PRIVATE WEALTH

Aspire

Walking the Wire

As monetary policy eases, investors should look to ensure proper diversification while seeking exposures that have more room to run.

FALL 2024

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A Fine Balance

BOTH CONSISTENT POSITIONING AND OPENNESS TO CHANGE MAY BE CENTRAL TO PROSPERITY MOVING FORWARD.

By all accounts, these have been eventful times: A turbulent presidential campaign, escalating conflict in the Middle East and devastating storms in the Southeast have punctuated the transition from summer to fall, and more surprises may be in store as we approach elections in the United States. For markets, 2024 has been largely successful, built on a sturdy economy and, lately, the beginning of the transition by central banks to lower interest rates. A key danger for investors is now concentration risk, as major equity indices have become heavily weighted toward mega-cap leaders.

As Shannon Saccocia, CIO—Private Wealth, relates in her column (see page 3), we believe investors need to maintain a fine balance: seeking appropriate diversification, while maintaining exposures in areas that may not have fully benefited from recent rallies. Watch for more of our market views as we approach year-end in the upcoming annual *Solving for 2025* outlook.

Clearly, the U.S. election could have a meaningful impact on the economy and investors. On page 8, Joe Amato, President and CIO for Equities, talks to three of our senior research analysts about implications for some of the sectors that may be affected the most: technology, clean energy and health care. Taxes are also among the marquis issues today, as the two major candidates adhere to contrasting viewpoints. Sam Petrucci, Head of Advice, Planning and Fiduciary Services, and Adam Rosenberg, Head of Trust Tax, Neuberger Berman Trust Company, sort through the proposals and how they could affect tax and estate planning in the coming months (page 12). Year-end is a good time to take proactive steps around your wealth planning, which Steve Polizzi, Director of Wealth Planning, considers starting on page 17.

> *"A key danger for investors is now concentration risk, as major equity indices have become heavily weighted toward mega-cap leaders."*

In a similar vein, Julia Chu, Head of Philanthropy and Family Governance, discusses the impact of giving on personal well-being, and offers ideas on how to jumpstart your family's involvement in philanthropy (page 22). To round out this issue, Anthony DeSantis, Chief Information Security Officer, provides some thoughts on protecting yourself from digital risks (page 27).

We always look to connect with you in meaningful, informative ways—not only via regular investment and planning insights, but through special events and webinars. Recent topics have included the election, cybersecurity, the Middle East, planning for artists/collecting and preparing future leaders for wealth. In our book club, we explored sustaining health and longevity, while we enjoyed a delightful late-summer evening with clients at the Parrish Art Museum in Water Mill, NY (photos on page 31).

Finally, I would like to congratulate three members of our team for ranking in the *Barron's* "Top 100 Women Financial Advisors for 2024," which is industry recognition that shines a spotlight the nation's top female wealth managers.

I hope you enjoy the latest edition of *Aspire* and, as always, I encourage you to reach out to your NB Private Wealth team with any questions about the contents and how the topics may pertain to your unique circumstances. In this volatile era, may you enjoy peace, security and happiness as we move toward the holiday season.

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

MARKET OUTLOOK

Walking the Wire

AS MONETARY POLICY EASES, INVESTORS SHOULD LOOK TO ENSURE PROPER DIVERSIFICATION WHILE SEEKING EXPOSURES THAT HAVE MORE ROOM TO RUN.

The third quarter began with an atmosphere of apprehension in the global equity markets. Strong returns in the first half of the year, despite fears of reaccelerating inflation and evidence of slowing economic growth, were viewed as vulnerable, particularly given the continued concentration of both earnings and performance in the largest U.S. growth companies.

Fixed income returns were mixed as yields pushed higher, specifically at the long end of the curve, and investors, surprisingly, sought shelter in lower-quality and structured credits. The anticipated combination of equity market broadening and U.S. yield curve dis-inversion was put on pause by the Federal Reserve's patience, leaving investors wondering if a copy and paste of 2023 return patterns was inevitable.

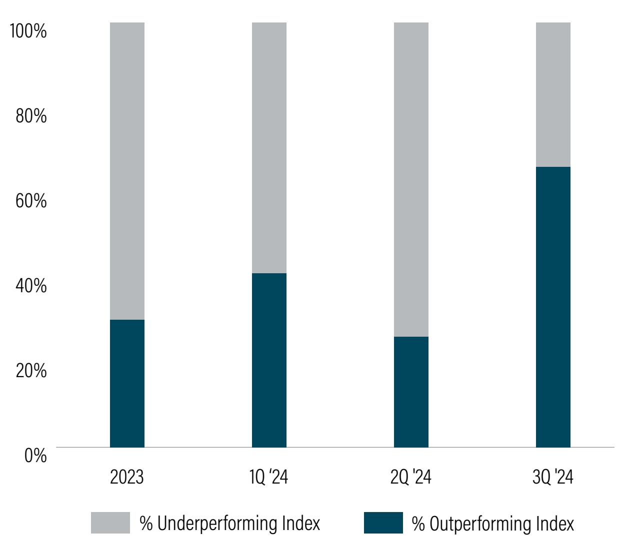
A pivotal turning point came in early August. With U.S. large-cap technology companies already under pressure on the heels of second-quarter earnings, a surprisingly poor July nonfarm payrolls report and hawkish rhetoric from the Bank of Japan incited a massive unwind of the yen carry trade, resulting in a spike in volatility as measured by the VIX index and calls for immediate action by the Fed to ease financial conditions by cutting rates.

With market leadership hanging in the balance, stocks weathered the storm in August, buoyed in the second half of the month by modestly more encouraging economic data and an acknowledgement that, with Vice President Kamala Harris now running for president, a sweep scenario on either side appeared less likely.

Further gains for equities emerged in September despite fears of supply chain disruptions from port worker strikes and continued escalation in the Middle East; yields drifted lower ahead of the Fed's September meeting, helping to spark renewed interest in sectors that have historically benefited from moderate growth, reduced inflation and lower interest rates.

EQUITY LEADERSHIP HAS BEEN BROADENING OUT

S&P 500 Stocks Outperforming and Underperforming



Source: FactSet as of September 30, 2024. For illustrative purposes only. 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. **Past performance is not indicative of future results.**

Balancing Act

Cementing the quarterly moves higher in both stocks and bonds was the Fed's rather surprising decision in September to cut rates by 50 basis points, putting to bed investor fears of hotter inflation. With the Fed, European Central Bank and Bank of England all marching toward more accommodative policy, investors could enjoy a monetary tailwind into the new year. However, the exit from tight policy in different locations is not necessarily driven by the same factors, and the complexity in setting portfolio positioning is perhaps greater than when rates were on the way up.

This is because the economic backdrop and the motivation for the moves are different. The Fed, in its quest to deliver on a dual mandate of maximum employment and price stability, has been forced to consider, particularly after July's jobs report, that it has been too restrictive given months of encouraging inflation prints. To deliver a soft landing in the U.S. economy for the first time since the mid-1990s still feels very possible, but the next several months will prove if declines in job vacancies tip into job losses. This would likely accelerate the pressures already faced by households with lower disposable incomes, as exhibited by rising debt delinquencies. Should the job market remain near current levels, there is also a risk that inflation could reaccelerate, driven by continued, albeit more muted, wage gains and increased spending on improving confidence.

The ECB, relying only on the mandate to achieve price stability, is taking things a bit more slowly; quarterly rate cuts are expected, and concern remains around inflation, particularly in Southern Europe, which has benefited meaningfully from tourism over the last two years. Not unlike the U.S., the services economy remains stronger in Europe than manufacturing. However, the manufacturing economy represents a much greater percentage of GDP in the region, and the historically stalwart German economy is languishing—which may mute the outlook for the region even as consumers appear to gain some confidence.

In the United Kingdom, the Bank of England finds itself in a delicate position, as inflation is not expected to peak until early 2025 with wages poised to move higher. In addition, the growth challenges that are apparent in the euro area are not as pronounced in the U.K., even as consumers remain somewhat cautious, and the savings rate has increased. Unlocking that consumer savings and kickstarting business investment will be key to move growth higher than the 1% that GDP is tracking to this year. There are also questions tied to the new Labour government, which appears ready to help drive economic growth more explicitly—which could be inflationary as well.

One major difference between the U.S. and Europe is the interest rate sensitivity of the consumer. The insulation enjoyed by U.S. homeowners afforded by low fixed-rate loans is an anomaly globally. Most non-U.S. housing-related loans are floating rate, and the impact of sharply rising interest rates on European nondiscretionary housing costs was immediate and significant. Our view is that rate cuts could actually end up being more stimulative than what is experienced in the U.S., catalyzing greater confidence for European and U.K. consumers.

