

YOUR ACTIVE WEALTH PODCAST

Navigating Life's Big Events

March 2024

Featuring:

Terry Sylvester Charron, *Head of Investment Advisory and Planning Solutions, BNY Wealth*

Jessica Brennan, *Director and Senior Wealth Manager, BNY Wealth*

Lesley Holland, *Senior Director and Portfolio Manager, BNY Wealth*

[00:00:01] **VO:** Is your wealth strategy supporting your long-term goals? Welcome to *Your Active Wealth* with BNY Wealth, where we offer insights that can help you move closer to your goals. We'll tackle timely topics through the lens of the five pillars that comprise our Active Wealth framework: Invest, Spend, Manage, Borrow and Protect, and provide guidance on navigating the unpredictable, to help you build and sustain wealth.

[00:00:33] **Terry:** Hi, I'm Terry Sylvester Charron, head of investment advisory and planning solutions here at BNY Wealth, and the host of today's episode. Welcome back to *Your Active Wealth*. Today, we're speaking with two of our wealth management professionals to discuss how they help clients and their families navigate major life events. Some of these events may greatly enrich one's financial life, such as receiving an inheritance, the sale of a business or a large asset sale, while others may be more challenging like divorce or death of a loved one. Regardless of their nature, each of these significant life events likely have financial implications for you and your family. While every client's needs are different, our hope is that today's discussion sheds light on some of the unique challenges faced by individuals and their families and how proactively managing your wealth, supported by a team that understands your personal goals, can make a big difference in achieving positive outcomes. Part of the discussion will also touch on what attracted our guests to the wealth management industry, as well as how they're positioning their practices for the great wealth transfer, which by 2030 will see American women control a dominant share of the \$30 trillion in investable assets possessed by baby boomers. It is my pleasure to welcome two of my BNY Wealth colleagues, Jessica Brennan, a director and senior wealth manager, and Lesley Holland, senior director and portfolio manager, who will provide valuable insights into how they're helping clients navigate major life events. Lesley, let me start with you. Can you briefly explain what you do and maybe what initially attracted you to a career in wealth management?

[00:02:28] **Lesley:** Hi, Terry, thank you so much for having me. My role with BNY is to manage the wealth for our high-net-worth clients. We do that by providing advice and a full team approach to help them navigate this ever-changing environment. We take very complex matters and we boil it down and just make things easier for our clients. Actually, I always knew I wanted to be in a client-facing role and I've always loved investing. I started buying stocks as soon as I was able, and I would memorize stock symbols and did all kinds of research on companies. It was almost thrilling to know you owned even just a small portion of companies. So I really focused on finance while I was obtaining my MBA, and I fell in love with the opportunities in the wealth management space upon taking additional classes. So here I am, and this is my twentieth year in the industry and my thirteenth year with BNY.

[00:03:35] **Terry:** Thank you so much, Lesley. Jessica, how about you? Could you describe your role and what attracted you to a career in wealth management?

[00:03:42] **Jessica:** Sure. Hi, Terry, and thank you also for having me today. I work with our largest, most sophisticated and complex clients to provide comprehensive wealth management advice and solutions, helping them to manage and sustain their wealth across generations. As Lesley mentioned, this is a full team approach where we work hard to navigate the very complex and ever-changing matters that come along with significant wealth. And we serve as the key advisor and coordinator in overseeing this for our clients. I did not know as young as Lesley did what I wanted to do, but I did have a relative who was a Wall Street executive in corporate banking. When I was graduating college almost twenty years ago, he had suggested that I look into wealth management as a fast growing and interesting area of financial services. But this role aligned very well with my educational background in economics and business, etc., as well as the softer and interpersonal side of things that aligns well with my personality. So after a few years in the industry, I knew this is where I wanted to be. So I went on to pursue my MBA and Certified Financial Planner designation. And as they say, the rest is history. I'm into my eighteenth year this year.

[00:05:07] **Terry:** Wow! Thank you both so much for that by way of backdrop, really appreciate that. Let me get us started broadly. What are some of the life-changing events you typically come across through your work, specifically those capable of altering a family's financial situation? Jessica, I'll start with you this time.

[00:05:29] **Jessica:** Sure. On the positive side, certainly a large liquidity event. Most often that we encounter could be the sale of a successful business. And then on the more challenging side, definitely the death of a loved one. Unfortunately, the inevitable that everyone will face at some point.

[00:05:49] **Terry:** Lesley, how about for you?

