



INDEPENDENT
THINKING

THE NEW STANDARD IN WEALTH MANAGEMENT

EVERCORE
Volume 37

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Powerful Protection in a
Low Interest Rate Climate

Leadership Succession: Jeff
Maurer and Chris Zander

What's Up with Negative
Interest Rates?

Q&A with Muzinich

Business Transition
Planning

Time to Retire?

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THE NEW STANDARD IN WEALTH MANAGEMENT

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A Message from the CEO



Stressful, hopeful and full of joy and gratitude: This season can be a whirlwind of activity and feelings. The stress is already much in evidence, at least here in New York, as people prepare for the end of the work year and for the coming holidays. It seems calmer – and warmer – in the vicinity of our offices in Palm Beach, where I am now spending most of my time (more about this in a moment).

I know that our teams across the United States are busy, guiding clients in end-of-year planning discussions and tax-efficient investment allocations.

Hope is in evidence too, everywhere I look. Although there are deep political fractures in this country, we hope for the same peaceful elections in 2020 that Americans have enjoyed for decades, both for ourselves and what appears to be an increasingly engaged youth. Together, we will address widening economic inequality and preserving the environment in a manner in keeping with the spirit of the American Dream. A challenge, I know, but I am an optimist.

At Evercore Wealth Management and Evercore Trust Company, we are, of course, hopeful that the strong markets we have enjoyed for the last ten years will continue. As our Chief Investment Officer John Apruzzese writes in this issue of *Independent Thinking*, we have reasons to think that may be the case, at least for a while, although we certainly don't bet on it. A diversified portfolio for clients who desire a balance of income and growth should include a reasonable allocation to bonds and other defensive investments, in this and all market environments.

Our firm's success is a great joy to me, especially in a period of personal change. We now manage well over \$8 billion in client assets; our balanced composite continues to perform well versus its benchmark, as it has since its inception in 2009; and we are again 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 investment performance, wealth planning and client service, but is also in large part thanks to client referrals, which we very much appreciate.

I discuss my transition to Chairman and my plans to change my domicile to Florida on page 20 – if recent client conversations in the Northeast are a guide, I will be seeing many familiar faces there. Chris Zander, a founding partner in our firm and our new CEO, is interviewed on page 2. This transfer is the culmination of long-term succession planning, a topic we also address in these pages. I have worked with Chris for over 20 years and am confident in his commitment to our culture and his ability to grow this firm.

I will always be grateful to Evercore senior leaders and to the other early clients who invested in and with us

in our early days, enabling us to attract colleagues and clients across the country while striving to set a new standard in wealth management and trust services. Our firm is in great shape; our clients are thriving; and the future under Chris' thoughtful leadership looks to me very bright indeed.

I wish you and your family a joyous holiday season and a wonderful start to the New Year.

A handwritten signature in black ink that reads "Jeff". The signature is written in a cursive, slightly stylized font.

Jeff Maurer
Chief Executive Officer

Taking the Reins: An Interview with Chris Zander



Editor's note: Chris Zander takes over at the start of 2020 as CEO of Evercore Wealth Management and Evercore Trust Company. He is a founding partner and leads strategic wealth planning and trust and fiduciary services, working directly with clients across the United States. Chris was appointed President of Evercore Trust Company in 2017 and President of Evercore Wealth Management in 2019, as part of a long-term leadership succession plan. Prior to joining Evercore in 2008, Chris ran the Multi-Family Office at U.S. Trust.

Q: Chris, you've worked with Jeff Maurer for over 20 years, at both Evercore and U.S. Trust. How has that relationship informed your view on leadership?

A: I joined Jeff in establishing Evercore Wealth Management in part because I was confident in his ability to envision the ideal client wealth management experience and integrate that into a successful business model. This combined skill set is quite rare in our industry. Other executives may be outstanding in one of these areas, but few are effective at both. Also, his appreciation for – and knowledge of – the technical side of the business across investments, wealth planning and fiduciary matters, as well as his focus on transparency and high integrity-based relationships, has set an example that I hope to uphold in my new role.

Q: The firm has grown to one of the top Independent Registered Investment Advisors (*Barron's* 2019) since inception in a crowded and competitive marketplace, largely through organic growth. Do you expect that pace to continue?

