SUMMER 2024

NB PRIVATE WEALTH

Aspire

Winds of Change

Near-term market turbulence could provide opportunities to recalibrate portfolios.

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A Split Screen May Come Together

MARKETS AND POLITICS HAVE LARGELY MOVED INDEPENDENTLY, BUT THAT COULD CHANGE IN THE COMING MONTHS.

This year has been something of a split screen for the country, with the stock market seeing major advances on the strength of the economy and hopes for transformative change, while we have observed heightened political discord and uncertainty around the U.S. presidential election.

It's hard to overstate the unusual nature of recent events, from the assassination attempt on Donald Trump to Joe Biden's unprecedented withdrawal from the race. However, market patterns often "rhyme," and past election cycles suggest that an increase in price volatility should be expected as fall approaches. As Private Wealth CIO Shannon Saccocia notes on page 3, this market turbulence, although potentially nerve-racking, could afford investors openings to recalibrate their asset allocation toward strategic weightings or tilt positioning toward attractive themes. Among the opportunities we see today are in small company stocks, which have benefited from a remarkable rotation in recent weeks. Gregory Spiegel, Portfolio Manager for the Small Cap Team, outlines the case for the asset class on page 8.

Politics remains top-of-mind for many of our clients, and we have sought to address this interest through our *Global Voices* webinar series, whose final session on the U.S. contest takes place on October 17 (talk to your Neuberger Berman team for details). Aspire has also been a vehicle for election-related dialogue, with political consultant Frank Kelly, Founder and Managing Partner of Fulcrum Macro Advisors, outlining the parties' main policy differences (and similarities) on page 25, with a key takeaway being likely continuity even with a change to the Democratic ticket.

Assessing and navigating market risks is only part of our remit, of course. We also look to support clients in caring for the people and pastimes they love. Guiding the next generation toward financial literacy is a crucial task that Sisi Provost, Co-Founder of Succession Advisors and The Education Initiative, covers on page 21. Karin McNair, Senior Estate Planner and Trust Counsel, addresses the ins and outs of estate planning around collecting (page 30), a topic that we know resonates for many readers. Art and community were also a focus

“It’s hard to overstate the unusual nature of recent events, but market patterns often ‘rhyme,’ and past election cycles suggest that an increase in price volatility should be expected as fall approaches.”

of a recent client appreciation evening at MoMA, and you will see photos of the festivities there along with our *Celebration With Service* volunteer activities, starting on page 34.

Finally, Senior Research Analyst Daniel Flax provides an update on generative artificial intelligence in the nearly two years since ChatGPT became a household word. Here at Neuberger Berman, we are more than a little interested in the topic, given what we consider its potential value in supporting our mission. Many of our colleagues across the firm are carefully experimenting to develop and refine AI use cases to build efficiency, generate insights around portfolios, and enhance how we serve clients (see page 20).

We hope you enjoy the latest *Aspire*, and, as always, thank you for your confidence in NB Private Wealth. In the coming months, we will be here for you, providing our views on markets, investments and planning issues, and monitoring ongoing developments in an eventful election year.

Aspire to... LOOK AHEAD

SHANNON L. SACCOCIA, CFA
Chief Investment Officer—Private Wealth

MARKET OUTLOOK

Winds of Change

NEAR-TERM MARKET TURBULENCE COULD PROVIDE OPPORTUNITIES TO RECALIBRATE PORTFOLIOS.

In the first half of the year, the narrative of a steady global economy coupled with the potential for transformative growth generated by a handful of megatrends remained the foundation of market performance. The much-feared and oft-cited long and variable lags of monetary policy and simmering inflation concerns once again proved to be no match for risk assets.

More specifically, U.S. large-cap equities continued their dominance, led by technology and communications services names. While last year's winners were joined by Nvidia in driving the markets higher, there was additional evidence of broadening out, as utilities, energy and financial stocks also posted strong returns. Within the U.S. market, both real estate-related assets and smaller companies generally underperformed, with the latter beset by concerns about higher-for-longer interest rates coupled with fears of a consumer-driven economic slowdown. International and emerging market equities trailed U.S. large caps, but generally posted solid positive returns, excluding Chinese and Brazilian names.

Fixed income investors faced higher yields, and positioning once again mattered, as both shorter-maturity and (interestingly) lower-quality issues saw better returns. Commodities continued to perform as energy and metals were driven higher by demand expectations despite weakness across the agricultural complex.

WAITING FOR CONFIRMATION

Not too long ago, in the early days of the pandemic, monetary and fiscal policy acted as both safety valve and stimulant, but while government spending later remained a tailwind, the Federal Reserve's interest rate hikes acted to slow the momentum. Coming into 2024, many hoped for more accommodation from the central bank after seeing meaningful progress on inflation. Instead, a few hot data releases, combined with a still-strong jobs market, created wariness at the Fed, whose rhetorical emphasis on "data dependency" suggests that the central bank is now taking a more reactive rather than proactive approach to the timing of easing.

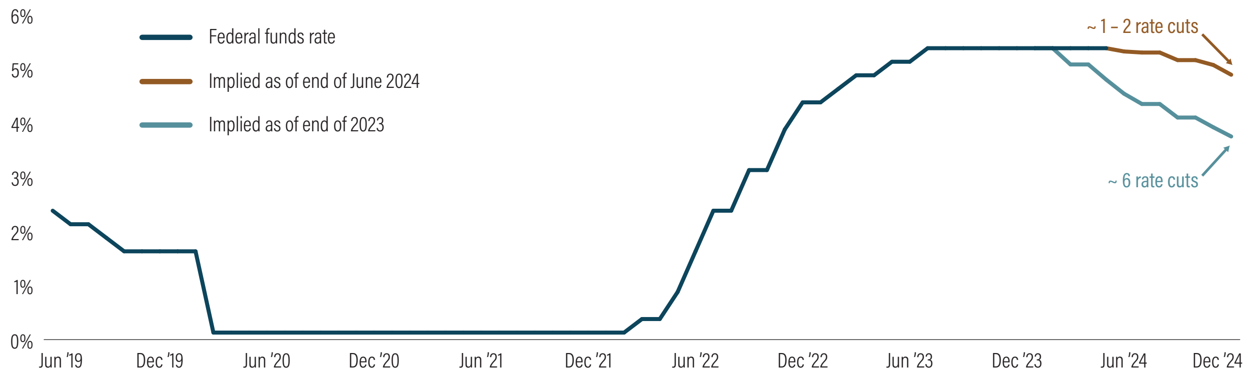
This patience carries risks. Central bankers are often accused of being late to act, whether by raising rates after higher inflation has become entrenched or allowing the economy to slow too much before cutting rates. Clues as to the latter are often found in the labor market, where we are watching for signs that companies have grown more cautious in their hiring.

Admittedly, there have been some shifts. While the unemployment rate sits at 4.1%, weekly nonfarm payroll gains have slipped to 177,000 for the past three months and initial jobless claims have been ticking upward in recent weeks. In addition, confidence about job opportunities is waning, with the "quits rate" falling to 2.2% from 3% two years ago. Job openings, while still elevated, have dropped to just over 8 million from 12 million over the same period.

The normalization of the labor market's supply-demand relationship is, on balance, a positive. However, the risk for the Fed has always been two-sided, and our view is that despite recent concerns around prices, the real threat to the delivery of a soft landing may be that the central bank will act too late. While we are still not convinced that will happen, we are contemplating how it might affect the investment landscape.

MARKETS STILL EXPECT RATE CUTS—BUT FEWER THAN ONCE HOPED

Federal Funds Rate, Actual and Implied



Source: Bloomberg. As of June 30, 2024. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

BRING ON THE BALLOTS

Given the strong markets, you might have thought that Joe Biden would be a favorite for reelection. However, Wall Street is not Main Street and the president's approval rating was already well underwater before worries over his age and acuity forced him to withdraw from the presidential race. Despite rising asset values and job availability, consumers are fatigued by continued high prices and interest rates. Even more telling, over half of the country believes the U.S. *is currently in a recession,*[1] which, while clearly not the case, is perhaps not surprising given the pressures on lower-income consumers.

Lately, more attention has been shifting to what might occur after the election, depending on who wins. From our perspective, the most impactful issues for markets may be taxes, immigration, regulation and trade.

[1] Guardian/Harris Poll, June 30, 2024.

On taxes, the Democrats have proposed increasing the corporate tax rate from 21% to 28%, while allowing some individual reductions from the Tax Cuts and Jobs Act of 2017 to expire, and raising ordinary income and capital gains tax rates on the wealthy. There may even be an effort to tax unrealized capital gains, which could be subject to legal challenge. Donald Trump, in contrast, would likely seek to decrease the corporate tax rate to 20% and block the sunset of the 2017 tax reforms. He's also contemplated taxing endowments.

