INDEPENDENT THINKING

THE NEW STANDARD IN WEALTH MANAGEMENT

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A Message from the CEO

As we enter our tenth year, I am delighted to report that our clients are doing well. Results really matter to us and our balanced composite has continued to perform well versus its benchmark since our firm's inception.

At the same time, we are confidently guiding families through recent market volatility and sweeping tax changes, always staying focused on achieving their long-term goals. (You'll see a number of tax-related articles in this issue of *Independent Thinking*, including my own on changing domicile.)

Our firm is also doing well. We now manage $7.3 billion in assets for clients across the country and are currently ranked by *Barron's* as one of the top independent U.S. Registered Investment Advisors. Our continued growth is in part the result of our own performance, but is also in large part thanks to client reviews and referrals, for which we are always grateful.

Evercore, our parent company, is doing very well indeed, recording record earnings for 2017, and finishing the year ranked first in both the U.S. and global advisory league tables for independent firms. (We interview Stephen CuUnjieng, Co-Chairman of Evercore Asia, in this issue.) We at the wealth management division are proud to be a consistent contributor to the firm's earnings and to count many of its senior advisors among our clients.

All told, it's been an exciting start to the year. And, as our Chief Investment Officer John Apruzzese discusses in this issue of *Independent Thinking* and in his recent white paper, *A Reality Check for Stock Valuations,* there are good reasons to continue to invest with confidence across all of our asset classes, as we navigate market corrections and rising interest rates.

However, past performance is rarely a reliable indication of continued success, as the Patriots were reminded at this year's Super Bowl. (And I am even older than Tom Brady, so I have a longer-term perspective on change.) We are mindful that the current synchronized global expansion and the still-strong markets will eventually change.

We recommend allocations of between 8% and 12% of our client portfolios to assets uncorrelated to stocks and bonds – and we discuss aspects of this approach here. Brian Pollak outlines our Diversified Market Strategies allocation and Stephanie Hackett continues her series on illiquid alternatives, this time on the stages of private equity investments. We also interview one of our newer external managers, Amundi Pioneer, on the diversification benefits of insurance and reinsurance-linked securities.

By now, you will have seen the first round of upgrades to our client site this year. Please let us know your thoughts – we always welcome your feedback, and it will help us as we continue to develop the site.

As always, please feel free to contact any of us at Evercore Wealth Management to discuss the topics in this issue of *Independent Thinking*, or with any other questions or comments you may have.

Jeff

Jeff Maurer
Chief Executive Officer

A Longer Perspective: the Investment Outlook

By John Apruzzese

The current U.S. economic expansion may soon become the longest on record. The S&P 500 index has soared, up 400% since the bottom of the market in 2009, while other developed markets and the emerging markets have recovered and begun to catch up to the United States in what economists are describing as a synchronized global expansion.

Over the past 12 months, every one of our asset classes has contributed to total performance. So where do we go from here? Let's consider the components of this extraordinary investing environment.

First, this expansion may still have room to run. Expansions don't die of old age, they die because they overheat – and there is as yet very little evidence of excess. U.S. economic growth has been slow throughout this recovery, up a cumulative 15% since the fourth quarter of 2007, the peak of the last expansion, compared with cumulative growth rates of between 35% and 50% for the three strongest expansions since 1945. While interest rates remain relatively low, the Federal Reserve has been keeping a close watch on the punchbowl, raising rates four times over the past two years, and signaling at least another three rate increases by the end of next year.

Another exceptional aspect of this market, until very recently, has been its historically low volatility. Apart from 2017, only two years in the history of the U.S. stock market have had similarly low volatility – 1964 and 1995. In both years, returns were very strong and the market continued to make new highs for the next four to five years. It takes time for normal volatility and uncertainty to return before major trends are reversed, notwithstanding an extraneous shock. On that note, it is important not to overreact to headline geopolitical risks and become overly risk-averse. The only real protection is a well-balanced and diversified portfolio.

In short, U.S. stocks should continue to play a significant part of any well-diversified portfolio, and we are maintaining our standard policy allocation to equities.

At the same time, the global stock market is being driven by strong economic and corporate fundamentals across all the major economies, apart from the United Kingdom, which is struggling to extricate itself from the European Union.

Our allocation to international equities is currently 30%, with approximately half targeting developed markets, and the other half focused on emerging market companies likely to prosper with the continuing rise of Asian consumers.

The municipal bond market returned 3.5%, and our investments in the credit markets returned about 5.3% gross over the last 12 months.[1] In response to a dramatic increase in end-of-year supply, we increased our recommended allocation to municipal bonds slightly in the fourth quarter. Our allocation to credit strategies remains steady at about 8% for most portfolios. Importantly, we have had

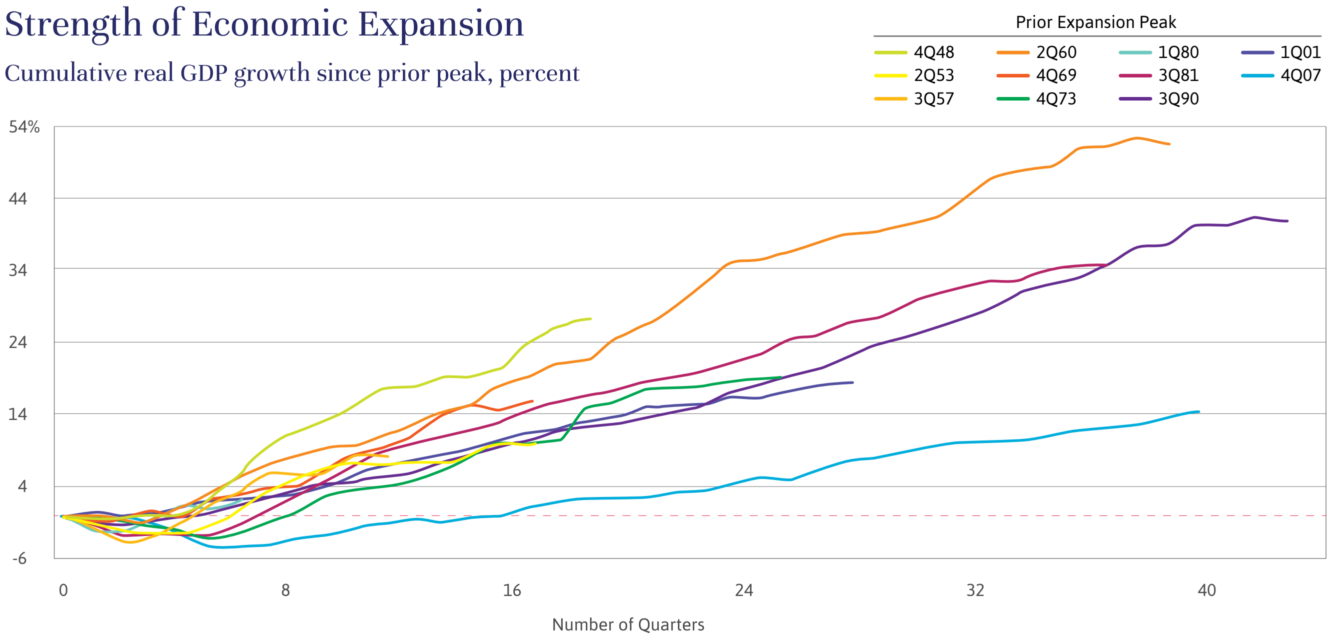
[1] The credit strategies return noted is net of third-party manager fees, but is gross of EWM advisory fees. The maximum investment advisory fee is 1% of assets under management.

15%

Cumulative GDP growth since 2007.

Strength of Economic Expansion

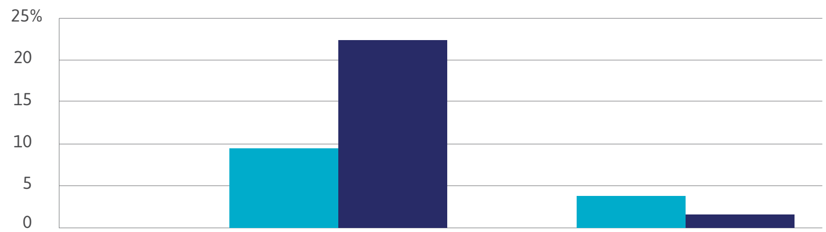
Cumulative real GDP growth since prior peak, percent



Source: J.P. Morgan Guide to the Markets – December 31, 2017. National Bureau of Economic Research.