A: Yes. It is a competitive marketplace, with new entrants as well as formidable legacy competitors. But the key challenge in wealth management is to maintain an unrelenting focus on clients, something I believe we are better positioned to do than the big banks and brokerages and traditional trust companies, as we are relatively nimble and flexible in our approach. And we are better resourced, with Evercore's backing, than smaller independent firms.

We built this firm to enable our people to always do the right thing by our clients. Great advisors attract and retain great clients, who are happy to refer our services. That's how we've done so well to date and how we will continue to thrive.



Q: The Evercore Wealth Management client retention rate is about 97%, and that of partners and other senior professionals is about 95%. Why do you think these numbers are so strong?

A: Our culture is, I believe, the big draw for both our clients and our professionals. This is an environment that encourages individual thinking, and no one hesitates to speak up. We really welcome client engagement in our firm and take enormous pride in the success and advancement of our team.

Q: What are your top priorities in your new role?

A: Executing on our strategy and investing in our business. I am determined to continually find ways to develop our staff and improve our operations and processes to ensure that our teams of client-facing investment and wealth advisory professionals can be more proactive, communicate more effectively, and generally provide a better client experience. At the same time, we will continue to invest in first-rate talent acquisition and development, increasing our planning, investing, fiduciary and family office service capabilities to the benefit of our clients. We will also invest further in technology and communications, to anticipate and meet evolving client needs.

This is a rapidly changing marketplace, and I want to ensure that we stay in the vanguard of that change.

Q: You've had other leadership positions, as President of Evercore Wealth Management and Evercore Trust Company, as the head of the Multi-Family Office at U.S. Trust, and even as co-captain of the Columbia varsity baseball team. Any parallels that you could draw as a player and a coach with your new role at the firm?

A: There is no greater feeling than winning as a team. Individual accomplishments are nice, but they pale in comparison to working together and seeing the fruits of collective hard work, commitment and perseverance come together for the whole – whether as a coach, player or parent (as I'm more of a baseball dad these days than a player). To help people accomplish more than they thought they ever could do is incredibly rewarding.

We have a great team at Evercore Wealth Management and Evercore Trust Company, and it's my job to help them do their best work, in meeting our clients' goals, and in earning and sustaining their trust.

Chris Zander is the CEO of Evercore Wealth Management and Evercore Trust Company, effective January 2, 2020. He can be contacted at zander@evercore.com.

Powerful Protection in a Low Interest Rate Climate

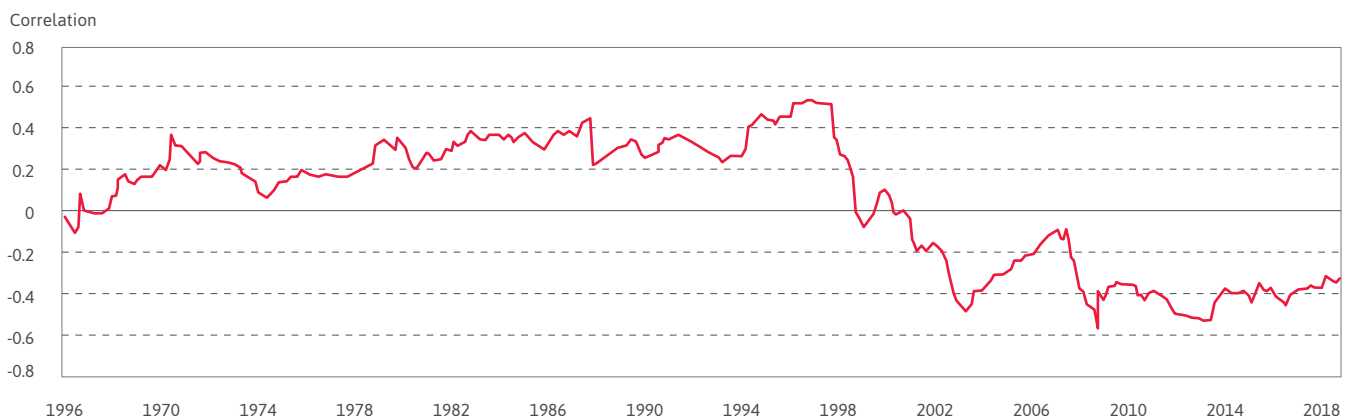
By John Apruzzese

Is there still a case for owning bonds? Some investors don't think so, asserting that low interest rates mean that the traditional 60% stock/40% bond portfolio is dead in this low interest rate environment – stocks and alternative investments, such as hedge funds and private equity, are the only asset classes worth owning. But like reports of Mark Twain's demise, these accounts are greatly exaggerated.

