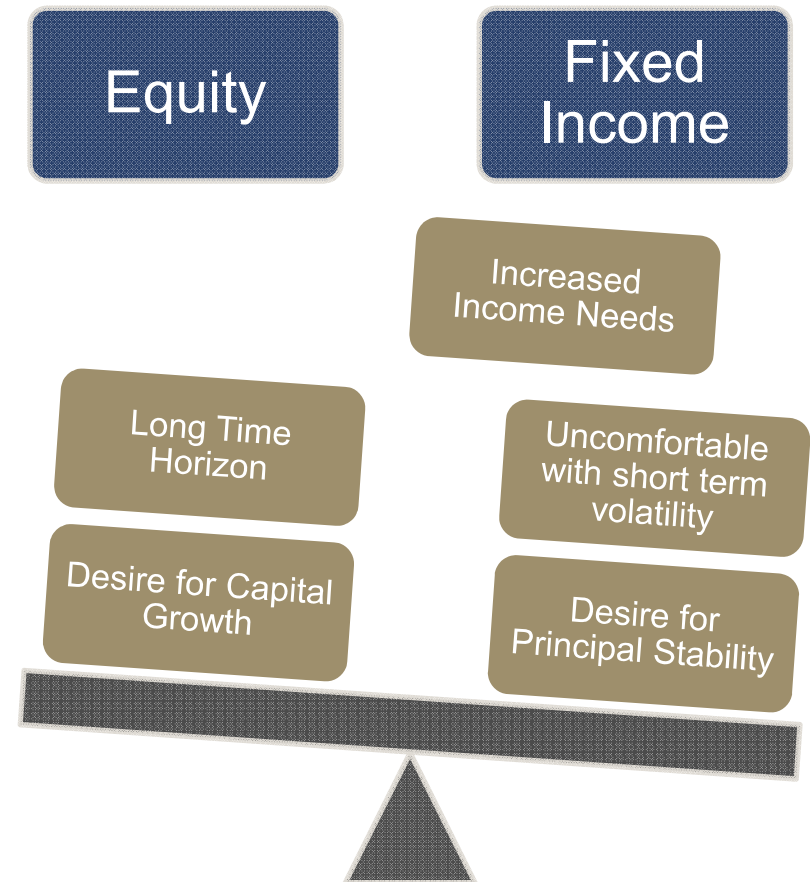
MANAGING EQUITY AND FIXED INCOME ALLOCATION

Changes that May Prompt Adjustments to Target Allocation

- Expected time horizon of trust/health status of beneficiary(s)
- Overall risk tolerance
- Account structure
- Income yield targets

NOT Appropriate to Adjust Target Allocation

- Market events
- Media reactions and commentaries
- Intuition
- Market timing



Characteristics of Various Planned Giving Vehicles

PHILOSOPHY

Considerations And Risks	Planned Giving Vehicles		
	Charitable Trusts	Gift Annuities	PIFs
Risk Tolerance of Charitable Institution	✓	✓	✓
Time Horizon/Expected Life of Income Beneficiary	✓	✓	
Liquidity Requirements/Effective Payout Rates	✓	✓	
Tax Sensitivity	✓		✓
Risk Tolerance of Income Beneficiary	✓		
Income Generation	✓ (NI Trusts)		✓
Ultimate Purpose of Gift	✓		
Longevity Risk	✓ (CRATs)	✓	
State Investment Restrictions		✓	