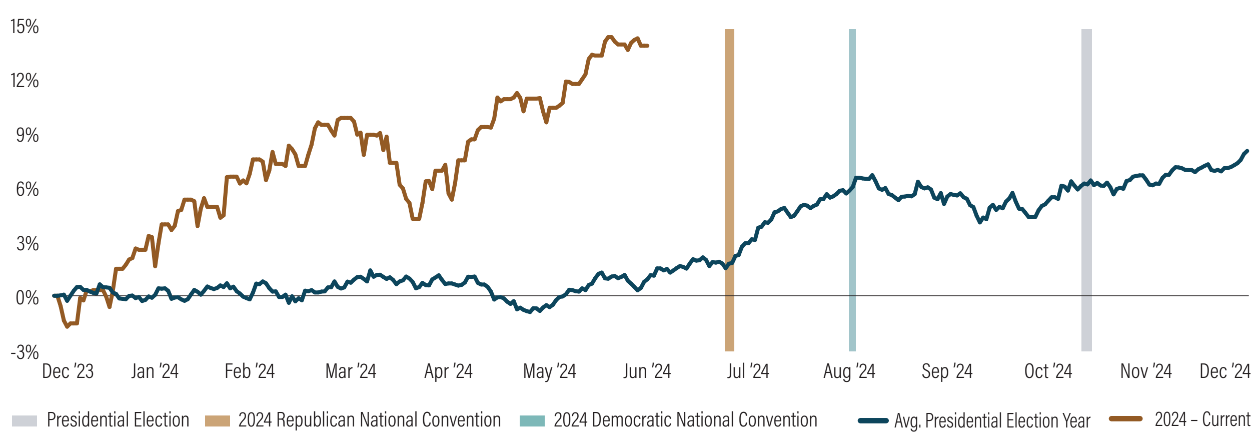
The regulatory environment, meanwhile, would likely become less onerous under Trump, particularly for the financial, health care, energy and technology sectors. The current administration has been grappling with a surge of immigration, which Trump would seek to curtail through enforcement and deportation. Trade provides more common ground, as both candidates favor tariffs on Chinese goods, although Trump's protectionist policies could be broader in scope.

It's difficult to measure the potential result of such changes. We would anticipate a negative impact on earnings from a corporate tax hike, while a push toward deregulation could increase business activity, with implications for investment banking and deal financing. Thus far, surging immigration has helped reduce the labor shortfall, suggesting that tighter restrictions could worsen upward wage pressure. And the return of protectionism is concerning, but companies have already been adjusting, and may accelerate the current trend of reshoring and nearshoring supply chains.

Campaign promises are notoriously unreliable, so we would take the latest ones seriously but with a grain of salt. As for equity markets, it appears we are setting up for a pattern similar to prior election cycles. On average, campaigning and conventions tend to usher in a period of uncertainty from late summer through mid-October, at which point stocks often find support for a move higher through the end of the year. In 2024, shifting monetary policy may accelerate this timing, although we think the overall trend remains likely.

PAST ELECTION YEARS: MARKET TURBULENCE, THEN RESOLUTION

S&P 500 Index Average Performance in U.S. Presidential Election Years Since 1928



Source: Neuberger Berman, Bloomberg. Current pricing as of June 30, 2024. Average since 1928. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

CHECKING THE BAROMETER

While we've seen pockets of market turbulence this year, it has been hard to find a meaningful catalyst to move investors away from current allocations that may overweight cash and underweight equities and medium-term bonds. There have been signs of a shift, particularly as we move into the third quarter, given that anticipated monetary easing could lower short-term interest rates (thus making cash less appealing) and investors are showing more interest in growing, lower-valuation companies rather than mega-cap names. Absent, however, has been the choppiness needed to help lure investors who believe they've missed out on market gains over the past 18 months.[2]

Such a catalyst may be on the way. We believe the confluence of politics and policy, both in the U.S. and globally, could trigger more market volatility as we move through the summer months and into early fall. Given our constructive view of the global economy, we would suggest taking advantage of pricing opportunities to better align portfolios with long-term strategic asset allocation targets. This could include adding exposure outside of U.S. large caps, particularly in small caps and non-U.S. developed market equities, and lengthening fixed income maturities to capitalize on rate reductions that are likely coming later in the year and into 2025.

Of course, it's always difficult to predict near-term market behavior, but it's a good idea to think things through beforehand, so when the winds do change, you can be ready to act.

[2] The S&P 500's largest drawdown this year was only -5.5%—only four years since 1990 have seen a shallower maximum drawdown.

Highlights 3Q 2024

FROM THE ASSET ALLOCATION COMMITTEE

Shannon is a member of the Neuberger Berman Asset Allocation Committee, whose views are presented below.

We believe the fundamental outlook for the next 12 to 18 months remains positive for risky assets, although the potential for monetary policy errors and election-related volatility could overshadow the next six to 12 months.

Equities

We favor quality stocks in more cyclical and less expensive parts of the market, reflecting our caution on valuation, positive longer-term economic outlook and anticipation of broadening market performance. Within this context, non-U.S. names appear to us about as attractive as U.S. large caps. We retain an overweight view on U.S. small and midcaps, with the caveat that quality may be especially important in this segment.

Fixed Income

Amid easing inflation, we believe the Federal Reserve could deliver six rate cuts by the end of 2025, reinforcing the potential benefit of putting cash to work in fixed income. We generally favor maturities between two and seven years, and are starting to see more opportunity at the longer end of that range, although we remain cautious about long-term bonds given rising public debt levels. A benign credit outlook supports our overweight view on investment grade fixed income.

Private Markets

We continue to see opportunity for providers of capital and liquidity in private equity secondaries and co-investments, much of which has arisen from a lack of exits and new dealmaking over the past few years. The normalizing economic and market backdrop may offer more fertile ground for transactions as banks return to syndicated corporate lending, which could make credit more accessible and attractive to dealmakers.

All views are over the next 12 months unless otherwise stated. See disclosures at the end of this publication, which include additional information regarding the Asset Allocation Committee and the views expressed.

GREGORY G. SPIEGEL
Portfolio Manager—Small Cap Team

A New Era for Small Caps?

AFTER A DECADE OF LAGGING MARKET RESULTS, STOCKS OF SMALL COMPANIES SEEM POISED FOR A RESURGENCE.

Small company stocks have generally disappointed investors in recent years, not because of their fundamentals, but due to the relative strength of large companies since the Global Financial Crisis. The difference is reflected in the combined multiple (or valuation) expansion of large caps and multiple contraction of small caps, even as the latter generated stronger earnings growth over more than a decade (see display on page 10).

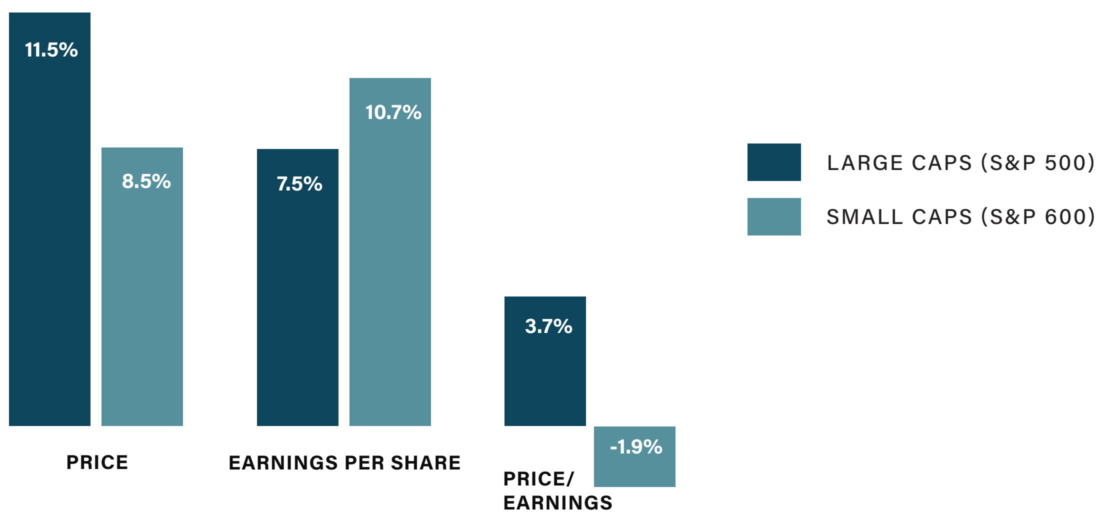
A few factors favored large caps over this period: First, we saw continued globalization, where large companies expanded their distribution into new markets and shifted their labor forces from high-cost locations like North America to lower-cost regions like Asia. Second, with their extensive access to capital, large caps were generally able to lock in very low, fixed interest rates over long periods. Third, many could relocate their headquarters outside of the U.S. to benefit from favorable tax treatment. This optimal combination allowed them to enhance their profit-and-loss statements and gain favor with investors. Smaller U.S. companies, in contrast, generally don't have access to long-maturity debt and tend to be located and generate most of their business domestically—a weakness when global expansion was all the rage.