EASING IS UNDERWAY

Rate Cut Expectations

Central Bank	Market Expectations	NB Expectations
FED	2024: 3 Cuts 2025: 5 Cuts 2026: 0 Cuts NR: 3.00%	2024: 2 Cuts 2025: 5 Cuts 2026: 0 Cuts NR: 3.25%
ECB	2024: 2 Cuts 2025: 5 Cuts 2026: 0 Cuts NR: 2.00%	2024: 2 Cuts 2025: 5 Cuts 2026: 0 Cuts NR: 2.00%
BOE	2024: 2 Cuts 2025: 4 Cuts 2026: 1 Cut NR: 3.25%	2024: 2 Cuts 2025: 4 Cuts 2026: 2 Cuts NR: 3.00%
BOJ	2024: 0 Hikes 2025: 1 Hike NR: 0.75%	2024: 1 Hike 2025: 2 Hikes NR: 1.00%

NR = Neutral Rate

Source: Bloomberg, Neuberger Berman. As of September 18, 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 not indicative of future results.**

Trying New Tricks

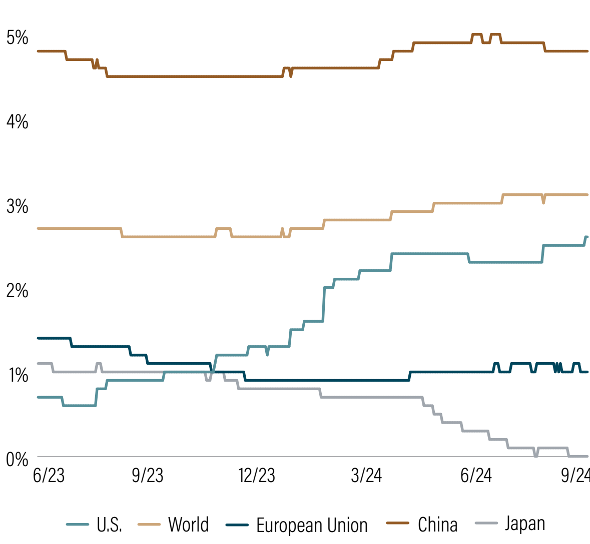
The unwind of the yen carry trade in August was not entirely unexpected apart from its rapidity; indeed, the Bank of Japan had been telegraphing its desire to raise interest rates, which have been some of the world's lowest since the Global Financial Crisis, for some time. Our outlook for Japanese equities, in particular, has been constructive since last year, driven by a combination of a stronger focus on delivering shareholder value, wage gains and increased consumer and corporate spending. But embarking on a new policy path is not without risks, and the Bank of Japan seems focused on limiting unforced errors related to its policy communications since the events of August. The new prime minister, Shigeru Ishiba, is viewed as hawkish as well, and in his opening salvo cited higher rates as necessary to spur growth and consumer spending while maintaining control over inflation.

China, too, appears to be adopting a more nuanced set of policies to help overcome the challenges the country is facing following its slow reemergence from both Trump-era trade conflicts and COVID, in addition to the accommodative monetary policy stance already in place. Deeply skeptical consumers have been holding their cash, inciting deflationary fears akin to those Japan grappled with for much of the last two decades. Consumers are reacting to the marked cooling in the country's residential real estate market, where the bulk of the recent measures are concentrated. The government has pushed for increased stock purchases throughout different levels of the financial system, providing needed demand to a market that has been struggling to find buyers over the last year.

All the challenges above have contributed to reluctance by U.S. investors to allocate meaningfully outside our borders. However, we believe there are opportunities elsewhere, particularly as the U.S. dollar seems unlikely to strengthen much while the Fed is cutting interest rates. That said, selectivity is key, as the economic foundation is not as strong in these markets, placing a premium on company-level execution.

THE U.S. HAS SURPASSED EARLY EXPECTATIONS—COULD OTHERS FOLLOW?

2024 Global Economic Growth Forecast



Source: Bloomberg, as of September 30, 2024. For illustrative purposes only. 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. **Past performance is not indicative of future results.**

Establishing a Safety Net

In preparing to close out 2024, we are conscious of the potential for complacency when considering current portfolio allocations. The equity markets have generated considerable wealth over the past two years, and portfolio concentrations have built up in certain sectors, industries and individual stocks. While changes in tax policy are often cited as rationale for reallocation of highly appreciated holdings—and we may see changes as the 2017 tax cuts near expiration at the end of next year—our view is that diversification should be pursued as a risk management exercise regardless of the tax environment.

Rather, a more prescriptive and thoughtful approach to overall portfolio management, incorporating a defined capital gains "budget," philanthropic or estate planning, and allocation to areas of the equity and fixed income markets that have yet to fully benefit from a still resilient economic backdrop, will be desirable, in our view, as we move into 2025. We believe the U.S. economy will likely avoid a recession, that interest rates and prices will continue to move lower, that fiscal policy changes will be balanced, and that the U.S. consumer will be discerning but not disengaged. As such, we view the environment as supportive for risk assets, and that compelling opportunities still exist across the broader global investment universe.

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

Highlights 4Q 2024

FROM THE ASSET ALLOCATION COMMITTEE

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

With the Federal Reserve now cutting interest rates, we anticipate a soft landing for the economy, with rates relief primarily benefitting "have-nots," including lower-income consumers and smaller companies. Renewed stimulus for the sharply slowing Chinese economy has improved the outlook for non-U.S. markets and commodities, although the full impact remains unclear.

Equities

We anticipate further broadening of U.S. equity market performance now that monetary easing is underway, but we feel that larger companies are both fully valued and less sensitive to rate changes. We favor quality stocks in more cyclical and less expensive parts of the market, particularly in small- and midcaps. Overseas, Europe remains an at-target view; and although we are constructive on Japan for the long haul, recent strengthening in the yen could prove a temporary headwind.

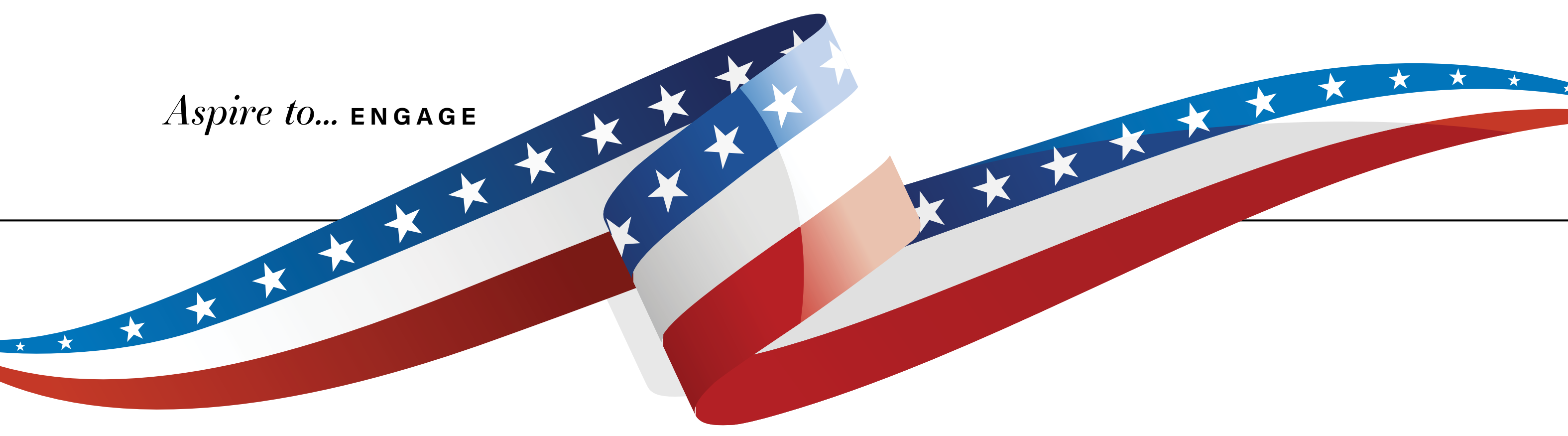
Fixed Income

Investment grade bonds appear fully valued, and may experience volatility as economies slow and rate-cutting proceeds. While we favor shorter maturities, concern about debt sustainability make us cautious on longer-dated bonds. Corporates' yield advantage over Treasuries remains narrow, with more opportunities in mortgages and securitized credit. Emerging markets debt has become more appealing given attractive yields and potential benefits from global rate-cutting.

Alternatives

We see commodities as a useful hedge against potential inflation and geopolitical shocks, but are cognizant of slowing global demand. Real estate merits some caution, although declining rates could provide a tailwind, while market dislocation is driving opportunities in certain sectors. In our view, private equity secondaries and co-investments show appeal; primary private equity buyouts are beginning to look more attractive amid declining rates.

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.



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President and Chief Investment Officer—Equities

DANIEL FLAX
Senior Research Analyst—Technology

RONALD B. SILVESTRI
Senior Research Analyst—Utilities, Pipeline and Renewable Energy

TERRI L. TOWERS, PhD
Senior Research Analyst—Health Care

Election Roundtable: Trade, Taxes and Regulation

DESPITE STARK DIFFERENCES, SOME POLICIES AND INDUSTRY TRENDS ARE LIKELY TO CONTINUE, REGARDLESS OF WHO WINS.

The current election cycle has been one of the most remarkable in memory, involving a criminal conviction and assassination attempts, as well as the late replacement of the sitting president in the campaign. In case anyone has forgotten, the contest also involves substantial policy differences across a range of areas. Recently, Joseph V. Amato, Neuberger Berman President and Chief Investment Officer—Equities, interviewed three of our senior equity research analysts, Daniel Flax, Ronald B. Silvestri and Terri L. Towers, PhD, who focus on technology, clean energy and health care, respectively, regarding a few key issues where the election may or may not make a difference. Here we provide some highlights.