Earnings Growth

EPS Growth Rate, percent



	2017	5 Year
S&P 500	9.46%	3.75%
MSCI EAFE	22.29%	1.51%

Note: Earnings chart use MSCI indices for all regions/countries, except for the U.S., which is the S&P 500. All indices use IBES aggregate earnings estimate. MSCI Europe includes the Eurozone, as well as countries not in the currency bloc, such as the U.K., Switzerland, Sweden and Norway (which collectively make up 46% of the overall index).

Source: Bloomberg.

no direct exposure to any of the commodity markets, which have had annualized returns of -8.59% since May 31, 2008.[2]

It's also important to note that valuation levels for all asset classes may not be as high as they seem, at least in this continuing low-inflation environment. As we argue in our white paper, *A Reality Check for Stock Valuations*, the equity market is actually at a historically average valuation level when adjusted for the current stubbornly low inflation rate of 2%, versus the post World War II average of 3.7%.[3]

Indeed, we may be looking at even lower inflation, as a direct consequence of the Tax Cuts and Jobs Act of 2017. Lost in the debate about whether the windfall from the tax cuts will go to business owners through more share buybacks and dividends and maybe some additional capital investment, or to labor through higher wages, is the third, rather likely possibility that it will go to customers. In a competitive business when there is a sudden drop in costs – in this case, taxes – there is a strong tendency to cut prices or, at the very least, not increase them as much as planned. This is contrary to the consensus view that inflation will increase as a result of the economic stimulus of the tax cuts.

We do believe that the tax cuts will add stimulus to an already accelerating U.S. economy in the short run, but we are not yet convinced on the longer-term economic benefits of the total tax package. Many of the provisions sunset within seven years, which causes uncertainty, while larger deficits will put pressure on government spending and economic inequality will be exacerbated – all of which will contribute to continued political discord.

In short, we do not see any major reversals to any of these trends in the near term, although no one should expect continued gains at recent levels. We remain optimistic, although we recognize that future stock market returns could easily disappoint, especially given generally bullish investor expectations. It's important to note that we will continue to rebalance portfolios back to policy guidelines by taking some profits from the stock portfolio, and continue to invest in opportunities that look promising even if the stock market turns negative. (See our interview on reinsurance with the Pioneer ILS Interval Fund on page 5.)

[2,3] Bloomberg.

John Apruzzese is the Chief Investment Officer at Evercore Wealth Management. He can be contacted at apruzzese@evercore.com.

Are stocks overvalued? By most metrics, yes – but not when inflation is taken into consideration. A recent white paper by Evercore Wealth Management Chief Investment Officer John Apruzzese proposes an additional metric to factor in the impact of continued low inflation on share prices.

To read the paper, *A Reality Check for Stock Valuations*, please visit www.evercorewealthmanagement.com or contact us for a hard copy.

Q&A

on Reinsurance with Amundi Pioneer

Charles Melchreit

Editor's note: Evercore Wealth Management supplements its core investment capabilities with carefully selected outside funds across the range of the firm's asset classes. Here we discuss opportunities in insurance-linked securities with Charles Melchreit, lead portfolio manager of the Pioneer ILS Interval Fund, after an eventful year in the global insurance and reinsurance markets. The fund seeks broad diversification in the industry, across geographic regions and security types. Please note that this represents the views of Amundi Pioneer and not necessarily the views of Evercore Wealth Management.

Q: How would you describe the reinsurance market?

A: Reinsurance is the protection that insurance companies purchase to protect themselves against very significant events. The combination of insurance company coverage and reinsurance coverage permits very large events, such as hurricanes, earthquakes, and other natural disasters, to be absorbed globally.

It is a big market. Swiss Re estimates that the global insurance industry collected over $4.6 trillion in premiums in 2016, 44% of which was in the property and casualty area. Within the reinsurance industry, the top 40 firms wrote approximately $194 billion in premiums that year, according to S&P.

Q: Please describe insurance-linked securities, or ILS.

A: The performance of ILS depends upon the occurrence of pre-specified catastrophic events. The events, though statistically unlikely, have historically been expensive to both insurance and reinsurance companies. ILS provide a way for companies to transfer a portion of their risk and premiums to the capital markets, which, in turn, allows investors to participate in the insurance markets.

ILS investors take on the role of a reinsurance company, receiving premiums in exchange for accepting the risk of a loss. If the triggering events do not occur during the tenor of the agreement, the investor enjoys a periodic coupon payment related to insurance premiums and principal repayment at the end of the investment term. If one of the specified events occurs, all or part of the principal is used to pay insured losses and the investors' coupon payments cease or are reduced; at maturity there is either zero or a reduced amount of principal repaid.

Q: Can you explain what the interval fund structure is and what it means for investors?

A: To harness the full spectrum of ILS, as well as be able to offer a '40 Act investment vehicle, we chose to deploy an interval structure. Our clients see daily NAV pricing of the fund and receive a 1099 for tax reporting.

The interval structure is aligned with the way ILS is sourced from a seasonality perspective. Although we encourage our clients to deploy this as part of a strategic asset allocation, we recognize that they also need to have planned access to the strategy for purchases and redemptions. Each year we provide a schedule for the periodic subscription and redemption periods for the fund. Approximately every quarter we make the fund available for those activities. The fund's prospectus has more details on subscription and redemption.

Q: How does a mutual fund obtain exposure to insurance linked securities (ILS), and what types of ILS are purchased in the Pioneer ILS Interval Fund (XILSX)?

A: There are four basic types of insurance-linked securities, or ILS.

Catastrophe Bonds, or CAT bonds, are the best-known ILS format. CAT bonds are issued as tradable securities, which allow them to have an active secondary market.

They provide a precise level of protection above a certain threshold. They also contain triggers with defined conditions, which must be reached before losses accumulate. For example, a CAT bond could cover the cost of Florida hurricane damage to a specific re/insurer between $3 billion and $3.3 billion. Alternatively, a CAT bond could be structured to cover multiple events, such as a Florida hurricane and an Australia cyclone.

Industry Loss Warranties, or ILWs, are private, customizable reinsurance contracts through which a re/insurance company can reduce or hedge risk exposure. The payout is based on industry-wide losses rather than company-specific experience. For example, an ILW could be triggered if industry-wide Florida hurricane losses exceed $15 billion for a given event. A benefit to investors is they are not reliant on the quality of the underwriting and claims management process of the individual insurer.

Collateralized Reinsurance Contracts are private, customizable reinsurance contracts that insurance companies use to reinsure losses related to company-specific claims, or indemnity triggers. Collateralized reinsurance allows investors to take on the role of a reinsurance company. This product is increasingly popular, as it allows the cedent (the reinsurance protection buyer) to use capital markets as an additional source of reinsurance protection. Collateralized reinsurance provides investors broad diversification across geographic region and peril.

Quota Shares (also known as reinsurance sidecars) allow investors to share in the profit or losses of the reinsurer's book of business. Investors do need to be vigilant with the pieces of business being shared to avoid adverse selection or the risk of participating in unfavorable "cherry-picked" risks. If structured correctly, quota shares better align investor and cedent interests than other forms of ILS. They are highly diversified across region and peril, with losses gradually paid out of the structure as they occur. Quota shares offer annual liquidity and typically include one- to two-year terms. These structures gained popularity following large catastrophic events such as Hurricane Katrina because they allowed the re/insurance industry to recapitalize itself quickly.

Q: What kind of catastrophic risks does XILSX insure against? Does it insure against risk globally or is it regionally focused?

A: Our goal is to build a diversified reinsurance portfolio, without taking aggressive risks or perils exposures, where we are able to collect sufficient premium to offset a reasonable level of losses and still have an attractive return for our investors.

