Life-Changing Wealth Creation Events
Manage your assets.
Protect your wealth.
Build your legacy.

When an individual or family experiences a significant wealth event such as the sale of a family business, unexpected and complex challenges often arise. These can be both financial and emotional. Your frame of reference changes. Long-held dreams become real possibilities. Financial decisions take on more weight. Friends, colleagues and family members may view you differently – and may behave differently as well. In short, there is a dimension to life that may not have been present before.

Sometimes this new reality can be planned for; sometimes it cannot. While significant wealth is often the product of years of hard work, it can also be unexpected. But however it is generated, significant wealth brings with it a set of complicated questions whose answers can determine whether that wealth ultimately creates new obstacles or enables goals to be realized.

We have helped many individuals manage the complexities of wealth. Raymond James brings a unique and proven perspective to the issues that invariably arise. Our financial advisors have the resources and expertise available to help you manage significant wealth in a prudent and disciplined way.
Wealth Creation: Many Methods, Common Issues

Individuals pursue the goal of creating significant wealth and enjoying its benefits in a number of different ways. In some circumstances, an unexpected event leaves an unprepared individual with significant wealth to manage. Significant wealth events can take many forms, including:

- Sale of a closely held business,
- Sale of real estate or other family asset,
- Capital markets transaction such as an initial public offering,
- Substantial inheritance,
- Lump-sum retirement payout,
- Divorce,
- Legal settlement,
- Exercise of stock options, and
- Unexpected financial windfall.

Whatever the specifics, the financial challenge is generally the same: You now have a substantial amount of money that must be managed carefully to help you protect your wealth, provide income for your lifestyle and achieve your legacy planning objectives.

Emotional and interpersonal challenges also may come with wealth. Some are obvious, almost clichés – phone calls from long-lost relatives, solicitations from various causes and individuals targeting you with endless financial “opportunities.” Other challenges require more personal reflection – now that you have the financial resources to make a significant difference in the lives of those you care about, what is the best way for you to proceed?

Amid such questions, one thing is certain. Managing the challenges of wealth should not be done alone. Expert, impartial and customized advice is critical. Assembling a team of professionals, including your Raymond James financial advisor who can manage all the “moving parts,” is a crucial first step in addressing the financial, legal and tax consequences of your new wealth.

To help understand the value of professional advice, let’s look at the timeline of life-changing wealth-creation events, as well as strategies for each phase.

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<th>Before the Event</th>
<th>During the Event</th>
<th>After the Event</th>
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<td>Assemble your financial team.</td>
<td>Avoid large expenditures based on impulse; consider a “waiting period.”</td>
<td>Implement and continuously monitor your plan with your advisor.</td>
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<td>Address potential tax consequences and timing of the event.</td>
<td>Work with your advisor to determine an appropriate liquid and secure structure in which to hold cash.</td>
<td>Anticipate and manage risks of significant wealth.</td>
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<tr>
<td>Establish a cash flow budget.</td>
<td>Finalize your wealth management plan.</td>
<td>Reflect and outline your financial legacy and how you would like to affect others.</td>
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<td>Do your homework.</td>
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<td>Anticipate attention.</td>
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Before the Event

While not all events are possible to predict, many wealth-creation events – the sale of a business, an inheritance or retiring with significant corporate benefits – can be anticipated. In these situations, it is important to recognize that planning for the consequences should begin well before the event itself occurs.

Preparation is vital because the form in which the wealth is received and the way it is transferred can have significant tax and estate-planning implications. For example, owners of a family business or a significant real estate asset may wish to transfer wealth to family members or charities over time. In many situations, gifting partial ownership of the asset through trusts or a family limited partnership can have significant tax benefits if accomplished prior to the sale of the asset. Such planning must occur well ahead of time – some tax and estate benefits may be lost after the transaction is initiated.

Staying flexible with regard to the event’s timing can have meaningful advantages. For example, if the event will occur near year-end, you may wish to push receipt of the wealth into the following tax year or even spread receipt into multiple tax years if possible.

If your wealth will be created through the sale of a business that meets specific criteria, the investment banking expertise of Raymond James Equity Capital Markets can be invaluable. In the last five years, Raymond James has managed more than 420 offerings raising nearly $115 billion, and has completed more than 250 mergers and acquisitions, advisory, and private placement assignments. Talk to your advisor for more information.*

*Past performance is not indicative of future results.
Strategies: Before the Event

I Assemble a team.