Trade and Tariffs

Joe: Former President Donald Trump has talked about imposing 60% tariffs on Chinese imports and 10% tariffs across the board on other imports, which could bring tariff revenue to unprecedented levels—perhaps 1% to 2% of GDP (all else equal) compared to 0.3% – 0.5% over the past century. Vice President Kamala Harris may employ them to more a limited degree. How do you see the tariff issue for the areas you cover?

Dan: Higher tariffs would obviously have an impact on technology, and the industry has been dealing with them for many years now. But if we step back and look ahead to where the tech sector is going, it's really about incorporating more artificial intelligence into solutions, with implications across all industries, and even the political, social, military and geopolitical spheres. Those are going to be dramatic, regardless of how high tariffs may or may not be—and regardless of who wins the election.

Ron: Support for tariffs on clean energy imports, like solar modules, is broadly bipartisan. But it's important to note that U.S. companies have adapted, with reshoring in the U.S. to build our own clean energy supply chain. That ecosystem will drive more job creation and support the clean energy mega-theme in this country for years to come. Keep in mind that renewables are still only 15% of the U.S. fuel mix. I believe clean energy remains a compelling growth engine to meet ever-increasing power demand, including from AI and data centers. So, tariffs will remain, but more renewables will be needed to accommodate accelerating power demand, no matter which party is in power.

Terri: When we think about China, the areas most exposed to trade tensions are biotech and pharma manufacturers, as well as generic manufacturers. Both candidates are aligned in using escalating tariffs as part of the conflict with China. Although the incentive structures they use may be different, the end game is the same: to get more manufacturing out of China and back to the U.S. This isn't a new theme. It was highlighted in 2021, at the height of the pandemic, when President Biden came out with a list of key assets that were mission-critical to the nation, including active pharmaceutical ingredients (API). We dug a little deeper to see just how big this reliance was, finding that about 30% to 35% of API is directly dependent on China in our estimation. In addition, China is the predominant supplier of API to the Indian generics industry, upon which our own generic market relies heavily. In sum, as much as 50% to 60% of API is likely directly or indirectly coming out of China.

Corporate Taxes

Joe: Unfortunately, the candidates aren't talking about long-term debt sustainability, but rather, focusing on short-term tax policy. Harris has proposed increasing the corporate tax rate to 28%, while Trump has discussed reducing it to 15% for companies that manufacture products in the U.S. A common rule of thumb is that a 1% increase in the corporate rate roughly equates to a 1% decrease in S&P 500 earnings. So, this has important implications for growth.

Terri: In health care, the impact of tax changes will generally depend on what subsector you are talking about. More U.S.-centric businesses, like managed care companies, clinical labs or distributors, already have high effective tax rates of typically 23% to 26%. As president, Harris might take that to 28%—clearly a headwind, but something that is manageable. Looking at the broader health care sector, including multinational, pharmaceutical and biotech companies, as well as medical device companies, their effective tax rate generally ranges from the low to high teens. And so, a rate reduction to 15% under a Trump White House scenario probably won't matter for them, because they already employ methods like offshoring intellectual property and often use corporate inversions that allow them to limit tax exposure even during higher tax regimes, which could be the case with a Harris White House.

Dan: A lot of the tech sector is global. If you think about semiconductor companies, most of them rely on partners that are located overseas. And even where there are tax incentives to reshore, I'm not sure that it will have a big impact. What the market looks for in technology companies is innovative solutions and growth potential. If their earnings are a little bit higher or lower due to the tax rate, the market will likely overlook that if their topline growth is durable.

Industrial Policy and Regulation

Joe: Among Joe Biden's signature achievements are the CHIPS Act, which seeks to restore the domestic semiconductor industry, and the Inflation Reduction Act (IRA), which introduced an array of subsidies to bolster clean energy. How do you view them in the context of the current political environment?

Dan: Over the last several decades, more and more manufacturing has moved to Asia because of lower costs and the incentives there. I think the CHIPS Act is an interesting first step to try to incentivize companies to do more here in the United States. However, given the size of the investments required, I think you would need several initiatives like the CHIPS Act, through multiple administrations, to make a difference. That doesn't mean just money. You also need policies to help attract the right skillsets, for example in data science or artificial intelligence. There is support across the aisle for such efforts, given the interest in building more reliable supply chains.

Ron: The IRA has really turbocharged clean energy growth. Thus far, over 300 major clean energy projects have been announced across the U.S. since the legislation was passed, involving over $200 billion in capital investment for these projects and over 300,000 new jobs created.

In my view, a Republican trifecta (taking the presidency, House and Senate) would be needed to meaningfully change the IRA, but there are growing calls within the GOP to keep the law in place in order to ensure business certainty and preserve job growth.

More broadly, I think there's support for multiple energy sources, which will be needed to meet surging power demand. Natural gas is commonly understood to be vital to energy security and electrical grid reliability. A Trump win could be positive for sentiment related to traditional oil and gas policies, while Vice President Harris has walked back her opposition to fracking as well. More controversially, nuclear power enjoys bipartisan support, and the IRA included the first-ever federal tax credit for nuclear power. Nuclear has some risks, but it is also an ideal zero-carbon resource for power that is experiencing increased momentum.

Finally, the slow permitting process has been a major obstacle to building out energy infrastructure. Wind and solar facilities may take a couple years to construct, natural gas up to five years, and a new nuclear facility could take 10 years or more. I think that legislators will focus on this issue once the election has been decided.

Joe: The IRA contained a number of reforms to the health care sector. How do you believe those could be affected by the election?

Terri: For health care companies, we believe the important pieces are the Medicare Part D redesign and drug price negotiation by the government, which pharma and biotech companies are particularly exposed to. Harris, who was instrumental in crafting the IRA, is highly supportive of negotiation and may attempt to either accelerate or broaden the number of drugs included on the list for negotiation with manufacturers.

Should Trump be elected, I think the odds of a "repeal and replace" *à la* the Affordable Care Act are low, and that we will still see direct drug-price negotiation as both candidates support direct government involvement. If anything, Trump may bring back the "most favored nation"

approach to calculating the negotiated rates of reimbursement by Medicare in the U.S. for certain Part D drugs; however, his campaign seems to be stepping back from this as of late.

Part D redesign focuses on the segment of Medicare insurance for seniors that governs drug coverage, and limits the patient out-of-pocket amount to $2,000 per year. This portion of the IRA is not controversial and has the support of the industry and both parties in Congress. Without "sticker shock" at the pharmacy counter, seniors should feel less reluctant to abandon their medicines, which should translate into increased volumes for pharmaceutical companies as well as better health outcomes, which should also help results at managed care companies. So, we think the Part D element of the IRA is solid policy and is here to stay, regardless of who wins the election.

Tech: Antitrust and AI

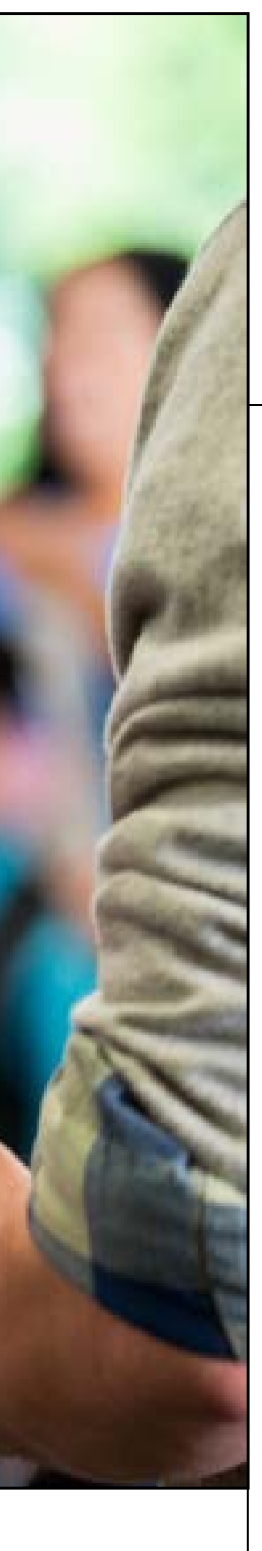
Joe: Tech companies are already a key focus for regulators. Do you see that continuing?

Dan: Given the size of the major platforms, the number of industries they're going into, their use of data and their impact on competition, I think that antitrust scrutiny, which is already high, will keep increasing.

Here in the U.S., regulators are trying to ensure that these companies can innovate, but also allow others to compete. The push and pull is likely to continue through the election, and beyond. In Europe, where you generally don't have these technology giants headquartered, it's a little different. In some cases, the European Union wants to assert oversight out of concern about data usage.

AI is also a key issue, as the technology has great potential to drive productivity, growth and jobs across the economy, and it also has military and geopolitical implications. Governments know that if they impair their own companies, then the "champions" in other countries may outcompete their companies and take share. So, there's a balance to be achieved.

"AI has great potential to drive productivity, growth and jobs, and it also has military and geopolitical implications. Governments know that if they impair their own companies, then the 'champions' in other countries may outcompete their companies and take share. So, there's a balance to be achieved."



SAM PETRUCCI
Head of Advice, Planning and Fiduciary Services

ADAM ROSENBERG
Head of Trust Tax, Neuberger Berman Trust Company

Personal Taxes and the Election

THE OUTCOME OF THE IMPENDING U.S. ELECTION COULD HAVE A MAJOR IMPACT ON YOUR TAXES AND PLANNING FUTURE.

