THE NORTHERN TRUST INSTITUTE

WEALTH PLANNING OUTLOOK

RETHINK TOMORROW

2024 EDITION

While all eras see great change, it is safe to say that ours, at the very least, is no exception.

Amid epochal technological innovation in AI; an uncertain, though in many ways familiar, political and tax landscape; and rapidly evolving attitudes on the greater meaning of wealth and legacy, in *Rethink Tomorrow*, we provide our outlook, insights — and action items — on the most vital planning issues of the coming year, through asking and answering three primary questions.

How do we take advantage of massive technological disruption in AI while preserving a critical human perspective in our planning and businesses?

How do we learn from the past and make the best decisions for ourselves, families and businesses in light of uncertain, changing, political and tax landscapes?

And how do we best articulate and plan our legacies amid new thinking on what the greater meaning of legacy is — and new planning techniques designed to help you realize yours?

SECTIONS

ON THE PRECIPICE OF TRANSFORMATIONAL CHANGE

Spurred in part by the release of ChatGPT in late 2022, the global conversation on, and massive investment in, AI has resulted in a profound rethinking of the trajectories of a vast array of human endeavors. Adoption has been rapid, with significant implications for commerce and planning.

As we discuss in "Rethink Thinking," while the opportunities are untold, individuals, advisors and businesses must also be aware of the pitfalls and limitations of this powerful technology.

PAST IS PRESENT

In contrast, even an uncertain political and tax landscape may appear familiar — and we would largely agree. Yet long-sustaining political dynamics with significant consequences for federal spending and tax policy are, in many aspects, more entrenched than ever, with tangible impacts for planning. (For more insight on the potential impacts of federal spending and taxes, see "Federal Spending and Taxes: A Looming Inflection Point" on page 5.)

As we discuss in "Rethink Planning," while such uncertainty may be manifesting in new permutations, political and tax uncertainty, inclusive of significant changes to the estate tax exemption, are not new. Consequently, we emphasize the importance of learning from the past, planning ahead to avoid mistakes and prioritizing flexibility in your plan.

NEW STRATEGIES FOR NEW VALUES

With estate and gift tax exemptions at their highest levels since the estate tax was implemented in 1918, we have seen a paradigm shift in the thinking of many wealth creators. With a diminished focus on tax, many have given greater reflection to the true meaning of legacy — and are increasingly seeking to foster the overall, not only financial, well-being of beneficiaries as the cornerstone of their planning. In response, a number of new strategies are available to help create these new kinds of legacies.

In "Rethink Legacy," we discuss these shifting attitudes and provide insight into vehicles designed to help transfer purpose — promoting values, relationships and commitments — as well as financial wealth.

FEDERAL SPENDING AND TAXES: A LOOMING INFLECTION POINT

In 2022, the national debt reached 129% of GDP, an all-time high, according to the Office of Management and Budget (OMB). As interest rates rise, the cost of debt service also rises. The OMB has estimated that, in 2023, debt service will cost nearly $400 billion, and constitute 6.8% of all federal outlays. The combination of non-discretionary spending, discretionary military outlays and debt service constituted 85% of federal spending in 2022 — leaving only 15% of the budget for other types of spending. This equation will significantly frame the debate on taxes and spending.

To change this trajectory in a meaningful way difficult decisions will have to be made, including regarding the 2017 Tax Cuts and Jobs Act (TCJA), which is scheduled to expire at the end of 2025. The TCJA lowered tax rates for most households and raised the lifetime estate and gift tax exemption, to $13.61 million in 2024. The 2024 elections will impact whether the TCJA is extended, rewritten to raise rates further, or left to expire. If left to expire, the individual rates will revert to 2017 levels and the gift and estate tax exemption will revert to an estimated $7 million.

While we discuss specific strategies for successfully navigating each area, a broad theme emerges throughout *Rethink Tomorrow,* informed not only by data, technological shifts and changing laws, but more so by our own experience advising families for decades. Across generations, we have seen the greatest success — and lasting wealth, in the broadest sense of the word — from those who have faced change with an open mind; maintained the humility to learn, both from new circumstances and those with differing opinions and backgrounds; and boldly embraced new opportunities for a reimagined future.

