Wealth

Truist Purple Paper℠

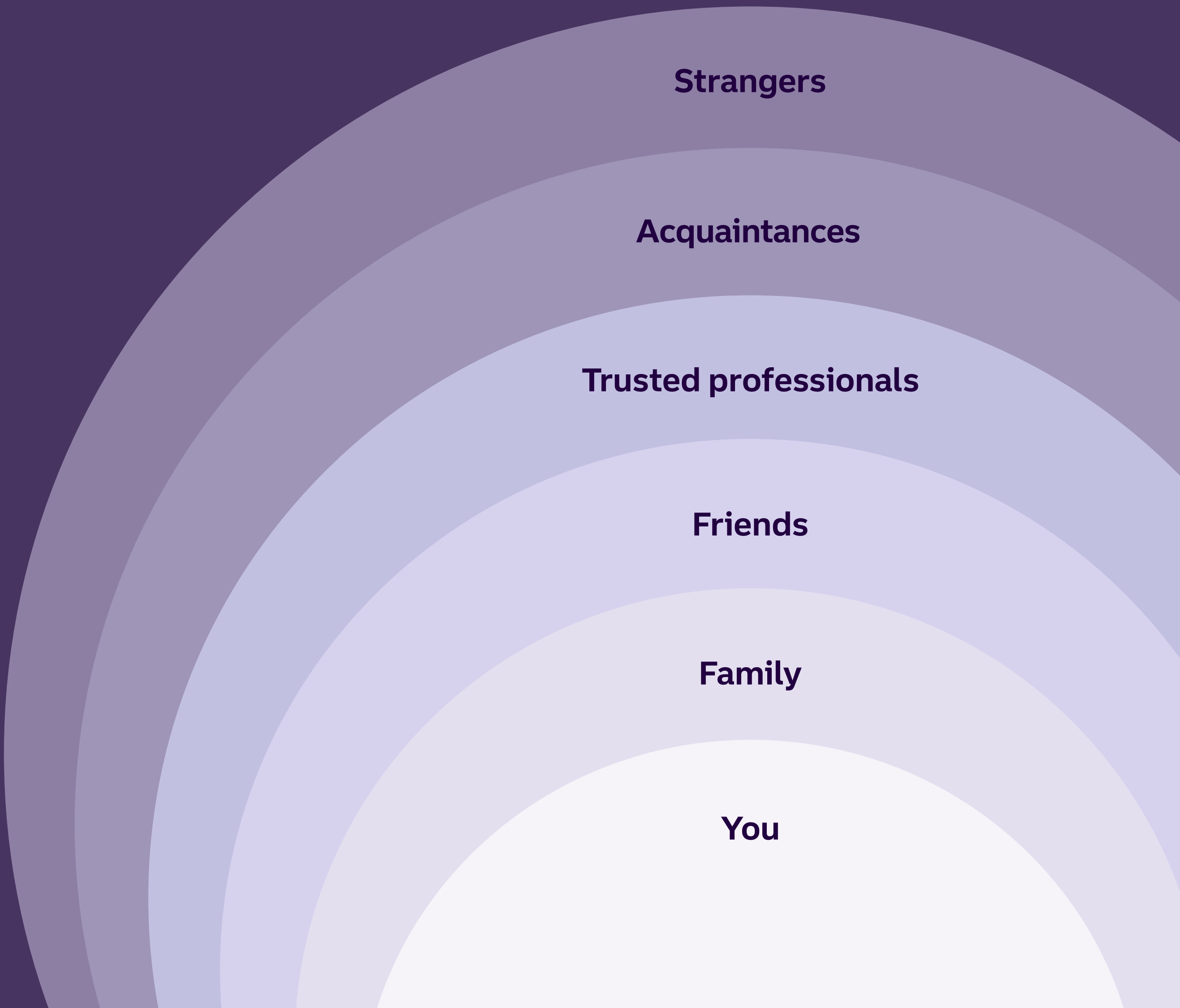
The impact of purpose

Connecting your financial plan to the "why" of your life

The new prosperity:

Adding meaning to your portfolio

The pandemic changed how we view our lives and our legacies. We have a new appreciation for our family, friends, and co-workers. We learned to cope with the stress of uncertainty and isolation and looked for new ways to achieve fulfillment. We spent more time looking inward to consider our values and the contribution we want to make—our purpose.



In recent years the lines have blurred between our personal and work lives. For many of us, the line is also blurring between our investments and our personal beliefs—where we choose to invest our assets is becoming an extension of what we want for our families and society. We may no longer be keeping careers, work lives, hopes, and money in neat, separate compartments.

What does that mean for you? Consider integrating how you want to live—your aspirations, your values, and your purpose—with a financial plan for building and maintaining your wealth. In this Truist Purple Paper, we share our perspective on trends and solutions for developing a holistic financial plan in which decisions are driven by purpose.

Consider these questions:

- Have you thought about how your purpose will affect your life and your legacy, and have you talked about this with your family?
- How do your investments align with your values?
- How does the ownership structure of your assets reflect your purpose, and is it the best one for your family's circumstances?
- What background about your family and financial education can you provide to your family to improve the chances of a successful legacy?
- What are the potential risks to your wealth, and how can you protect against them?
- How can you engage family members in your philanthropic efforts?