[00:05:52] **Lesley:** Honestly, we often see wealth is tied up or concentrated in one thing. So years ago, I had a large prospect who had basically his entire net worth tied up in one company. His paycheck, retirement account and just a lot of stock exposure. Unfortunately, the company that he worked for filed for bankruptcy in 2009, which was during the financial crisis. It was the perfect storm. And so folks reach a certain level of wealth, and it's imperative that they implement advice from professionals and again, de-risk that one thing just to make sure they can achieve those goals that they've outlined. However, on the other hand, I've been involved where an individual receives a very large sum of money from a distant relative. Typically that arrives in like a trust structure, where the guidance is to use a professional firm versus doing it themselves or hiring an individual. And so those are the really good phone calls to get. And if I may, one quick piece of advice is making sure you write your thank you notes because you just never know who may show appreciation to you.

[00:07:10] **Terry:** Yes, it is. And as both of you indicated, many of these life events can result in acquiring more wealth or maybe more liquid wealth. Lesley, how should someone who recently experienced a significant liquidity event think about management of their assets? And what about retirement after a successful career?

[00:07:30] **Lesley:** It's just an absolute privilege for us to partner with clients as they experienced these major liquidity events. Oftentimes, our best advice is to implement a lot of their goals prior to the cash basically hitting their bank account. So, for example, I have a client here in Texas who sold their franchise business back to the parent company. So this was an offer, you know, they really just couldn't refuse. And it was imperative then that we said to these folks, this is your opportunity then to really focus on those philanthropic goals that you've shared with us. One thing that we do very well is we immediately partnered with their CPA, their attorney, to make sure that everything was in place because, again, some of the secret sauce of what we do is there are tax benefits prior to these liquidity events if you set things up structurally in the right way. And so it gave us the opportunity to earmark a certain dollar or a bucket to set aside for their charitable intent. I have to tell you, Terry, it was very rewarding for this client to see their success again when the cash hit their account. But they literally then turned around and were able to give some back and have an impact on the organization that they're passionate about.

For liquidity events, retirement does look very different, right? It may have brought their retirement earlier than they had anticipated, so we kind of need to pivot to change some of those aspects. Oftentimes we see clients wanting to buy a vacation home close to their grandkids or serve on a board so they're able to fulfill those goals just a little bit earlier. It's very exciting to see our client's hard work pay off. But again, it's very essential that

individuals let their existing team know or hire a new team to get their arms around all of these, just because there's so many different strategies that you can deploy prior to the liquidity event, that's just been our experience.

[00:09:37] **Terry:** Thank you. Jessica, how about from your perspective, any additional tips or advice specifically around the sale of a business?

[00:09:45] **Jessica:** Sure. And I would echo what Lesley said, that the pre-planning is critical. So ideally, we have been in conversation and talks with our clients well in advance of any anticipated sale. Of course, that's not always possible, but the extent of it is, there is so much that can be done on the personal side during a business transaction or well in advance for that matter, that can really have a tremendous impact on what you actually keep. Think taxes. We've seen clients who preplan and those who have not. And as you would expect, there are very clear differences and outcomes between those two approaches. But after the actual sale, if this is a one time or lump sum type of event, I think one component that you have to get real about is the spending level. And that does include taxes, not just lifestyle spending, but taxes as well, to make sure that you have a solid plan around it and that it works for the long term. The actual amount of sale is really irrelevant. It doesn't matter whether it's a few million dollars, or it could be hundreds of millions. If the spend rate or the outflow rate is not sustainable, and again, that includes taxes not being managed well, then any level of wealth can be jeopardized regardless of how well the market may do. So, with spending and outflows being one of the few things that can somewhat be within your control, you really do need to have a plan around that. We of course can help with this. And we project this out for clients under various scenarios and circumstances and time frames. And we're routinely checking back in on the plan and adjusting it as needed. It most certainly can and should be dynamic. It's not static, but it just can't be ignored. But also, as Lesley said, it's very rewarding to help clients navigate this. But just a gentle reminder that planning ahead is critical in ensuring their success.

[00:11:49] **Terry:** Lesley, divorce is one of the biggest life changes a person or family can experience. How should our listeners think about the emotional and financial transitions associated with a divorce, and are they mutually exclusive, or should they be considered in unity?