RETHINK THINKING: WEALTH PLANNING IN THE BRAVE NEW WORLD OF AI

AI promises radical change in planning, commerce and across society. Maintaining an open mind and willingness to learn are key to seizing opportunities.

Artificial intelligence has the potential to be the most disruptive technological innovation since the internet, and businesses have taken notice. For example, the number of mentions of "artificial intelligence" on S&P 500 earnings calls in Q2 2023 reached an all-time high of 7,358, an increase of 366% compared to Q1 2023. In fact, those companies that mentioned AI saw an average three-day stock price increase of 4.6%, nearly double that of companies that did not mention AI.[1] And according to a recent McKinsey survey, a third of businesses are already using generative AI such as ChatGPT in one business function or more — despite the fact that many of the platforms are not even a year old.[2]

AI is not something that families and business owners can ignore, compartmentalize or outsource: It has the potential to influence every aspect of how we conduct our lives and run our companies. More than just another technological advancement, generative AI can be used by virtually anyone and has the potential to create massive efficiencies and bring radical new ideas to life. These opportunities are amplified by the recent emergence of fine-tuned large language models trained on data specific to a particular industry. For instance, health care companies are already training large language models on medical records, and Bloomberg has released a large language model trained on capital markets data.[3]

The possibilities that AI could unlock are not without potential risks. These include a long list of well-voiced concerns regarding customer privacy, audio and video deep fakes, AI "hallucinations," bias, and claims of copyright infringement from experts and authors whose work has been conscripted into AI models. Governments and institutions will be charged with creating laws, guidelines and best practices to regulate AI.[4] Despite these risks, from a planning perspective, the greater risk is doing nothing and advisor complacency. Indeed, nearly everyone, from young entrepreneurs to attorneys to family offices, could benefit from familiarizing themselves with the capabilities of generative AI now and exploring how it could impact their lives and businesses for the better.

[1] WallStreetZen. Can the Mention of AI Move Stock Prices in 2023? https://www.wallstreetzen.com/blog/ai-mention-moves-stock-prices-2023/

[2] McKinsey. The State of AI in 2023: Generative AI's Breakout Year. https://www.mckinsey.com/capabilities/quantumblack/our-insights/the-state-of-ai-in-2023-generative-ais-breakout-year

[3] Bloomberg. Introducing BloombergGPT, Bloomberg's 50-billion Parameter Large Language Model, Purpose-Built From Scratch for Finance. March 30, 2023. https://www.bloomberg.com/company/press/bloomberggpt-50-billion-parameter-llm-tuned-finance/

[4] For example, the Securities and Exchange Commission in July 2023 announced a proposed rule that would require financial advisors to take certain steps to address potential conflicts of interest in the AI models they are using. https://www.sec.gov/news/press-release/2023-140

IMPACT ON WEALTH PLANNING

As we look toward 2024 and beyond, we anticipate that AI will have a profound impact on wealth planning and will elevate, rather than diminish, the role of the wealth advisor. In this section we offer our perspective on how AI will change the way families make decisions about their wealth and design their estate plans. There are three principal benefits of AI technology for wealth planning that we expect to see come to fruition in coming years:

Advice Powered by Predictive Analytics. Advisors will use AI to review and analyze a large number of client documents from multiple family members and business interests (trust documents, financial statements, real estate leases and tax filings) as well as data attributes (the client's goals, geographic location, number of children, spending habits) to create a holistic, multi-dimensional client profile. AI models will have the ability to benchmark that client profile against other similar clients based on data pooled from thousands of client interactions, and this benchmarking will generate previously unachievable predictive insights and innovative wealth planning solutions. These insights will help clients implement strategies that, based on predictive outcomes, help reduce the likelihood of family conflict in future generations.

There is more to client service than leveraging AI to generate the right analytical answer.

Enhancing the Client Experience. AI models will monitor the client's journey and life events, modifying the client's wealth plan and delivering insights at the moment when the client's need is greatest. For example, when a charity is founded in the client's hometown with a mission that aligns with the client's values, the AI model will alert the advisor to schedule a meeting to discuss philanthropic strategies with the client. Algorithms powered by AI will allow advisors to detect when a client is unsatisfied with their service and alert the advisor to revisit conversations with the client to better understand their needs.