Navigating “The impact of purpose”

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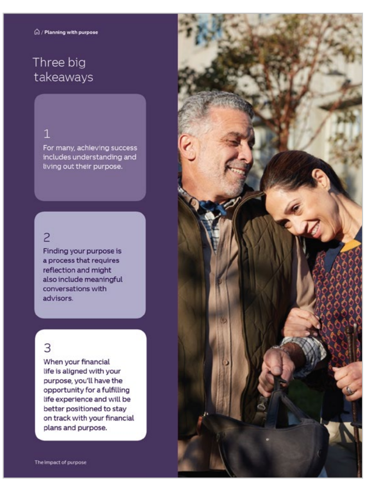
Chapter opener

The beginning of each chapter also includes the table of contents along the side. Just select any chapter heading and it expands to reveal live links to take you directly to the chapter.



Three big takeaways

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Planning with purpose

Raymond and Katherine*, a couple in their early 40s, decided it was time to hire a financial advisor.

A family friend recommended they speak with Alicia*, and at their initial interview Alicia began asking probing questions about their backgrounds and what was important to them. She also walked them through an exercise to discover and discuss their values.

Katherine felt relieved—she thought the conversation would only center on financial products and investments to grow and protect their portfolio, as another advisor they interviewed had done. Katherine had never taken an active role in the couple's money management but now was interested in making sure their investments were consistent with her beliefs centered on environmental issues, social awareness, and corporate governance (also called ESG or socially aware investing). Raymond, meanwhile, believed an advisor should focus almost entirely on asset performance and financial issues.

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Even though Katherine was eager to discuss ESG investing, they both were a bit uncomfortable with the more personal questions that centered on plans for the money that went beyond meeting their immediate needs. Alicia sensed their reluctance and steered the discussion in another direction. After the couple decided to hire her, Alicia spent the next couple of sessions just getting to know them.

Over time, she returned to some of the more probing questions, explaining that by understanding the couple's background and values, they could all work together to align their financial plan and investments with their purpose and help them have a more fulfilling life. The couple decided that although they had never spoken to a financial professional about it before, they would tell Alicia about their son's diagnosis of autism and their extensive involvement with a nonprofit that provides education and support for families affected by it.

Through further conversation, Alicia came to understand that Raymond and Katherine hoped to provide substantial ongoing funding for the nonprofit as part of their estate and for their son to remain engaged with the organization. Using this knowledge, Raymond, Katherine, and Alicia then worked together to align the couple's portfolio and estate plan with what they defined as their purpose. And to further engage Katherine with the couple's money management, Katherine worked with Alicia on an ESG portfolio with a portion of the assets.

When we talk about “purpose,” we’re referring to your personal reason for being. You might feel passionate about many things, and those passions might come and go, but purpose is singular: It’s the unwavering “why” of your life. In other words, what are you trying to achieve? An example of the difference: You might feel passionate about animal welfare, but your purpose—your contribution to the world—is participating in an animal rescue organization. Others might have as their purpose making sure they can have a comfortable retirement. Everyone’s purpose is different.

When you know your “why,” you can organize your life around it so that everything you do is an expression of it. And by living with intention, you’re doing what really matters to you, which leaves you feeling fulfilled and connected to the world.

Finding your purpose isn’t just important for your personal life—it’s also essential for your financial planning. When you know your purpose, you can work with your advisor to develop a financial plan that’s more consistent with your aspirations. You’ll be more likely to stick with your plan knowing that your portfolio, estate plan, and other financial affairs are supporting these goals.

Understanding your purpose is a process. It involves:

- Determining what’s important to you
- Reflecting on your legacy and how you want to be remembered
- Having open, meaningful conversations with advisors

Advisors have several tools to help you uncover your purpose.

These include question-and-answer sessions, exercises for assessing your values, and online assessment programs.

Truist Wealth's Center for Family Legacy, for example, created an online assessment using the widely used research of Brian Hall, Ph.D., a psychologist, and Benjamin Tonna, a sociologist. "What makes this assessment unique," says David Herritt, head of the Center for Family Legacy, "is that it isn't just a list of values that you pick from. It's a real questionnaire, and it asks one question over and over again: 'What statement is most important to me?'"

As you progress through the assessment, the statements are regrouped by level of importance to you. The options become increasingly difficult to choose from as you continue through the assessment.

The result is a values report. "We can use that personal values report to have really deep conversations around why those values are important to you," Herritt explains.

Virtual meetings work, but face-to-face meetings have additional benefits. Face-to-face meetings can provide clearer communication and fewer distractions. You're more able to build trust with your advisor during these important, personal discussions. You'll also have opportunities to work with your advisor to periodically revisit priorities and fine-tune your approach in aligning your financial life with your purpose.

The experience helps bring out issues, goals, and perspectives that are critical to ensuring that what's important to you is aligned with your wealth plan. It also helps your advisor provide guidance that includes all the information you'd want to be comfortable with your plan.

If you haven't found your purpose yet, you aren't alone. But start the conversation with your advisor when you're ready to explore the "why" of your life.

Three big takeaways

1

For many, achieving success includes understanding and living out their purpose.

2

Finding your purpose is a process that requires reflection and might also include meaningful conversations with advisors.

3

When your financial life is aligned with your purpose, you'll have the opportunity for a fulfilling life experience and will be better positioned to stay on track with your financial plans and purpose.

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Including family

Nora and Phillip* are siblings who inherited a successful family business and a large estate from their parents.

As they approached retirement age, Nora and Phillip grew concerned that the family's younger generations wouldn't understand and hold the same values passed on to them by their parents. They also wanted to increase the chances that the business and estate would continue to thrive in the decades to come.