The 2024 presidential election pitting former President Donald Trump against current Vice President Kamala Harris is a clash of world views, with perhaps no area reflecting more differences than tax policy.

At a high level, Trump favors an extension of his 2017 tax cuts as a way to help drive economic prosperity while Harris seeks redistribution of the tax burden to support the middle class. Still, their positions have been evolving, with some limited overlap. As election day draws near, we present key highlights of the candidates' proposals and some thoughts on how they may affect tax and estate planning in the coming months.[1] You can find our broader views regarding year-end strategies on page 17 of this publication.

TRUMP: BROADER TAX RELIEF

For his potential second term, Donald Trump is looking to double down on the tax reforms he introduced seven years ago. This would include extending or making permanent current rates and exemptions, such as the top income tax rate of 37% and estate and gift tax exemption of $13.61 million.[2] He would also offer new tax breaks in specific areas; for example, he has proposed to eliminate taxes on income from tips and Social Security benefits. Additionally, he favors no longer taxing overtime pay and removing the limitation to the state and local tax deduction (currently $10,000). Meanwhile, his running mate, Senator JD Vance, has proposed an annual child tax credit of $5,000, up from $2,000.

On the business side, the former president has proposed using tariffs on foreign goods as a way to reduce the domestic tax burden and help restore U.S. manufacturing capabilities. Specifically, he has floated the idea of cutting the current 21% corporate tax rate (already reduced from 35% in 2017) to 20% generally, and to 15% for companies manufacturing goods in the U.S. He would also reintroduce the 100% bonus depreciation rate and would extend the 20% pass-through deduction for partnerships, LLCs and S corporations.

HARRIS: FOCUS ON THE WEALTHY AND CORPORATIONS

Vice President Harris's tax positions are largely in line with those of the Biden administration. Like the current president, she is looking to increase the tax burden on wealthier individuals and corporations in order to help fund goals on social spending and health care.

Importantly, Harris would seek to roll back the 2017 tax breaks for individuals earning $400,000 or more (and couples filing jointly and earning $450,000), but extend those benefits for everyone else. She would increase the top federal ordinary income tax rate from 37% to 39.6%. In addition, the current 3.8% Medicare surtax on passive investment income for individuals with annual "modified adjusted gross incomes" of over $200,000 ($250,000 for married couples) would be extended to non-passive business income, while a new top Medicare surtax rate of 5% would be introduced for individual taxpayers with incomes over $400,000.

Harris would also like to increase the top tax rate on capital gains to 28% (not including the Medicare tax). That's less than Biden's original plan to match the top ordinary rate of 39.6%, but still considerably higher than the current 20% top rate. In addition, she supports the idea of taxing *unrealized* capital gains each year through a minimum 25% income tax rate on those with $100 million or more in assets, though there may be less legislative support for this type of proposal.

[1] This article draws on the analysis of the Tax Foundation, as well as various news sources, for the tax proposals introduced by the two candidates.

[2] The exemption is scheduled to sunset at the end of 2025 and revert to roughly its 2011 level of $5 million adjusted for inflation (or about $7 million) if no new legislation is enacted.

Highlights: Trump and Harris Positions on Taxes

ORDINARY INCOME

DONALD TRUMP

- Extend or make permanent 2017 tax reforms
- Maintain 37% top ordinary income tax rate
- Maintain current standard deduction
- Extend 20% pass-through deduction for partnerships, LLCs and S corporations
- Eliminate tax on tips, Social Security and overtime pay
- Remove limitation on the state and local tax (SALT) deduction

KAMALA HARRIS

- Allow 2017 rate cuts to expire for individuals making $400,000 and couples making $450,000 or more
- Increase top tax rate to 39.6%
- Expand the base of the Medicare surtax to include non-passive business income
- Introduce Medicare surtax top rate of 5%
- Eliminate tax on tips
- Many Democrats favor increasing the SALT deduction

CAPITAL GAINS

DONALD TRUMP

- Maintain current top rate of 20%
- Maintain current carried interest tax treatment as capital gains

KAMALA HARRIS

- Raise top capital gain tax rate to 28% for households making over $1 million
- Limit deferral of gains for real estate like-kind exchanges to $500,000 per person
- Tax unrealized capital gains as part of 25% minimum income tax on those with over $100 million in assets
- Treat carried interest as ordinary income for people earning more than $400,000

ESTATE AND GIFT TAX

DONALD TRUMP

- Extend current estate and gift tax provisions ($13.61 million exemption, indexed for inflation, 40% maximum rate)

KAMALA HARRIS

- Reduce estate tax exemption to half the current amount or lower
- Increase estate tax rates
- Limit effectiveness of common estate planning strategies such as grantor retained annuity trusts, sales to grantor trusts and so-called dynasty trusts

BUSINESS TAXES

DONALD TRUMP

- Lower corporate tax rate to 20% (15% for companies making products in the U.S.)
- Restore 100% bonus depreciation
- 10 – 20% tariff on most imported goods and 60% tariffs on Chinese imports

KAMALA HARRIS

- Increase corporate tax rate to 28%
- Enforce global minimum tax, raise rate to 21%
- Increase small business tax deduction from $5,000 to $50,000

Assuming 2017 tax reforms expire after 2025, the estate tax exemption would decline from the current $13.61 million to roughly $7 million per person. However, the Harris campaign has endorsed the American Housing and Economic Mobility Act of 2024, which includes an estate tax framework that would lower the individual exemption to $3.5 million (the 2008 level) and raise estate tax rates. It would also limit the effectiveness of common estate planning strategies such as grantor retained annuity trusts, sales to grantor trusts and so-called dynasty trusts.

On the business side, Harris would seek to increase the top corporate tax rate from 21% to 28%, and favors enforcement of the global 15% minimum corporate tax agreed to by over 140 countries to help discourage "shopping" for tax jurisdictions. Also impactful for some business owners and investors, she favors ending the 20% tax deduction for flow-through entities and eliminating the "carried interest loophole" that treats such income as capital gains rather than ordinary income; it remains unclear whether these proposals would apply below the $400,000 income threshold mentioned above.

In terms of tax breaks, Harris has proposed to increase the tax deduction for new small business creation from $5,000 to $50,000. This comes on top of individual proposals such as an expanded child tax credit ($6,000 for children under one year old, $3,600 for children two to five years old and $2,000 for children ages six to 17). Like Trump, she favors eliminating taxation of tips income, although possibly just for those earning $75,000 or less. Additionally, she supports providing $25,000 in downpayment assistance to first-time homebuyers.

PLANNING AFTER THE ELECTION

When thinking about the candidates' positions, it will be important to distinguish what they want and what they can actually achieve. This could be greatly affected by the makeup of the broader government after the election. If the Republicans or Democrats sweep both presidential and Congressional races, Trump or Harris will have a far freer hand to implement policy. In contrast, divided government (with the opposition taking one or both legislative majorities) could offer opportunities around only those matters where there is bipartisan agreement. A key wild card in this election cycle is the post-2025 expiration of many 2017 tax reforms. Since neither party appears to want to preside over broad tax increases for the middle class, we could see a period of lively negotiation between partisan camps.

Fortunately, once the election is over, there will be meaningful opportunities for individuals to take steps around tax and estate planning in relation to these and other tax proposals.

In the case of a Democratic sweep or divided government, the current elevated estate tax exemption may be living on borrowed time—reinforcing the value of placing assets in wealth transfer vehicles this year (or at least prior to the expiration of current tax laws). In addition, taxpayers may wish to accelerate income and defer deductions before any anticipated tax increases.

Should there be a Republican sweep, we believe there will still be value in discussing near-term planning strategies and connecting with your portfolio managers for insights on the potential economic impacts of Trump policies. In that scenario, with tax rates less likely to increase, it may behoove taxpayers to defer income and accelerate deductions into the current year where appropriate.