We build a diversified portfolio by geography, peril and structure. The fund has exposures to a wider range of perils, including wind, earthquake, winter storm, inland flood, tornado and others. Geographically, the fund is diversified by region, including the United States, Japan, Australia, New Zealand, Canada, Europe and Latin America. Our goal is to have the fund broadly reflect the risks and returns associated with the reinsurance industry.

The North Atlantic had a big hurricane season in 2017; it was very quiet in the Pacific.

Q: How long has Amundi Pioneer been investing in ILS, and how much money does the firm deploy in the asset class today?

A: Amundi Pioneer was an early adopter, starting in 2007, in using ILS within a range of our diversified fixed income strategies. We currently manage over $1.36 billion (as of September 30, 2017) in ILS across the Pioneer platform.

Q: How do you assess – and set premiums for – the potential impact of global warming?

A: It's important to distinguish between climate change, longer-term trends, and short-term weather. It's also important for investors to understand that we typically take on one-year risks and that we are focused on making sure that we are being adequately compensated during that period.

Long- and short-term trends may exhibit themselves differently by peril, as well as geography. For example, 2017 was an above-average hurricane season for the North Atlantic region, while it was a very quiet period in the Pacific region. Further, the possible impact of climate change can exhibit itself very differently as it relates to hurricanes/cyclones, thunderstorms, wildfires, inland flooding and coastal flooding. These factors, along with extensive information regarding the insured properties and other relevant data, are the basis for catastrophe event modeling.

We deploy one of the industry-leading quantitative catastrophic risk-modeling tools, AIR Worldwide CATRADER. This can simulate events based on historical data and current conditions, and has the ability to estimate damages using detailed databases of structures and materials. Further, we can model the impact of warming sea surface temperatures in our scenario analysis for hurricanes and cyclones.

We believe by having a strategy that is diversified by peril, region and risk layers, our clients will continue to be able to take advantage of the attractive, uncorrelated returns offered with insurance-linked securities.

Q: Are insurance premiums expected to rise in 2018 as a result of the host of natural disasters in 2017?

A: The Pioneer ILS Interval Fund expects the overall reinsurance pricing to increase for 2018. This could strengthen the case for ILS.

Q: What are the long-term expected returns for investing in reinsurance?

A: The nature of catastrophe insurance, characterized by low-frequency and high-severity events, means that investors may expect relatively higher annual returns potentially. They should also expect some years of sizable losses. Diversifying exposures across geographic regions and perils reduces portfolio level volatility. Nonetheless, we believe investors should maintain long-term time horizons when committing capital to the asset class.

The risk and return potential for ILS are based on the modeled frequency and severity of the insured events. Investor demand and the reinsurance industry's need for external capital can also impact premiums. During periods of strong investor demand, the return potential may be lower. Likewise, expected returns from ILS may be higher when reinsurers have a greater need to increase their use of external capital. This has typically followed a large industry loss.

Q: Why do you think reinsurance is a good long-term addition to consider in a balanced asset allocation?

A: We believe including ILS within a broader asset allocation can have powerful diversification benefits and total return potential. ILS portfolio returns are not determined by economic factors such as GDP growth, interest rates or corporate profitability. Rather, performance is driven by the occurrence of low-frequency, high-severity natural disasters, such as earthquakes and hurricanes. This is a key distinguishing feature, which has resulted in a very low correlation to other asset classes. The return profile and liquidity of the asset class does require a long-term investment horizon. Given these characteristics, we believe ILS may fit well within the fixed income or alternative asset class portion of an investor's portfolio.

For further information about the Pioneer ILS Interval Fund and about other funds on the Evercore Wealth Management investment platform, please contact **Stephanie Hackett** at stephanie.hackett@evercore.com.

Stephen CuUnjieng on Investing in Asia

Editor's note: **Stephen CuUnjieng** is a Senior Managing Director at Evercore's corporate advisory business and the co-Chairman of Evercore Asia Ltd. He joined the firm in 2009, and is the recipient of six "Deal of the Year" awards from Finance Asia and another seven similar awards from other publications. He spoke with *Independent Thinking* from his office in Hong Kong.

Investors should think of Asia as a collection of markets: the emerged Asia of Japan, Singapore, and South Korea; the now very powerful emerging markets of China and India; and the still emerging smaller markets. It's like the line attributed to Mark Twain: "History doesn't repeat itself but it often rhymes." There are recurring themes in each of these groups.

Certainly, the emerging consumer remains a major theme, as populations move from subsistence to full-time work and then to the middle class. That's why consumer-driven companies in food, retail, housing, transport, infrastructure and other industries that address the needs of this population dynamic have such high growth potential. Some may be fully priced at present, but if the market continues to grow, earnings in these companies will too, justifying present valuations.

This sector, as with many others in Asia, can seem complicated to Western investors. There's not anything like the same degree of indexation and robo trading that there is in the United States, and the markets are much more fragmented. There's no Procter & Gamble for all of Asia; no Kraft or Unilever serving the entire region. Stock picking here requires much more analysis, so there's a real case in Asia for active investment management.

Another distinctive quality in Asia is the dominance of a lead shareholder in many companies. Even at the peak of his tenure at Citi, Sandy Weil only owned 1% of the company. In Asia, apart from Korea, many of the leading companies either have the government or a family (or families) as the majority or dominant shareholder – and a much more controlling one than Western investors may be used to. Investors are making a bet on them more than they are on the management.

> *There's a real case in Asia for active investment management.*

In Asia, this is viewed not as a negative but as a positive. Both governments and families should have a long-term perspective and commitment to their companies, arguably more so than hired management. Key questions in weighing investment potential include: What is the family's track record? Are they efficient?

Companies have to invest across their industry and even outside their sectors.

Are they friendly to stockholders? Some are; some aren't. Investors who really know these markets can use the same tools to guard against inefficiency or lack of transparency. They just need to use them in a different way.

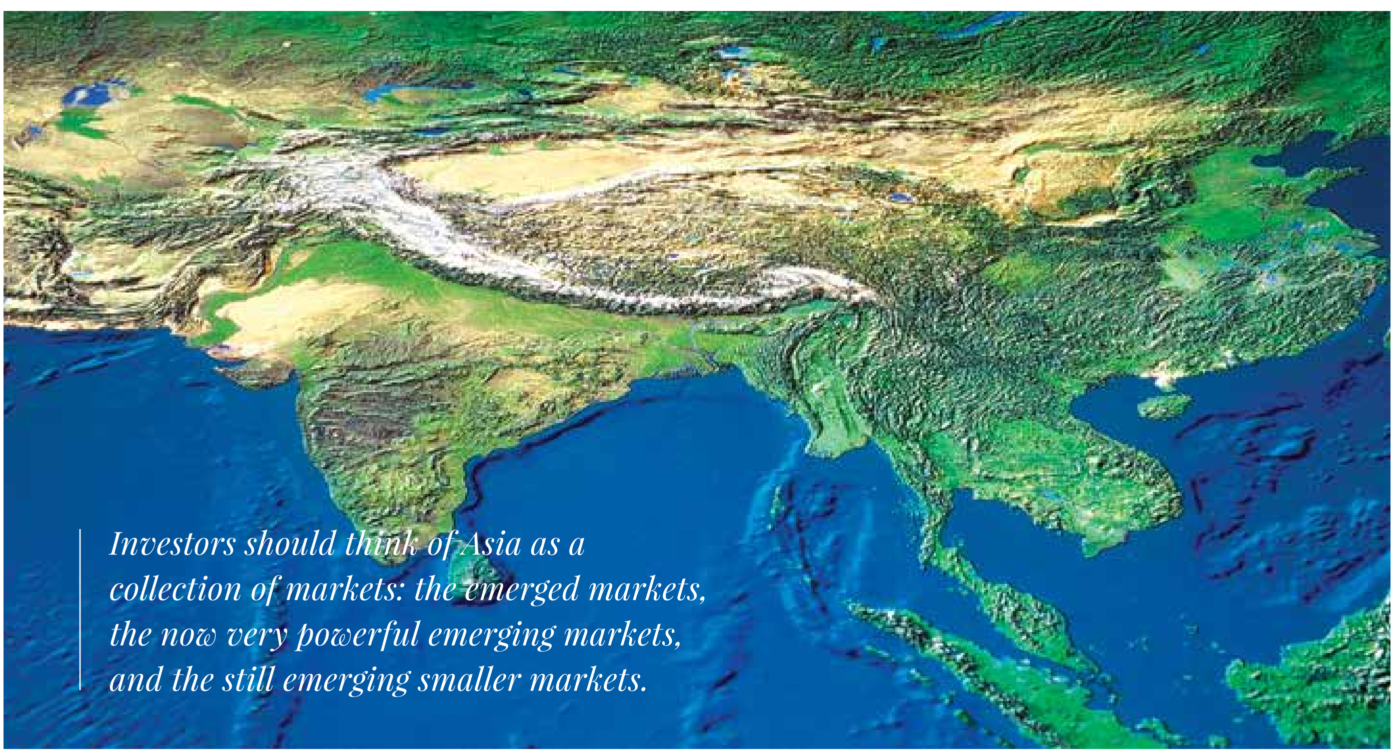
On a related note, there are a great many holding companies in Asia, often with very diversified assets and operating companies. That can discourage U.S. investors because, with the exception of Berkshire Hathaway, American investors tend to avoid holding companies, which are generally perceived as unfocused.