• Assess the capabilities of the professionals who are currently serving you. Your financial requirements are more complex now – do your current advisors have the expertise and experience you need? If they do not, turn to your advisor, colleagues or others you trust for referrals.

• Your financial advisor and allied specialists at Raymond James can play key roles in guiding you.

• Your accountant, lawyer and other advisors also should be briefed on the impending event and be ready to collaborate on your behalf.

I Think about your lifestyle.

• Wealth will affect not only your life but the lives of those close to you.

• Early retirement, second homes, vacations, charitable giving, and college funds for children or grandchildren are just some of the topics to discuss with family members.

I Outline an overall financial plan.

• Work with your financial advisor and other team members to determine your goals and develop a coordinated plan for achieving them.

• Establish a documented plan and a clearly defined investment policy statement.

I Review current investments.

• Your financial goals may change considerably, with capital preservation and income generation becoming more important than future growth.

• Now is the time to discuss new objectives and parameters with your financial advisor.

I Do your homework.

• Although you will want professional advice, learn all you can about investing, tax strategies, retirement and estate planning, and other relevant topics.

• Your financial advisor can provide you with educational materials.

Common Mistakes Made Before a Wealth Creation Event:

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<th>Common Mistake</th>
<th>Potential Solution</th>
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<td>Waiting too long to engage personal advisors and missing planning opportunities, overlooking new needs (such as life/disability insurance) and potential tax consequences.</td>
<td>Consider informing advisors of potential events up to three years in advance and discussing the implications with them.</td>
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<tr>
<td>Forgetting to update estate-planning documents immediately following an event.</td>
<td>Discuss appropriate updates or changes with your attorney and financial advisor.</td>
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<td>Neglecting to consider the impact of the significant wealth on your children or heirs.</td>
<td>Talk to your financial advisor or attorney about the use of a professional trustee.</td>
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<tr>
<td>Ignoring illiquidity, income tax or estate consequences following a divorce or other significant family event.</td>
<td>Engage your team of professionals to plan for these considerations.</td>
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During the Event

The realization of wealth from an event affects individuals in different ways. Your lifestyle or objectives may change fundamentally or you may conduct “business as usual.” In some cases, the event may generate significant and unexpected emotions. Regardless of the impact, you will need to make important financial decisions. Be willing to obtain professional and impartial advice to deal with the emotional challenges that may arise.

Your primary goal upon the receipt of wealth is to put the money into secure, liquid investments with competitive yields that you can use to make other, longer-term investments over time. Your financial advisor can describe the options available to you and help you make appropriate choices. You also should discuss how your accounts are titled and how their ownership is structured, as these choices can have important tax and estate-planning implications.

Strategies: During the Event

1. Avoid impulsive financial decisions.
   - Large purchases, overly generous gifts, rash investments, loose spending and other costly mistakes can occur with new wealth.
   - Additionally, be prudent with your use of borrowing. Consult your financial advisor if you are considering taking out a loan or line of credit.

2. Establish a waiting period.
   - The simplest way to avoid ill-considered expenditures is to set a period of time during which you will make no large outlays. Doing this provides time for reflection and helps ensure that when you do put large amounts of money to work, you will do so only after careful consideration.

3. Finalize your financial plan.
   - If your wealth-creation event was anticipated, you may have had time to establish a plan for achieving your financial objectives.
   - If the event was unexpected, assemble your team, think through your goals and establish your plan now.

4. Monitor your tax situation.
   - New wealth frequently means taxes, so make certain you consult with a qualified tax professional and maintain sufficient liquidity for any outstanding tax liabilities.
   - Do not take undue risks with assets set aside to pay taxes.

5. Maintain your privacy.
   - Wealth attracts attention, not always welcome and not always well-intentioned.
   - Having a trusted financial advisor to act as a buffer to outside parties can be valuable, especially if the wealth event was unexpected.
After the Event

Expect a period of adjustment after a wealth-creation event, especially if the amount is such that your lifestyle or objectives are altered dramatically. Like any change, the arrival of new wealth takes some getting used to. Bear in mind that while the needs of others may be valid, they must be considered within the context of your overall financial situation, which can include significant tax liabilities and the desire to generate reliable long-term income from your wealth.

An ongoing challenge with wealth management is the need to monitor your investments, adjusting the overall asset mix and rebalancing your portfolio on a regular basis. You will want an experienced financial advisor with access to comprehensive resources and expertise to support the investment process.

Strategies: After the Event

1. Implement the components of your financial plan with your assembled team.  
   • This should include your investment strategy, estate planning, tax planning and risk management.

