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Client Investment Fundamentals: Session 6

Investment Strategy and Your Estate Plan

Client Investment Fundamentals Overview

WEEK 1: INTRODUCTION TO INVESTMENT STRATEGY
October 15, 2024 | 11:00 AM ET
Joined by Sharmin Mossavar-Rahmani

WEEK 2: DEEP DIVE ON EQUITIES
October 22, 2024 | 11:00 AM ET
Joined by Brett Nelson

OPTIONAL Q&A WITH THE INVESTMENT STRATEGY GROUP
October 24, 2024 | 11:00 AM ET

WEEK 3: DEEP DIVE ON FIXED INCOME
October 29, 2024 | 11:00 AM ET

WEEK 4: DEEP DIVE ON ALTERNATIVES
November 5, 2024 | 11:00 AM ET
Joined by Kristin Olson

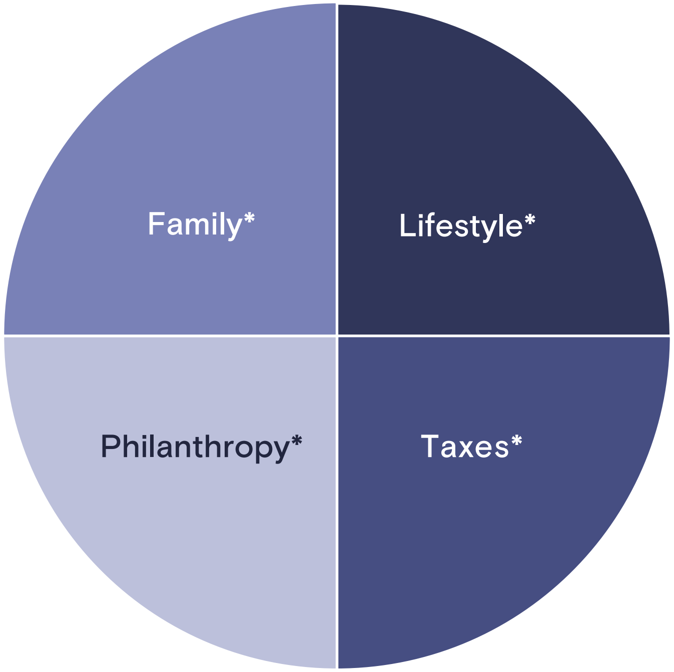
WEEK 5: ASSET ALLOCATION AND PORTFOLIO STRATEGY
November 12, 2024 | 11:00 AM ET
Joined by Sharmin Mossavar-Rahmani

WEEK 6: INVESTMENT STRATEGY AND YOUR ESTATE PLAN
November 19, 2024 | 11:00 AM ET
Joined by Jeff Daly and Dennis Beeson

OPTIONAL Q&A WITH THE INVESTMENT STRATEGY GROUP
November 21, 2024 | 11:00 AM ET

Deploying Your Financial Resources

How do you envision allocating your financial resources to the following categories during your lifetime and after your death?



Goldman Sachs Private Wealth Management can help you articulate your goals and craft tax-efficient, multigenerational investment strategies to support your objectives.

* The current breakdown is for illustration purposes only.

Your Stewardship Plan – The Legacy Framework

Consider the right structures, people and institutions to carry out your wishes.

KEY QUESTIONS WHEN MAKING LIFETIME TRANSFERS AND TESTAMENTARY TRANSFERS

- Who pays the income tax?
- Can you create protection from creditors and divorce?
- What income gift, estate and GST tax benefits will accrue to the family?
- Can you control investments?
- Can you regain access to the funds after you transfer the funds?
- Can you control distributions?
- Can you provide flexibility for changed circumstances?

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Overview of Federal Transfer Tax System

Exemptions and credits can help transfer significant amounts of wealth for little or no transfer tax cost.

Complicated rules apply regarding your ability to make use of these exemption amounts and you should speak with your tax advisor about how they apply to your particular circumstances.

UNLIMITED

Spouse*	Transfers to US spouses are tax-free.*
Qualified Charity	Transfers to qualified charities (including private foundations) are tax-free.
Education and Healthcare Expenses	When made directly to the provider, certain payments for school tuition and health care expenses are tax-free.