So why are holding companies so popular in Asia? It's because there are so few listed stocks outside the big markets, just five to 10 in the smaller countries. For companies to grow in Asia and build liquidity and scale, they have to invest across their industry and even outside their sectors. That's why we see so many non-vertical transactions. It's also why holding companies are viewed by institutional investors as high-growth liquid proxies for local economies. It certainly makes for a very interesting M&A market, in which creativity and local knowledge are really valued. I've helped a beer and food company to buy an airline, a retailer to buy a copper mining company, and a mall owner to purchase a logistics company.

Investors choosing among a holding company's listed subsidiaries should look for those that own operating companies with the highest dividends, because these are likely to be the ones that the holding company uses to seed its deals and provide for the family. In other words, look for the golden goose. Look for the wholly or majority-owned subsidiaries as well. Families generally own shares in the holding companies that, in turn, own the majority stake in the subsidiaries, even if they are listed.

For U.S. private investors, Asia is best approached through experienced and intelligent active managers. The winners can win big in this region and the losers can lose completely.

Evercore has offices in Hong Kong, Singapore and Tokyo, and a number of strategic partnerships throughout the region. Please visit www.evercore.com for further information.



The Value of Uncorrelated Returns

By Brian Pollak

A well-diversified portfolio requires a defense against events unanticipated by the markets, such as a significant rise in inflation after nearly a decade of historic low rates, an unlikely but still possible event as discussed in the cover article of this issue and at length in the white paper described on page 4. Often, the best defense is not to hedge these events outright, but to add return streams to investor portfolios that are uncorrelated to traditional securities.

THE A, B, C – AND S OF DIVERSIFIED MARKET STRATEGIES

Alpha: The excess return of a fund or strategy relative to the return of the strategy's benchmark index.

Beta: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Correlation: A statistical measure of how two securities move in relation to each other. Two securities or portfolios that have a 1.0 correlation consistently move together. Two portfolios that have a 0.0 correlation have no correlation, or the movements of their underlying securities are completely random.

Standard Deviation: The dispersion of a set of data from its mean. When applied to the annual rate of return of an investment, it measures the investment's volatility.

Risk-adjusted returns measure the return of a portfolio against the amount of risk taken to attain those returns. The most common measurement of risk-adjusted return is the Sharpe Ratio, a measurement that subtracts the risk-free rate from the return of an asset, and then divides the difference by the standard deviation of that asset.

In short, the Sharpe Ratio tells an investor if the manager achieved the investment's return by employing shrewd portfolio management, or by taking on excessive risk. Implicitly, a higher Sharpe Ratio is preferable, as it suggests that the portfolio manager is achieving more return per unit of risk, a positive for a portfolio.

This is where uncorrelated return streams come into play. The risk-adjusted returns of a portfolio of 60% stocks and 40% bonds can be improved with the inclusion of assets with lower correlations, even when these new assets have the same expected return and standard deviation of the underlying 60%/40% portfolio.

How does that work? Since the assets with low correlation will theoretically not decline over the same time periods as the standard 60%/40% portfolio, their inclusion will lower the underlying volatility (as measured by standard deviation) of the portfolio that includes these uncorrelated assets. Assuming the returns are the same, a lower standard deviation will cause the Sharpe Ratio to rise. Again, that's good news.

Working to improve risk-adjusted returns through uncorrelated assets is worthwhile even when the case for traditional asset class returns is positive. While investing in managers who have been able to outperform the markets with uncorrelated returns can be worthwhile, assuming their fees aren't exorbitant, the Danish proverb reminds us that it's difficult to predict, especially the future.

A BIT ON BITCOIN

– John Apruzzese

The rapid appreciation of bitcoin this past year, along with the brand new phenomenon of initial public coin offerings, which has created hundreds of new so-called cryptocurrencies, has all the markings of speculative excess. This new space, which we think is more appropriately called digital assets, is neither big enough nor linked closely enough to the traditional financial markets to cause concern at this point but it does bear watching.

That said, we also think it is a mistake to dismiss out of hand this new phenomenon as nothing more than the equivalent of the famous tulip bulb speculative bubble of 1600s Amsterdam. There is an important kernel of unappreciated economic rationale behind the innovation of digital assets beyond the underlying blockchain technology, which is now generally accepted as a major innovation.

We will have more to say about this space in the future editions of *Independent Thinking*.

The main focus should be on identifying asset classes in which the return stream itself is uncorrelated to traditional markets and returns 3%-5% above the traditional markets. Either passive or active investment vehicles may be appropriate.

Catastrophic reinsurance risk is a case in point. (See the interview with Pioneer ILS Interval Funds on page 5.) Premiums for catastrophic reinsurance risk should generate a reasonable annual return, net of investment fees. At the same time, the likelihood of having a good or bad return in reinsurance over a given period has nothing to do with how equity or bond prices are moving.

The Evercore Wealth Management Diversified Market Strategies asset class generally accounts for between 8% and 12% of balanced portfolios. It has contributed to the firm's performance and risk exposures.

The balanced composite has outperformed its benchmark since the firm's inception in 2009, while the Sharpe Ratio has averaged 1.33, higher than any of the relevant benchmarks – including the global benchmark, the S&P 500 index, and a representative municipal bond index.[1]

This allocation to uncorrelated assets with an attractive return improves overall portfolio risk-adjusted returns and supports confidence in the broader asset allocation. This helps investors to hold onto more volatile investments, such as equities, during market downturns, instead of selling at the wrong time and realizing permanent portfolio losses.

Brian Pollak is a Partner and Portfolio Manager at Evercore Wealth Management. He can be contacted at brian.pollak@evercore.com.

[1] The performance results shown for the EWM Balanced Composite are based upon the returns of fully discretionary managed accounts with a designated investment objective of balanced and no investment restrictions. The EWM Balanced Composite's benchmark consists of 50% MSCI All Country World Index, 30% BarCap Short-Intermediate Managed Money Index, 10% BofA Merrill Lynch 3-month Treasury Bill Index, and 10% Wilshire Liquid Alternative Index.

The Growth Cycles of Private Equity

By Stephanie Hackett

Funds that invest in illiquid securities lock up capital, usually for five to 10 years, but have the potential to outperform public markets.

Based on where they are in their life cycle – from an idea hatched in a garage to a multinational corporation – companies will need different amounts and types of capital. Let's look at what that private equity capital actually does.

THE START-UP COMPANY

Most companies start small, with an idea or technology or service. To test that concept, or to begin building their business, the owners need capital. Many start with personal capital and sweat equity, but often they need additional capital from outside sources. They can borrow the money, usually with a personal loan, or they can sell a portion of the business. This **seed capital** can range from $10,000 to $1 million, as long as it's enough to test the concept, found the business, and grow it into a sustainable concern. Traditionally, this was provided by friends and family, angel investors or early-stage venture capital. Recent developments such as crowdfunding and initial cryptocurrency offerings have democratized funding sources for entrepreneurs. The failure rate is high, but the potential return can be significant.