DEGLOBALIZATION AND VALUATION

Today, however, we are in the midst of secular change as businesses gradually deglobalize. Although the trend started to emerge prior to 2020, the COVID-19 pandemic reinforced concerns about far-flung supply chains, especially for high-value products such as pharmaceuticals and semiconductors. We are now seeing a reshoring and "friendshoring" of those supply chains to the U.S., Mexico and Canada, with domestic

VALUATIONS—NOT EARNINGS—HAVE DRIVEN LARGE CAPS' RETURN ADVANTAGE

Annualized Change, 2011 – 2024



Source: Furey Research Partners, Standard & Poor's, as of June 30, 2024. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

capacity being supported by extensive government spending through the federal Inflation Reduction Act and CHIPS Act. In our view, this should disproportionately benefit small caps, which generate over 80% of their revenues in the U.S.[1]

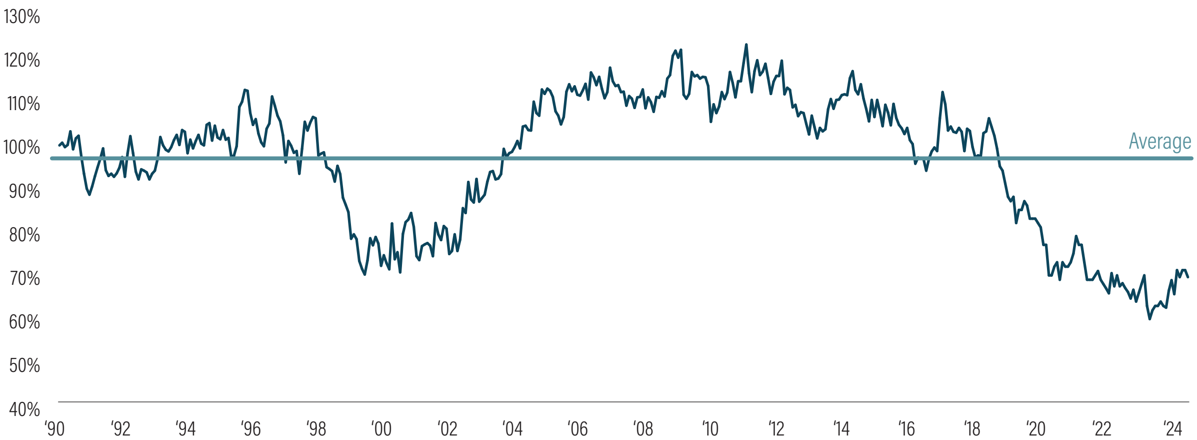
From an investment perspective, we would also point to two elements worth considering. One is valuation, with the small-cap Russell 2000 Index now at a 31% discount to the large-cap S&P 500 Index as measured by trailing price/earnings ratio, compared to the historical average of around 4%. This is in spite of small caps' superior earnings growth—10.7% annualized from 2011 – 2024 compared to 7.5% for large caps.[2]

A related issue is the weighting of small-cap stocks as a proportion of overall equity market capitalization, which at 3.1% has rarely been this low over the past 100 years and represents what we consider an exceptional market distortion. It would take only a small "reversion to the mean" to correct such mispricing, which has historically signaled extended periods of outperformance in the past.

At the same time, as reflected in small caps' July rally, gains often take place in spurts, making timely exposure to the asset class potentially important to achieving long-term investment success.

SMALL-CAP VALUATIONS LOOK COMPELLING

Russell 2000 vs. S&P 500: Relative Price/Earnings



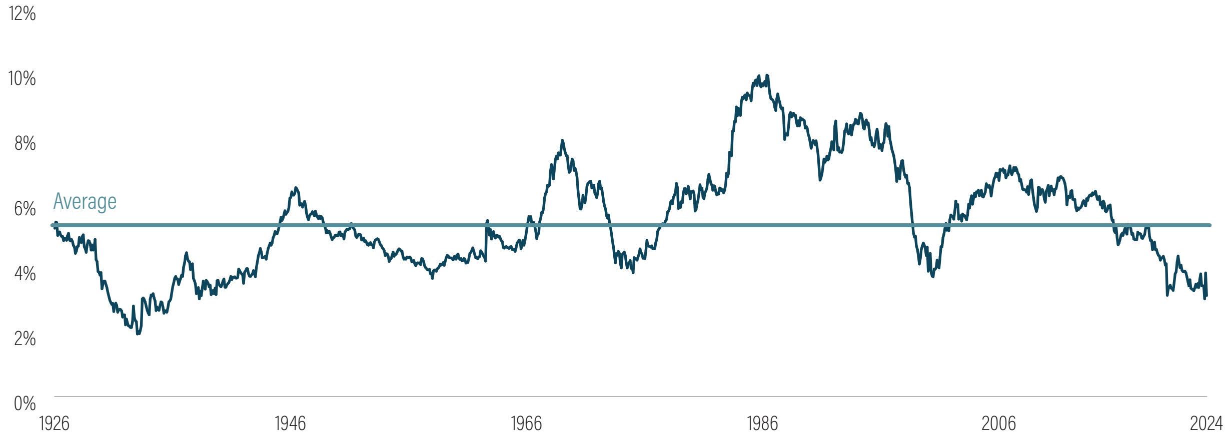
Source: Furey Research Partners, data through June 30, 2024. Median trailing 12-month price/earnings excluding negative earners. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

[1] Source: Jefferies Research, 2023 average annual sales.

[2] Source: Furey Research Partners, Standard & Poor's, as of June 30, 2024.

TIME FOR A PERFORMANCE TURN?

Small Companies' Percentage of U.S. Stock Market Capitalization



Source: Jefferies Research, Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; as of May 31, 2024. CRSP® divides company stocks into 10 deciles by market capitalization. Small companies are represented by deciles six to eight. Nothing herein constitutes a prediction or projection of future events or future market behavior. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed or any historical results. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

OPPORTUNITY—WITH CAVEATS

All this being said, it's important to understand the unique characteristics of the small-cap universe.

First, it's not an insubstantial market: Considered on its own, the Russell 2000 Index has a total value of $2.9 trillion, which for example is more than both France's CAC 40 and Britain's FTSE 100 flagship indices.[3] This suggests that gaining exposure to small caps can mean opening yourself to a range of attractive businesses that can't be found in the large-cap space. The sheer variety of small companies also contrasts sharply with the highly concentrated nature of large caps, where only five companies now represent over a quarter of total index market capitalization[4]—a level not seen since the early 1970s and a key risk, in our view.

The diversity of small caps has a flipside, however, which is the segment's inefficient information flow, as just six Wall Street analysts cover the average Russell 2000 Index stock compared to 19 for the average S&P 500 Index stock.[5] This makes it harder to gather intelligence about companies, but it also presents a major opportunity for active managers who can employ fundamental research to do so.

In our view, differentiation is especially important because while there are many high-quality small companies, many others are unprofitable or burdened by debt. Indeed, about 44% of the businesses in the Russell 2000 Index currently lose money,[6] while average leverage is about 3.8 times earnings.[7] Compounding the risk is the often floating-rate nature of that debt, as

[3] Source: Jeffries Research, as of December 31, 2023.

[4] Source: Furey Research Partners, as of June 30, 2024.

[5] Source: Furey Research Partners, as of June 30, 2024.

[6] Source: Jefferies Research, as of June 30, 2024. Measured based on generally accepted accounting principles (GAAP).

[7] Source: Jefferies Research, as of June 30, 2024. Earnings represented by earnings before debt, interest, taxes and amortization (EBITDA). Excludes financial companies.

many companies cannot access the long-term issuance common for larger names, which can create a serious headwind to profitability when interest rates are elevated or on the rise (although the opposite may be true when rates decline).

TAKING AN ACTIVE, QUALITY APPROACH

The upshot, in our view, is that while small-cap stocks have significant appeal in terms of expanding investment opportunity and diversifying away from the concentration risk associated with large-cap stocks, some have characteristics that are particularly well suited to active managers. Taking that idea a step further, we believe that navigating small caps with a quality lens allows investors to access the best that the segment has to offer while limiting the potential risks.

Along those lines, our team focuses on quality businesses, defined as generating ample and sustainable free cash flow. This can give them the ability to self-finance their operations and growth, rather than relying on the sometimes-fickle capital markets for funding. We prefer market leaders and/or those with significant barriers to entry, which can help insulate them from competitors and protect their cash flow. In our view, they should also be effective allocators of capital, which can give otherwise pedestrian businesses greater power to add value—often through the return of capital to shareholders via dividends and share buybacks. In addition, a strong balance sheet and limited debt can be beneficial, providing a competitive advantage in times of economic stress. Finally, we want to own businesses with a high return on assets, which enhances the opportunity for gains in share price over time.

REALIZING THE OPPORTUNITY

Although small-cap stocks have provided respectable returns since the Global Financial Crisis, for the reasons we note above, they have often lagged larger companies—particularly the narrow group of technology growth names that have generally driven market results. However, we believe that valuation differences have grown too acute, and that economic and business trends are likely to favor small companies from here. With its distinct characteristics, we believe approaching the segment through an active, quality lens could be the most effective way to benefit from this new era for small-cap stocks.

“We believe that valuation differences have grown too acute, and that economic and business trends are likely to favor small companies.”

See disclosures at the end of this publication, which are an important part of this article.

DANIEL FLAX
Senior Research Analyst

Gen AI: The Next Wave

AS ARTIFICIAL INTELLIGENCE TOOLS GATHER STEAM, WHAT'S THE POTENTIAL IMPACT ON BUSINESSES, INVESTORS AND THE PLANET?

It's been nearly two years since the "ChatGPT moment," when OpenAI's flagship chatbot brought the world face-to-face with the power of generative artificial intelligence (Gen AI) to gather and interpret information, and communicate its findings to users. The moment represented the culmination of years of AI research and development. Today, technology companies are working to harness the power of AI to capitalize on their vast datasets to solve problems and create new solutions.

EUPHORIA AND POTENTIAL

As even passing observers of the stock market will know, Gen AI has since captured the imagination of investors, who have bid up the shares of companies in the AI ecosystem—starting with key chipmakers and cloud-based tech giants, and extending to software developers, data center providers and many others.