ANNUAL

$18,000 Per Recipient	Annual gifts of up to $18,000 may be given to any individual recipient free of gift tax and generation-skipping transfer tax.

AGGREGATE DURING LIFE

$13.61M Gift Tax Exemption	Aggregate taxable gifts of up to $13.61M throughout the donor's lifetime may be given to any recipient free of gift tax.
$13.61M GST Tax Exemption	Aggregate taxable gifts of up to $13.61M may be given to any recipient free of GST tax.

ON DEATH

$13.61M Estate Tax Exemption	Up to $13.61M (less any amount of gift tax exemption used during lifetime) may pass to any recipient free of estate tax.
$13.61M GST Tax Exemption	Up to $13.61M (less any amount of GST tax exemption used during lifetime) may be given to any recipient free of GST tax.

*Unlimited spousal transfers apply to U.S. citizen spouses.

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Estate Planning Checklist

While Goldman Sachs does not provide legal or tax advice, the following list highlights some issues to consider with your advisor when implementing your basic estate plan.

All of these documents are revocable and can be reviewed and revised as your circumstances change over time.*

- [x] **Will -** Expresses your wishes for disposing your assets upon death; must be signed and witnessed
- [x] **Revocable or Living Trust -** Trusts with assets that are still within your estate for tax purposes but are able to pass to beneficiaries without probate cost and delays
- [x] **Durable Power of Attorney -** Appoints an agent to act on your behalf in the event you are incapacitated or otherwise unable to take immediate action
- [x] **Healthcare Proxy –** Designates an agent to make health care decisions if you are disabled, including withdrawal of life-sustaining treatment
- [x] **Living Will -** Provides “end of life” medical direction
- [x] **HIPAA Authorization -** Controls release of medical records

*You should obtain your own independent tax advice based on your particular circumstances.

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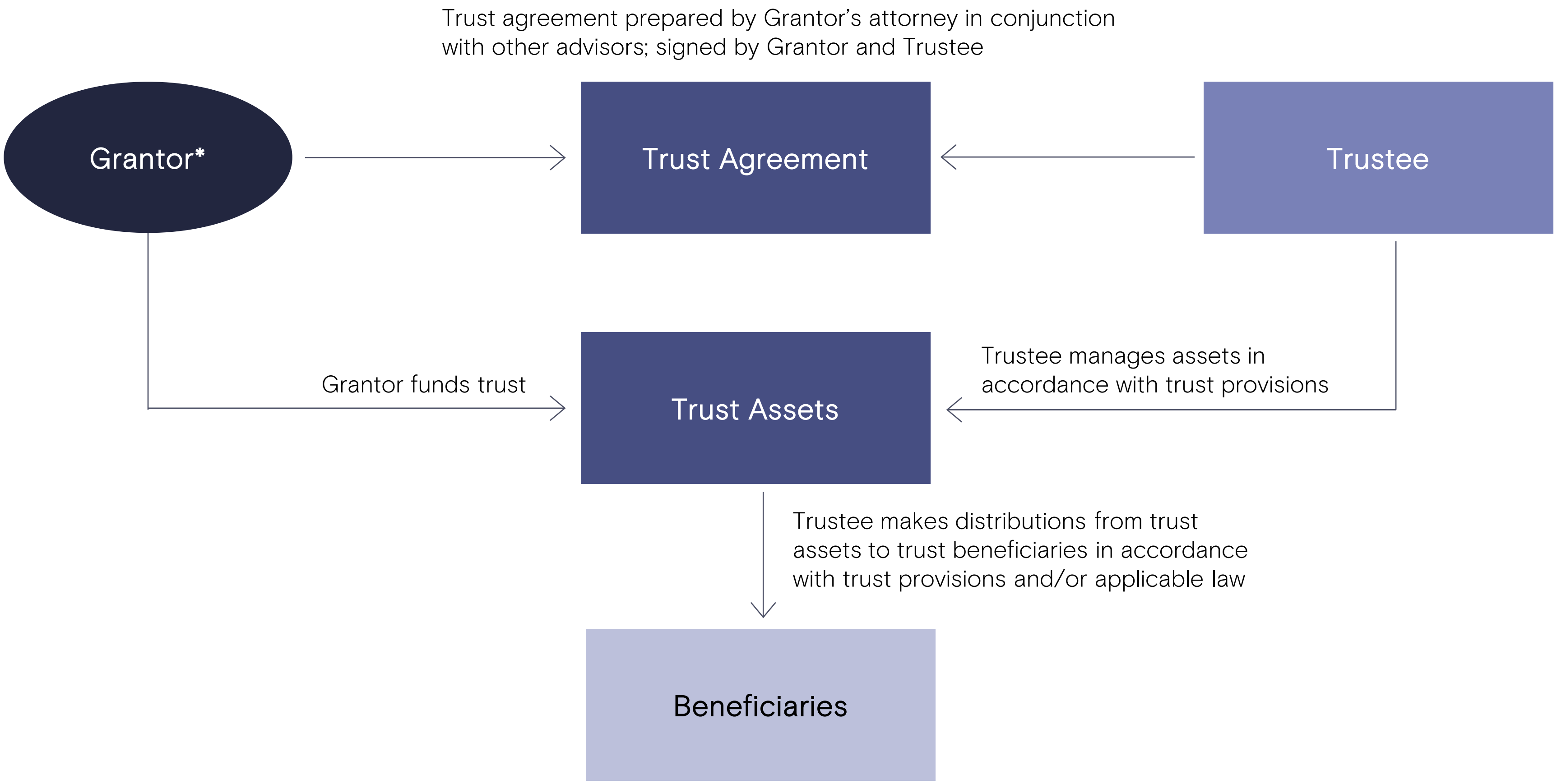
What is a Trust?