Financial reporting capabilities will also be enhanced by AI. Reports will aggregate all of the client's assets, such as stocks, real estate and private business investments, and run financial scenarios based on a combination of variables — for example, a downturn in the Southern California residential real estate market, plus estate tax changes, plus the client's recent marriage, plus the client's projected business growth of 8% next year.

Finally, advisor communication with clients, and the content that they provide to them, will become hyper-personalized — a firm's chief investment officer, for example, could have their AI "avatar" record a video for a client to walk them through their quarterly investment performance, incorporating relevant industry insights and events.

The Evolution of Financial Education. Educational resources available to clients and their children on wealth planning topics will be guided by the client's advisor and powered by AI models that can synthesize relevant information from vast pools of knowledge. For example, an advisor will be able to ask a large language model to "create a lesson on venture capital investing for my client's 14-year-old son" or "produce a detailed report on the amusement park industry" or "tell me what wealth planning topics are most relevant to a 30-year-old tech entrepreneur who lives in New York."

> Nearly everyone has the opportunity to begin familiarizing themselves with AI now.

Where , then, does AI leave room for the human advisor? Although AI will significantly increase the quality of wealth planning advice delivered to clients, the role of the advisor in this process is critical. There is more to client service than leveraging AI to generate the right analytical answer. It falls to the advisor, for example, to foster consensus among the client's family and implement these ideas. The advisor's understanding of the nuances of family dynamics, personalities and emotions, as well as the family's history and long-term vision, are fundamental to designing the most effective wealth plan. Further, this plan should take into account the perspectives and aspirations of younger generations, and AI in its current state, with its data sets based on historical facts, tends to be intrinsically biased toward older generations and ideologies.

While AI will be impactful in estate planning analysis, trustee decision-making requires human judgment based on decades of experience, an understanding of the moral and ethical implications of choices, and respect for the trustee's fiduciary duties toward beneficiaries. For example, the decision of an AI model to distribute a certain amount of funds from a trust still requires the experience of a human to determine whether the distribution is in line with the grantor's intent.

Most importantly, the human advisor is necessary to provide guardrails to protect against the potential risks of relying solely on AI, including bias, bad information and lack of transparency, and also to instill in clients a trust in the solutions that AI, with the guidance of the human advisor, ultimately generates.

ACTION ITEMS

Be an Early Adopter. Nearly everyone has the opportunity to begin familiarizing themselves with AI now. Consider using a chat-based AI tool such as Google's Bard to write the first draft of your family's mission statement. For business owners, start small with a few pilot projects, such as using AI to help write employee performance reviews or job descriptions. Emphasize in your company culture that everyone should give thought to how AI can enhance their role or department, and practice "reverse mentoring" by tasking junior members on your team with training more senior staff on how to use AI.

Memorialize Your Wealth Intent. As more decision-making will be placed in the hands of AI models in coming years, it is important to reflect on and memorialize the purpose behind your wealth and who should inherit it. A statement of wealth transfer intent or a letter of wishes provides guidance to future generations and advisors (and AI models) of the "why" behind your wealth plan.

Perform Due Diligence. "Do they have experience with AI?" should be a question that business owners incorporate into not only hiring decisions, but also evaluating vendors, acquiring new businesses and building their boards. The question is not simply regarding technological expertise in AI, but the ability and willingness to use AI to unlock new ideas. Business owners would be wise to ask this question of their advisors as well. The more efficient advisors are at utilizing AI to streamline administrative tasks, the more time they can devote to serving their clients.

Prioritize Cybersecurity. Remember that when you upload sensitive information to public AI sites, that information is no longer private. The AI vendor will have access to all of the data you upload, and they may use your data for a variety of purposes, such as improving the AI model's performance or developing new products and services. However, there are alternatives to consider. Businesses can configure their queries for large language models in such a way that the large language model responds to the queries but does not learn from the businesses' private data, and therefore does not save this data. Or, businesses could build their own large language model, host it within their own data center, and use the model to learn from their own business' private data.