With the help of their advisor, they engaged the entire family—including their adult children, grandchildren, and spouses—in exercises and discussions to understand the family's shared values and history. Nora and Phillip also talked to the family about how their parents founded the business during a difficult time and how their parents' values guided their business practices. Times were tough in those days, they explained, but their parents always paid employees their wages.

After the sessions, family members told the advisor how powerful it was to learn that despite their differences, they shared largely similar values. The exercises and discussions helped them feel more connected to one another and to the family business. They also felt renewed dedication to their values and to living with purpose.

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Successfully planning with purpose isn't just about you, and it isn't just about the money.

It's about living with intention and making an impact, helping you enjoy a more fulfilling life. Even if you're focused today on developing a long-term financial plan, accumulating retirement funds, and preparing for life events such as buying a house or sending your children to college, exploring your values and purpose will help guide your decision-making and keep you on track with your plans.

Involving your family in the journey to live your purpose helps build cohesion. Clear, continual communication about values and purpose sends the message that financial success isn't the only thing bonding the family.

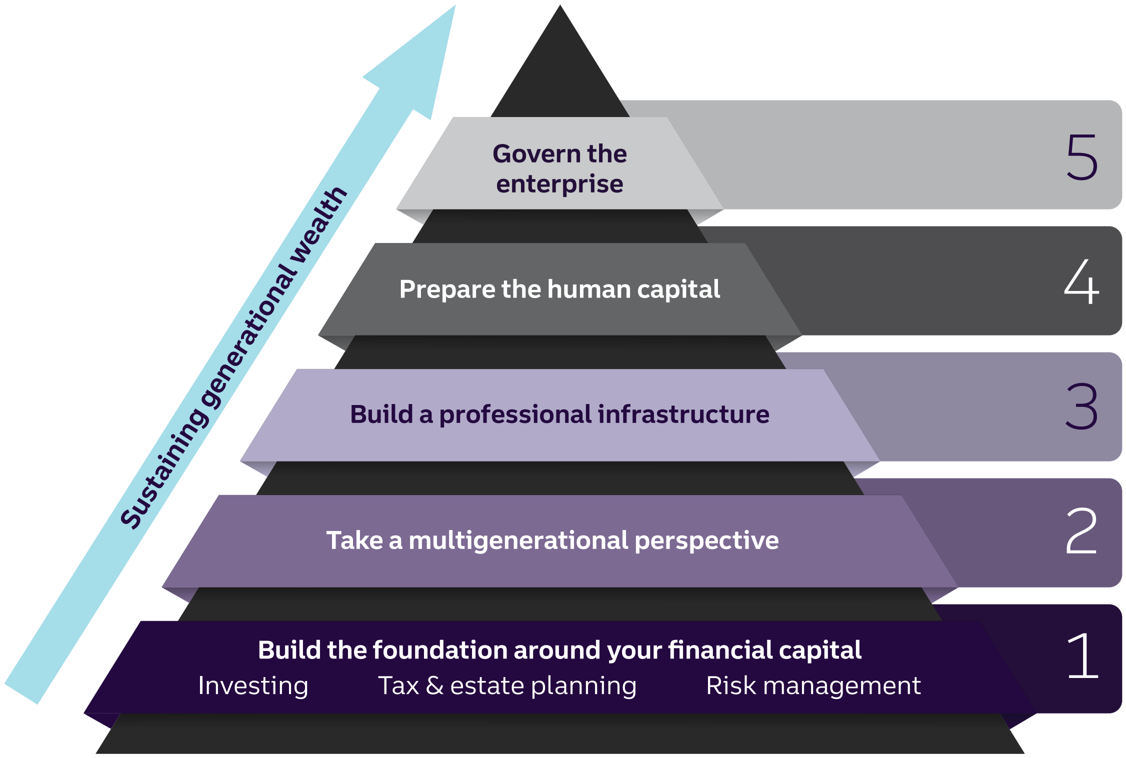
By doing this, you may increase your ability to live your purpose. And the chances of successfully transferring wealth—which, according to research by Roy Williams and Vic Preisser,[1] are as low as 30%—increase. Lack of good communication and trust causes 60% of wealth transfer failures, they say. Meanwhile, reasons more closely related to financial management, such as improper estate planning and subpar investment returns, cause only 3% of the failures.

Besides having discussions of values and purpose with family, don't go it alone when overseeing the family's portfolio. When a couple meets with their advisor, "It's important to make both people feel like they're on a level playing field and feel like they're both contributing to the conversation and to the decisions that are going to affect their life the most," says Rob Miles, managing director of Truist Wealth.

Women are taking a much bigger role in overseeing a couple's assets compared with, say, 20 years ago. Increasingly they want to be engaged in money management. Sometimes, the driving factor is a concern that they'll need to make these decisions alone at some point. Or they might have an interest in investing that's consistent with their views on environmental issues, social awareness, and corporate governance (also called ESG investing)—see the story of Raymond and Katherine in "Planning with purpose."

Couples usually have similar values; even couples who believe they have very different views often are surprised at how aligned they are. That's also true for entire families. But small differences in the importance couples and families place on various values can lead to some of the biggest disagreements—and the biggest opportunities for discussion and further understanding.

The key in this process is to continue communicating with your family and advisor. When life events happen, you can use your values and purpose to guide decisions and keep you on track with your plans.