*Grantor may remain subject to tax on trust income in some circumstances

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Trust Participants

Grantor or Settlor

Person who creates and funds the trust

Trustee

Person(s) or trust company that has legal ownership of the trust assets and manages the assets for the beneficiaries as provided in the trust agreement

Beneficiary

Person(s) or charities that are current or future recipients of benefits from the trust

Protector

Person (not required, but becoming more commonly used) who has special powers to address changed circumstances for flexibility (e.g., a protector may have the right to dismiss the trustee and select a replacement trustee or amend a trust agreement because tax laws have changed)

Additional Roles

Investment Advisor
Person who has the authority to direct the trustee on investments

Distribution Advisor
Person who has the authority to direct the trustee on distributions

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Reasons to Review Your Existing Plan

1 Change in Family Situation

Family changes that may warrant a review of your estate plan:

Birth

Death

Marriage or divorce

Move to a new state

2 Change in Financial Situation

If your financial situation has or is about to change, your estate plan should be reviewed:

Significant change in net worth

Upcoming financial event

Change in portfolio (e.g., private to public assets, etc.)

3 New Tax Legislation

As rules change, all wills/revocable trusts should be reviewed to ensure the plan remains tax efficient and consistent with your original intent.

4 Periodic Review

Generally, an estate plan should be reviewed at least every three to five years.

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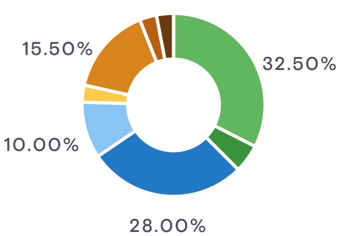
How Your Estate Plan Determines Your Investment Strategy

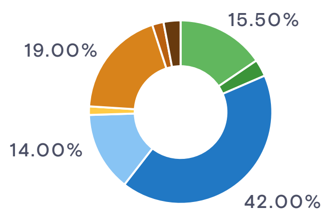
JOINT ENTITY



Sample Allocation	Percent
Cash	
Investment Grade Fixed Income	32.50%
Other Fixed Income	5.00%
US Equity	28.00%
Non-US Equity	10.00%
Hedge Funds	3.00%
Private Equity	15.50%
Real Estate	4.00%
Other Alternative Investments	2.00%
Total Portfolio	100.00%

