

CASE STUDY:

Beneficiaries of General Wealth



PEAPACK-GLADSTONE BANK

Private Banking since 1921

Whatever the legacy goals of a first-generation wealth creator, beneficiaries ultimately will have their own unique needs and desires for the wealth they inherit. To help beneficiaries recognize and address potential issues, financial and non-financial, they will need to understand their options and obligations. An experienced, knowledgeable wealth advisor can help beneficiaries identify their needs and address potential issues to ensure family wealth may be preserved and grown.

Challenges and Key Considerations

1. Family Governance

- Individual wealth vs. family wealth
 - Values
 - Responsibilities of inherited wealth
 - Estate planning
- Family members
 - Spouses
 - Sons, daughters
 - Stepchildren, adopted children
 - Brothers, sisters
 - Nieces, nephews, cousins
 - Black sheep
 - Modern families

2. Lifestyle Needs

- Sources of Income
 - Earned income
 - Family business
 - Income from trust
 - Contributions from family members
 - Investment income
- Income and spending forecasts and needs
 - Expenses of maintaining lifestyle of the previous generation
 - Expense of maintaining status among peers
 - Changes in lifestyle and lifestyle needs over time
- Major lifestyle changes
 - Timing
 - Health
 - Children, grandchildren
 - Relocation
 - New ventures
 - Charitable endeavors

3. Control of Wealth

- Assets in trust
 - Trustee as decision maker
 - Distributions of income or principal
 - Incentive trust

3. Control of Wealth (cont.)

- Distributions for health, education, maintenance, support, special needs
 - Limited access to wealth
 - Protection from creditors
 - Assets distributed outright to beneficiary
 - Assets controlled by the beneficiary
 - Unlimited access to wealth
 - Timing of wealth
 - During lifetime, at death, in perpetuity
 - Income distributions
- #### 4. Opportunities and Consequences of Wealth
- Aspirations
 - Charitable goals
 - Hobbies
 - New business ventures
 - Privacy
 - Desire for secrecy inside and outside of family
 - No workplace
 - Lack of social outlet, community
 - Lack of sense of accomplishment
 - No Social Security or Medicare benefit

5. Wealth and Estate Planning

- Preparing own estate plan
 - Will
 - Revocable trust
 - Durable power of attorney
 - Living will
 - Health care proxy
 - Irrevocable trust
 - Family Bank
- Asset protection
 - From potential dissolution of marriage
 - From non-family members (i.e., stepchildren)
- Philanthropy
 - Private Foundations
 - Charitable remainder trust

Client Background

Philip is an income beneficiary of a family dynasty trust. Anthony, Philip's grandfather, was an engineer with numerous patents that provided significant wealth for the family, and he established separate trusts for each of his grandchildren. Philip's trust is a Delaware dynasty trust, and PGB Trust & Investments of Delaware is the trustee. Under the terms of the trust, net income is distributed to Philip quarterly, and the trustee has discretion to make principal distributions for his health, maintenance and support. The trust assets remain in trust in perpetuity. At Philip's death, the assets will remain in trust and net income will be paid to his heirs. Philip is planning to marry Jennifer next year.

Goals and Issues

Philip is seeking higher income and principal distributions from the trust, but he does not understand the terms of the trust - his rights and the trustee's obligations. He also needs help creating his own plan to manage his estate and wealth going forward. At the same time, Philip has been struggling with his feelings that he should be giving something back to his community, and he wants to make substantial contributions to a favored charity.

Challenges and Considerations	Issues and Concerns	Solutions and Recommendations
Family Governance	Define Jennifer's rights to Philip's inherited wealth	The Wealth Management team at Peapack-Gladstone Bank discussed the family governance issues, including how family members can discuss issues of marriage and children. The team recommended a third-party family governance counselor to help Philip and his family explore and resolve potential conflicts.
Lifestyle Needs	Project what spending level will enable Philip to still meet his goals	The Wealth Management team at Peapack-Gladstone Bank analyzed various spending options based on expected trust income. Assuming Philip lives to 85 years of age, and is able to accumulate additional wealth, he would have approximately \$10 million beyond what is required to cover his income needs.
Control of Wealth	Provide Philip with access to more of his wealth	The Wealth Management team at Peapack-Gladstone Bank balanced Philip's needs with those of future beneficiaries and recommended an approach that emphasizes total return. This has the potential to increase the income he receives to about \$120,000 per year without sacrificing growth.
Opportunities and Consequences of Wealth	Enable Philip to give something back to his community	The Wealth Management team at Peapack-Gladstone Bank suggested that Philip create a private foundation as a way for him to enrich and become actively involved with his community. The foundation is expected to generate a \$1 million income tax deduction and could save an additional \$5 million in estate taxes, depending on appreciation.
Wealth Estate Planning	Fulfill Philip's desire to make charitable contributions	The Wealth Management team at Peapack-Gladstone Bank suggested that Philip add a charitable remainder unitrust (CRUT) to his estate plan. The CRUT will provide an upfront charitable deduction of \$100,000 and is expected to provide Philip income for life and leave approximately \$2 million at his death.

Conclusion

The Wealth Management division of Peapack-Gladstone Bank provided Philip and his other advisors a careful analysis and thoughtful options he can explore. With a plan in place, he can realize his aspirations while increasing the income he wants to live on, fulfill his community and charitable goals, and preserve a legacy for his potential beneficiaries. The insights the team shared are based on years of experience helping clients manage the needs of multigenerational wealth, ensuring that beneficiaries can achieve their goals and that our clients' legacies endure.