Sustainability pyramid

Families have multiple forms of capital that require nurturing: human (your family members), financial (what your family owns), and intellectual (what your family knows). Long-term success, where the family is working together for the common good of their family and the community, is the result of having:

- A solid financial foundation
- Strong communication and involvement among the family's generations
- A financial education program to prepare younger generations

5	Family governance is important. Well-prepared heirs are better positioned to govern the enterprise by working cohesively for the common good of the family.
4	Preparing the human capital by providing family members with financial education and exploring their shared values helps them make decisions consistent with advancing the family's mission.
3	Building a professional infrastructure with associated resources (advisors, technology, etc.) and structures works toward ensuring the family's multigenerational continuity.
2	Taking a multigenerational perspective helps ensure that the decisions made are appropriate for the family today as well as for future generations.
1	Sustainable wealth starts with a focus on the family's financial capital. Investing, tax & estate planning, and risk management are all critical for achieving multi-generational success.

[1] Williams, Roy O., and Vic Preisser. Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values. Robert D. Reed Publishers, 2010.

Three big takeaways

1

Involve your spouse or partner and other family members in discussions about values and purpose.

2

Understanding the family's shared values and communicating about them increases the chance of living your purpose.

3

Reinforcing values and purpose through continual communication creates stronger bonds in the family.

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Integrating investments with purpose

Travis* is a 25-year-old software engineer working at a global tech firm.

After receiving an inheritance from an uncle, he realized he now had significant assets and it was time to hire a financial advisor.

They first worked on critical issues related to Travis' desire to buy a home, get married, and start a family. They worked on budgeting and developed goals for retirement, potential education funding for his children, protecting his assets, and other important elements of a comprehensive financial plan.

Travis understood this was important work, and he needed an advisor's help to understand how to build wealth. But what he really enjoyed was talking about his background and what was important to him. At one point Travis' advisor walked him through an exercise to explore his values. What the exercise and further discussions uncovered was how much he cared about global food security.

Armed with this information, Travis and his advisor made long-term plans to help Travis live his purpose. After he became comfortable living within a budget, started investing regularly to help meet his personal financial goals, and was building momentum on his financial plan, he could set up a donor-advised fund that provided annual donations to area food banks. In the meantime, Travis could volunteer at food banks and switch some of his investments to ones that showed a commitment to improving food security.

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To make the impact you want, consider aligning your financial life with your purpose.

After having candid conversations with your financial advisor about your background, values, and purpose, you can begin working to identify appropriate investments, estate plan structure, charitable giving strategies, and financial products.

If this approach doesn't work for you, try thinking of your wealth-building as a series of stages, beginning with establishing good financial habits. That task alone is difficult and requires holding yourself accountable.

After establishing these good habits, you may want to work with your advisor on additional goals, which may include building wealth with purpose in mind, building momentum with your assets, and maximizing wealth. The final stage is planning for a transition of wealth.

The interest in values-based investing has increased over recent years. It's especially relevant for companies that align with your values on environmental issues, social awareness, and corporate governance (also called ESG investing). Although these discussions are valuable for all age groups, people in their 20s, 30s, and 40s appear to be especially interested in ESG investing. And overall, over 75% of clients in various wealth categories have sustainability goals for their assets, according to the 2021 EY Global Wealth Research Report.

Younger generations' interest in social issues and sustainability extends to the operation of family businesses, say advisors at Truist Wealth's Center for Family Legacy. Their concerns range from the materials used in their businesses to company-related philanthropic efforts, the social impact of their businesses, and expanding diversity, equity, and inclusion (DEI) efforts within their companies.

Sometimes these conversations between younger and older generations can be difficult. But they often also bring families closer together.

"Older family members are understanding that to have a deep relationship and be engaged with their children and grandchildren, they need to connect on this level," says Emily Haenselman, director of family education at Truist Wealth's Center for Family Legacy. Often the generations discover that their values are largely the same—the difference may only be in how they prefer to implement those values.

A particularly rewarding aspect of living your purpose through your business is when younger and older family members can see themselves as part of the same legacy. "It's interesting to see the younger generations connecting with older generations around some of the entrepreneurial values," says Bill Lyons, director of governance at the Center for Family Legacy. In one family, a younger family member started a sustainable fashion business. "While the young person had a very different preference around the business they built, both generations were able to connect around their shared entrepreneurial values," he adds.

The essential elements of wealth

Wealth management falls into the categories of planning, banking, risk, investments, estate, fiduciary, philanthropy, governance, and wealth administration. The subject areas are all interrelated—actions in one area can have consequences for other areas. When you understand and live your purpose, you can make decisions in each of the areas based on this purpose to help maximize your impact.

Pl	Planning
Ba	Banking
Ri	Risk
In	Investments
Es	Estate
Fi	Fiduciary
Ph	Philanthropy
Go	Governance
Wa	Wealth administration

Three big takeaways

1

After building good financial habits, putting a financial plan in place, and having open discussions with your advisor about your background, values, and purpose, it's time to align your financial life with your purpose.

2

Many clients today want to discuss doing good with their investments.

3

Through conversations about purpose, people from different generations are discovering that they share many of the same values.

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Structuring your estate

Juliet*, who owns an apparel company, recently saw the sales of her company surge.

The company's earnings previously allowed her to live a comfortable life, but profitability now could increase her income to $500,000 a year.

Juliet realized that she might have outgrown her advisor, so she decided to meet with a new one. After getting to know each other and deciding they were a good fit, they first made some adjustments to her financial plan—changing her asset allocation to better reflect her goals and risk tolerance, for example, and increasing her contributions to the college savings plans for her three young children.