Risk/Return Characteristics	Taxable Moderate
Estimated Mean Return	
with 3.00% Risk-Free Rate	7.16%
Volatility	8.58%

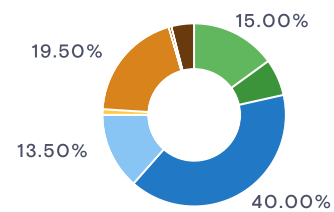
CHILDREN'S TRUST



Sample Allocation	Percent
Cash	
Investment Grade Fixed Income	15.50%
Other Fixed Income	3.00%
US Equity	42.00%
Non-US Equity	14.00%
Hedge Funds	1.50%
Private Equity	19.00%
Real Estate	3.00%
Other Alternative Investments	2.00%
Total Portfolio	100.00%

Risk/Return Characteristics	Taxable Aggressive
Estimated Mean Return	
with 3.00% Risk-Free Rate	8.27%
Volatility	11.41%

FOUNDATION



Sample Allocation	Percent
Cash	
Investment Grade Fixed Income	15.00%
Other Fixed Income	6.50%
US Equity	40.00%
Non-US Equity	13.50%
Hedge Funds	1.00%
Private Equity	19.50%
Real Estate	1.00%
Other Alternative Investments	3.50%
Total Portfolio	100.00%

Risk/Return Characteristics	Tax-Exempt Aggressive
Estimated Mean Return	
with 3.00% Risk-Free Rate	8.39%
Volatility	11.51%

Please refer to the Methodology and Glossary of Terms sections for an explanation of terms used in this presentation.
Please refer to the Important Disclosures Section for additional disclosures on Alternative Investments.