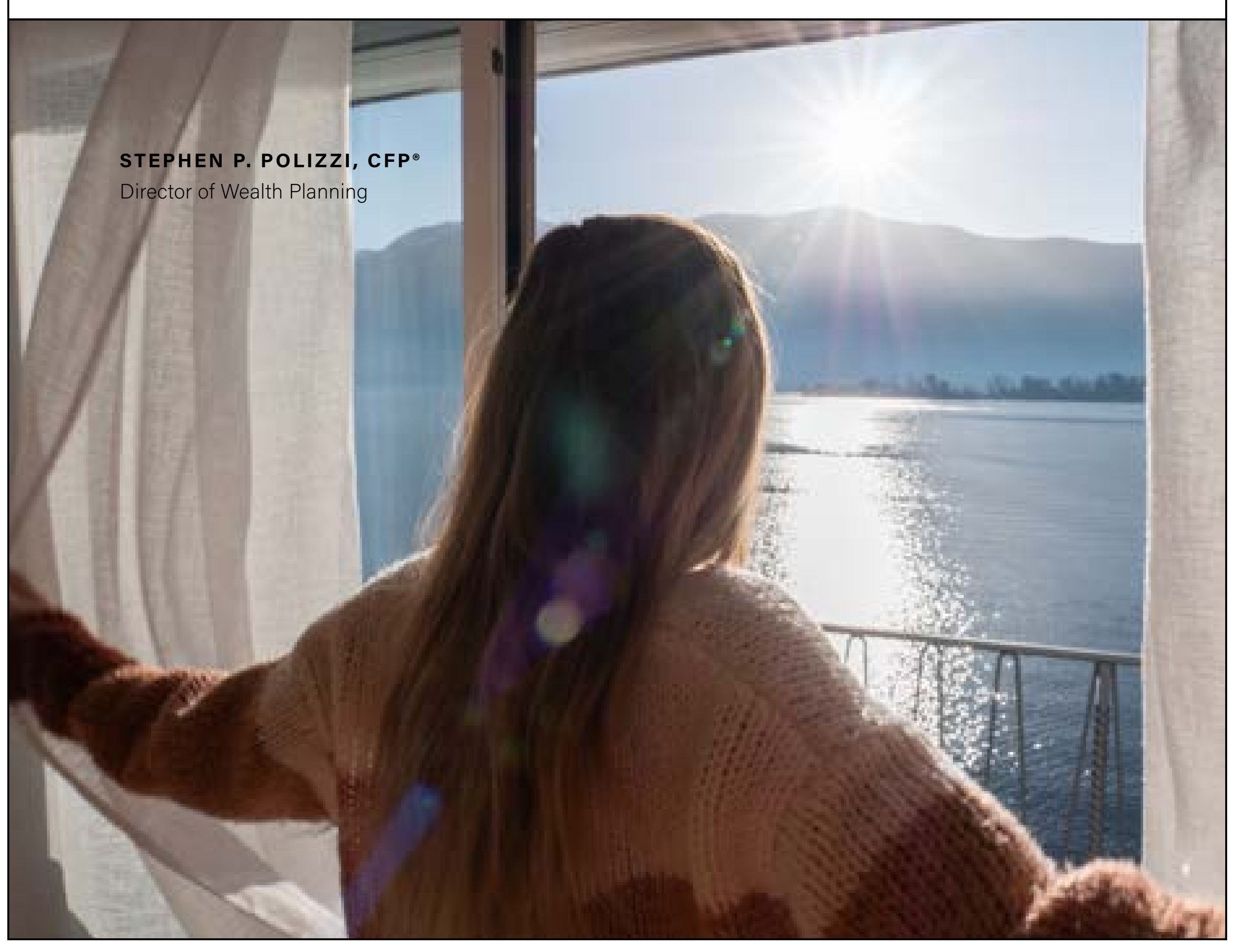
Typically, tax reforms aren't initiated in the year they are legislated, but that hasn't always been the case. Whatever the outcome, you will likely want to get ahead of potential changes and think about how they might affect your financial life and planning priorities in the months and years ahead.

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

Aspire to... **TAKE ACTION**

Key Planning Considerations Before Year-End

THE COMING MONTHS COULD PROVIDE A VALUABLE WINDOW TO ASSESS PORTFOLIOS AND PLANNING STRATEGIES.



STEPHEN P. POLIZZI, CFP®
Director of Wealth Planning

The past year has been rewarding for many investors, but questions remain as to economic growth, equity valuations and the pace of central bank easing. Adding to uncertainty is the presidential election, which involves very different policy views as to taxes and other issues. With year-end approaching, we believe this is a vital time to assess portfolio positioning and planning strategies, and to consider taking action where appropriate prior to the arrival of 2025.

Manage Risk and Taxes

For investors, a key part of managing risk is assessing whether portfolios are effectively diversified across the capital appreciation potential of equities, the income opportunity of fixed income (especially given still-attractive yield levels) and the noncorrelated returns of private markets. However, risk may extend beyond asset allocation to the presence of concentrated holdings.

The typical rule of thumb is to keep any individual security below 10% of your portfolio, which means that it may be prudent to trim some holdings. Realized gains may be offset by losses, so it is important to connect with your wealth or portfolio manager to clarify your potential gain/loss picture for the calendar year. Select loss "harvesting" may be appropriate: You can offset realized capital gains and up to $3,000 of ordinary income with losses, whether realized in 2024 or carried over from previous years. Be sure to abide by wash sale rules, which apply if you purchase the same or substantially identical securities (or acquire a contract or option to do so) within 30 days before or after the sale resulting in a loss.

As the year-end approaches, it is an ideal time to consult with your tax advisor to review your income tax projections for the current and upcoming years. It may be beneficial to assess the advantages of either accelerating income this year or deferring it into 2025. Additionally, strategic planning regarding the timing of deductible expenses—such as making an extra mortgage and property tax payment or charitable donation—may be prudent.

Organize Your Charitable Gifts

Year-end is an active time for making charitable donations, but the checkbook giving that many of us employ can be time-consuming and inconvenient. Taking a more organized approach can help to streamline this process and potentially make giving more effective.

Along these lines, a donor-advised fund (DAF) can serve as a single tax-free charitable account to support multiple nonprofits, and to also track your giving. If desired, you can pair DAF funding with tax-efficient investing, as donating appreciated marketable securities (e.g., stocks and mutual fund shares) held for over a year can serve as a tax-free way to reallocate your portfolio as part of your annual investment review. Note that with such long-term holdings, you can take a deduction of their market value up to 30% of adjusted gross income (AGI). (For short-term appreciated holdings, you can only deduct the purchase price. Cash donations can be up to 60% of AGI.)[1] In some cases, you may prefer to "bunch" donations in a given year to maximize tax benefits beyond the standard deduction.

[1] Any excess above these thresholds is carried forward to the subsequent five tax years. You should consult with your tax advisor as to the timing and types of donations, especially in regard to larger gifts such as business interests.

Be sure to allow sufficient lead time given the year-end deadline of transferring certain assets. For instance, it can take up to six weeks to process a mutual fund donation, suggesting the need to initiate the transfer by mid-November. In addition, nonprofit organizations vary in their ability to process noncash gifts in a timely manner. This is an opportune time for your NB Private Wealth team to review your balance sheet and work with your tax advisor to identify optimal assets to transfer, and then execute your philanthropic objectives for the year.

Capitalize on Today's Estate Tax Regime

The clock is ticking on the generous estate tax rules enacted as part of the 2017 tax reform. Specifically, the current (2024) lifetime federal exemption of $13.61 million per person (or $27.22 million per married couple) from estate and gift tax is set to revert to past levels after 2025. Depending on the outcome of the election, more changes may be on the table (see "Personal Taxes and the Election" on page 12). Where feasible, we believe gifting above the historical exemption amount of $5 million (indexed from 2010) per person could be an effective way to move assets out of your estate on a gift-tax-free basis. For added flexibility, you may wish to employ certain trust vehicles.

Gifting on a smaller scale may also be in order. Under current law, you can give up to $18,000 ($36,000 as a married couple) gift-tax-free to as many individuals as you like in 2024 without using your lifetime federal gift tax exemption. However, all of your gifts, including those made directly to children via taxable investment accounts and/or UTMAs, 529 college savings accounts and, indirectly, to life insurance trusts to cover annual premiums, must be coordinated to ensure you don't inadvertently exceed the annual gifting limits for any one person. Also, you can pay your children's (or anyone else's) tuition directly to an educational institution, or medical expenses/health insurance premiums directly to the service providers, in unlimited amounts without dipping into the annual exclusion or lifetime gift exemption.

Capitalize on Tax-Advantaged Accounts

Retirement Accounts

Use of retirement savings vehicles can provide significant opportunities for investment growth potential over time. The limit on annual employee 401(k) plan contributions is $23,000 for 2024 (plus an additional $7,500 for those age 50 or older); and you can contribute up to $7,000 to a traditional individual retirement account (IRA) in 2024 ($8,000 if you are 50 years of age or older), though the tax deductibility of your IRA contribution may be reduced or disallowed if you also participate in a retirement plan at work and your earnings exceed certain thresholds. Your nonworking spouse can use your earnings to contribute to an IRA, in which case income-based phaseouts take place at higher levels than those for the working spouse. Moreover, you and/or your spouse can still contribute to a nondeductible IRA or convert a traditional IRA to a Roth IRA.

Management of RMDs

Those who have not begun taking distributions from traditional retirement plans may eventually face meaningful required minimum distributions (RMDs). In such cases, it may make sense to take some distributions to tactically "fill up" your existing tax bracket before RMD status begins, rather than expose that income to potentially higher tax rates in the future. Note that under current law, many of those who inherit IRAs must take RMDs based on their life expectancy in each of the nine years following the death of the original account owner and fully distribute the account in the tenth year. The IRS has provided a reprieve from such RMDs for 2024, but in some cases, we believe it may make sense to make a distribution this year to avoid having higher RMDs in the future.[2]

[2] This rule applies to non-spouse beneficiaries where the original owner of the IRA had already begun making RMDs. Although distributions are not required for 2024, this pause does not extend the tolling of the overall 10-year period, so some individuals are choosing to make withdrawals to avoid having to make larger distributions in future tax years. If the deceased owner did not begin making RMDs , the beneficiary can structure the payments as desired as long as the account is fully liquidated by the tenth year after the death of the past owner. Spousal beneficiaries have multiple options on how to approach distributions, including taking distributions over their lifetimes, while special rules apply to certain other categories of beneficiaries. Consult your advisors for more information, including where the beneficiary deferred withdrawals during the development of current regulations under SECURE 2.0.