During these discussions, Juliet talked about her desire to use some of the earnings from the clothing line to benefit charity. She also stressed the importance of knowing that her wealth would pass on to her children. The advisor suggested they look over her will, estate plan, and insurance policies to ensure they met her needs.

Juliet then disclosed that she made her will before her children were born and had no estate plan. Her advisor immediately set to work, connecting her with an attorney to update her will and providing her options for charitable trusts and estate structures.

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When advisors meet with you to discuss values and purpose, they're also there to listen to make sure your "what ifs" are covered. People often spend much of their career building their business or come into sudden wealth without considering important issues such as what kind of estates to create and the best ways to make an impact.

Purpose can drive decisions regarding estates, particularly trusts—the legal entities for transferring wealth. You have a lot of options to discuss with your financial team, such as whether you want a trust to be a revocable living trust (you can change the trust during your lifetime) or an irrevocable one (these are less flexible).

Trusts might come into play if your purpose leads you to make a large one-time gift or ongoing contributions. Each choice has implications for your family, how you want to support your selected charities, and taxes. You'll need to discuss these options with your advisor, as well as options for trust funds that consider family circumstances and priorities.

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Not all strategies referenced are available in all states, and some products will be offered through affiliates of Truist Bank (and the products may cost less if purchased from other firms or directly from a provider company).

You can also form trust funds that harmonize with your values. For example, if your children's college education is a primary value, you can structure a trust fund to disburse funds for your children to pay for college. Or if you want to make sure that they focus on making their own contributions to the world, you can have the trust hold on to funds until your children reach a certain age.

Whatever you decide is best for your situation, financial advisors recommend starting the conversations early. Those with estates of more than $12 million for a single person or $24 million or more for a married couple might consider a generation-skipping trust that skips taxation of the assets at the children's death. This helps avoid taxes the estate might need to pay if children directly inherit the trust's assets. "Most people are happy to learn that the trust can be designed to benefit their children if it's needed, and remaining amounts pass on to the grandchildren tax-free at their children's death," says Jacqueline Parks, a wealth strategist at Truist.

Another tool many clients don't know about is a qualified charitable distribution from an IRA. If you're at least 70 ½, you can make a direct donation from your IRA that counts toward your annual required minimum distribution, assuming you follow certain rules. The amount donated can reduce your taxable income.

For some people, doing good with their financial assets is important. If that includes you, work with your advisor to create the charitable giving vehicle and trust structure that will help ensure you're making the impact you want.

For charitable giving, your choices include:

- Direct donation
- Donation of stocks, real estate, or other assets
- Charitable lead trust: Provides funds to a chosen charity for a specified time, then gives the rest to noncharity beneficiaries such as family members
- Charitable remainder trust: Disburses funds to noncharitable beneficiaries for a specified time, then gives the rest to a named charity
- Donor-advised fund: An investment account created within a nonprofit organization, in which you can recommend grants but the nonprofit has final approval
- Private foundation: Often set up in perpetuity as a way for families to do good over many generations

Main benefits of various legal structures for charitable giving:

Donor-advised fund

- Relatively easy and inexpensive to create compared with a private foundation
- Potential to recommend grants (sponsoring organization has final say)
- Funds can grow tax-free
- Ability to give anonymously
- Sponsoring organization handles administrative functions

Private foundation

- Opportunity to create a legacy for future generations
- Ability to give to many organizations and individuals as long as giving is for charitable purposes
- Family can serve as employees or board members
- Complete control over grants
- Net investment income taxed at low rate

Charitable remainder/lead trust

- Potential to eventually pass on assets either to charity or to beneficiaries
- Ability to give anonymously
- Inexpensive to set up

Note: Each vehicle has different tax-deduction benefits that you should discuss with your tax advisor.

Three big takeaways

1

Get clear about your values and make sure your estate plan is up to date, including the impact of any life changes.

2

Determine how and when you'll transfer wealth to beneficiaries to give t hem the greatest chance of success.

3

Implement charitable strategies that can maximize impact on your family and community.

Passing on the family's story

Warren* had always felt out of place in his family.

Instead of going into the family's automotive supply business, he pursued a career in education and was teaching at a local elementary school.

Since he didn't contribute to the family's wealth, Warren declined to actively participate in the family's financial affairs and philanthropy. He attended family functions related to their wealth management and foundation out of a sense of obligation, but he didn't provide input.

Then during a meeting at one of the family's annual retreats, an advisor shared a file showing an extended family tree detailing members' careers going back almost 300 years. Looking through the file, Warren noticed that he wasn't the first teacher in the family—far from it. Almost every generation included an educator.

That's when Warren realized he wasn't an outlier in the family—he was just the next in a long line of teachers. Warren looked over the tree and sought out an uncle at the retreat who was a high school teacher. They hadn't spoken much previously but spent the rest of the weekend sharing experiences.

His uncle mentioned that Warren's great-grandfather not only was an educator but also taught English to employees at the family's manufacturing facilities and was the foundation's first chairman. That piqued Warren's interest. He left the retreat energized and called the advisor to ask more about the foundation.

Soon after, Warren attended a meeting of the family's foundation and contributed several ideas, became much more engaged in sessions, and asked for an ongoing role in the foundation's management. He also led the company to form a partnership with a local community college to help workers obtain their associate degrees.

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Preparing the "human capital" (as opposed to financial capital and intellectual capital) is vital in ensuring that your purpose is part of your legacy. When family members understand their family's history and the bonds they share with previous generations, they're more likely to embrace their role in a family's philanthropic efforts and wealth management.