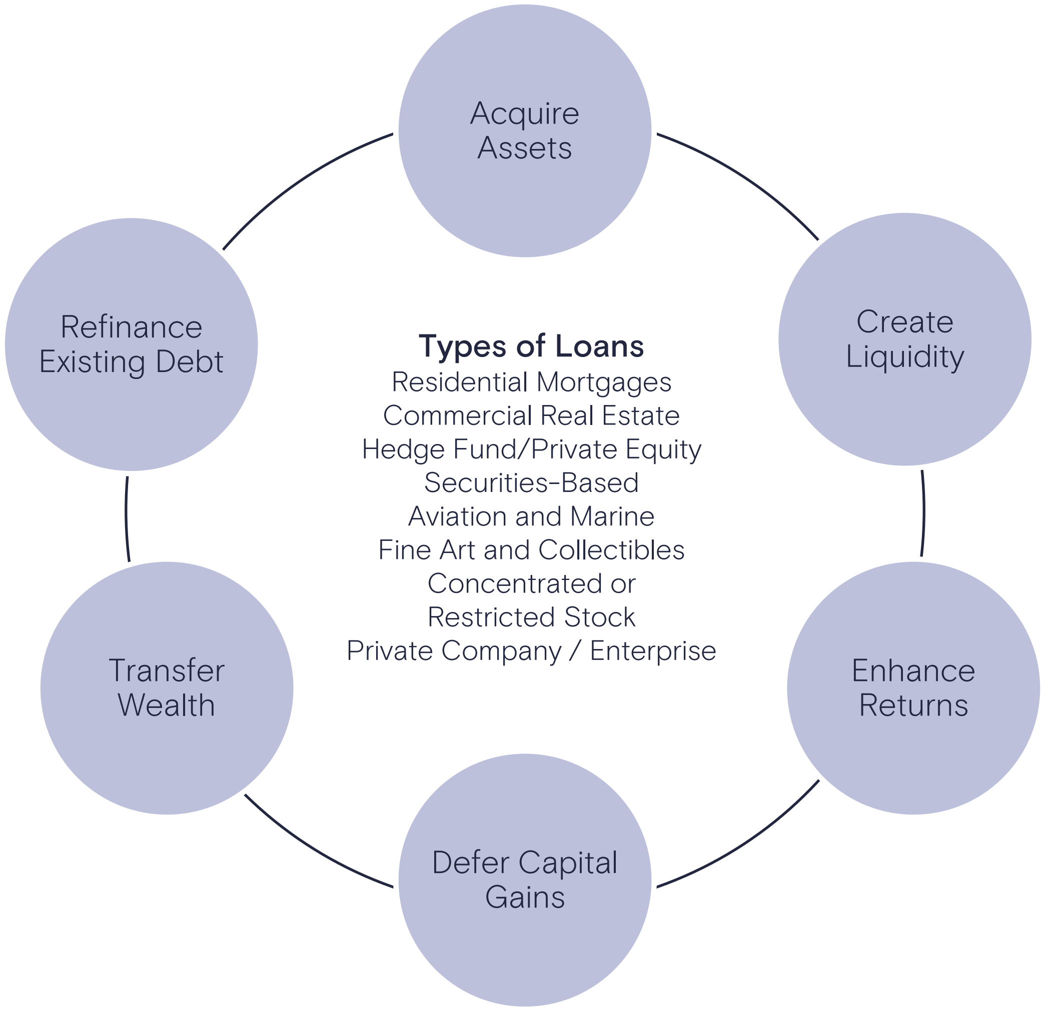
Reasons for Borrowing

Individuals and their families borrow for several reasons:

Smooth Cashflow and Optimize Liquidity: You can strategically use lending to support cashflow needs to bridge income or liquidity events allowing you to remain fully invested.

Estate Planning: Financing transfers between generations enables individuals to borrow against their own assets to achieve their wealth transfer and wealth preservation goals.

Improve Tax Efficiency: Clients often use leverage against low-basis financial assets to raise liquidity to support family activity without crystalizing a taxable event.



Source: GS Private Bank

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• **Digital Assets / Cryptocurrency.** Digital assets regulation is still developing across all jurisdictions and governments may in the future restrict the use and exchange of any or all digital assets. Digital assets are generally not backed nor supported by any government or central bank, are not FDIC insured and do not have the same protections that U.S. or other countries' bank deposits may have and are more volatile than traditional currencies. Transacting in digital assets carries the risk of market manipulation and cybersecurity failures such as the risk of hacking, theft, programming bugs, and accidental loss. Differing forms of digital assets may carry different risks. The volatility and unpredictability of the price of digital assets may lead to significant and immediate losses.

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Methodology for Factor Model and Robust Optimization

As of Aug 22, 2024 (USD)

Description of Factor Model and Robust Optimization. We use our proprietary factor model and robust optimization process to construct a long-term asset allocation that has the potential to provide you with the greatest long-term expected return given your investment goals and risk tolerance.

Our approach begins by establishing the risk and return characteristics for each asset class that could potentially be included in your portfolio. We use representative indices for asset classes to arrive at all estimates. We have identified several factors that we believe drive long-term risk and return, including systematic equity risk, inflation and interest rate risk, and market-wide liquidity risk. By estimating each factor's contribution to the risk and return of each asset class, we establish three key attributes:

- **Estimated Mean** Return is our estimate of the average annual return of the asset class over long periods of time. Each asset class' Estimated Mean Return is the sum of two components (1) the theoretical rate of return on a riskless investment or the "Risk-Free Rate", and (2) the estimated long-term return on an annual basis in excess of the Risk-Free Rate, or the "Risk Premium".

- **Estimated Ranges of Risk Premia.** We express the Risk Premium of each asset class as a specified percentage plus or minus an estimated range. For example, the Investment Grade Bonds of a given country may have a Risk Premium of 1.7% +/- 0.8%. The estimated range for each asset class reflects the level of certainty we have regarding our Risk Premium estimate. A larger range reflects a lower level of certainty.

- **Long-term Risk.** We use two primary measures to quantify the risk of each asset class: volatility and correlation. Volatility is the possible fluctuation in the return of each asset class. Correlation is the relationship of each asset class' return with the returns of other asset classes. Volatilities of, and correlations across, asset classes included in a portfolio are used together to determine the overall risk of a portfolio.

We run our robust optimization process using the investment goals and risk tolerance you have shared with your Private Wealth Management team and the asset class attributes described above. The process considers all potential asset allocation alternatives before arriving at the allocation that offers the greatest expected return with the greatest level of certainty given your investment goals and risk tolerance. The output of the optimization process is the target strategic asset allocation that we share with you. The results shown reflect the reinvestment of dividends and other earnings but do not reflect advisory fees, transaction costs and other expenses a client would have paid which would reduce return.