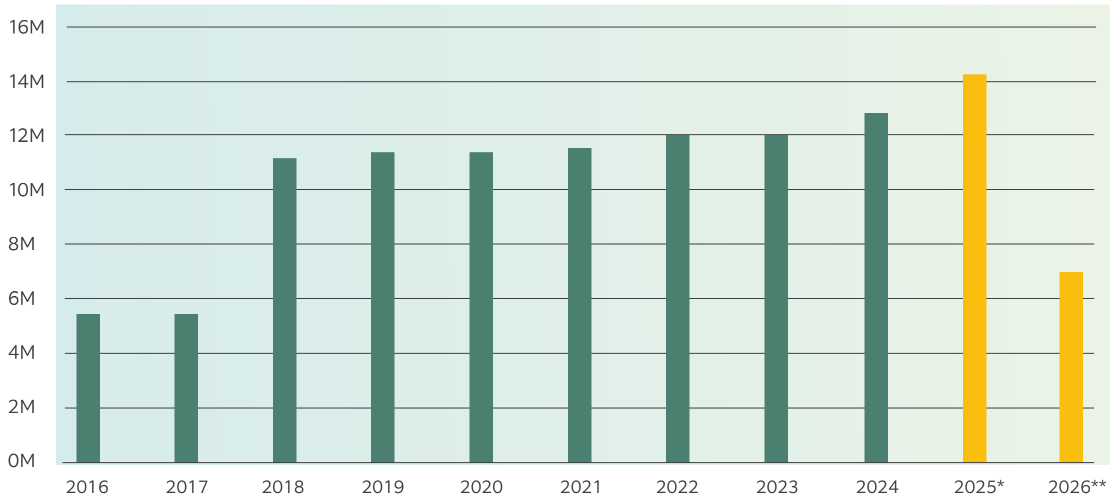
RETHINK PLANNING: LEARN FROM THE PAST

In a shifting tax landscape, recent history shows that preparing in advance to model your plan is critical to achieving desired outcomes and avoiding missteps.

In uncertain times, it is far better to assess the current landscape and make informed decisions within the construct of a flexible plan rather than attempt to anticipate how and when Congress will change tax law. Thoughtful tax planning will be critical in 2024, when several factors, including a presidential and congressional election and a brewing debt ceiling battle, heighten the uncertainty.

Of paramount importance to planning is the sunsetting provision in the estate, gift and GST tax exemption amounts. These exemptions have recently been at an all-time high but, barring action by Congress, are scheduled to revert to pre-2017 levels at the end of 2025.

PREPARE FOR SUNSETTING ESTATE, GIFT AND GST TAX EXEMPTIONS



* Estimated based on projected inflation adjustments.

** Estimated, scheduled to revert to $5,000,000 indexed for inflation from the year 2011

Estate, gift and GST tax exemptions have fluctuated significantly in recent years. These exemptions are subject to change by Congress, and inflation adjustments for 2025 and 2026 are estimates.

Taxpayers have faced the prospect of dramatic increases or reductions of exclusion amounts before. In 2010, Congress's failure to act allowed a sunset of the estate, gift and GST tax to take effect for one year. And in 2012 the exemption was scheduled to decrease from more than $5 million to $1 million before Congress took action at the 11th hour to preserve the $5 million amount.

In those years, we observed that some families felt pressured to act precipitously in order to avoid "losing" a tax benefit. In fact, many acted at the end of the year in anticipation of tax law changes — often without the opportunity to fully evaluate how the transfer would impact their beneficiaries and themselves. In some cases, this rushed planning led to significant mistakes.