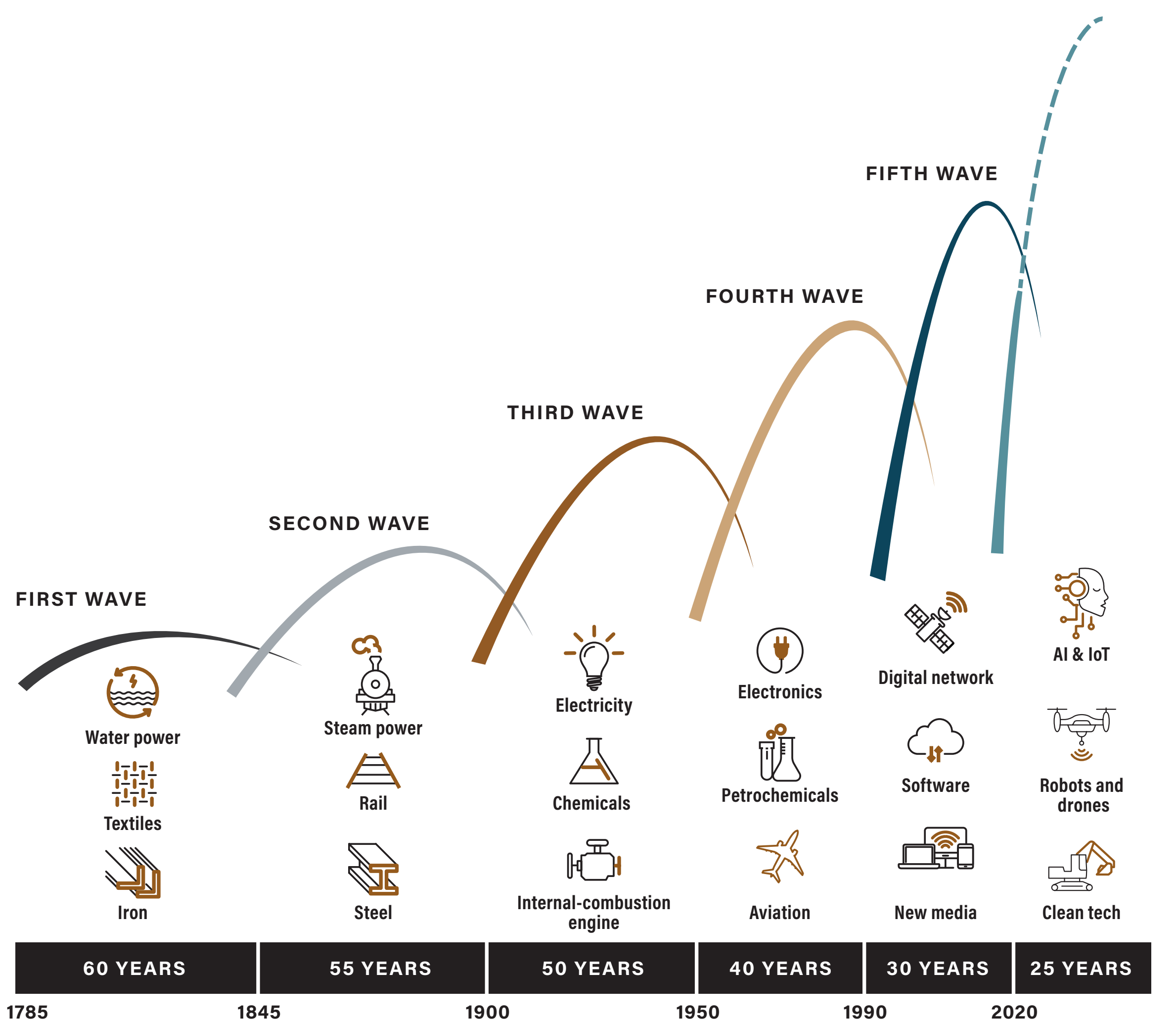
For some well-known names, competition has been fierce: Microsoft was early to the market through its close relationship and investment in OpenAI, and quickly introduced AI Copilot to the Bing search engine and across its Office software suite. Google, in response to ChatGPT, announced the Gemini chatbot in upgrading AI capability within its search engine. Apple recently revealed plans for "Apple Intelligence," AI that is to be integrated into new devices and applications, including the Siri "personal assistant." Myriad other players, from mega-caps to startups, have been racing to build AI capabilities.

More broadly, the corporate world has been embracing AI, whether out of enthusiasm about successfully leveraging more proprietary data or concern that their businesses will need to capitalize on AI to keep up with competitors, generate cost savings and speed up innovation. This, is turn, is spurring demand for chips, models and systems from the cloud providers and strategic platforms such as Nvidia.

How much of this is hype? With any game-changing technology, euphoria is usually baked in. But the excitement today also reflects the potential that many see from early generative AI capabilities.

Think about it. If you ran a telecom company, wouldn't you want to improve the often-painful experience that customers have in interacting with operators and online bots? If you owned a software company and could use AI to debug or even write reams of computer code, cutting development time by about 30%, wouldn't that appeal to you? On the consumer side, if your chatbot could plan your vacation from the travel routes to the hotels and restaurants, wouldn't it be worth a try?

INNOVATION WAVES ARE SPEEDING UP



Source: Visual Capitalist, Edelson Institute, as of 2024.

Opportunities to enhance the commercial world and, more broadly, the human experience, appear to be boundless, even to jaded observers. As AI extends into virtually every environment, including factories, machines, cars, farms and homes, use cases are proliferating. Here are a few that, to us, reflect the special power of AI:

- **Drug discovery.** Identifying potentially effective drug molecules has traditionally been a time-consuming, hit-or-miss process. But AI can quickly sort through thousands or even millions of datapoints[1] to find targets for research, while its predictive capabilities can accelerate clinical trials and drug formulation.
- **Digital twins.** Building and running manufacturing plants is complicated and expensive, and many issues crop up during or after construction that need to be rectified on the fly. Increasingly, companies are using AI to build and analyze digital twins of their potential facilities, to find and solve the problems before any concrete has been poured.
- **Smarter smartphones.** The minicomputers that most of us carry around are about to get a major upgrade, turning them into AI digital assistants that can predict our requests, transcribe and summarize our meetings, help us write our emails, improve our photographs and much more.

NOTES OF CAUTION

All this said, the negatives have been well chronicled. There have been the sometimes amusing (and occasionally alarming) missteps from AI chatbots: Google's Gemini famously mis-portrayed various historical figures when generating images and, more recently, included glue as an ingredient in a pizza recipe; chatbots periodically "hallucinate," making up facts for no discernable reason; and we've seen basic mistakes in calculation, and responses showing social or political bias. Indeed, anyone who has experimented with AI at work will note flaws in its outputs, even as iteration and refinement of queries have improved user results.

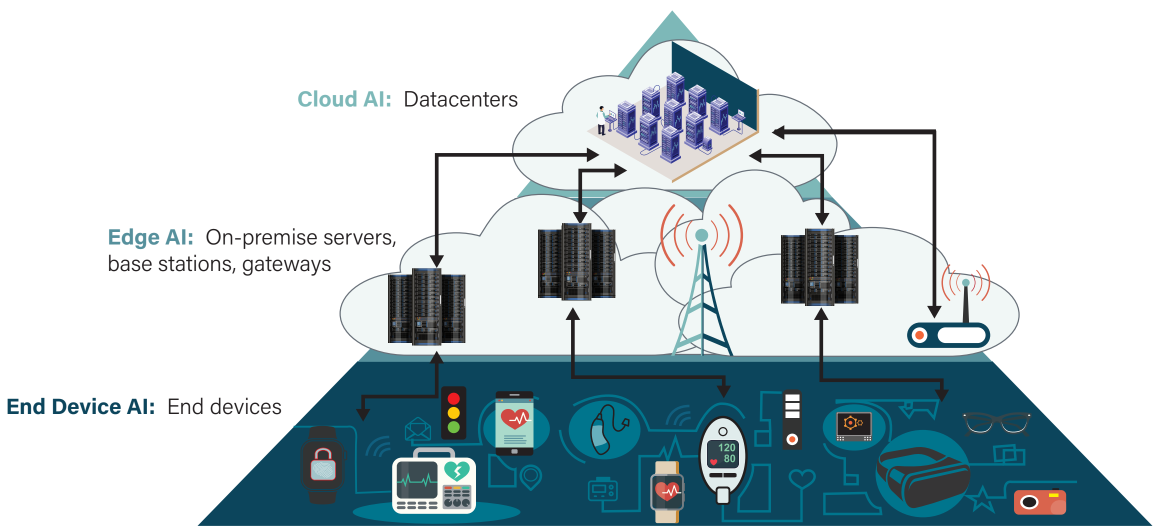
More serious is the potential for AI-enabled misdeeds. The news is filled with stories about the threat of AI-powered disinformation in our elections, while realistic "deepfakes" are making fraud easier, and experts fret about the use of AI in the hands of terrorists. Military weapons appear to be a key arena for AI development, and rival countries are rapidly trying to build a technological edge, even as many (including the Pope at the recent G7 summit) caution about abdicating life-and-death decisions to robots.

IS THERE ROOM FOR HUMANS?

Leaving aside more dire scenarios, a key question is the role humans can all play in a business world informed by artificial intelligence. Earlier innovations in computers and software boosted efficiency in paper-heavy fields like accounting and law, while automation helped modernize support centers and the factory floor, with employment often redistributed across industries and geographies. But AI is now moving to ever-higher tiers of the white-collar landscape, not only summarizing and organizing information, but developing creditable (if sometimes flawed) business communications, rapidly analyzing data, and offering crucial insights that can affect business decisions.

[1] Drug compound-related data is spread across multiple databases, making it hard to estimate. ChemBLE, a "manually curated database of bioactive molecules with drug-like properties" includes about 2.4 million compounds, according to its website.

THE AI ECOSYSTEM



Source: BofA Global Research, Infineon, as of 2024.