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5. Review

Change Asset Allocation

6. Termination

Market Timing

Termination

MARKET TIMING

Donors' Dreams

- Getting into and out of the market is how you make money

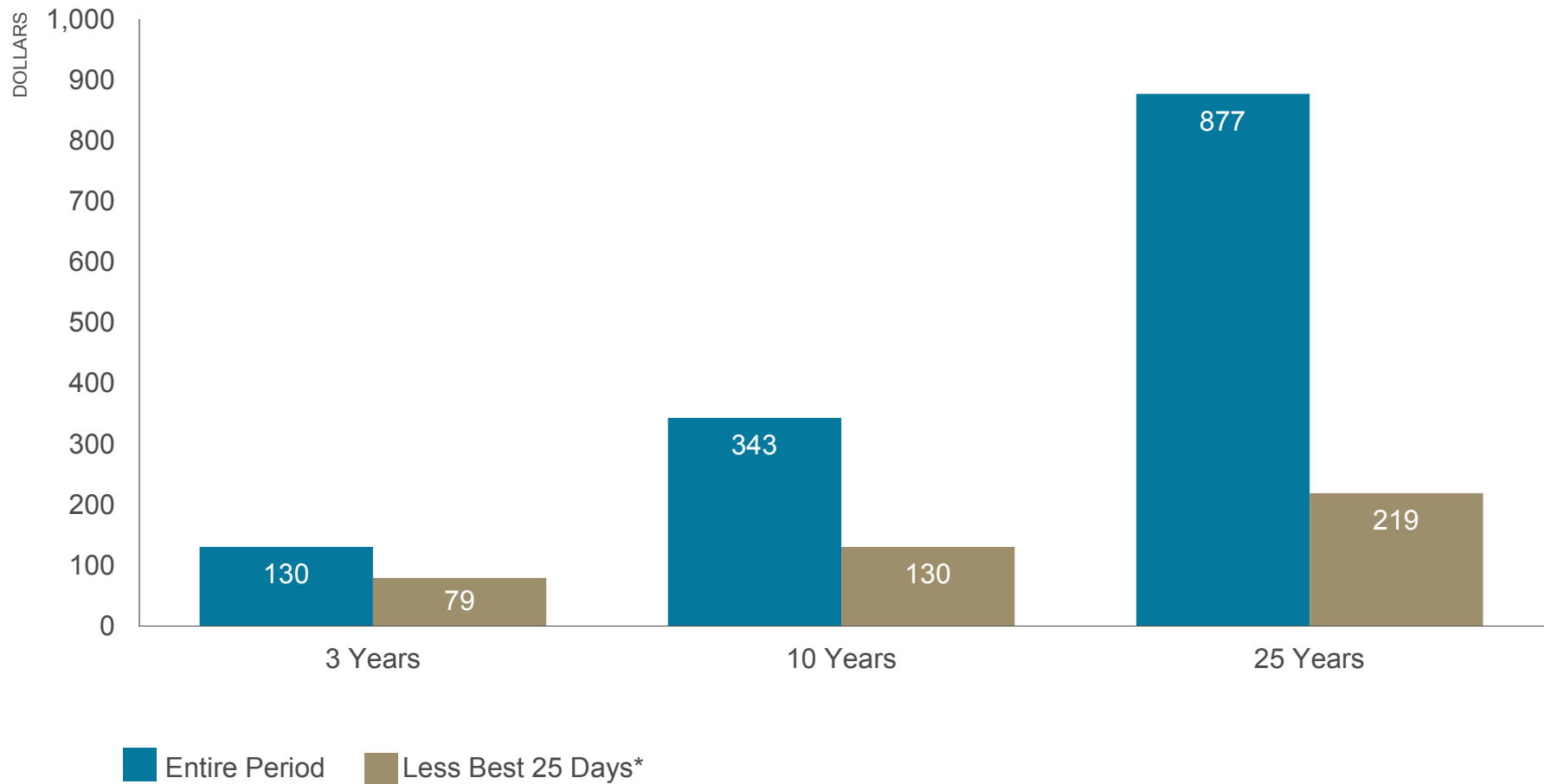


Investment Realities

- Market timing is nearly impossible and highly likely to be detrimental to long-term performance

The Danger of Market Timing

Growth of \$100 Invested in S&P 500 at Period Inception, as of 12/31/18



Source: Morningstar Direct

Intended for illustrative purposes only, furnished without responsibility for completeness or accuracy. Past performance is no guarantee of future results.

*Return represents entire period return less best 25 days in 3, 10 and 25 year time periods.