THE HIGH COST OF RUSHED PLANNING

- A business owner acted quickly to complete a gift to an irrevocable trust for her children before tax law changed and gave away a large portion of her liquid assets instead of harder-to-value business assets, which would have required an appraisal. This ultimately left her with insufficient liquidity to support her lifestyle. In the years that followed, she regretted that she had not acted earlier, completed the appraisal and retained a power to substitute stock in her business for the liquid assets.
- Married entrepreneurs used an estate freeze technique to transfer the potential future growth in the wife's company stock to trusts for their minor children. Following, the company saw spectacular growth in value — and the trusts soon had far more wealth than the couple had retained for themselves. They regretted that they had not acted earlier to model alternative tools, such as a cap on the beneficiaries' interests, or making the gift through a spousal lifetime access trust with the husband named as beneficiary, so that they did not lose access to the funds.
- A retiree with no creditor risk transferred the funds he planned to spend in retirement to a self-settled asset protection trust at the end of 2010. He was assured by his advisors that he would retain access to the funds. He did not realize, though, that he would have to submit requests to a committee for approval (the only way he could be a beneficiary of such a trust), or that the committee (which included his adult children) would be concerned that making consistent distributions to him for his living expenses would undo the asset protection planning. In hindsight, he regretted not considering structuring the gift differently. He could have, for instance, gifted his children interests in the family vacation home, which would not have impacted his planned retirement resources.

The one certainty regarding both families and taxes is that they will change.

Transferring appreciation out of your name during your lifetime can yield considerable tax savings but should be done thoughtfully. Based on our experience, we recommend a goals-driven approach. Use your goals as a guide to evaluate both your financial decisions and your tax planning gifts. Take the time to assess how potential changes in investment performance, family dynamics and tax rules will impact the anticipated results, rather than focusing only on tax efficiency. Goals-based planning is even more important in an atmosphere of uncertainty.

ACTION ITEMS

Start Now. Begin planning for any wealth transfer well ahead of the expected 2026 reduction in estate tax, gift tax and GST exemption amounts. Avoid making rushed decisions at the last minute, when there is insufficient time for a complete analysis. Remember that lawyers, accountants, appraisers and other professionals who can help you analyze your options will also be under time pressures and that starting early can reduce that pressure. Advance planning can help avoid problems like the business owner in the first case study faced, where they, regrettably, transferred liquidity due to insufficient time for an appraisal of closely held stock.

Stress Test Your Plan. Work with your advisors to model your plan and ensure you understand the ramifications if the market over- or underperforms expectations, or there is a material change to your financial or family circumstances. A stress test models the amounts transferred — when and to whom — under varying financial scenarios and will help you answer the following questions: How will your plan be impacted if the market behaves unexpectedly? Will you be left with insufficient assets for your lifestyle needs? Will your beneficiaries have more assets than you are comfortable with, or have them sooner than you expect? Should you consider caps on the amounts to specific beneficiaries?

Had they performed a stress test, the married entrepreneurs in the second case study may have realized sooner that they gave away more than they intended, and the retiree in the third case study could have better understood that he chose the wrong assets for his gift.

Remember the Bigger Picture. Evaluate any proposed transfer against all of your financial goals. Is this a gift that you would make regardless of tax rules? Will the design of the gift meet your objectives? What are the potential impacts — not just on your tax bill, but also on your liquidity and progress toward your financial goals for yourself and your beneficiaries? Do you understand how the transfer will impact the assets you have access to and what will be needed to access them? This process could have helped the retiree in the third case study evaluate his desire for gifting against his retirement plans.

Add Flexibility. Build flexibility into trusts and other transfer vehicles. This includes retaining the right to substitute trust assets from the trust, capping the amount transferred to beneficiaries, and the ability to make distributions to spouses if needed. Professional advisors can use modern trust provisions to draft trusts with more flexibility than in the past. The one certainty regarding both families and taxes is that they will change. Flexible plans can help avoid the costs associated with modifying the trust and contemplate how provisions will work in practice.

RETHINK LEGACY: THE GREATER MEANING OF WEALTH

Today's wealth creators have powerful new vehicles to transfer values and broader commitments to the well-being of beneficiaries as well as financial wealth.

WHAT DO YOU WANT YOUR LEGACY TO BE?

This age-old question sits squarely at the core of wealth transfer planning. And as we stand at the brink of the greatest generational wealth transfer in history, a growing number of people are not satisfied with a traditional financial legacy as the sole or even primary focus of their strategy. We are seeing a paradigm shift in how clients think about wealth planning. Increasingly, we see wealth creators seek to transfer intangible benefits alongside their wealth — their values, their relationships, and their commitments to business, employees and communities.