THE FAST-GROWING COMPANY

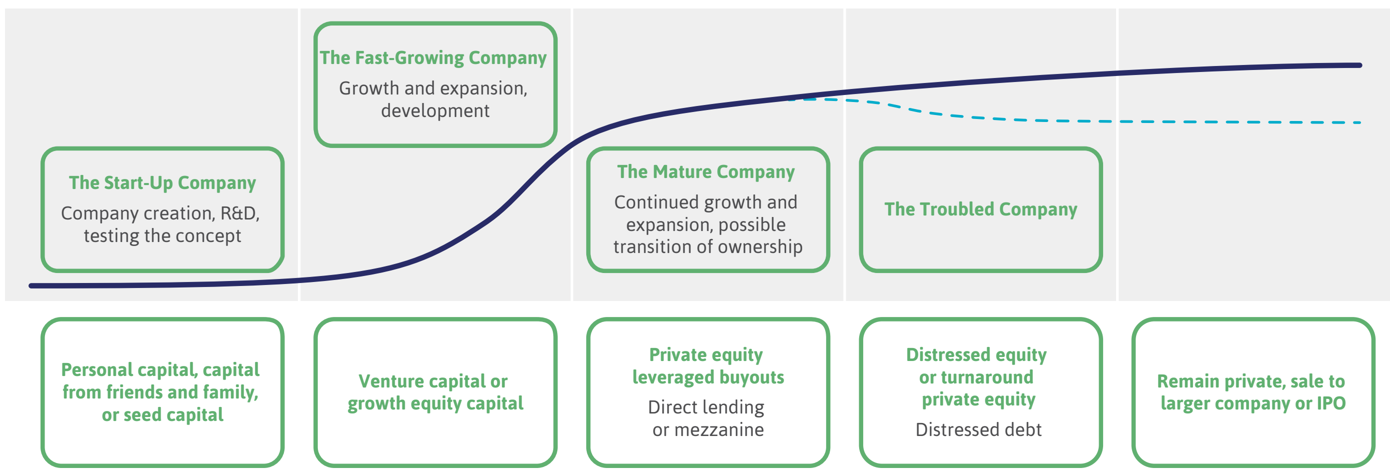
Many small businesses can continue to fund growth through personal investments or through cash flows from the business. Owners of companies that require additional investments of more than $1 million will turn to institutional investors, such as venture capital or private equity.

Venture capital firms usually focus on early stage or pre-revenue companies, particularly those that are developing new technologies or business models with the potential to scale significantly or disrupt their markets. Venture capital firms provide funding between $1 million and $10 million, and take a minority stake in the business, leaving the founding partners as majority owners. Facebook is one of many companies, including Snap, Dropbox and Stitch Fix, that started with funding from venture capitalists. In addition to providing capital, venture capital firms often provide expertise to help start-ups refine their business plans and/or bring products to market. At times, these firms will bring in additional management or operational specialist and industry advisors to support the company as it grows.

Once companies are established, they often hit a period of high growth and need an infusion of capital for expansion. **Growth equity** firms focus on companies in the intermediate stage between start-up and established businesses. A successful manufacturer that needs capital to expand its production capacity, or a successful software company that launches a new product and needs to build out a national sales force, are two examples. Whole Foods accessed growth equity capital to expand from a regional organic grocer to a national footprint, growing both through acquisitions of existing grocers and through opening new stores. Private equity firms that focus on the growth equity stage usually invest $10 million to $50 million in the business and take a minority equity ownership stake.

THE MATURE BUSINESS

Established businesses have several options for funding expansion or capital investments. They can use cash flows from their existing



businesses, they can borrow money, or they can sell an additional portion of equity ownership in the company. **Private equity** firms, or buyout firms, purchase a majority or 100% of a company's equity ownership or voting stock, and take control of a company's assets or operations. Private equity firms usually buy the ownership from the founders and their early seed capital backers. This can be a way for the founding partners to exit the business, or they can stay on in a management role but monetize their sweat equity. To purchase the company, private equity firms use a combination of equity and debt; those transactions that use substantial debt are called leveraged buyouts. The use of leverage is common in private equity buyouts, and although it can increase returns for the investors, it also adds a certain level of risk as the company now has to be able to service the additional debt. Many well-known public companies, such as Netflix, Burger King, Trivago and Alibaba, had private equity backing earlier in their lives.

Direct lenders focus on mature businesses and provide capital, usually through senior loans secured by the assets of the business (i.e., first lien loans). In the past, banks provided these types of loans to companies, but due to increased regulation, banks have pulled back their lending activity. In the last decade, private direct lending funds have stepped in, particularly in the middle market and privately held companies.

Mezzanine debt loans are lower in the capital structure, usually unsecured loans that rank below senior debt and above equity. Mezzanine lenders target the same middle market companies as direct lenders, but those with cash flows or assets that can support additional leverage.

THE TROUBLED COMPANY

Not all companies are successful, and some industries and businesses experience significant changes or disruptions. A distressed company is one that is no longer making a profit, has possibly defaulted on its debt, and needs a capital infusion to right the ship. Private equity firms that focus on **special situation** or **turnaround** investing take a controlling equity position in a distressed company that they believe they can turn around or set on a path to profitability. This is usually accomplished through cost cutting, strategic repositioning and/or other operational improvements, and sometimes involves bringing in a new senior management team. Many companies relied on capital from turnaround private equity firms in the aftermath of the global financial crisis to update manufacturing and operating efficiencies.

Alternatively, some investors target the debt of a distressed company. **Distressed debt managers** target companies likely to enter into a restructuring process and accumulate a debt position in order to influence the restructuring process or control the company post-reorganization. This process is often referred to as "loan to own." Once in control of the reorganized entity, the manager usually implements the same cost cutting, strategic positioning, and operational or management improvements that turnaround investors make.

All along the life cycle of a company, there are a variety of capital sources from private equity buyers and lenders. Some companies remain privately held; some are sold to larger companies; while others ultimately grow large enough to become publicly traded through an IPO. Investors able to allocate a portion of their portfolio to illiquid assets should allocate to a range of illiquid opportunities – from illiquid credit strategies to venture capital to real estate – at different stages in their life cycles.

There are considerable opportunities in the private equity markets, but diversification is key. At Evercore, we diversify our investments in illiquid assets across a variety of asset classes, including direct middle market lending, private real estate, private equity, software buyouts, commercial solar generation, healthcare royalties and specialty finance.

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Planes, Trains – and Taxes

By Howard Cure

President Trump's $1.5 trillion infrastructure proposal, if it comes to fruition, could have a major impact on municipal bond investors. Real investment in the nation's airports, railways and highways – many in dire need of repair – could increase bond market supply. This, in turn, could increase bond yields and decrease prices, depending on the timing and scope.

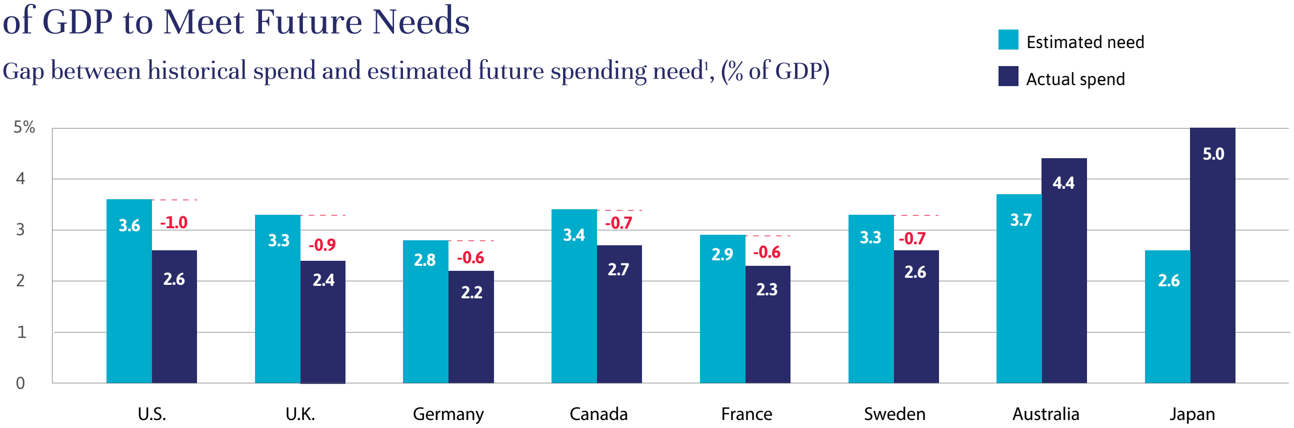
That's a big if, of course. There's no word yet on where, exactly, resources for an infrastructure plan would come from – and no indication that Congress will agree that the need justifies the cost, hard on the heels of $1.5 trillion in tax cuts. That aside, an infrastructure plan would be very welcome in the bond markets.