Even with this in mind, our response is that, yes, we believe there will be room for humans—although the nature of work is likely to change. If you consider the earlier combination of smartphones and faster networks (most recently 5G), it not only facilitated existing tasks, but unleashed thousands of new uses tied to shopping, gaming, weather, entertainment and interaction, among others. Phones became a platform for new (and some would say, hyper) activity.

Gen AI presents another promising advance, and the question becomes, "What kinds of business models and applications can be developed, and what sorts of functions can we humans serve on top of the technology?" It seems to us that using AI as a building block for work projects is a given—organizing, summarizing, analyzing—but that the point will be to facilitate human decisions, which can become more sophisticated and nuanced as a result. In the end, some work functions are likely to dwindle, but others will take their place, although the actual ratio of losses to gains remains an open question.

MUCH TO THINK ABOUT

Clearly society has some thinking to do. Privacy was already a concern with constant digital tracking of cellphones, but AI augments the level of intrusion and ability of businesses to capitalize on the data "firehose" from our interactions across the digital and physical landscapes. Companies that can better safeguard personal information may have a competitive advantage, even as they seek to insulate their own proprietary datasets, which, with AI, can help to drive their growth.

Intellectual property is also front-and-center. Tech companies are scraping the internet and their proprietary apps to train generative AI algorithms, enhancing their ability to "borrow" creative and intellectual output to answer new queries. Some publishing organizations are making licensing deals with AI providers while others are fighting back through litigation. Meanwhile, artists are panicking over how easy it is to copy the works they may have posted online to promote their work.

For those worried about the planet, artificial intelligence presents the opportunity to fine-tune operations to limit waste and emissions, but the training of AI requires a level of computing power that could strain the electrical grid and, all else equal, actually produce more emissions. Central to the task of any organization leveraging or supporting AI will be energy efficiency, as well as an openness to varied sources of energy, including nuclear power.

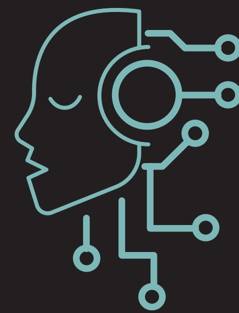
Amazon, for example, recently purchased a 1,200-acre campus in Pennsylvania, located next to a nuclear plant that will serve as its power source. And Bill Gates-founded TerraPower is starting construction on a next-generation nuclear facility in Wyoming, with a liquid sodium-cooled reactor that is said to be more efficient, safer and cheaper to build than traditional water-cooled systems.[2] The prototype may encourage adoption as AI-dedicated datacenters proliferate.

Finally, as noted, in our view it seems likely that various geopolitical rivals will work furiously to build the advantages that AI can add to an already tech-driven arms race. But at what point will certain uses become unacceptable even to combatants, and will there be enough world cohesion to agree to even basic guardrails?

Leaders will need to think about these issues, and how treaties, laws and regulation can offer a degree of protection without stifling innovation.

> *"For those worried about the planet, artificial intelligence presents the opportunity to fine-tune operations to limit waste and emissions, but the training of AI requires a level of computing power that could strain the electrical grid."*

[2] Pequenio IV, Antonio, "TerraPower: What We Know About Bill Gates's Nuclear Power Plant in Wyoming," *Forbes,* March 19, 2024.



Artificial Intelligence at Neuberger Berman

Development of AI capabilities has been a key focus of research and experimentation at Neuberger Berman in recent years.

We built a Data Science team back in 2017 and acquired a quantitative investment boutique in 2018. Both groups use "big data" to identify alpha signals or provide insights to our investment teams. Any business that started thinking about how to use AI only when ChatGPT was rolled out is several years behind the curve.

That said, we recognize the advance that generative AI like ChatGPT represents. It helps that we have been focused on these revolutionary technologies as investors. We see them being put to work in the economy and, where there is potential, we explore applications in our own business. As a result, last year we partnered with Microsoft to help launch our own NB ChatGPT pilot program. At year-end, we had more than 1,700 users throughout our organization exploring how to get the best out of the tool for various tasks, such as translation, and in various departments, including finance.

Using ChatGPT is not always straightforward, and requires asking the right questions and double-checking the output you receive. This is a learning process for both human and machine. But we are already seeing how AI can help us redirect precious time and energy away from repetitive and labor-intensive tasks and toward more creative and productive uses. We believe the opportunities for Neuberger Berman and the broader economy are significant.

LOOKING AHEAD

More concretely for investors, the goal will likely be to get ahead of the AI wave and avoid getting caught in the undertow. In the tech field, we think chip manufacturers, well-resourced cloud, software, system, device vendors and strategically placed startups could see benefits. More broadly, we believe companies should be proactive in seeking business opportunities and cost efficiencies, while warding off new competitive threats. Relying on past success and reputation could be a mistake as long-held "truths" about industry dynamics change rapidly.

For nearly everyone, in our view, this is a time to experiment with AI—to assess what it does well, and to think about what it should not be asked to do. It is not a time to stand still, which would simply leave us less prepared for what is to come.

SISI PROVOST
Co-Founder, Succession Advisors and The Education Initiative

Financial Literacy for the Next Generation

FOSTERING KNOWLEDGE, CONFIDENCE AND VALUES CAN BE CRUCIAL TO SUSTAINING FAMILY WEALTH OVER TIME.

A woman I once worked with had just turned 70 and was divorcing her husband of 50 years. She was terrified, but her fear was not just of ending her marriage, but of losing the affluent lifestyle to which she had become accustomed. As we sat down for dinner, she tugged at my arm, leaned over and whispered, "I hope you can help me; I have no skills and am afraid I'll have to get a job as a department store greeter!" At that moment I realized she was wholly unaware that her personal financial net worth (post-divorce) was in the hundreds of millions of dollars—in short, she had financial freedom, but she lacked financial literacy.

The story demonstrates how financial literacy can affect people of all walks of life, even those who have substantial assets. Complacency as to your finances creates hidden risks; and practicing good financial habits is not just for those who are still building wealth—I believe it's critical to stewardship of generational family wealth as well.

Wealth erosion can happen to anyone no matter how much you have because financial assets may be depleted over time due to a variety of factors such as lavish spending habits, inadequate investment strategies, a lack of financial planning, conflict among family members, fraud and embezzlement due to missing internal controls, and "key person" risk, where there is overreliance on one or two individuals handling all of the family's financial matters.

Even where you have sound financial habits, unpredictable "black swan" events like 9/11, the 2008 financial crisis and the COVID pandemic can threaten wealth virtually overnight. In my view, advancing financial and wealth literacy for rising generations is crucial to ensure that your family legacy is not only preserved, but *sustained* over time. This is the essence of NextGen stewardship, which I explore more fully below.

Common Pitfalls Due to Lack of Financial Literacy

Overspending and Lifestyle Inflation ("I Don't Need to Budget, I'm Rich!"). Children raised in a life of privilege and wealth are often conditioned from infancy to expect that their lifestyle needs will always be met, no matter how excessive. This encourages a sense of entitlement and lifestyle inflation, where spending increases exponentially as they mature and are given access to income from family wealth. Without a basic understanding of a budget, or financial limits, children can easily wind up spending substantially more than the family enterprise is earning. Clearly, if your spending is high, income earned must be higher or you'll start to deplete savings and investments—this rule applies to everyone, even the rich, with the depletion of the Vanderbilt fortune over generations offering a prime example.[1]

Poor Investment Decisions. Investing in high-risk ventures without proper understanding or research can lead to significant losses. For example, the 2008 financial crisis saw many wealthy individuals lose substantial amounts due to investments in mortgage-backed securities and other risky assets. A lack of the requisite knowledge to perform due diligence on complex investment products,

[1] Robehmed, Natalie, "The Vanderbilts: How American Royalty Lost Their Crown Jewels," *Forbes,* June 19, 2019.

assess the risks, and stay on top of economic and market trends can lead to poor investment choices and vulnerability to bad actors who prey on the unsophisticated.

Failure to Plan for Taxes. Tax planning is a critical aspect of wealth management. Without knowledge of tax laws and strategies, individuals might pay more than necessary or face penalties for noncompliance. For the ultrawealthy, this is not just about income taxes, but also *wealth transfer taxes*—the federal estate, gift and generation-skipping taxes imposed on family wealth when it is passed on to beneficiaries. Currently, the tax rate for each is 40% with a 2024 exemption of $13,610,000 per individual, scheduled to revert back to pre-2017 levels (indexed for inflation) of roughly $7,000,000, at the end of 2025.[2] Timely tax planning can save substantial sums of money, while the failure to plan can lead to diminishing wealth.

Wealth Literacy for Intergenerational Wealth Transfer

A significant challenge for affluent families is often sustaining wealth across multiple generations. The development of wealth literacy can play a crucial role in achieving this goal if it goes beyond financial issues to address dynamics whose neglect may worsen the risk of wealth depletion. As illustrated in The UHNW Institute's *Domains of Family Wealth,* rising generations should be equipped with the knowledge base, skills and tools to handle *qualitative* challenges that may arise from a failure to cultivate "family capital."

Unprepared Heirs. It's clear that heirs' lack of technical skills needed to handle large sums of money can lead to mismanagement and financial loss; less apparent is financial risk due to the underdevelopment of personal identity and life purpose beyond the family's wealth.

Failure to Communicate Family Values. The failure to articulate and communicate shared family values, responsibilities of wealth ownership and the need for purpose may result in heirs who don't understand the effort required to build and sustain wealth, establishing an entitled attitude rather than a stewardship mindset. Shared family values are the "why" that supports family members by guiding behaviors that foster the desire to preserve and respect the family legacy.