For business owners, few go through the hard work, risk and sacrifice of starting a business without hoping it will endure. But the definition of corporate responsibility has broadened beyond Milton Friedman's singular focus on maximizing shareholder value to encompassing a duty to employees, customers and communities. Coupled with the impetus of the great wealth transfer, state statutes are being modified to permit purpose trusts, benefit corporations and other solutions that allow families to balance the amount given to the next generation with a broader purpose to support these constituencies.

In addition, as life expectancies steadily increase, many are looking at the age of a typical inheritance and opting to fund their family's shared purpose during their lifetime rather than upon death. For example, in his recent best-selling book *Die With Zero*, Bill Perkins cites a Federal Reserve study revealing that traditionally the "inheritance receipt" peaks at approximately age 60, since the most common life span is 80 and the most common age gap between parents and children is 20 years. He advocates giving earlier in life to fund shared experiences, such as philanthropic giving, so that you as the donor are still healthy enough to see the benefits of your gifts to your beneficiaries, and to create priceless memories while you are young enough to participate.

For those who are making these lifetime gifts and seek to transfer purpose alongside their wealth, several new planning strategies have emerged to facilitate a more collaborative transfer and create new kinds of legacies. When gifting to family members, this may involve designing new trusts intended to provide beneficiaries with an incentive to be active participants, rather than treating them as passive recipients of wealth. When transferring wealth to charity or employees, it may involve using new vehicles to support the purpose, or new ways of using traditional vehicles that require more input from each generation. We anticipate that in the years ahead this trend of providing your children a meaningful legacy beyond a financial inheritance will be supported by further evolution of trust laws through legislation and practice.

The following strategies for realizing these values share a common feature: to transfer both wealth and well-being to family members during the donor's lifetime. Instead of being driven by fear that wealth will have a negative impact on their beneficiaries, wealth creators are increasingly focused on promoting a positive relationship between family wealth, family members and the broader community to create an enduring, multifaceted legacy.

A purpose trust allows families to focus a trust on a specific goal rather than on a specific beneficiary.

ACTION ITEMS

Consider a Purpose Trust. Business owners who desire to retire, but wish to see their ventures continue to operate with attention and values that extend beyond profit-making, may benefit from gifting or selling the business to a purpose trust.[5] A purpose trust allows families to focus a trust on a specific goal rather than on a specific beneficiary. With a purpose trust, the benefits of the business could succeed to its employees or a charity in place of, or in addition to, family members, for the purpose of keeping the business intact, subject to the control of an advisory committee and trustee. The concept of purpose trusts is not new, but has only recently evolved as a new form of business succession, with Oregon becoming the first to adopt a purpose trust statute that specifically contemplates holding a business.[6] By embracing the idea of the purpose trust, business owners can ensure the continuity of their ventures while upholding the values and commitments that have made them successful.

There are a variety of techniques for transferring a business to a purpose trust that need to be carefully tailored to your personal situation in light of a variety of tax and regulatory concerns, so expert legal and tax advice is necessary. If the transaction is done by a sale, it can be structured so that the owner receives a stream

[5] The Changing Landscape of Business Succession. How and Why Purpose Trusts Matter. July 14, 2023. Prof. Susan Gary, University of Oregon Law School.
[6] Or Rev Stat. §130.193 (2021).

Finding consensus on charitable intent provides families a framework for discussing matters that are both personally important and socially impactful.

of payments over time. A recent example is the transfer of The Organically Grown Company to a purpose trust. As the founders of the company reached retirement age, they wanted the ability to sell their shares in the company to fund their retirement. They also sought to ensure that the company's purpose would be continued after the sale. The use of a purpose trust provided a way to meet both of these goals.[7]

Consider a Benefit Corporation. Benefit corporations offer a different way to organize a business around dual goals of profitability and social benefit, by permitting some portion of the company's profits to be channeled into efforts that are focused on values other than maximizing profit for the shareholders. They stand in between traditional for-profit and not-for-profit corporations, with legal requirements to provide a social benefit, while also maintaining a fiduciary responsibility to shareholders. A benefit corporation can be used with a purpose trust or as a stand-alone entity to bridge the gap between preserving a family business and pursuing the family's interest in social or community purposes by making a commitment to continue that work into the future.