As we noted in our publication, *Taking the High Road: Investing in America's Infrastructure*, quantifying infrastructure investment – and the related opportunities and risks – is a challenge, but is critically important for the U.S. economy and its long-term competitiveness.[1] Nationwide, public construction spending appears to be just over 1.5% of U.S. annual gross domestic product – the lowest since 1993.

Most of the money spent in the United States on public infrastructure comes from state and local governments, not from the federal government. Of the $416 billion spent in a year, at the

The U.S. Must Raise Infrastructure Spending By One Percentage Point of GDP to Meet Future Needs

Gap between historical spend and estimated future spending need[1], (% of GDP)



Source: Bloomberg.

$416 BILLION

Annual expenditure on U.S. transport and water infrastructure.

Congressional Budget Office's last count, on transportation and water infrastructure, over 75% was financed through state and local governments.[2] Bonds issued to finance further infrastructure improvements, particularly in high-tax states, benefit by demand from buyers looking for tax benefits after the recent federal tax bill has limited state and local tax, or SALT, deductions.

Of course, this demand has to be weighed against the competing fiscal challenges often faced by these states including a sluggish economic recovery, lack of budgetary reserves for the next recession, and unfunded employee pension and healthcare benefits. While the federal government's monetary contribution to infrastructure needs has steadily declined over time, it still holds significant sway over the critical approval process, which can add time and costs to any project.

The United States has a long road to travel in restoring and renewing its infrastructure to the level of its trading partners. Municipal bond investors will be tracking progress with great interest, as it will increasingly fall upon the states and cities to try and remedy this situation, along with the concomitant rise in bond supply that will result.

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Tax Reform in the Muni Markets

The total impact of the Tax Cuts & Jobs Act of 2017 on the municipal bond market was not as dramatic as many had feared. The tax rate for the top income bracket is still very high, at 37%, so municipal bonds remain attractive. Cumulative inflows are up over $8 billion[3] since the beginning of the year and look set to continue rising in the muni markets.

However, the extent to which the $10,000 cap on state and local tax deductions will hamper the ability of high-tax states and localities to raise taxes remains to be seen. Residents of high-tax states who were dependent upon the SALT deduction to alleviate some of their burden, may be less amenable to future income and property tax increases to help structurally balance state and local budgets. While some state residents in lower-tax states can benefit from lower federal taxes, the residents in high-tax states, with limits to the SALT deduction, will end up paying more in total taxes.

The loss of advance refundings as tax-exempt debt is likely to reduce future supply (hitherto about 15% of total issuance) and makes it more difficult for entities to achieve debt service savings. While more issues could come to market structured with lower coupons, shorter calls, or even as taxable bonds, these are unlikely to replenish the aggregate. The loss of advance refundings also restricts the flexibility of municipal issuers to lower their interest costs.

At the same time, demand from banks and insurance companies, which accounted for 23% of the $3.8 trillion market at the end of 2017, could wane as corporate tax reduction makes the yield on corporate securities more attractive.

As a whole, the future demand for municipal bonds depends on the extent to which supply can be maintained with appropriate yield rewards, and their relative appeal to the risks and rewards of the equity market. It also depends on the progress of infrastructure planning from speeches to implementation.

– H.C.

[1] www.evercorewealthmanagement.com/investing-in-americas-infrastructure/
[2] Congressional Budget Office Report: Public Spending on Transportation and Water Infrastructure, March 2015.
[3] Source: Investment Company Institute; Estimated flows to long-term municipal mutual funds, January 31, 2018.

Is This the Time to Transfer Wealth?

By Helena Jonassen

Families considering the enhanced gifting opportunities afforded by the Tax Cuts and Jobs Act should keep two factors in mind: Estate planning is never just about taxes – and the window to act under current law is scheduled to shut after 2025.

The doubling of lifetime estate, gift, and generation-skipping tax exemptions to approximately $11.2 million for individuals raises important questions, as well as opportunities. Should ultra high net worth families accelerate their gifting plans? Can families with more modest estates afford to use their increased exemptions to give more? And, most vexing for families and wealth advisors alike, will the gifts be clawed back if and when the increased exemption sunsets?

Weighing competing lifestyle, business and wealth transfer goals is the starting point for all families and their advisors. Generally, families with large estates should consider taking advantage of the increased exemptions now, assuming their other financial commitments could be maintained. Those with smaller estates should carefully consider if they could afford to make substantial gifts.

In either case, it would be a mistake to rush to unwind prior strategies or to forfeit further planning. Family circumstances are always changing, as are economic and market conditions, and planning needs to keep pace. Indeed, there may be a strong case for continued aggressive planning, to reduce estates using vehicles like Grantor Retained Annuity Trusts, or GRATs, which can pass the appreciation on assets to heirs without using exemptions in a rising stock market.

For those willing and able to give now, an outright gift to a Dynasty Trust in Delaware or another jurisdiction in which there are no rules against perpetuity may also make good sense. The increase in the generation-skipping tax exemption, coupled with the increase in the gift tax exemption, allows families to move significant assets to an irrevocable trust in a favorable jurisdiction that can remain outside of future estate tax obligations in succeeding generations.

It may also be worth leveraging the exemption by using assets that may be discounted from a valuation perspective due to limited marketability or minority interest. Gifts could include partial interests in a Limited Partnership, real property, illiquid assets or even a family business. Asset protection benefits remain relevant, to protect families from overspending, imprudent investments, litigation and divorce. (Julio Castro writes about the continued importance of trusts on page 22.)

Any big gift is a leap of faith, both in the family's ability to give and the recipient's readiness to receive. A Spousal Lifetime Access Trust, or SLAT, can help provide some flexibility, as assets gifted during life into the trust continue to be available to the spouse and, therefore, indirectly to the grantor, even though they are no longer part of the grantor's estate. The grantor must be aware that changing marital circumstances or the death of the spouse will change the availability of this asset. Some couples may consider setting up a SLAT for each spouse to leverage both of their exemptions; however, care must be taken in drafting these trust agreements to avoid the terms of the trust being identical (which could cause potential estate tax inclusion under the reciprocal trust doctrine).

State estate and gift tax planning should also be considered. Some 18 states, plus the District of Columbia, still impose their own estate or inheritance taxes separate from the federal estate tax levy. These include Minnesota ($2.4 million estate tax exemption in 2018), Washington ($2.193 million estate tax exemption in 2018) and Connecticut ($2.6 million estate and gift exemption in 2018). Using the increased exemption for lifetime gifts will reduce estates for state estate tax purposes. However, this has to be carefully weighed against the loss of step-up in basis at the donor's death because heirs will inherit the donor's cost basis.

Cost basis planning remains an important component of wealth advisory.

Residents of states that also impose a gift tax will be subject to state gift tax if they make a gift above the state exemption amount. For instance, gifts made by Connecticut residents during calendar year 2018 will be exempt to $2.6 million, up from $2 million in 2017. That figure rises to $3.6 million for 2019, and to the full applicable federal exemption amount for gifts made by individuals in 2020. Other high tax states, including New York, New Jersey and Minnesota, do not currently impose a gift tax.

Cost basis planning remains an important component of wealth advisory, as a trust created during a donor's lifetime inherits the donor's cost basis and will not receive a step-up in basis at the grantor's death. One solution may be to create a trust and give a trusted elderly relative with modest means a general power of appointment over the trust to obtain a step-up in basis at his or her demise. Alternatively, families can carefully draft trusts to allow the holder of the power of appointment to make the trust includible in his or her estate, assuming it is not taxable.