Qualified Charitable Distributions (QCDs)
If you are age 70½ or over, you can donate up to $105,000 from your IRA in 2024 to an eligible charitable organization (other than a DAF or private foundation) and avoid paying otherwise applicable taxes on the distributions, which are excluded from your gross income. This can apply to the RMDs you may be required to distribute after age 73, providing a valuable method to offset the impact of other income. As part of the SECURE 2.0 Act, you can make a one-time QCD of $53,000 (for 2024) to a split-interest entity, such as a charitable remainder annuity trust, charitable remainder unitrust or a charitable gift annuity. This limit is part of the aggregate limit of $105,000 for the year.

529 Plans
A potentially effective way to use the annual gift exclusion is to contribute to a 529 education account on behalf of a family member or other individual. It is possible to front-load up to five years of exclusions in one 529 contribution. Although the contribution isn't tax-deductible at the federal level, account assets grow tax-free, and withdrawals are also not taxable if they are used for qualified education expenses, including both college and (for expenses up to $10,000 per year) private elementary and secondary school. Many states provide a limited income tax deduction for residents who contribute to a 529. Note that, starting this year, it is possible to convert up to a lifetime limit of $35,000 in 529 account assets to a Roth IRA where the beneficiary and account have been in place for 15 years, subject to Roth contribution limits and the beneficiary's earned income levels.

Assess Your Insurance Coverage

Insurance is a cornerstone of your financial picture that can sometimes be overlooked. Consider reviewing your policies to ensure there are no gaps in coverage should you or your family members be party to a lawsuit or legal judgment. Excess personal liability (or umbrella) insurance can be crucial, providing a backstop in the event you are sued for amounts in excess of the regular liability coverage offered by homeowner and automobile policies. As a general rule of thumb, you should consider coverage of up to your net worth to protect your family's assets.

Property insurance has been a source of sticker shock for many over the past year. Considering the significant increase in residential real estate prices in recent years, coupled with the rise in property losses due to recent catastrophic weather events, it may be prudent to benchmark your coverage levels against a market index.

Also, assess whether you might benefit from coverage for future long-term care, which can be a particularly costly outlay late in life. Individuals typically begin to consider whether or not to have this type of coverage between the ages of 50 and 70. Eligibility and premiums are a function of the applicant's health and age at the time of application, as well as the type of policy and features selected.

Finally, consider reviewing your life insurance coverage to ensure that your loved ones are properly protected. Look closely at death benefits, and, for those with permanent policies (i.e., whole life, universal or variable), make sure the policy is performing as projected when originally purchased. In our view, it would be prudent to request in-force illustrations from the insurance carrier every couple of years to make sure there are no surprises down the road.

For those experiencing changing circumstances, it is important to evaluate whether your need for life insurance remains the same as when you initially purchased the policy. If your needs have evolved, several options are available to consider, including an outright surrender, a "1035 exchange" into another insurance product or a life settlement. Consult with your insurance professional to better understand these options.

Weatherproofing Your Plan

The economic and market landscape continues to evolve, making it important to work with your advisors to ensure that your investments effectively balance risk and potential reward in light of your personal needs, and that your planning capitalizes on currently available wealth strategies. Importantly, your financial life can change dramatically over time. Marriage, divorce, the birth of a child and health issues, among others, may require an array of strategies across disciplines, from insurance to estate planning to asset allocation. Working with your NB Private Wealth team, you can develop a plan to help navigate these issues.

Checklist for Year-End

Your late-year financial review may include addressing these questions and more:

- ☐ Are the beneficiary designations correct on insurance and retirement accounts, particularly where you might have designated a trust for planning reasons?
- ☐ Are those named in your estate planning documents, such as trustees, executors or attorneys-in-fact, still appropriate?
- ☐ Do your payroll withholdings need to be adjusted?
- ☐ Are your Flexible Spending Account withholdings realistic, and are you on track to eliminate balances by the deadlines?
- ☐ If you are enrolled in a high-deductible health plan, have you fully funded a health savings account?
- ☐ Have you reviewed your cash management strategy? With short rates at or above 4%, consider maximizing your earned interest rates while ensuring that you adhere to FDIC limits where applicable.
- ☐ Have you taken the opportunity to restructure your debt balances? Rate increases have reset many adjustable-rate mortgages higher, increasing monthly carrying costs.
- ☐ Have your circumstances changed in any way that might require a reassessment of your asset allocation, or a fresh look at your estate planning?
- ☐ Is your home adequately insured, given that valuations and rebuilding costs have increased substantially in many markets?
- ☐ Have you taken steps to protect your personal and financial data? This may include a review of your credit report to address inaccuracies or identify unusual activity.

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

Elevate Your Well-Being Through Philanthropy

THE ACT OF GIVING HAS BEEN LINKED WITH INCREASED HAPPINESS AND LONG-TERM HEALTH—CONSIDER WAYS TO BUILD IT INTO YOUR FAMILY LIFE.

Aspire to... GIVE

While financial capital often serves as a pillar of a family's wealth, the physical and mental health of its members is critical to its long-term cohesion, stability and productivity. In many cases, an individual's illness or mental challenges can have ripple effects across the whole family and compromise its ability to thrive collectively. Therefore, proactively cultivating the family's "holistic health" can help nurture and protect the most important "assets" on the family's balance sheet, the individual family members themselves.

Importantly, research has highlighted the connection between philanthropic activity and the participants' health, both physical and emotional. Below, we briefly discuss some of those studies and offer specific ideas to help in your philanthropic journey and reinforce family well-being.

JULIA CHU Head of Philanthropy and Family Governance Advisory

Happiness and Giving

Although financial resources can provide security and comfort, the adage that "money doesn't buy happiness" may also hold true. In further defining the connection between money and well-being, research has demonstrated that how people spend their money can matter a great deal. Specifically, those who spend money on others may experience more happiness than those who spend on themselves.

In one experiment, researchers approached individuals on a university campus and offered them a certain amount of money to spend by the end of the day, with specific terms. They instructed half to spend it on themselves and the other half to spend it on someone else. That evening, those who had been asked to spend the money on others reported a happier mood over the course of the day than the rest.[1] Interestingly, the amount received had no bearing on the happiness measurement. In another experiment, university students randomly assigned to purchase treats for a sick child reported feeling happier afterward than those assigned to purchase treats for themselves.[2]

Although any single spending decision may have short-lived effects on the body and mind, these decisions may compound over time to affect health outcomes. Older adults who report giving more money and resources to others exhibit better overall health—from fewer sleep disorders to better hearing—even after controlling for a wide range of variables (e.g., gender, income, physical mobility).[3] Thus, the benefits of spending for others aligns with the gratification that often results from charitable giving.

ACTION STEPS

If you wish to make your giving more intentional, streamlined and tax-efficient, consider the following:

Review your philanthropic budget to consider allocating to the causes and organizations you most value. Intentional charitable budgeting, as opposed to reactively responding to appeals, may provide a greater sense of strategy and prioritization that can feel rewarding.

Simplify the giving process by consolidating all your charitable activity into a single tax-exempt account known as a Donor Advised Fund (DAF). This charitable vehicle can enable you to initiate and track donations online so that you can allocate your philanthropic budget in real time without having to retrieve multiple receipts.

Consider enhancing the tax-efficiency of your giving by donating appreciated marketable securities (including mutual fund shares) held for over a year, instead of cash. Doing so can save capital gains taxes that would otherwise result from selling, and help to rebalance your portfolio tax-free.

Individual Retirement Account owners over the age of 70½ may also channel up to $105,000 (for 2024) in Qualified Charitable Distributions (QCDs) from the IRA directly to charity, bypassing income taxation on those assets (see "Planning Ahead of Year-End" on page 17).

Fostering Positive Development

Parents often hope that generosity may arise at a young age, and the literature appears to bear this out. In one study, researchers provided toddlers with a pile of treats. The children were asked to give one of their snacks away to a puppet that enthusiastically "ate" the treat. In addition, the experimenter retrieved an extra treat, which she asked the child to give to the puppet. Researcher assistants observed the children's facial

[1] Dunn, Elizabeth W., Aknin, Lara B. and Norto, Michael I., "Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off," *Current Directions in Psychological Science,* 2014.

[2] Aknin, L. B., Dunn, E. W., Proulx, J., Lok, I., and Norton, M. I. (2020). "Does spending money on others promote happiness?: A registered replication report," *Journal of Personality and Social Psychology,* 2020.

[3] Brown, W.M., Consedine, N.S., and Magai, C., "Altruism relates to health in an ethnically diverse sample of older adults," *The Journals of Gerontology, Series B, Psychological Sciences and Social Sciences*, May 2005.

expressions, finding that they appeared happier when they gave treats away than when receiving treats themselves.[4] The children showed the most happiness when giving away a treat from their own supply. This suggests that even young children can experience emotional benefits in using their resources to help others.

ACTION STEPS

Parents and their children can join toy distribution drives or other events to provide opportunities for the children to give.

Parents can further accustom their children to giving by providing them with charitable DAF gift certificates allowing them to recommend donations from the parents' DAF account.

Celebrating a child's display of generosity can increase the happiness "boost" from benefiting others.