Inspire the Next Generation with an Entrepreneur's Trust. As an alternative to traditional trusts designed to protect beneficiaries from losing their inheritance — but which often shield beneficiaries from critical learning opportunities — you can design your trust as an "entrepreneur's trust." This design seeks to empower and inspire the next generation to become responsible and engaged stewards of a family's wealth and business holdings. Entrepreneur's trusts provide opportunities for trust beneficiaries to try their hands at investing in new private business ventures, practice their entrepreneurial skills and learn from their successes, as well as their failures, under the guidance of a professional trustee.

[7] See Gary, supra, for an in depth discussion of Organically Grown Company and other companies transferred into purpose trusts.

For example, an entrepreneur's trust may make distributions specifically to fund financial education, give beneficiaries active roles in trust decision-making, provide opportunities for the trustee to make loans in lieu of distributions, and/or authorize the trustee to invest trust assets in one or more "entrepreneurial investments," even if such business is new, untried or speculative. An entrepreneur's trust allows the wealth creator to witness the next generation prepare to be wealth creators themselves, learn from failure and grow more confident, while still achieving the tax and liability benefits of a traditional trust.

Embrace New Opportunities in Shared Philanthropy. Often, family members from different generations and upbringings tend to approach issues, including philanthropy, from their own unique perspectives. However, families who take the time to identify the beliefs and attitudes that they have in common often discover that they can agree on a set of core values and goals that unite them. For participants, whether the first generation spearheading the effort or the rising generation, it is often a powerful experience to meet as a family and discover the work you choose to do together. Finding consensus on charitable intent provides families a framework for discussing matters that are both personally important and socially impactful.

Starting this project while the senior generation can participate may also build the connections and processes that will foster the continuation of those relationships even after the matriarch or patriarch is no longer the leader. Traditional philanthropic vehicles, such as private foundations and donor advised funds, now often include governance provisions that help identify and preserve these core values, while incorporating desired flexibility for each succeeding generation.

Some philanthropic families are giving up the tax deduction associated with gifting to traditional 501 (c) (3) organizations by choosing instead to fund a 501 (c) (4) social welfare organization in order to have more flexibility to address root causes. Unlike a 501 (c) (3) organization, social welfare organizations are able to engage in lobbying, be directly involved in politics and benefit private individuals. Their popularity among donors increased after 2015, when the PATH Act made it clear that gifts to social welfare organizations would not be subject to federal gift tax. Recently, several notable wealthy families, including those of Ray Dalio, founder of the world's largest hedge fund, and Patagonia founder Yvon Chouinard made headlines when they donated a substantial portion of their companies to a social welfare organization. Although such gifts are not income tax deductible, social welfare organizations do not pay income tax and avoid any capital gains on any sale. Gifts to social welfare organizations are a unique way to further the family's plans to remain active in policy as well as preserve the family's charitable legacy for many years to come.

Recently, several notable wealthy families made headlines when they donated a substantial portion of their companies to a social welfare organization.

CONCLUSION

Radical technological shifts. Political volatility. Evolving social mores. In times of significant change, it is easy to become paralyzed by uncertainty and indecision, particularly amid unceasing, often reactionary headlines and speculation. As we have sought to illustrate in *Rethink Tomorrow,* however, such changes are inevitably accompanied by new opportunities, new vehicles to embrace them and, most importantly, the chance to rethink our values, question long-held assumptions and plan accordingly.

By maintaining an open mind, preparing in advance for an array of outcomes and taking steps to refine closely held beliefs over time, it is not only possible, but likely, to emerge with stronger, more evolved plans built to adapt in the face of change and achieve an optimistic new vision for the future.

ABOUT THE NORTHERN TRUST INSTITUTE

The Northern Trust Institute is a research center dedicated to providing affluent families with actionable insights grounded in real-world outcomes. More than 175 experts collaborate to analyze behavioral patterns, identify proven strategies and cultivate feedback, bringing the breadth of our firm's expertise to each situation.

ABOUT NORTHERN TRUST

Northern Trust collaborates with clients and their advisors to offer holistic wealth management services for individuals and families, privately held businesses, family offices, and foundations and endowments. We are recognized for innovative technology, service excellence and depth of expertise across all aspects of financial planning, including wealth transfer, banking, insurance, investments, tax management, philanthropy, family communication and more.

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