Another possibility is to make the trust an Intentionally Defective Grantor Trust, or IDGT. An IDGT is an irrevocable trust created by the grantor for the benefit of the grantor's spouse or descendants, and is designed to shift assets outside of the estate. The trust is, however, defective for income tax purposes, as the grantor continues to pay income taxes generated by the trust, thereby further reducing the grantor's estate and allowing the trust assets to grow. If the trust has a grantor trust provision, the trust can provide the grantor the special power to swap assets with the trust of equivalent value. This power would give the grantor the ability to swap high basis assets for low basis assets in the trust at a later time, effectively stepping up the basis of the trust assets for the benefit of future heirs.

It is important to review existing wills with formula bequests that create credit shelter trusts at death for the benefit of spouses and descendants. Credit shelter trusts or bypass trusts at death have been popular strategies to reduce the overall estate taxes payable at death. With the new federal exemption amount of $11.2 million per person, indexed for inflation, formulas should be reviewed to confirm that the credit shelter bequest is not overfunded, leaving the surviving spouse with too little in assets, and potentially generating state estate tax.

Generation-skipping tax, or GST, issues should also be considered. With an increase in the GST exemption, it may be a good time to consider a late allocation of GST exemption to protect an existing trust from future estate or generation-skipping tax.

Higher exemptions present real opportunities for some families – but decisions made in haste will be repented by generations. While no one knows at present what will happen in 2026, families should take the time now to fully define their wealth transfer goals with their advisors, and to plan and invest accordingly.

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TAX REFORM: A RECAP & NEXT STEPS

By Jen Tse

Here's a review of current tax legislation and a brief summary of the considerations and potential next steps. Individual and family circumstances vary widely, and it's important to consult your advisors about the best approach to meet your specific goals.

WHAT WE KNOW:

Corporate Income Tax

- Corporate income tax is now 21%.
- The income of pass-through businesses may qualify for a deduction of up to 20%, reducing the top tax rate to 29.6%.

Personal Income Tax

- The top tax rate is 37% on income over $600,000 for married couples filing jointly and $500,000 for single taxpayers.
- The AMT exemption is $109,400 for married couples and $70,300 for singles. The alternative minimum tax, or AMT, phase-out threshold is $1,000,000 for married couples and $500,000 for singles.
- The new "Kiddie Tax" applies to the unearned income of all people younger than 19 and college students under 24. Taxes now kick in at 10% for $1 and rise to 37% at $12,500.
- The standard deduction is $24,000 for married couples and $12,000 for singles.
- State and local taxes, or SALT, and property tax deductions are collectively capped at $10,000.
- Mortgage interest deductions on new mortgages are limited to an aggregate debt amount of $750,000 for both primary and secondary homes. Homes purchased before December 15, 2017 still qualify for the previous $1 million deduction, and the mortgage can be refinanced accordingly.
- Home equity loan interest payments are no longer deductible.

ESTATE AND GIFT TAX:

- The basic exclusion amount for estate and gift tax purposes is $5.49 million, adjusted for inflation in 2017, from $5 million in 2011. The 2018 exemption per individual is approximately $11.18[1] million, adjusted for inflation.
- The federal estate and gift tax rate remains at 40%, and the step-up in basis at death is unchanged.
- The top income bracket for estates and trusts is now 37%, down from 39.6%, starting at over $12,500 of income.

Charitable Giving

- AGI limit for cash gifts are now 60%, up from 50%. There are no other significant changes in charitable giving.

[1] updated figure

Other Significant Changes

- 529 plans allow a distribution of $10,000 per beneficiary annually for both primary and secondary education. State laws vary, however, so it's important to check on the latest updates to confirm if the distribution will also qualify for state income tax purposes.
- Alimony is not deductible for the payor for agreements made after 2018 or includible as income by the payee.
- All Roth conversions are now irrevocable.
- Like-kind exchanges are now limited to real estate. Exchanges for art or other collectibles are no longer allowed.
- Suspension of 3% overall limitation on itemized deductions above a dollar threshold of Adjusted Gross Income (the Pease Act). Note that this is a positive for the taxpayer.
- Loss of miscellaneous itemized deductions subject to 2% floor, such as accounting fees and investment management fees. These expenses in aggregate are not deductible unless they exceed 2% of AGI.

WHAT WE DON'T KNOW (YET):

- Just how long most of the above will remain the case, as many changes to personal tax in the 2017 Tax Cuts and Jobs Act are scheduled to sunset after 2025.
- Exactly which pass-through businesses qualify for the 20% deduction. While some businesses and services have been definitely ruled out (law firms, accountancy firms, many healthcare providers), it appears that the test will be on a per-entity basis.
- If it is possible to recharacterize a Roth conversion made in 2017.

WHAT TO DO:

- Discuss with your accounting and tax advisor the pros and cons of your business entity structure (LLC, partnership, C-Corporation, S-Corporation etc) to determine whether a conversion to a different entity would be beneficial.
- Evaluate the impact of tax changes on investments in tax-exempt securities vs. taxable securities, and on incentive stock options.
- Review existing wills and revocable trusts to ensure that credit shelter trusts are not overfunded (per the larger exemptions) , leaving your spouse with insufficient funds to support his or her lifestyle.
- Consider bunching charitable gifts into certain years, perhaps utilizing a donor-advised fund or a family foundation. Advance funding allows donors to claim an upfront income tax deduction while determining the recipients and distributing the funds over time.
- Consider qualified charitable distributions, or QCDs, which should now be of particular interest to prospective donors no longer able to itemize deductions. An owner over the age of 70½ may transfer up to $100,000 per year from an IRA directly to charity without claiming the distribution as income (while satisfying the minimum distribution requirement, although with no associated income tax deduction).
- Consider paying down large mortgages and paying off any outstanding home equity loans, as rates are rising (albeit slowly and from an extremely low base) and as the interest on loan balances above $750,000 and all home equity loans is no longer deductible. Existing home mortgages with grandfathered deductibility may be worth keeping. One note: Lines of credit can be used to make investments, as investment interest expense is still deductible.
- Consider converting a vacation property to a rental property, to take advantage of the associated deductions.
- Contribute to 529 plans, which can now help fund primary and secondary education, as well as college. While contributions are not deductible for federal income-tax purposes, they may be deductible at the state level. Donors can accelerate their giving by using the annual exclusion gifts for the next five years and making up to a $150,000 contribution for married couples ($75,000 for singles). Note: Annual exclusion gift is expected to increase to $15,000 in 2018.
- Review existing prenuptial agreements, which may assume that alimony would remain deductible.

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Crunching the Numbers on Changing Domicile

By Jeff Maurer

This is the time of year that the thoughts of many of us turn to the sunny south. Now there's even greater incentive – for Californians, as well as residents in the Northeast and the Midwest – as tax reform adds to already high state and local tax burdens. In addition to living through some bitter cold spells this winter, we are having SALT provisions poured in our wounds.

The impact of the loss of all but $10,000 in combined state and local tax, or SALT, deductions have to be measured differently for those who were subject to the alternative minimum tax. And the charitable deduction remains. Nevertheless, it appears many of us will be paying more tax.

Tax reform did bring most high net worth families good news on the estate and gift tax front, doubling the estate, gift, and generation-skipping transfer exemption for all three taxes to $11,200,000 per person without making any other changes to the law. The 40% rate and the "step-up" in income tax basis to fair market value at date of death remain. The law also continues the current gift tax exclusion for annual gifts, now up to $15,000 per donee, and continues to permit tax-free gifts for unlimited transfers directly to educational institutions and healthcare providers.

However, this provision sunsets in 2025 and reverts back to current law, so those who don't take advantage in the interim by making gifts or, alas, dying, may incur no benefits from these changes. (See Helena Jonassen's article on page 16.) The current state

40.2%

effective tax rate for a NY couple earning $1m

of partisan politics means that none of us can count on anything more than death and changes to our taxes.