Magnifying the Happiness Boost

"Prosocial" spending can become even more gratifying if donors can see how their generous actions have made a difference. In one study, participants had the opportunity to donate to organizations dedicated to children's health in two ways: In option one, for every $10 donated, the charity would provide a "bed net" to protect a child from malaria. Option two entailed giving without a tangible outcome. You can probably guess the result: Those who donated to the bed-net project said that they felt happier than before the donation, while those who gave money without a visible result expressed no such benefit.[5] Thus, it seems likely that donors get more out of giving when they know it has clearly made a difference.

As to whether mandating charitable giving (especially for younger family members) can boost happiness, research confirms the value of agency in timing and approach. In one study, participants observed through a brain scan showed stronger activation in reward areas of the brain when they freely donated to a local charity, compared with when they were required to make a donation.[6] Thus, it appears giving can be more rewarding when there is a degree of autonomy in the process.

[4] Dunn, Elizabeth W., Aknin, Lara B. and Norto, Michael I., "Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off," *Current Directions in Psychological Science,* 2014.

[5] Ibid.

[6] Ibid.

Time Is of the Essence

With year-end approaching, you may need to act quickly to execute certain giving strategies. Consult with your advisors early to identify optimal assets to donate, and to ensure that you make the transfers for the tax year you intend.

- **Donating securities** often entails some lead time, especially for mutual fund shares that can take over a month to transfer.
- **QCDs from IRAs** may also require some time to ensure that the distribution goes to your designated charity.
- **Private foundations** on a calendar year must distribute their 5% minimum annual required distributions to charity by year-end; thus, when it comes to reviewing potential grants, earlier is better.

ACTION STEPS

Balancing general support with donations that create a specific impact may enhance your gratification from giving. Examples of the latter may include the purchase of specific equipment, financial aid or mentoring of a specific pool of students.

Such emotional benefits may extend to consumer choices and investments aligned with your values. Becoming informed about the path of these dollars may enhance your satisfaction.

Inviting, rather than requiring, charitable activity by younger family members can help cultivate their independence, as well as increase the happiness boost of philanthropy.

Health Benefits of Volunteering

Research has also confirmed that helping others becomes more emotionally rewarding when it satisfies the need for social connection. A lack of that connection can directly affect the physical health of individuals, and coincides with a greater risk of cardiovascular disease, dementia, stroke, depression, anxiety and premature death. Indeed, the mortality impact of being socially disconnected is roughly that of smoking up to 15 cigarettes a day.[7]

With respect to emotional health, individuals appear to derive more happiness from giving when it also provides the opportunity to connect with other people.[8] The impact of volunteering also extends to physical health. In one study, middle-aged volunteers were less likely to have abdominal fat and high blood glucose than non-volunteers. They also had healthier levels of "good" HDL cholesterol. Older volunteers were less likely to have high blood pressure than their non-volunteer counterparts.[9]

Other research confirms that helping others mitigates the impact of stress on the helper's mortality factors, specifically identifying volunteering as a "stress buffer."[10]

ACTION STEPS

Search for volunteer opportunities offered by nonprofits you support, and also through platforms that highlight current openings. Giving Compass posts listings nationally, with the ability to search by area and location. Organizations like New York Cares, Chicago Cares and L.A. Works focus on regional events.

Volunteer together. While schools often coordinate volunteer activities, we think nothing matches the impact and modeling opportunity of a family participating together.

Apply your specific skills and talents. Skills-based volunteering can harness your natural abilities and professional experience in supporting an organization (in marketing, graphic design, logistics—whatever applies).

Leaning In

While health depends on multiple factors, research confirms the good news that individuals and families can take a proactive approach to enhance their health, physically as well as emotionally, through giving and communal activity. Some avenues of philanthropy may develop over a lifetime, but other actions may require more timeline implementation, for example, as part of your year-end planning process. Consulting with your advisors, including your NB Private Wealth team, can help structure your efforts to support the nonprofits of your choice while fostering family well-being.

[7] "Our Epidemic of Loneliness and Isolation: The U.S. Surgeon General's Advisory on the Healing Effects of Social Connection and Community," 2023.

[8] Dunn, Elizabeth W., Aknin, Lara B. and Norto, Michael I., "Prosocial Spending and Happiness: Using Money to Benefit Others Pays Off," *Current Directions in Psychological Science,* 2014.

[9] Merschel, Michael, "Help others, help yourself? Why volunteering can be good for you," *American Heart Association News,* April 14, 2023.

[10] Poulin, Michael, J. PhD, Brown, Stephanie L., PhD, Dillard, Amanda J., PhD, and Smith, Dylan M., PhD, "Giving to Others and the Association Between Stress and Mortality," *American Journal of Public Health,* 2013.

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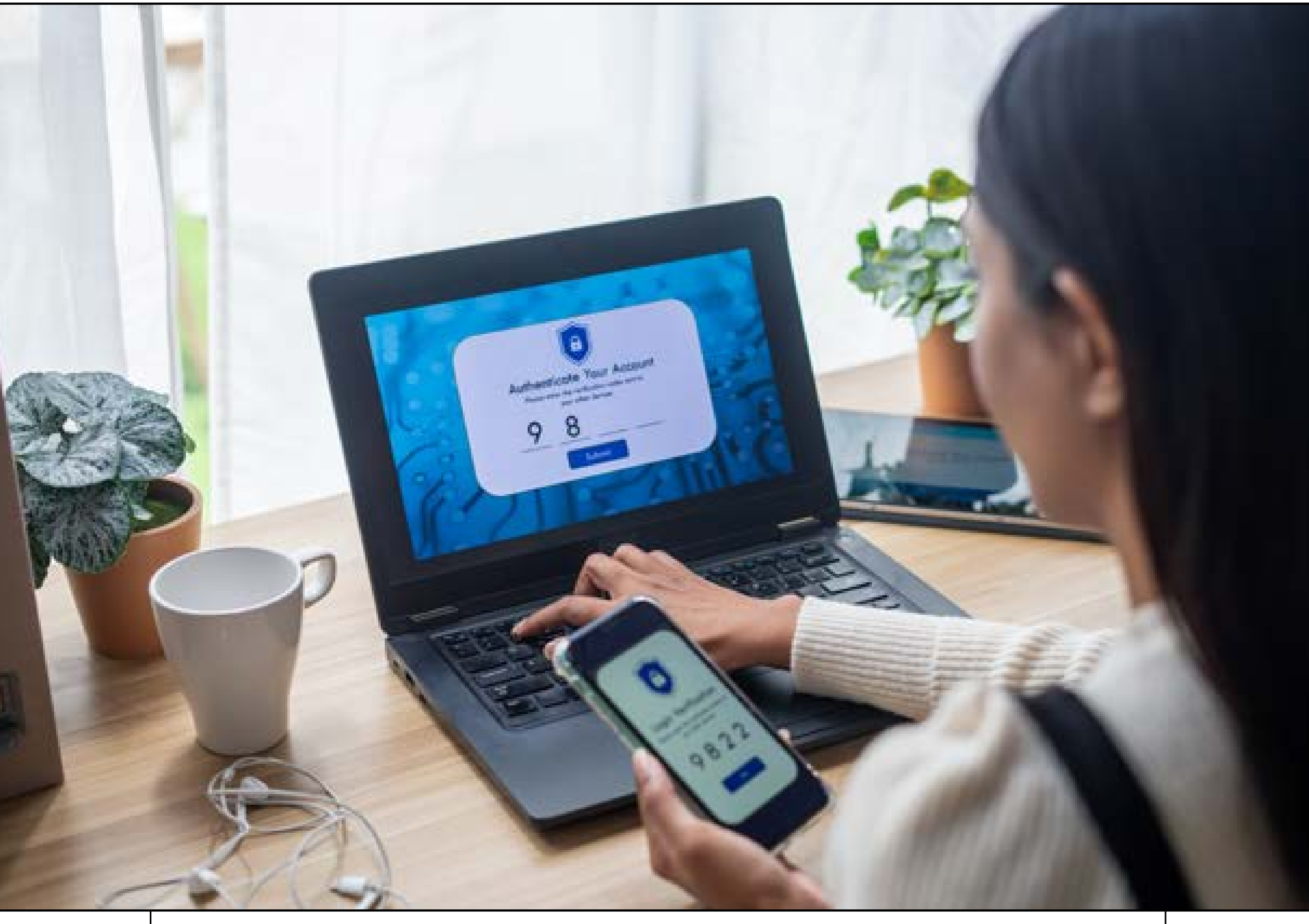


ANTHONY DeSANTIS
Chief Information Security Officer

Cybersecurity in Focus

TECHNOLOGY CONTINUES TO HEIGHTEN DIGITAL RISKS, BUT CAUTION AND COMMON SENSE CAN GO A LONG WAY TOWARD PROTECTING YOUR INFORMATION AND ACCOUNTS.

The headlines pop up almost daily. A bank, a retailer, a ticket reseller (or any number of other businesses) announces a data breach exposing the personal information of thousands, sometimes millions of people. It's probably a safe assumption that all of us have been caught in a breach at one time or another.