Lack of Formal Governance for Decision-Making. As families grow in size and complexity, decisions and conflicts are unavoidable. Without formal structures to enable family members to share and obtain access to information, and to learn, debate, collaborate, vote and resolve conflict amicably, family relationships can become strained, chipping away at foundational trust and communication.

Poor Estate and Succession Planning. Estate planning involves legal mechanisms to manage and transfer wealth, while succession planning entails identifying and grooming the individual(s) who will assume control over the responsibility for managing family wealth (whether a business or portfolio of assets). A lack of planning can

THE DOMAINS OF FAMILY WEALTH

Source: The UHNW Institute.

[2] Under the 2017 Tax Cut and Jobs Act.

expose the estate to high estate taxes, while ignorance of a plan's true impact can invite costly legal battles among heirs. Not only can this result in loss of family wealth, but it also can destroy family relationships.

Advancing Wealth Literacy

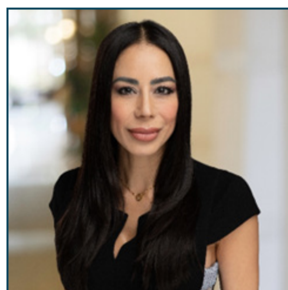
Family Education Is a Process. Family education viewed as a *process* (not a transaction) establishes lifelong learning habits in the next generations. In my view, education should incorporate academic technical teachings as well as interpersonal skills, development, enhancing self-awareness and emotional intelligence. Taking financial literacy courses, participating in customized experiential workshops through facilitated family meetings, and attending topic-focused seminars or webinars can be invaluable. Each modality is distinct, and a mix of all can maximize learning "stickiness."

Professional Wealth Coaches. Working with experienced wealth coaches and advisors can enhance the family education process by providing structure, creating accountability, documenting progress and offering individual support. Families often find NextGen education overwhelming because they don't know where or how to start. Experienced professionals can help design basic and highly tailored education workshops, taking into account a wide spectrum of ages, maturity and financial sophistication among family members.

Family Involvement. Including family members in financial discussions and wealth planning can foster a culture of transparency, inclusion and stewardship. Family involvement ensures that all members understand the financial situation, and more importantly, can strengthen family relationships, fortifying family alignment and shared purpose in achieving a lasting legacy.

In Conclusion...

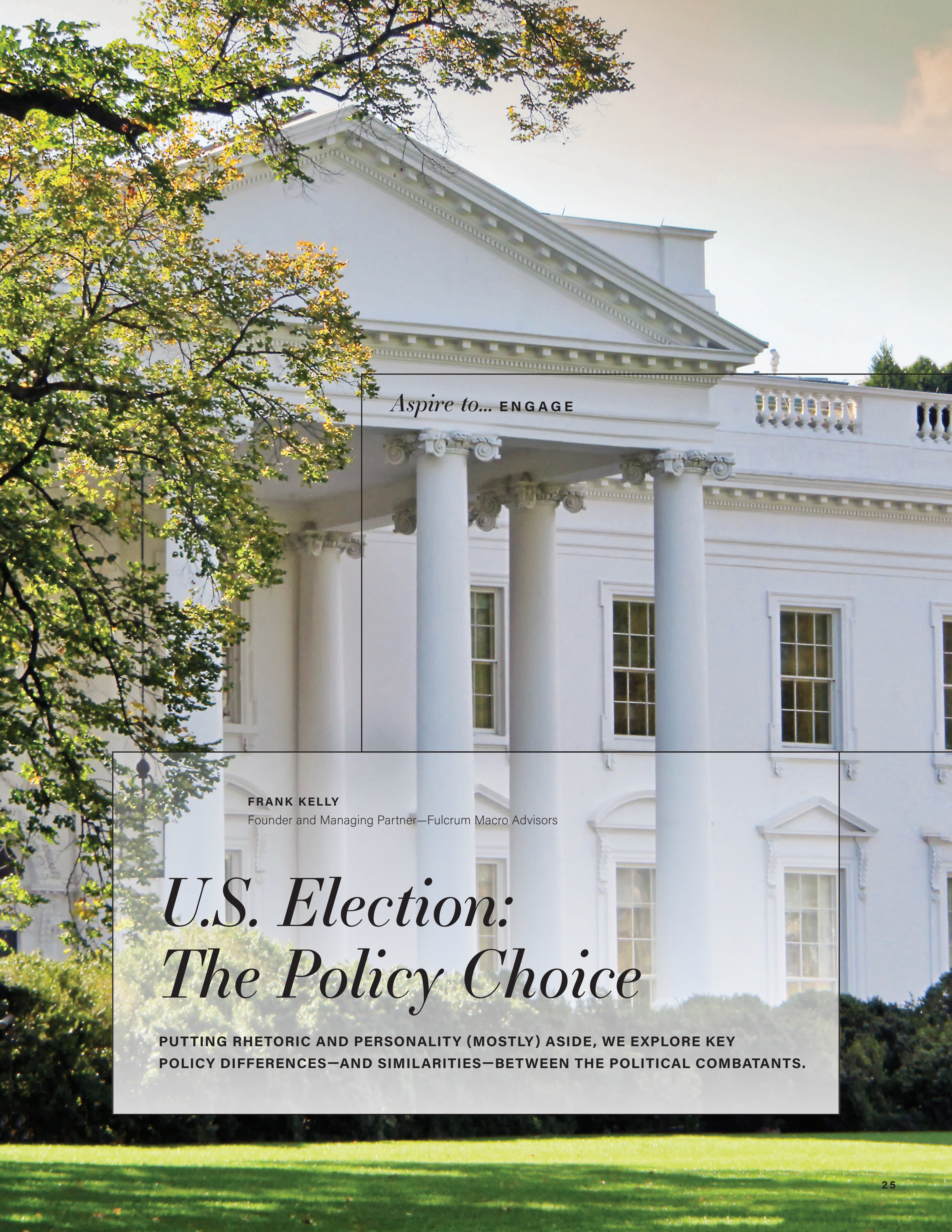
I believe that advancing financial and wealth literacy is indispensable to sustaining wealth across generations. Without a strong foundation in basic financial and investment management knowledge, along with proactive cultivation of family capital, even substantial fortunes can be eroded by excessive spending, a lack of planning, poor investment choices, mismanagement, fraud and conflicted family relationships. Building that foundation over time may involve a multipronged effort that includes fostering appropriate values, developing financial knowledge and working together to achieve common goals.



About the Author

Sisi Provost is Co-Founder of Succession Advisors, a media company producing NextGen financial and wealth literacy courses and offering educational content on topics ranging from family legacy planning to luxury lifestyles. With almost 20 years of experience in the ultra-high-net-worth space, she consults with clients on estate planning and advanced wealth-transfer strategies, and facilitates family meetings to foster education, governance and strengthened relationships. Sisi began her career as an estate tax attorney before transitioning into wealth management, where she held senior positions at multiple leading institutions.

See disclosures at the end of this publication, which are an important part of this article.



FRANK KELLY
Founder and Managing Partner—Fulcrum Macro Advisors

U.S. Election: The Policy Choice

PUTTING RHETORIC AND PERSONALITY (MOSTLY) ASIDE, WE EXPLORE KEY POLICY DIFFERENCES—AND SIMILARITIES—BETWEEN THE POLITICAL COMBATANTS.

The U.S. presidential election continues to heat up, with new surprises seemingly around every corner—from a criminal conviction to an assassination attempt to the late withdrawal of the incumbent. With a new Democratic candidate emerging, the contest has become even more volatile as a closely divided nation inches toward November. In contrast, the policy views informing the race remain relatively stable. We recently met with political consultant Frank Kelly to assess the views on both sides, noting meaningful contrasts, but common ground as well.

In terms of business policy, what can we expect from another Democratic administration?

With a Democratic win, we would likely see a continuation of President Biden's historic focus on the energy transformation, moving the U.S. toward electric vehicles and reducing emissions overall. Vice President Harris, who is considered the likely nominee, has been vocal in her support of green energy. Industrial policy will also likely remain at the forefront, with reshoring and nearshoring of supply chains in light of tensions in the Middle East, and with China and Russia.

Business competition is also a major issue for the Democrats. The Federal Trade Commission and the Antitrust Division at the Department of Justice are not just looking at the mega-mergers anymore. They are redefining their mandate to focus on smaller deals: Will the purchase of a midsize company lead to industry domination and "too big to fail" companies down the road? There have been successful legal challenges to this work, but if the Democrats can keep appointing judges the winds could change.

What about a second Trump administration?

Interestingly, there are some commonalities with Democratic positions. Another phrase for onshoring could be "Make America great again." Both Donald Trump and Joe Biden raced to object to Nippon Steel's proposed acquisition of U.S. Steel. There's nothing illegal about it, and there's no strategic risk, but their reaction reflects commonly held economic nationalism. On the other hand, Trump would likely work to reverse or modify the push toward electric vehicles and alternative energy. He's out there saying, "Drill, baby, drill," and wants to maximize our use of natural resources.

On China, the two parties are on the same page, while Trump's stance on Russia is a major question, although I think that he may be less friendly than some believe. NATO is also a question, although his chief complaint was about their spending, and since his administration they have increased their commitments and become less dependent on U.S. defense. Trump has talked about broad tariffs on exports, particularly against China, while Biden has introduced levies on certain Chinese goods.