Several years ago I wrote in this journal: "If we choose our vacation homes carefully, we can consider converting the vacation home to a permanent residence for tax purposes, enjoying significant opportunity to save money on income taxes and on gift and estate taxes, while still spending time in both places." I'm glad I took my own advice, as my wife and I now have the option of changing our domicile to Florida, where Evercore Wealth Management has a growing office, and where there are no state income or estate taxes.

To revisit our example of a few years ago in the current tax context, a couple in their 60s residing in New York State with an estate of $25 million and adjusted gross income of $1 million is charged an effective tax rate of 40.2%, paying $64,812 a year in state income tax alone by our calculations. That's in addition to the $337,587 that they owe the federal government each year. If the same couple established their domicile in Florida, they would cut their annual tax rate to 33.8%. Even though the federal basic exclusion amount has been doubled, they will still be able to reduce the tax by that number.

That's a significant savings, even before factoring in the generally lower cost of living in Florida. But is it reason enough to up sticks? It's hard to say, because there are so many factors to consider, in addition to tax and weather, and the process can be complicated. For us, as for most people, family and work are the biggest considerations, which is why far more people talk about changing domicile than actually do so. It's certainly worth examining the potential financial impact and discussing the possibilities in depth with your advisors.

Jeff Maurer is the CEO of Evercore Wealth Management and the Chairman of Evercore Trust Company, N.A. He can be contacted at maurer@evercore.com.

A Change of Scene

State	CA	CT	MN	NJ	NY	FL
Top State Income Tax Rate (Married Filing Jointly)	13.3% over $1.074,996	6.99% over $1 million	9.85% over $266,700	8.97% over $500,000	6.85% over $323,200; 8.82% over $2,155,350 {NYC Income Tax 3.876%}	0%
State Estate Tax Rate	None	max 12%	max 16%	None[1]	max 16%	None
State Estate Tax Exemption Amount	N/A	$2,600,000 2018; $3,600,000 in 2019; equal to federal estate and gift tax exemption in 2020	$2,400,000 in 2018; $3,000,000 in 2020	N/A[1]	$5,250,000 until January 1, 2019 then matches fed exemption but before the TCJA[2]	N/A
State Gift Tax Rate	N/A	same as estate tax	N/A	N/A	N/A	N/A

[1] *New Jersey still has an inheritance tax on bequest to non-relatives.*
[2] *New York State exclusion amount is phased out for taxable estates having a value between the exclusion amount and 105% of that amout. The exclusion is entirely eliminated for taxable estates 105% greater than the exclusion.*

No Complacency in Trust and Estate Planning

By Julio Castro

Behind the headline changes afforded by the Tax Cuts and Jobs Act of 2017 are the financial, emotional and physical realities confronted by many families. Comprehensive estate planning is at least as important as it has ever been.

Consider, for example, whether documents ancillary to the last will and testament and revocable trusts reflect the current laws surrounding incapacity. As discussed in previous editions of *Independent Thinking* on special purpose trusts at Evercore, many families struggle with physical or mental illness and, increasingly, addiction. All families need to plan for the consequences of aging. Documents such as durable powers of attorney should be analyzed to ensure that representatives are empowered to address the continuation of family gifting plans and the adjustment of beneficiary designations, and have the ability to modify other planning documents.

Additionally, healthcare documents that empower representatives to make medical decisions, including the removal of life support, should be reviewed to ensure that the appropriate privacy waivers, prevalent in the wake of the HIPAA Privacy Act, are contained within the documents. The absence of such provisions could render a healthcare document ineffective at a time when it is desperately needed. It's worth noting that many jurisdictions have introduced the opportunity to provide representatives with access to medical records in advance of incapacity. Given the deluge of data and the emotion present at the time of potentially life-changing family medical decision-making, it makes sense to provide for advance access.

All families need to plan for the consequences of aging.

It is also important to review primary plan documents to confirm that the individuals named to act as guardians, executors, trustees, trust protectors, and investment advisors are still suitable choices for the roles. Relocation to another state, marriage, divorce, incapacity and, obviously, death can all impact ongoing viability of nominated fiduciaries. Keep in mind that new, more flexible trust arrangements can enable individual trustees to remove or replace legacy corporate trustees at will; trusts don't have to be as rigid as they once were. Indeed, many families choose to appoint both a family member or friend and a professional advisor as co-trustees.

While reviewing those documents, reconsider the timing of distributions to beneficiaries. After all, a son's poor relationship choices, substance abuse or money management habits may call into question the prudence of distributions that vest on his 40th birthday. Furthermore, powers of appointment provided to children and grandchildren may need to be reviewed to ensure that the designated individuals are appropriate. For example, if a child is unmarried at the time of the parents' plan execution, the plan may not allow for the child to appoint unused funds to his or her own children.

The impact of creditor protection for beneficiaries is always worthy of review. State laws and trends vary widely. Age-old distribution standards contained in wills and revocable trusts may need to be revisited to ensure that the existing provisions don't increase the likelihood of a creditor's success.

Family circumstances and objectives are subject to change, as are tax laws.

Changing nominees, distributions, and protections afforded to beneficiaries is no longer a privilege confined to the revocable trust landscape. State laws governing modification of irrevocable trusts, along with the concept of trust decanting, provide tools that can be used within an irrevocable trust context. As a case in point, an education trust funded 10 years ago with assets that significantly increased over the interim 10-year bull market could potentially be revised now to provide for longer-term support than originally anticipated.

Titling of assets is also part of good planning. The protections afforded joint tenants by the entirety titling versus individual titling, surrounding homestead protection, safety gained within a limited liability structure, and the sanctity of retirement plans are examples of the titling issues that should regularly be reviewed.

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Staying in the Game at Every Age: Notes from the Hospital for Special Surgery

Editor's note: A recent Evercore Wealth Management event featured three leading doctors from the Hospital for Special Surgery and was moderated by **Chris Zander**, the Chief Wealth & Fiduciary Advisor at Evercore Wealth Management and Evercore Trust Company, N.A. Full video of the event is available to Evercore Wealth Management clients on the dedicated client site. Here are some brief highlights:

On weekend warriors: "We are so passionate about our activities – and many of us are pretty talented – but we don't have enough time. The imbalances that occur from that [and from interval training routines, such as CrossFit] can lead to both minor and major injuries," said Dr. David Altchek, Attending Orthopedic Surgeon and Co-Chief Emeritus in the Sports Medicine and Shoulder Service. He is also the medical director for the New York Mets and a medical consultant for the NBA.

On longevity: "Bones, tendons, ligaments, spine disks, cartilage within the knees – we are beginning to understand what happens to these cells as we get older. We are very excited about taking a new approach to stem cells, to reprogram them and make them young again, and about some of the advances in immunotherapies," stated Dr. Lionel Ivashkiv, the Chief Scientific Officer at HSS, leading the research division's efforts to treat and prevent musculoskeletal disorders.

On bone health: "All of our sins are writ on our skeletons – smoking, drinking, having too many babies too close together – all impact our skeletons in a negative way. Women do lose bone very rapidly in middle age, but men lose bone as well, and we see the same types of fractures in men later," said Dr. Alana Serota, an Assistant Attending Physician affiliated with the Metabolic Bone Disease Service, focused on the maintenance and improvement of bone health.

Independent Thinking Panel Series:

- Political & Market Risks in Perspective
- The Sharing Economy and Its Implications

Wise Women Seminars:

- How Can Women Leverage Their Personal, Professional and Financial Capital to Create Lasting Change? Speakers: Gloria Steinem, Stacey Tisdale, Michelle Clayman, Tracy Chadwell, Holly Gordon, Ellen Kullman, and John Weinberg
- The Power of Parity: Confronting Gender Inequality

The Longevity Challenge Events:

We are pleased to present a special series of events on embracing the 100-year life. We'll consider the mental, physical, and emotional challenges – and opportunities – afforded by dramatically lengthened lifespans, as well as strategies to plan and invest accordingly.

- You are Not Alone: Confronting Social Isolation & Loneliness
  Speakers: Dr. Carla Perissinotto, Dr. Julianne Holt-Lunstad, and Katie Hafner

Please contact your Wealth & Fiduciary Advisor or **Jewelle Bickford** at jewelle.bickford@evercore.com for further details on upcoming Evercore Wealth Management events in your region.

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