At the same time, the threat from con artists and other predators has only increased, as the tools at their disposal have become more effective and widespread. AI-powered algorithms are successfully sorting through millions of datasets to identify vulnerabilities. And while it was once easy to spot a fake "phishing" email—often riddled with typos and spelling mistakes—large language models are making it easier for bad actors to produce realistic, believable communications to manipulate potential victims. Cybercrime is a big business, which is estimated to reach an estimated $10.5 trillion in 2025.[1]

Fortunately, there are precautions you and your family can take to reduce exposure—some very easy and some more involved. How much you do is likely a personal decision, balancing your desire for both convenience and security.

Use Multifactor Identification. This is probably the most important step to protect your information and accounts, and you may be taking it already. It simply means that whenever you log into a financial website you receive a passcode (typically by text or email) to enter in order to access your account. Even if bad actors acquire your username and password, they can't get into your account without that passcode. Establishing multifactor ID for all your key accounts—including phone and email—can help seal off access to your information.

Bolster Your Passwords. Passwords can be hard to remember, so it's common to make them too basic or to use them across websites. Try creating long "passphrases" with multiple characters and numbers, and be sure to make them unique to each account you create. Crooks often take the username/password combinations obtained in a single data breach and run them against thousands of other websites. Using the password manager provided on your device or by a third-party vendor can help you avoid having to keep track of 100-plus different passwords. You can also just keep a written list—just be sure to keep it safe!

Freeze Your Credit. Ubiquitous online access has made the once onerous process of creating a credit alert or temporarily freezing your credit an easy process, via the websites of the three major credit bureaus. An alert warns lenders that they should take extra steps to verify your identity before granting credit; a "freeze" means that, even if your data is compromised, criminals will be unable to create an account in your name. If you need to apply for loan or to rent a car, you can unfreeze at a credit bureau and then re-freeze when you are finished. You can actually apply this principle to online accounts generally—turning them off and on at your convenience.

Safeguard Your Email. Your email account is a treasure trove of information for the digital criminal—often containing financial details, social security numbers, family information and much more. Most email traffic is encrypted in transit; rather, its presence on your computer or cloud servers is typically the issue. The defense mechanisms above (multifactor ID, password managers, etc.) apply to email, but you can consider taking another step: grooming your mailbox by deleting and/or archiving messages to a safer location.

[1] Source: Cyber Ventures.

Keep Your Devices Updated and Secure. One of the easiest ways to hack a computer or other device is to attack known security flaws where the owner has not uploaded software updates that would have fixed the issue. The more you keep your software up to date and the more sophisticated you make your computing environment, the less likely it is that this will happen to you. To bolster your defenses, consider purchasing security and/or antivirus software.

Protect Your Home Network. The router for your home WiFi network comes with a default password that is easy to decode, opening up your personal communications and data to outsiders. Be sure to customize the name of your WiFi network and set your own password to make this more difficult.

Be Wary of Public WiFi. Free networks at hotels and coffee shops are very convenient, but highly risky for users who don't have protection. Consider subscribing to virtual private network (VPN) service that creates a secure "tunnel" insulating your device from intrusion on public (or semipublic) WiFi. Be careful of rogue networks that may pretend to be affiliated with the hotel or other venues that you may frequent.

Curate Social Media. For better or worse, social media has become a central part of modern life, but carries certain risks. In our view, you should be careful about what you reveal online. Real-time location information and current vacation photos can alert criminals to when you may be away from your home. And excessive detail as to family members may set up you or a loved one for manipulation.

Watch for Scams. Especially with AI, email or text "phishing" attacks may look like they come from reliable senders, prompting you to click on links that expose your device to malware; unsolicited phone callers may ask for private information that can be sold or exploited. Be wary of urgent requests or offers that seem too good to be true. And stay alert for URLs that are similar to (with slight differences) a mainstream site. Rather than clicking on an email link, visit the provider website or call them independently. And never provide sensitive data like your Social Security number over the phone.

Secure Your Entire Family. When it comes to cybersecurity, family coordination is essential. As in a business organization, your security is only as strong as its weakest link. You should look to ensure that

Maintaining the Digital Dialogue

Neuberger Berman is dedicated to protecting your information and to helping you achieve security more broadly in your life. As part of an ongoing dialogue with clients, we recently presented a webinar, "Defending Your Data: A Cybersecurity Deep Dive," featuring Gary Rossi, Head of Cyber Fraud & Personal Security Insights at Fidelity Investments. Please watch for future programs on a range of investment, planning and lifestyle topics.

your whole family understands digital "hygiene," and maintains secure passwords, limits social media disclosures, updates computer software and is careful in clicking on questionable links.

CONCLUSION: USING COMMON SENSE

At its most basic, effective digital security involves the same cautious approach that you might apply to safeguarding your home. Locks and alarms aren't foolproof, but they create a layer of obstacles that may encourage burglars to look elsewhere. Similarly, effective passwords, multifactor identification, timely software updates and general caution about sharing information can discourage cybercriminals. Be sure to check your account statements regularly. If they are compromised, you should act quickly to limit the damage—locking down credit and financial accounts as appropriate. That said, common sense precautions can go a long way toward securing your information and helping you enjoy the convenience of our digital age.

RESOURCES

U.S. Cybersecurity & Infrastructure Security Agency: CIBA's website offers useful tips on securing your digital life at cisa.gov/secure-our-world.

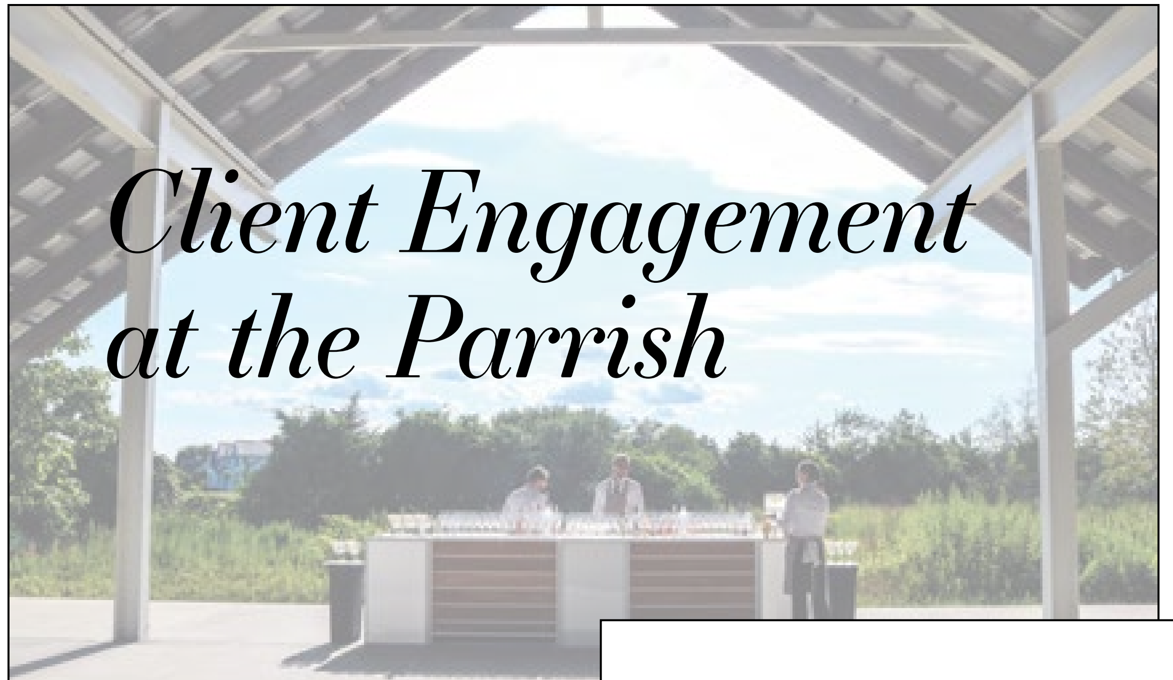
Credit Bureaus: Contact each bureau individually to set up a credit freeze at Experian.com, Equifax.com and Transunion.com.

Annualcreditreport.com: Visit this website to receive your free credit report.

Identity Theft Resource Center: Offers assistance to identity theft victims, maintains breach database at www.idtheftcenter.org.

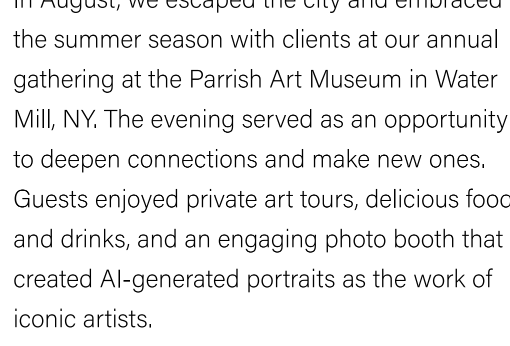
Haveibeenpwned.com: Find out if your email or passwords have been compromised in a data breach.

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



Client Engagement at the Parrish

In August, we escaped the city and embraced the summer season with clients at our annual gathering at the Parrish Art Museum in Water Mill, NY. The evening served as an opportunity to deepen connections and make new ones. Guests enjoyed private art tours, delicious food and drinks, and an engaging photo booth that created AI-generated portraits as the work of iconic artists.



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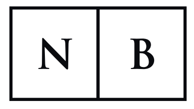

PRIVATE WEALTH

NEUBERGER BERMAN
1290 Avenue of the Americas
New York, NY 10104-0001

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