[00:012:10] **Lesley:** This is a very sensitive topic, obviously, as we navigate our clients through this or potential clients through this. I'll pivot back to what Jessica said. This does take all hands on deck. And what I mean by that is just kind of that full team approach. The divorce process is, quite honestly, overwhelming and complicated. And again, that's just my observation of helping folks get through this. I've mentioned to clients that going through this process, you are overnight becoming a legal expert, a tax expert, a financial expert and you're doing this all while being on a roller coaster. This is something you can't google how to have a successful divorce. And so this really does take a full team approach. I think where we add the most value is taking the emotion out of being an investor. So, what I mean by that is we can prepare a very high-level summary of their financial picture moving forward versus dwelling on the past, or again looking out the rearview mirror. We could do an excellent job of showing the assets that we anticipate they're going to receive from the divorce, and then estimate a lot of the new aspects of their life, like taxes, as Jessica said, spending. And we actually bring in inflation, a word that not a lot of people have talked about in the last few years. How does that impact the settlement that they're going to receive? So basically, we like to provide them and their current legal team with the data, to be quite honest with you, that they're going to be okay. Plus, we want to be our clients advocate. Oftentimes we uncover even very simple suggestions like just making sure assets are titled correctly moving forward. Sometimes we even just add value in the very basic steps. You know, this is typically the first time that our female clients have been involved with the numbers aspect of their wealth. One statistic is that 70% of women change away from their existing advisors post-divorce, so it's very empowering to see this new full team help her navigate through this. Women typically are not looking for the highest risk or maximum return going forward. They want good information to help them make the best decisions going forward. And you know they want to put their family first. We oftentimes see women tend to stick to the plan. Once they've seen the outline, they stick to it. So you know, to summarize, it's a little bit more science than art, if you will. But again, I think we're just very confident that we have the tools to help navigate through this.

[00:14:48] **Terry:** So on another sort of related subject, death of a loved one is an inevitability many people will have to endure at some point in their lives. Jessica, how do we help our clients prepare for this financially?

[00:15:04] **Jessica:** Sure. And yes, it's inevitable. It's a part of life. It's hard. It's awful. It's life altering for many people, which is enough, you know, on its own to deal with. So, taking care of the business matters while you're alive and healthy can help in the long run. I would say truly documenting your wishes by having your legal documents in place and current, you know, remaining current with life's changes, that truly align with your intentions and what you want to have happen. I can't stress it enough. You need comprehensive advice in this area, and it's not something to skimp on or ignore. There was a highly successful individual. He was actually not our client at the time when he passed away. He was young, it was sudden, and there were no plans in place. But he was financially very successful. The lack of planning, I believe, was due to a lack of understanding, education around these topics and really the ultimate financial and legal implications of not having the documented plan. Sadly, as you can imagine, this resulted in a very complicated and messy estate situation for the family, during which was clearly the most tragic time of their lives. The result was a very, very large tax burden which could have been prevented. In New York State, that was 50% at the time. 50% tax, which in turn was 50% less assets to leave for the family to continue on his legacy. As I said, unfortunately, the client or the individual was not our client at the time the family came to us after, and we've since helped them get everything else in place. But we work very hard to ensure that our clients are educated in these areas, as Lesley mentioned, so that they can make informed decisions and plans for their family.

And then on the other hand, often there is a spouse or an individual within a family who tends to kind of dominate, play a more dominant role, I should say, in managing the family financials. Often it tends to be the man. It's definitely not always the case, but often it is. And as women generally tend to live longer, the wife may survive with little to no knowledge of their financial picture and perhaps even lacking some basic financial acumen all together. I can attest to this within my own family, this was the case. And again, it's troubling if the death often occurs at a later stage in life while the spouse or the loved ones are grieving the loss, it's a lot to take on emotionally, to have to become a financial expert overnight, which again, can lead to uninformed decisions during a very emotional and vulnerable period. And it leaves the surviving family members very anxious about what lies ahead for them. So regardless of who that dominant person is in the family managing things, it's really important that family members, spouses, etc. really do have a basic understanding of these areas. Do a check in periodically and work with a trusted advisor who they can rely on at the time when these events inevitably do happen. Just think home organization and decluttering but for financial affairs, you really want to get your financial affairs in order and ensure that everyone you know knows what's going on.

[00:18:53] **Terry:** Thanks, Jessica, I really liked that visual. Lesley, once one of these life-altering events is behind you, how does it reshape plans for the future? For instance, is it common for such a pivotal experience to lead to a greater prioritization of leaving a lasting legacy, for example?