Including the family's youngest generations in efforts to continue the family's legacy and purpose will help them appreciate:

- The challenges previous generations met in creating the family's financial capital
- How this helped shape the family's values related to money

Truist Wealth's Center for Family Legacy employs a software program that aggregates the results of values exercises from family members to produce a shared values report.

"We then use that shared values report to find the ones that are most important and develop good storytelling around that," says David Herritt, head of the Center for Family Legacy. "We use that as a springboard for creating a purpose statement and then creating various mission statements that will allow the family to execute on their financial capital."

Family trees provide a fuller look at family histories

Family trees are a way to bring family histories to life by allowing you to connect members of different generations based on their careers, medical history, or other factors. This can be a powerful tool to help family members understand the bonds they share with previous generations and prepare them for their role in a family's philanthropic efforts and wealth management.

This process of preparing the human capital in your family isn't just about passing on the family history.

Education about financial topics can help empower family members to make decisions and work effectively with financial advisors. A foundation of knowledge about investing, taxes, budgeting, and other topics can help succeeding generations:

- Be responsible caretakers of their wealth
- Cope effectively with unexpected events affecting their financial capital
- Improve communication throughout the family regarding financial affairs

If you don't teach family members about shared values, living with purpose, and financial topics, harmful habits can seep into the family's financial foundation. Truist advisors, for example, mention that parents' overspending on their adult children is a common problem.

"We have instances where adult children haven't learned to be self-sufficient and they're asking Mom and Dad for money," says William Taylor, a financial advisor at Truist, "and we tell the parents that if they want to accomplish their goals, they have to take care of themselves first. It's hard to say no to loved ones," but parents need to teach their children the importance of financial independence.

The Center for Family Legacy believes it's important to provide extensive education to families. That's why the Center has a team of professional educators with diverse backgrounds and areas of expertise that includes former schoolteachers, lifelong adult-education providers, attorneys, a CPA, and a certified life coach.

This education, along with understanding the family's story and shared values, contributes to strengthening family bonds. If all the family members can understand their strengths, opportunities for improvement, and roles in the family's oversight of wealth, they will be better positioned to use their financial capital to carry out their purpose.

On an individual level, financial education helps you stay committed to your financial plan. During bear markets, for example, if you understand market history and the rules of successful investing, you would likely view these times as opportunities to build wealth.

Take advantage of seminars offered by financial education providers. Make sure you understand what you own, why you own it, and whether each investment is aligned with your risk profile and goals.

It can be difficult to assess the quality of information on the internet and in the financial media, so ask your advisor for publications, books, and resources.

Three big takeaways

1

When family members understand the bonds they share with previous generations, they're more likely to embrace their role in a family's legacy and wealth management.

2

In building a shared sense of purpose, all family members should go through values exercises together to understand what they have in common.

3

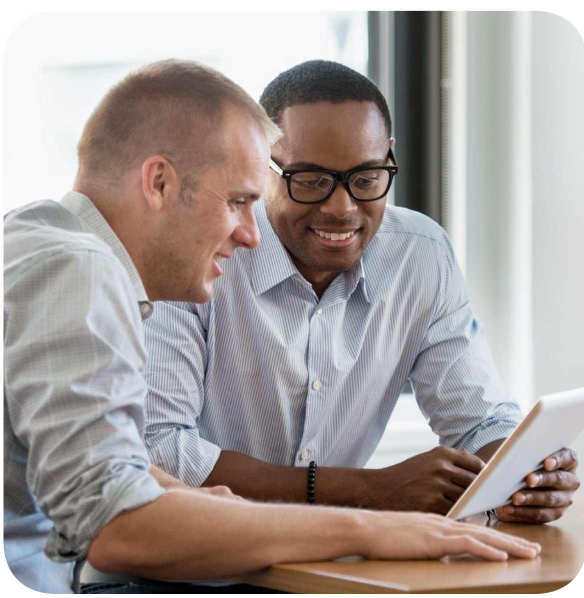
Financial education is critical to staying on course with financial goals and being able to live your purpose.

Understanding the elements of risk

Over two decades, Terrance* had steadily built a successful career in medical supply sales.

He had always handled his own financial affairs but decided it was time to hire a financial advisor.

When the advisor, Mike*, looked over Terrance's assets, one holding in particular stuck out. Over the years Terrance acquired a lot of company stock, and during this time the share price grew an average of 15% annually. In fact, the value of his shares had grown so much that it became a big part of his wealth and accounted for over half his stock holdings.



Mike also noticed that Terrance had a lot of cash on hand. Terrance explained that he sold many of his stocks and funds when the pandemic began and markets were extremely volatile, but he continued to hold on to all his company stock because of how well it performed and out of a sense of loyalty. Meanwhile, he had been too busy over the past few years to rebuild his portfolio.

The advisor explained that despite the stock's excellent history, if the company's fortunes declined, he would stand to lose a major portion of his wealth. Terrance needed to diversify his holdings to reduce his risk. He was also holding way too much cash to meet his long-term goals.

Terrance and the advisor got to work on developing a balanced portfolio. To inform their discussions, they talked at length about Terrance's values and the impact he wanted to make with his wealth. Then they crafted a portfolio that provided potential growth and reduced overall risk. They also got the conversation started on a long-term plan to meet Terrance's philanthropic goals.

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If you've dedicated yourself to living your purpose, your ability to make the impact you want will be at risk if you don't understand how your personal wealth can be affected by the unexpected. Many people who have worked hard to achieve great success in their careers have paid too little attention to protecting their families' financial futures.