2. Monitor your cash flow and spending.  
   • Your portfolio often represents an irreplaceable asset that must support your income requirements for many years to come. However, your individual financial circumstances are dynamic, and constant monitoring is important.  
   • Large withdrawals from a portfolio for immediate financial needs are often unsustainable and can increase the risk that your objectives will not be met, or worse, that you could run out of money in your lifetime.

3. Manage risk.  
   • Wealth brings with it a heightened risk of being targeted for financial scams, frivolous lawsuits, worthless investment “opportunities” and other problems.  
   • Talk to your advisor about asset-protection strategies to safeguard your wealth.  
   • Do not enter into a private investment opportunity without proper due diligence and careful consideration of how the investment fits in your overall plan.

4. Consider your legacy.  
   • Wealth enables you to benefit others in ways that were not possible before. Many philanthropic efforts also provide tax advantages.  
   • This is an area that requires specific expertise and careful coordination with other aspects of your financial plan.
The Emotional Impact of Wealth Creation

The realization of significant wealth often results in a variety of emotional issues, particularly if the financial event was sudden and/or unexpected. Numerous studies have shown that recipients of large amounts of money often experience anxiety, guilt and confusion as the realities of their new situations sink in. One particularly unfortunate – but not uncommon – occurrence is jealousy on the part of siblings and other relatives.

Psychologists have identified “sudden wealth syndrome,” a condition in which wealth recipients act irrationally in ways that range from reckless spending to withdrawing from friends and family. You might consider including a psychologist as part of your advisory team, especially if you anticipate difficulties in dealing with family issues. The emotional issues surrounding the creation of wealth are easier to handle if you acknowledge that they are real and take steps to deal with them appropriately.

Common emotional and family concerns with significant wealth:

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<tr>
<th>“I am concerned about …”</th>
<th>My spendthrift child.</th>
<th>Leaving too much money to my children.</th>
<th>My investments reflecting my social values.</th>
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<tbody>
<tr>
<td>People targeting me because of my new wealth.</td>
<td>How much income my investments will produce over my lifetime.</td>
<td>Taking care of my unmarried partner.</td>
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<tr>
<td>Passing my values on to my heirs.</td>
<td>How much I can afford to give away to charity.</td>
<td>My family continuing to use the professionals I have worked with and trust.</td>
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<tr>
<td>Caring for my disabled child when I’m gone.</td>
<td>Losing my wealth in the market.</td>
<td>Giving my grandchildren incentives to go to college.</td>
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<tr>
<td>My spouse remarrying after I am gone.</td>
<td>Paying too much in taxes both now and/or in the future.</td>
<td>My legacy.</td>
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Once again, these emotional dynamics reinforce the need to assemble a competent, experienced team of trusted professionals to monitor your situation and propose solutions. Sharing your largest concerns and family dynamics enables these professionals to address them in the strategies they propose.
The Value of Professional Advice

Although the challenges of wealth may be new to you, they are familiar to the financial professionals at Raymond James, who have helped thousands of clients deal with the same issues. That experience and expertise, along with the comprehensive resources of a firm that handles more than $200 billion in client assets, is readily available to your financial advisor as you work together to meet the challenges of wealth.

Because the issues surrounding the creation of wealth are complex and interrelated, high-quality, professional advice is essential. It is even more important that your financial advisor has the freedom to make recommendations and provide solutions based on your specific objectives.

Whether you need assistance in managing your investments, planning your estate, setting up college funds, broadening your insurance coverage, minimizing taxes, establishing trusts or any of the many other issues that come with wealth, you can have complete confidence in your financial advisor and the financial professionals at Raymond James.
Next Steps

Although every person’s financial situation is unique, the challenges of handling a life-changing wealth-creation event are often similar. To help address those challenges, here are some of the questions you may want to consider and discuss with your financial advisor:

1. Will this event and resulting wealth change your lifestyle or objectives significantly?

2. Have you estimated your future living expenses and income needs? Will this wealth be your primary source of income going forward?

3. Are there specific family members with whom you want to share your new wealth? Have you thought about the form the assistance might take?

4. What are your largest concerns regarding the wealth event?

5. Do you have an existing attorney and/or tax professional with whom you will continue to work?

6. What other relationships with financial professionals have you established or should you consider?

7. Have you planned purchases or investments with the assets to be generated from this event?

8. Have you and your existing professionals estimated the tax impact of the event?

9. Are there specific charities that you would like to support?

10. Has your estate plan been updated to reflect your new financial situation?
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