Wealth Illustrations and Stress Tests. Once we have established an initial target strategic asset allocation for you based on discussions with you and the information you have provided to us, we use wealth illustrations and portfolio stress tests to demonstrate the possible performance profile of your portfolio under different market conditions, including distressed scenarios. Wealth illustrations and portfolio stress tests are generated using Monte Carlo simulations, which are computational algorithms that rely on a large number of randomly generated scenarios to determine the most likely outcomes. Wealth illustrations are dependent on several key assumptions, including the amount of initial wealth, future savings and spending needs, and taxes due on income and realized gains. Your applicable tax rate may be different than the rates assumed. Wealth illustrations are adjusted for simulated inflation and assume that rebalancing to your target asset allocation occurs monthly. Our wealth illustrations and stress tests are designed for diversified portfolios with estimated volatilities between 3% and 15%, and may be less representative for portfolios with volatilities outside that range.

Reference Portfolio. We use reference portfolios to illustrate historical returns. A reference portfolio is a bond / equity portfolio with the same or similar estimated volatility as the given asset allocation.

The Estimated Mean Return assumptions used in wealth illustrations are based on indices that may not include all or a portion of the fees you pay. These indices are generally unmanaged and not available for investment.

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Glossary of Terms

As of Aug 22, 2024 (USD)

Correlation is a measure of the linear relationship between the returns of two asset classes.

Current Allocation is your present allocation based on information in our records and / or you have provided to us.

Estimated Range of Risk Premium reflects the level of certainty we have regarding each Risk Premium estimate as measured by its Standard Error. A wider range reflects a lower level of certainty.

Factor Risk Premia represent the key sources of long-term return for asset classes. In our multi-factor model, the risk premium of each asset class is a unique combination of the six factor risk premia explained below:

Factor Risk Premium	Rewards investors for bearing the risk associated with:
Equity	Fluctuations in the present value of future corporate earnings
Term	Fluctuations in inflation expectations and real interest rates
Funding	Fluctuations in the ease and cost of short-term borrowing
Liquidity	Marketwide fluctuations in the ease and cost of transacting
Exchange Rate	Systematic currency fluctuations
Emerging Markets	Economic, political, and institutional uncertainties in emerging markets

Probability of Loss illustrates the chance of experiencing a negative return during th specified time period. For example, a 1-year Probability of Loss of 30% means there is a 30% probability that the portfolio would lose principal over any one-year period.

Risk-Free Rate is the hypothetical rate of return of an investment that is assumed to bear no risk of loss.

Risk Decomposition is a breakdown of the portfolio risk contributed by each asset class included in your asset allocation.

Risk Premium is the estimated long-term return of an asset class on an annual basis in excess of the Risk-Free Rate.

Risk Premium Decomposition illustrates the contribution of each factor to the total risk premium of the portfolio. It shows the key sources of long-term return (our six Factor Risk Premia) in an asset allocation.

Sharpe Ratio is a measure of excess return per unit of risk, where risk is represented by volatility. In general, the higher the ratio, the better the asset's or portfolio's risk-adjusted performance is expected to be over the long term.

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Glossary of Terms

As of Aug 22, 2024 (USD)

Standard Error is the standard deviation, or measure of variability, of a sample statistical estimate (e.g., Risk Premium); higher standard error means higher uncertainty.

Strategic Allocation is your customized long-term allocation, excluding tactical tilts.

Tactical Tilts are short-term shifts in portfolio weights in response to prevailing market conditions.

Target Allocation is your customized long-term allocation, including tactical tilts.

Value at Risk with 99% Confidence illustrates the percentage of portfolio value that is at risk, with a 99% confidence level during the specified time period. For example, a 1-year Value at Risk of 30% means the portfolio has a 1% chance of losing 30% or more during any one-year period.

Volatility measures the possible fluctuation in the return of an asset class. For example, equities tend to have a higher volatility than fixed income.