With wealth comes potential risks that include:

- Attracting attention from criminals
- Being the "deep pockets" sought by plaintiffs, including family members, in a lawsuit
- Not updating your plan after major life events (death, divorce, disability)
- Having an estate plan that doesn't achieve what you want
- Not meeting your goals for the succession of your business or wealth

One of the first steps is to review potential insurance coverage with your financial teams. Make sure your coverage for home and auto insurance is adequate and sufficiently protects you against liability.

"When you have wealth, you might become a target," says Jacqueline Parks, a Truist wealth strategist. She suggests considering an umbrella insurance policy that provides personal liability coverage above what a typical homeowners or auto policy handles. Umbrella policies also might cover liability against libel claims, and you can often attach a rider to the umbrella policy to cover different types of claims.

Investments also have risks that vary depending on the type of asset. Sometimes investments don't work out the way you'd hoped, causing your portfolio to drift off course so that you aren't achieving the desired return to meet your financial goals. The reasons could be related to short-term

All insurance guarantees are subject to the claims paying ability of the issuing insurance company. Features and benefits may vary and may not be available in all states and markets.

issues, such as a group of stocks temporarily falling out of favor with investors, or they could be more long term in nature.

Your advisor can help you distinguish between temporary, short-term problems where you're better off staying the course and long-term ones that might require adjustments to your portfolio. Your advisor also can discuss how you're blending various types of investments to manage this portfolio risk.

Many financial advisors employ a Monte Carlo simulation of potential returns to help you achieve a suitable mix of investments. Monte Carlo analysis tries to account for the impact of uncertainty in investment returns to estimate the probability of success in reaching your goals based on your investment mix. Of course, there are no guarantees of returns—every investment has risk.

How you respond when your portfolio's value has decreased can have major implications for your portfolio in the long term. If funding your retirement is your main concern, responding incorrectly to volatility can affect your ability to live how you want during those years.

But when you understand your goals and your purpose, you can let your goals and purpose guide decisions that have long-term implications. And knowing where you want to go in the long term can help you cope with volatility in the short term.

Monte Carlo method

The Monte Carlo method, named after the casino in Monaco, was invented during World War II to improve decision-making when there's an element of chance. Financial advisors use it to determine the likelihood of various outcomes based on the investment strategy.

Monte Carlo method

This is the result of a hypothetical Monte Carlo simulation for Janet, who is planning to retire in 2025, 2030, or 2035. The percentages illustrate the probability of success from a series of simulations using randomly generated market returns and volatility.

The projections or other information generated by Monte Carlo simulations regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.

Three big takeaways

1

To make the impact you want, you need to understand the risks to your personal wealth.

2

Talk to your advisor about the best way to manage risk in your portfolio while making the impact you want.

3

Making sure you have proper insurance coverage should be an early step in protecting your wealth.

Impacting your community

David and Kimberly*, after selling 50% of their Hollywood special effects company, started thinking about how they could make a significant contribution to the Chicago neighborhood where they grew up.

They decided to create a foundation that would focus on helping children in that neighborhood. They provided some grants to organizations that handed out school supplies, created a need-based scholarship fund in partnership with a local community foundation, and supported a nonprofit that hosts educational, art, and theater programs. Though they had been generous, they weren't sure how much impact they were having with their funds.

They also weren't sure how to involve their family in this effort. When David and Kimberly started the foundation, they didn't involve their children, Gregory and Valerie*, in its operations. They also didn't have a role for David's and Kimberly's parents. But with their parents living in Florida and their immediate family based in Los Angeles, the couple were concerned that Gregory and Valerie didn't appreciate the family's values and the impact David and Kimberly wanted to have. Their children were growing up in a very privileged community, went to private schools, took amazing vacations, and had a lifestyle so different from the ones Kimberly and David had growing up. At the recommendation of their advisory team, David and Kimberly invited their parents and Valerie and Gregory to attend one of the foundation's quarterly meetings.

Although these meetings began focused on the foundation, the family involvement blossomed into some additional activities, including regular family meetings and some for-profit investments that helped to further their family's shared mission. The grandparents immediately began asking questions about the foundation's priorities and whether the funds would be better spent on other programs. Kimberly and David were initially surprised at this, but they came to realize that this dialog created opportunities to be more impactful and were a great way to pass on values to their children.

*The scenarios provided and the persons identified within each scenario are not real, but rather are based on actual experiences and are used to illustrate the concerns that investors may experience.

One project that benefited from the involvement of David's and Kimberly's parents involved a beautiful $3 million child care center. David and Kimberly were in discussions to be the lead donors of the center and planned to name the building after their parents. The group of donors thought the center, which would be in one of the most dangerous parts of the neighborhood, was going to have a powerful impact on the community.

But when Kimberly told her mother about it, her mother asked whether they had involved the community in the plan for this child care center. As it turned out, one community leader said at a subsequent community meeting that what they really needed help with was getting certified as home day care centers and navigating the city systems for licensing. In fact, the community had many entrepreneurial leaders who were already running small child care centers out of their homes.

The donors were delighted to learn this. As entrepreneurs themselves, they were happy that instead of spending millions on a new child care center, they could spend a couple hundred thousand dollars and support entrepreneurship from within the community.

As David, Kimberly, and others in the donor group continued to listen to community leaders, they learned that access to healthy foods was one of the greatest challenges facing the neighborhood. So instead of the child care center, the donor group joined with a group of investors to build a grocery store and retail center. In the retail center they also created a social entrepreneurial incubator.