Market Timing

Avoiding Worst Time Periods

Worst Days	% Return	Time To Recover	Worst Weeks	% Return	Time To Recover	Worst Quarters	% Return	Time To Recover
19-Oct-87	-20.47%	312 days	12-Oct-08	-18.14	52 weeks	1974 3 rd Quarter	-26.12	5 quarters
15-Oct-08	-9.03%	14 days	23-Oct-87	-12.20	66 weeks	1987 4 th Quarter	-23.23	7 quarters
1-Dec-08	-8.93%	5 days	23-Sep-01	-11.56	3 weeks	2008 4 th Quarter	-21.94	5 quarters
29-Sep-08	-8.79%	388 days	16-Apr-00	-10.53	21 weeks	1970 2 nd Quarter	-18.87	2 quarters
26-Oct-87	-8.28%	4 days	5-Oct-08	-9.34	78 weeks	2002 3 rd Quarter	-17.28	3 quarters
9-Oct-08	-7.62%	2 days	16-Oct-87	-9.12	82 weeks	2001 3 rd Quarter	-14.68	13 quarters
27-Oct-97	-6.87%	7 days	13-Sep-74	-8.71	5 weeks	2011 3 rd Quarter	-13.87	2 quarters
31-Aug-98	-6.80%	9 days	23-Nov-08	-8.33	1 week	1990 3 rd Quarter	-13.74	2 quarters
8-Jan-88	-6.77%	29 days	21-Jul-02	-7.98	4 weeks	2018 4 th Quarter	-13.52	TBD
20-Nov-08	-6.71%	2 days	12-Sep-86	-7.91	12 weeks	2002 2 nd Quarter	-13.40	7 quarters
8-Aug-11	-6.66%	5 days	27-Sep-74	-7.41	2 weeks	1975 3 rd Quarter	-11.89	2 quarters
13-Oct-89	-6.12%	44 days	7-Aug-11	-7.15	12 weeks	2001 1 st Quarter	-11.86	18 quarters
19-Nov-08	-6.12%	5 days	6-Dec-74	-7.09	4 weeks	1981 3 rd Quarter	-11.45	5 quarters
22-Oct-08	-6.10%	7 days	23-Dec-18	-7.03	3 weeks	2010 2 nd Quarter	-11.43	2 quarters
14-Apr-00	-5.83%	2 days	15-Oct-89	-7.00	2 weeks	2009 1 st Quarter	-11.01	1 quarter
7-Oct-08	-5.74%	237 days	8-Mar-09	-6.97	1 week	1973 4 th Quarter	-10.03	23 quarters
20-Jan-09	-5.28%	6 days	4-Dec-87	-6.83	2 weeks	1998 3 rd Quarter	-9.95	1 quarter
5-Nov-08	-5.27%	186 days	14-Jul-02	-6.80	5 weeks	2008 1 st Quarter	-9.92	20 quarters
12-Nov-08	-5.19%	1 day	26-Oct-08	-6.76	1 week	1966 3 rd Quarter	-9.65	2 quarters
16-Oct-87	-5.16%	357 days	22-Feb-09	-6.75	6 weeks	2008 3 rd Quarter	-8.88	10 quarters

Aligning Dreams with Reality

STEWARDSHIP THROUGHOUT THE LIFE CYCLE OF A GIFT



Initiate the Investment Conversation Early

Don't Assume the Donor's Interest Level

Stay In Touch

Leave the "How" to the Experts

It's About STEWARDSHIP

QUESTIONS AND DISCUSSION

THANK YOU!



Disclosure Appendix

The information provided is for illustrative/educational purposes only. All investment strategies referenced in this material come with investment risks, including loss of value and/or loss of anticipated income. Past performance does not guarantee future results. No investment strategy or risk management technique can guarantee returns in any market environment. This material is not intended to constitute legal, tax, investment or financial advice. Effort has been made to ensure that the material presented herein is accurate at the time of publication. However, this material is not intended to be a full and exhaustive explanation of the law in any area or of all of the tax, investment or financial options available. The information discussed herein may not be applicable to or appropriate for every investor and should be used only after consultation with professionals who have reviewed your specific situation. BNY Mellon Wealth Management may refer clients to certain of its affiliated offering expertise, products and services which may be of interest to the client. Use of an affiliate after such a referral remains the sole decision of the client.

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