[00:019:15] **Lesley:** I think we often times give advice to our clients, who have gone through these major transitions that we've outlined, honestly of what not to do. As folks navigate through this, sometimes I say to families you don't need an entourage. You don't you don't need all of this. Whether it was new wealth or that liquidity event or, again, some of the unfortunate situations. Now that you have your number, I think there's just this natural reaction to include more or others. And again, I kind of joke, I call it the entourage. Our firm has been around for 240 years. We have this amazing history that allows us to present options to our families again, that will lead you to the greatest success. And again, sometimes advice is we would not recommend door number two, for example, even though it's something that might be important to you today. And so you're exactly right. Legacy tends to be a top priority or a goal for these families that have gone through some of these situations. And it's really around those aspects that we can help them control. We can't control the stock market, we can't control inflation or even the laws that may affect our clients, but we can outline those outcomes of the different decisions that they make. We prioritize, and Jessica alluded to this, that lifestyle bucket as well as that legacy bucket. The legacy bucket is a really fun aspect. This is where we help families with their mission statements, write down their values. And to be quite honest with the you Terry, legacy lasts. And so that is why it becomes such a high priority

even after these life-changing events, because they're able to see and we can model things out even after they're gone. What that next generation or even third generation can see was important to them after again, these major events. It's a very rewarding aspect of our role.

[00:21:16] **Terry:** Jessica, I'll close with you. In your experience, how important is it to your clients to prepare their children or heirs for significant wealth and how do you address their questions or concerns around that topic?

[00:21:32] **Jessica:** Of course, it is very important clearly. And every family is unique. Every individual is unique. So there's no formula on exactly when these conversations should take place or what exactly they should look like. Generally speaking: the earlier the better. And to Lesley's point, that's so that you can develop together the family mission statement so that you have time to educate, instill financial responsibility, involve them in the decision-making process, in managing certain aspects and really having these active, ongoing discussions. Again, similar to not trying or not having to deal with things during a very highly emotional time, you want to avoid any type of news coming as a surprise. So that's why generally I say the earlier the better, particularly if this is significant wealth that could be life altering. And legacy, as you mentioned and Lesley mentioned to ensure that it lasts across generations. We are still working with some of the founding families of this country on to the seventh and eighth generations with these families. And even with the newer, younger families, personally, over my own tenure, we're on to the third and fourth generation with families, which is incredibly rewarding; exciting and fulfilling to know that we've played a role in helping our families achieve this.

[00:23:12] **Terry:** Jessica, Lesley, thank you so much for your comments as it relates to navigating life's big events. If I had to summarize the three things that I took away from your comments, which I find so valuable, is one to have an established relationship with a wealth manager, who you trust and can help navigate both expected and unexpected life events. Two, I would say don't wait until tragedy strikes to get your financial health in order. And that could include looking at your estate plan documents, looking at balance sheets, those kinds of things. And I guess the third is just think about how and when children should learn about the family wealth and the family's legacy. So with that, I thank you both so much for joining the conversation and for those listeners to learn more about what BNY is doing to help its clients navigate major life events, I encourage you to reach out to any of us or visit our website, bny.com/wealth, to explore our thought leadership and contact us if you would like to get in touch. Thanks for joining and we'll see you on our next episode of *Your Active Wealth*.

[00:24:40] **VO:** Thank you for listening to this episode of *Your Active Wealth*. Be sure to subscribe to this podcast on Apple Podcasts, Spotify, Google Podcasts or Stitcher and visit bny.com/wealth to view the latest insights on the subjects that matter most to you.

BNY is the corporate brand of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally. This material does not constitute a recommendation by BNY of any kind and is provided for illustrative/educational purposes only. The information herein is not intended to provide tax, legal, investment, accounting, financial or other professional advice on any matter, and should not be used or relied upon as such. 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 all of the 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. This material, and the statements contained herein, are not an offer or solicitation to buy or sell any products (including financial products) or services or to participate in any particular strategy mentioned and should not be construed as such. Any 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.

The views expressed within this material are those of the contributors and not necessarily those of BNY. BNY has not independently verified the information contained in this material and makes no representation as to the accuracy, completeness, timeliness, merchantability or fitness for a specific purpose of the information provided in this material. BNY assumes no direct or consequential liability for any errors in or reliance upon this material.

BNY will not be responsible for updating any information contained within this material and opinions and information contained herein are subject to change without notice. This material may not be reproduced or disseminated in any form without the prior written permission of BNY. Trademarks, logos and other intellectual property marks belong to their respective owners.

© 2024 The Bank of New York Mellon. All rights reserved. WM-509500-2024-03-06