Because David and Kimberly took the time to listen, they were able to exponentially increase their impact and significantly reduce their financial expenditures. Though it took a little longer and took some serious work to be effective collaborators with the different groups involved, they felt a great sense of satisfaction. And in a twist, it was the community that requested the plaza be named after Kimberly's mother, as it was well known that she was the catalyst for this significant new investment in their community.

Inspired by seeing the results of Kimberly's mother speaking up and by the opportunity to help the foundation, Gregory and Valerie had ideas of their own. Their parents were pleased that the normally sleepy meetings for once had lively discussion. After the meeting, David and Kimberly found ongoing roles in the foundation for their parents and children.

Today the quarterly family meetings are divided into three parts: foundation business and philanthropy, family investments and estate planning, and family learning. David and Kimberly's advisory team helps them plan these meetings with a grounding in the foundation's financial and investment updates. They also help design educational content with interactive exercises and outside speakers who help them learn about ways they can make a greater impact.

Some of that content early on was to enhance the financial and fiduciary literacy of the broader family so they could be effective board members. The advisors later brought in community leaders and speakers from other teams at the firm, such as foundations and endowments and diverse asset manager solutions.

David and Kimberly always allocate significant time for discussions about values, purpose, and mission. And it is often at dinner the night before or at lunchtime that family stories are shared to help solidify the legacy that the younger generations will carry on.

Doing some work to be clear about your values, your mission, and involving your family or community advisors often creates a virtuous cycle that has positive impact on both your family and the community.

If your next generation is aware that they'll inherit money and might not feel the urgency to carry on the family's legacy or accept the responsibility of protecting and growing their family's wealth, help them discover their values and find their purpose. Place them in positions to be of service to others and help engage them in making an impact.

When the family can rally around a single cause, the results can be powerful. "I recently worked with a family that was focused on early childhood health," says Bill Lyons, director of governance at Truist Wealth's Center for Family Legacy. "Their passion around that and the way the family came together—motivated to come to meetings, vet grantees, and consider the investments they could make in companies that were addressing early childhood health—was inspiring."

Meetings also can be livelier and more productive when all the family's generations are involved. That's especially the case when family members find out that they share similar values, even if they have different preferences.

"When the family is able to look at those shared values and understand that they can live those values together but have enough flexibility and empathy to allow people to express values differently through preferences, it's exciting," says David Herritt, head of the Center for Family Legacy.

Getting the family's shared values expressed through purpose is one step, but keeping everyone engaged requires showing that you're making the intended impact. To properly measure results, you need to have a clear understanding of your values, purpose, and mission.

Measuring what matters

Recent years have found many philanthropists and social impact investors feeling unsure or disappointed at the impact of their contributions. Many tools and consultants are available to help measure and evaluate social impact. The Center for Family Legacy has found that the best of these tools are only effective if you're clear about your values, mission, and criteria for success. Spending time being clear about these before you make grants or invest in social change strategies will exponentially increase the chance you'll achieve results.

Another important aspect of governing your philanthropy is structuring your giving so that you can achieve what you intended.

You have a range of options, including making a one-time donation, giving appreciated stocks or other assets, setting up a donor-advised fund or a charitable trust, or creating a foundation.

Each option has its own tax benefits, and some are more expensive than others to implement (see "Structuring your estate"). These are some considerations to discuss with your financial advisor to achieve your philanthropic goals.

"We've talked a lot here about philanthropy, but living your purpose is more than operating a charity," says Chris Trokey, managing director of Truist's Sports & Entertainment Specialty Group. "Some people's purpose is about enabling the dreams of individuals close to them. And for others, it's about directly providing employment to help these people live out their own dreams and professional aspirations."

Whatever your purpose is, have a candid discussion with your advisor about the best way to achieve your goals.

	Cash/check	**Charitable remainder/ lead trust**	**Donor-advised fund**	**Private foundation**
Income tax deduction for donations?	100% for qualifying charities	Varies depending on the trust and charity supported	Cash: Up to 60% of donor's adjusted gross income (AGI) Appreciated assets: Up to 30% of AGI	Cash: Up to 30% of donor's adjusted gross income Appreciated assets: Up to 20% of AGI
Tax on investment income?	N/A	Depends on the trust	None	1.39% of net investment income

Three big takeaways

1

To create a lasting impact and communicate shared values, involve your family.

2

When the family shares a passion for a cause and works together, the results can be powerful.

3

Various forms of philanthropy have differing tax benefits.

We're spending more time today thinking about our legacy and the contribution we want to make.

Whether it involves making sure our children will have the resources they need to succeed, donating to charities, or working hands-on to help others, we're realizing the need to connect our values and purpose to our financial life.

We talked about building a financial plan in which decisions are centered on purpose. With purpose driving decisions, you're more likely to stick with your plan and increase the chances of a fulfilling life for you and your family.

Though only you can determine your values and purpose, take this journey with the help of your financial team. They can provide tools and resources to help you understand the legacy you want to leave, walk with you through the process, and provide expertise to help you reach your goals.

Call your advisor to get the conversation started. To find a Truist wealth advisor, go to Truist.com/wealth and select "Find an advisor."

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Other Truist Wealth resources

- Private wealth vs. family wealth: A holistic approach to sustaining generational wealth
- Mission statements for families of wealth: Identify the values and reap the rewards
- The essentials of family governance
- Education: The foundation for a successful life with wealth
- The 25 best practices of multi-generational families

Important information

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