Let's move to taxes and spending. The Democrats have pledged to let the Trump tax cuts lapse and raise taxes on corporations and the wealthy, while the Republicans want to extend—or even expand—their tax cuts. Meanwhile, the budget deficit continues to grow.

This reminds me of *The Perfect Storm.* You have deficits at all-time highs, which nobody in Washington wants to talk about because it's the fastest way to the unemployment line. Still, Social Security is moving toward bankruptcy, along with Medicare and the Highway Trust Fund; even moderates are saying that we need to bolster defense spending after 20 years of neglect. There's also talk of a CHIPS 2.0 Act, which could see support.

How are we going to pay for all this and slow deficit spending? I think we are going to wake up after the election in November and there's going to be a sudden hard shift in discussion to all things taxes and fiscal. As you mention, the two sides have very different views on taxes, but in reality neither has articulated a way to address the central issue, which is entitlements.

In my view, we could eventually wind up with a solution like the one used to close military bases during the 1990s: A commission could be in charge of determining entitlement reforms, and its proposals would only be subject to a single up-or-down vote—with no amendments allowed. That way, folks could insulate themselves from political pressure.

Trump has talked about gutting the federal bureaucracy. Is that doable?

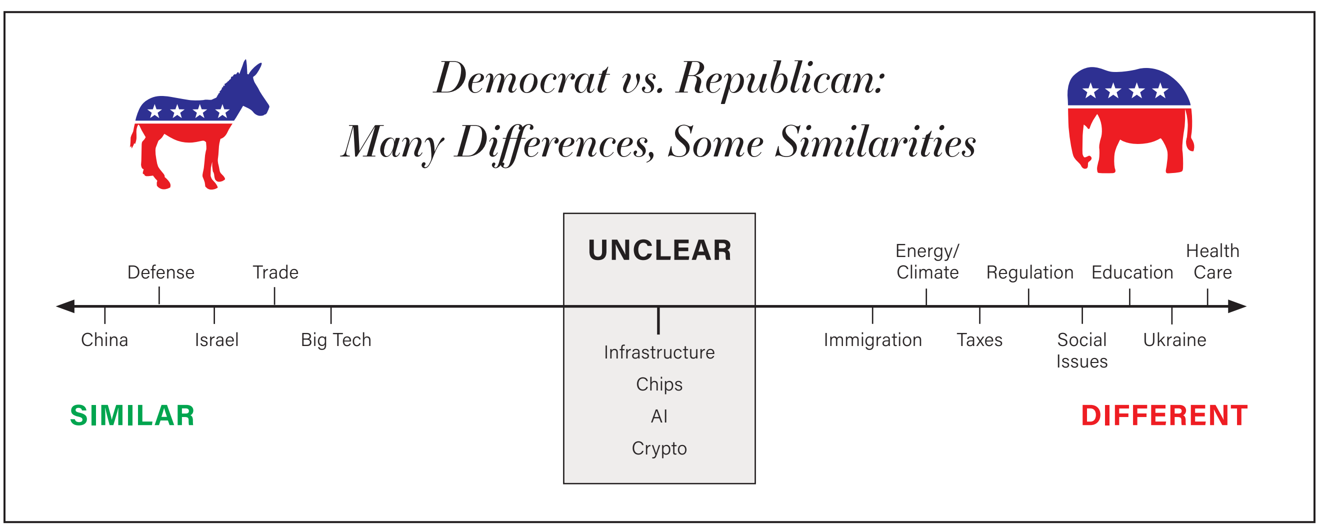
It's easier said than done, and I wouldn't take it too seriously. Trump often starts out with a public negotiating position in order to reach a goal that's somewhere in the middle; he threatens to go 10 steps, but would be happy with five. We have laws that protect federal employees, and Trump can't unilaterally fire tens of thousands of people. He'd have to work with Congress, and without the unlikely scenario of a supermajority in the Senate, the outcome would be more nuanced. That said, we would likely see efforts to reduce regulation, a hallmark of the first Trump administration.

What about immigration? Are mass deportations and detention centers possible?

I don't think they are, again because of the courts and the years it would take to litigate the issues. Trump's hyperbole is meant to discourage the flow of illegal immigration, now and in the future. If you're waiting south of the border and you hear his comments, you may have second thoughts about coming.

Could we see a resolution of the immigration crisis?

The last time we saw meaningful reform was when I was working in the Reagan White House. Since then, both sides have used immigration as a political cudgel to appeal to their voting base. However, we may be hitting an inflection point, given the need for workers. As a matter of competitiveness and economics, I believe we have to address this issue in the next two to three years.



Source: Fulcrum Macro Advisors, Mehlman Consulting.

Are free trade agreements out the window, no matter who gets elected?

Interestingly enough, we could actually see some deals. For example, the U.S. government is poised to start pursuing a U.S.-British free trade agreement; Biden indicated he wants one and Trump talked about it during his first term. Trump's mother was Scottish, and apparently, she used to hang a picture of Queen Elizabeth in their living room. This reverence rubbed off on the former president, who is very pro-U.K. and would like to support it further.

The Trump White House was frequently described as chaotic. Could we expect that again?

Winning the 2016 election actually came as a surprise to Trump, so the administration had to play catch-up in filling positions. This time, nothing is being left to chance. The Heritage Foundation, for example, has been working to develop recommendations for staffers who could start on day one. Moreover, Trump is no longer a novice; he understands how the system works and is more disciplined in his communication. He and his team would likely be far more efficient in a Trump 2.0—something that may please or dismay your readers depending on their political viewpoint.

If there's a closely divided Congress, can anything get done? And should we, once again, expect to hear about the filibuster and expanding the Supreme Court?

With narrow governing margins, I think the legislative picture is going reflect a muddled grind on taxes, health care and other issues. This is when we will see the Washington sausage-making that everybody abhors. It will be slow and painful, but also a reflection of our divided nation. That said, we could still make progress, as we did in negotiations around the CHIPS Act, infrastructure and foreign aid. A sweep in either direction would enhance the controlling party's ability to act, but progress would still likely be limited by the Senate filibuster.

On eliminating the filibuster, it's a great polemical point, but in reality neither side really wants it—or a larger Supreme Court, for that matter—given how much our institutions could change. As a member of Congress, you would likely think, "I'm in the majority now, but what happens when I move into the minority?" Many in Washington believe that such changes would undermine the country's checks and balances.

How does Biden's withdrawal from the ticket affect the policy picture?

Overall, I would say that positions on the Democratic side will likely remain pretty stable. Kamala Harris shares common ground with Biden across issues, although she's been more critical of Israel, and was the first sitting vice president to visit an abortion clinic—a significant political statement and consistent with her progressive profile. Other candidates, if they were to emerge, might seek to position themselves as more moderate than Biden in some areas to appeal to swing voters.

How about political dynamics?

The Democrats have a lot of work ahead of them—to select their candidate, create a new campaign strategy and secure financing (both from Biden election coffers and separate fundraising). After the August convention, they will have under three months to make their case to the American people. Importantly, they face the same polling challenges around inflation, the border and crime that helped suppress the current president's (and vice president's) approval ratings. On the bright side (for them), they no longer will have to deal directly with the age issue, even as Harris and others face recriminations over allegedly "hiding" Biden's cognitive issues. Perhaps most importantly, the change could ease pressure on down-ballot Democratic candidates, reducing the likelihood of worst-case scenarios in the House and Senate.

Will Trump's selection of JD Vance as his running mate make any difference?

It's a common joke that vice presidents specialize in attending state dinners and funerals, and there's some truth to that. To the extent he has influence on policy, Vance may push for stances that are more isolationist or anti-big business, perhaps even extending Biden's aggressive antitrust enforcement. More important, however, is his potential impact on the campaign and the future of the GOP. As a native son of Ohio, with a genuine hardscrabble background, he's in a good position to influence uncommitted voters in Midwestern swing states, while his ties to Silicon Valley have helped with fundraising. As a committed MAGA Republican, his elevation to GOP standard-bearer would signal the party's continued drift from its Reaganite roots.

Any final thoughts?

I would caution anyone about getting too confident in predicting the outcome of this race. Since his New York State conviction, Trump has had an unbelievable streak of luck—from the debate, to his subsequent legal victories, to dodging an assassin's bullet. However, now he will face an entirely new candidate who will likely be far more effective than Biden on the campaign trail and the debate stage.

Moreover, the public has a short attention span. What if a federal appellate court reinstates Special Counsel Jack Smith in the documents case? Or Vance makes controversial statements about abortion or Ukraine? What if the judge in the New York "hush money" trial gives Trump jail time? If the Democrats can find a new "shiny object" to sway public opinion, we could be looking at an entirely different contest. There's a long time until November, and it seems like anything could happen.

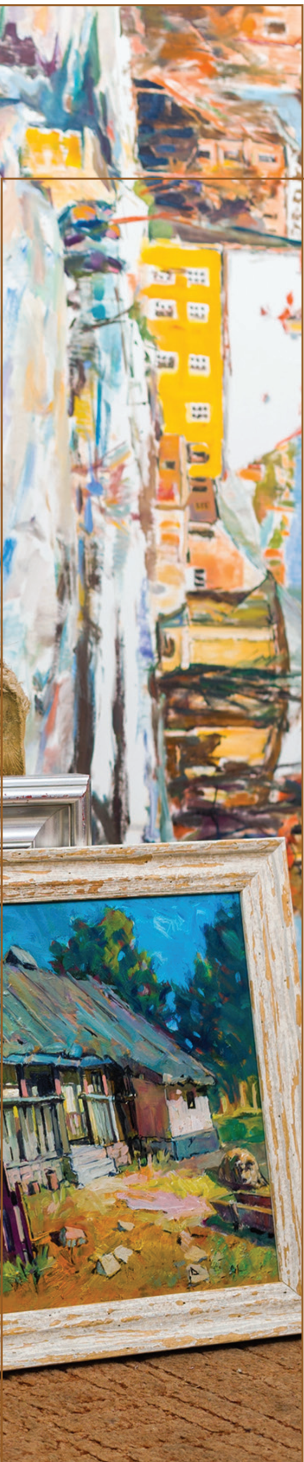
Thank you for your insights, Frank.

You are very welcome.

See disclosures at the end of this publication, which are an important part of this article.

About the Author

Frank Kelly is the Founder and Managing Partner of Fulcrum Macro Advisors, a geopolitical and U.S. political risk advisory firm based in Washington, D.C. He spent more than 30 years on Wall Street doing political risk analysis and working on complex M&A deals for two global investment banks. Prior to that, he served in the Reagan and George H.W. Bush White Houses. He also served in senior roles at the U.S. Department of Justice and U.S. Securities and Exchange Commission, and has advised on numerous presidential, senate and congressional campaigns.



KARIN McNAIR
Senior Estate Planner and Trust Counsel

Estate Planning for Art and Collectibles

WITH PREPARATION, YOU CAN BE MORE CONFIDENT THAT YOUR COLLECTION CAN LIVE ON AND BE ENJOYED BY OTHERS.

As a collector, you may devote extensive time, energy and money to pursuing your passion. Managing a unique collection, whether it consists of art or other collectibles, requires patience and attention to detail. It can also involve a range of practical considerations, encompassing acquisitions, insurance, security, maintenance, preservation and tax issues.

To that imposing list, I would add estate planning as a crucial element. Although it may sound counterintuitive, I believe estate planning can actually enhance your enjoyment of the collecting process by reducing uncertainty as to the collection's future disposition and creating confidence that your heirs and, in some cases, the public can enjoy it for years to come.

Planning for All Your Collectibles

Although art typically carries the highest dollar value, substantial collections may also consist of antique furniture, ceramics, jewelry, wine or cars—there is really no limit. Indeed, newer generations of collectors have focused on sneakers, handbags and digital art like NFTs (non-fungible tokens), among other categories.

Whatever you collect, we believe it is important to plan with the same care as you would for any other financial asset. Effective estate planning for art and collectibles can help mitigate potential disputes, reduce tax liability, and ensure that the pieces can be enjoyed and appreciated by future generations.

That said, collections of art and other objects are different in some ways from other assets. Although some works have enormous financial value, the impetus for owning them is rarely only monetary. When you consider what should happen to your collection after your death, you may hope to find a recipient who shares your passion and desires to possess the collection, whether that beneficiary is an individual or an institution. You may also believe that your collection should remain intact in order to give future generations the opportunity to study and enjoy the works side by side. Alternatively, you may want each piece to have the best home. No matter the goal, I believe planning is essential.

Lifetime Giving

As a collector, you may not wish to wait until your death for your collection to be distributed to a charity or family members. As such, you may choose to make lifetime gifts of art to individuals or to trusts for their benefit. One downside of lifetime gifting is that gifts carry the donor's basis. In other words, the recipient shares the same cost as the donor for tax purposes. And if the object is sold, the recipient will owe capital gains tax on the amount of the sales price over your basis. Importantly, sales of collectibles are subject to a special capital gains rate of 28%, which is higher than for most other types of property.

With a lifetime charitable gift, it is possible for collectors to obtain a charitable deduction equal to the fair market value of the work, as long as the recipient charity's use of the work is related to its tax-exempt purpose. For all but the most valuable and rare works, finding an institution to accept a gift of art for a "related use" can be challenging.

Disposition at Death

When a work of art or collectible carries a low tax cost basis (for example, if you purchased a painting before the artist became well known), it is generally preferable to wait until your death and have your estate make a noncharitable transfer in order for the object to receive a step-up in basis to fair market value. With a charitable transfer at death, your estate will receive a charitable deduction for the fair market value.

Choosing a beneficiary to receive your prized collection may be anxiety-producing, given that you likely want it to be maintained with the care that you have provided during your lifetime. Having conversations with potential beneficiaries and educating them about the collection can strengthen their commitment to your goals.

Including specific instructions in your estate planning documents can help as well. It is vital to clearly define the collection and/or identify objects of particular importance to distinguish them from your other tangible personal property. If you have a large collection, you will want to ensure that the fiduciaries (executors and trustees) have experience dealing with art or collectibles, or have connections to experts in the field who can be hired to administer the collection-related aspects of the estate. Involving experts is especially important when sales are anticipated.[1]

Getting Organized

Any transfer of works of art or collectibles, either during lifetime or at death, will likely proceed more smoothly if you have conducted proper record-keeping. A well-maintained inventory list is essential, and should include information regarding acquisition history, insurance, condition, copyright ownership (which can be different from ownership of the work in certain circumstances) and the physical location of each piece.

[1] As one of the first steps in estate administration involving art or collectibles, the executor or trustee must make sure all the works are properly insured, and secured and stored in appropriate conditions to preserve their value.

Unique Considerations in Planning for Collections

- Special capital gains rate of 28%
- Provenance records
- Proper storage and security
- Condition and maintenance
- Insurance coverage

With digital artworks like NFTs, you should clearly communicate how to find and access the item. NFTs are stored on blockchain in digital wallets. If you do not provide proper instructions to the executor, trustee or beneficiary, the NFTs could be impossible to access, and their value lost.

Appraisals and Record-Keeping

Acquisition records are particularly important in estate planning, since the recipient of the artwork or other object will need to be able to provide evidence of the "provenance" of the work if it is ever sold. Any lack of clarity in the chain of title or provenance history can have a dramatic impact on the market value, and in some cases can render a work unsellable. The condition of an object can also have an impact, making the conditions of display and storage very important.

Whether transfers of art are made during lifetime or at death, all transactions involving works of art are closely scrutinized by the Internal Revenue Service. Any lifetime gift would need to be reported on your gift tax return and any transfer at death will be reported on your estate tax return. In both cases, a qualified appraisal will need to be included with the tax return. The IRS Art Appraisal Service automatically reviews taxpayer appraisals that contain any single work of art valued at over $50,000, and items valued at over $150,000 are reviewed by an additional group, the IRS Commissioner's Art Advisory Panel.

Choosing a Future Owner

When considering a future home for your collection, you will want to think carefully about your choice. Naturally, the recipient should have a desire to own the works, but also must be able to take responsibility for them by maintaining suitable conditions for their storage and display, proper security and insurance. Similarly, when naming a charitable beneficiary, it's ideal to have conversations with its representatives to ensure that they are prepared to receive the objects. Museums often face challenges around the cost and physical space required for storage, so they are constrained in the number of new pieces they can accept. As with any aspect of estate planning, having conversations with your beneficiaries can clarify whether they are prepared to accept their bequests.

Final Thoughts

In my view, estate planning for collectibles demands a multifaceted approach, balancing financial, legal and emotional issues. Owning valuable objects comes with unique privileges and challenges, which can be addressed and navigated through careful planning. By engaging with qualified professionals in collections management, insurance, appraisals, tax and estate planning, I believe you can have more confidence that your intentions will be honored, and your legacy protected.

Engagement & Community

Commitment to Service

Each year we mark our reemergence as an independent firm with *Celebration with Service,* partnering with nonprofit organizations and connecting with colleagues in volunteer activities that support our communities. It is a tradition we look forward to each year and is a cornerstone of our culture and history. In 2024, more than 1,600 Neuberger Berman employees engaged with some 120 nonprofit organizations globally, logging more than 4,500 collective hours. Together, we served meals, engaged students on career advice and financial literacy, spent time with seniors, cleaned up parks, community spaces and beaches, organized donations, assembled care packages, played with animals and much more.

1,600+
volunteers

4,500+
hours served

17
offices

120
projects

85 YEARS OF PARTNERSHIP
15 YEARS OF INDEPENDENCE

Celebrating With You

It has been 85 years since Neuberger Berman began investing for clients, and 15 years since we reclaimed our independence. Born in the aftermath of the Great Depression and reborn in the furnace of the Global Financial Crisis, our history is the history of investment management.

In a truly global industry, we have evolved to become a truly global firm, with offices in 39 cities, from Shanghai to Sao Paulo, Seoul to Stockholm. We have built upon our traditional strengths in equity and fixed income, introducing extensive private equity capabilities, along with an array of wealth planning services. Tax-efficiency is central to our mission, and we strive to innovate in this and other areas, not for the sake of change, but to solve for your investing needs.

We are on a journey together with you. That collaborative spirit is in our DNA, and it's why we pressed for our firm's independence 15 years ago—in the toughest of circumstances. That's how we've grown and evolved and thrived since 1939. It is the same spirit in which we face the future.

—George Walker
Chairman and Chief Executive Officer

Client Appreciation at MoMA

At the end of May, we hosted our annual client appreciation event in the Abby Aldrich Rockefeller Sculpture Garden at the Museum of Modern Art. Our partnership with MoMA has now spanned five years, and it remains one of our largest and most widely anticipated events. Highlighting our *Make Your Money Move* campaign, this year we introduced a live performance featuring three professional ballerinas from the Metropolitan Opera. Private tours of the MoMA collections were available throughout the evening for our guests to enjoy.

PRIVATE WEALTH

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