At 25 years and counting, the current low and reasonably stable inflation environment is not only very helpful to equity valuations, as we have previously discussed,¹ it is also helpful to the relationship between stocks and bonds. Low inflation in the United States and the rest of the developed world is generating a strong negative correlation between stocks and long-term bonds. The rise in the price of one asset class corresponds with the fall of the other, effectively making each – and the portfolio as a whole – more valuable.

The Upside of Negative Correlation: Lower Volatility, Risk

Correlation Between S&P 500 and 10-year U.S. Treasury Returns



Note: Correlations based on daily returns using exponential weighting with a 2-year half-life.
Source: Bloomberg.

When inflation is low and stable, economic growth rather than inflation is the dominant variable for both the bond and the stock market. If economic growth surprises to the upside, the stock market will react positively. At the same time, both markets will anticipate a tightening of monetary policy to avoid the market overheating. Interest rates, especially to real (or post inflation) interest rates, will rise in response, causing bond prices to fall while stock prices climb. A downside surprise in growth results in the opposite; stocks fall and bonds rise, in anticipation of looser monetary policy. This negative correlation between stocks and bonds reduces the overall volatility and significantly improves the risk/return characteristics of the 60/40 portfolio.

High debt levels discourage additional credit creation

A return to sustained inflation above 3% would reverse this equation. When inflation is high and variable, the correlation between prices and stocks flips. That's because inflation news tends to dominate Fed actions and market reactions. Inflation surprises on the high side tend to move bond yields up and bond prices down, while expectations of tighter monetary policy and resulting economic slowdown cause stock prices to fall. Higher discount rates applied to future cash flows also suppress equity values. A positive correlation undermines the diversification of a traditional 60/40 portfolio. If both asset classes are moving in the same direction at the same time, the exposure of investors to a market downturn is effectively compounded.

However, we retain a fairly high level of confidence that inflation will remain low, thanks to three and possibly four

long-term secular trends, which we've discussed before in this publication but bear repeating.

Demographics are the most powerful and easiest to predict. The dramatic slowdown in population growth throughout the world, save Africa, is deflationary.² Slower population growth, coupled with an aging population, exerts significant downward pressure on inflation due to a slowdown in demand.

High debt levels discourage additional credit creation, which reduces the ability for demand to grow faster than income growth. Since 2008, the fiscal debt has expanded to 76% of gross domestic product from 36%.³

¹ John Apruzzese, *A Reality Check for Stock Valuations*. New York, November 2017.

² Brian Pollak, *Demographics and Development* (Independent Thinking Spring 2019).

³ Federal Reserve Bank of St. Louis.



Technological innovation is driving productivity, which in turn drives down production costs across most businesses, from oil drilling to financial services. As illustrated below, investment spending on information-processing equipment and intellectual property products, which now accounts for 54% of total business investment, has been growing at an annual rate above 5% since the financial crisis.

Globalization has been an influential deflationary force for the past 25 years. However, its impact has diminished recently due to trade tensions, notably between the United States and China. It could revive as a deflationary force if those trade tensions are resolved, but we are not holding our breath.

These secular deflationary trends should, we believe, keep inflation low for the foreseeable future. The negative correlation between stocks and long-term bonds should therefore continue as well. Yes, the yields of high-quality bonds are low, with the 10-year U.S. Treasury close

to 2%. But all other developed countries have significantly lower or negative rates on their sovereign debt, leaving plenty of room for yields on long-term Treasuries to fall ahead of the next recession. Bonds would then rise, even as stock and other assets decline, curtailing the total drawdown in a balanced portfolio.

While it might be tempting to trade back and forth between two negatively correlated asset classes, it is important to stress that price moves in both the stock and bond markets are in response to unforeseen events and not consistently predictable. A consistently balanced portfolio with a negative correlation between the two major asset classes provides the highest possible risk/return ratio.

Mark Twain lived another 13 years after the rumors about his death circulated. The 60/40 portfolio remains a robust starting framework for diversified portfolios. Of course, we adjust the ratio to each individual client's investment objectives and risk tolerance. At Evercore

Wealth Management, we also modify the traditional 60/40 portfolio to include additional asset classes to help further diversify the portfolio.

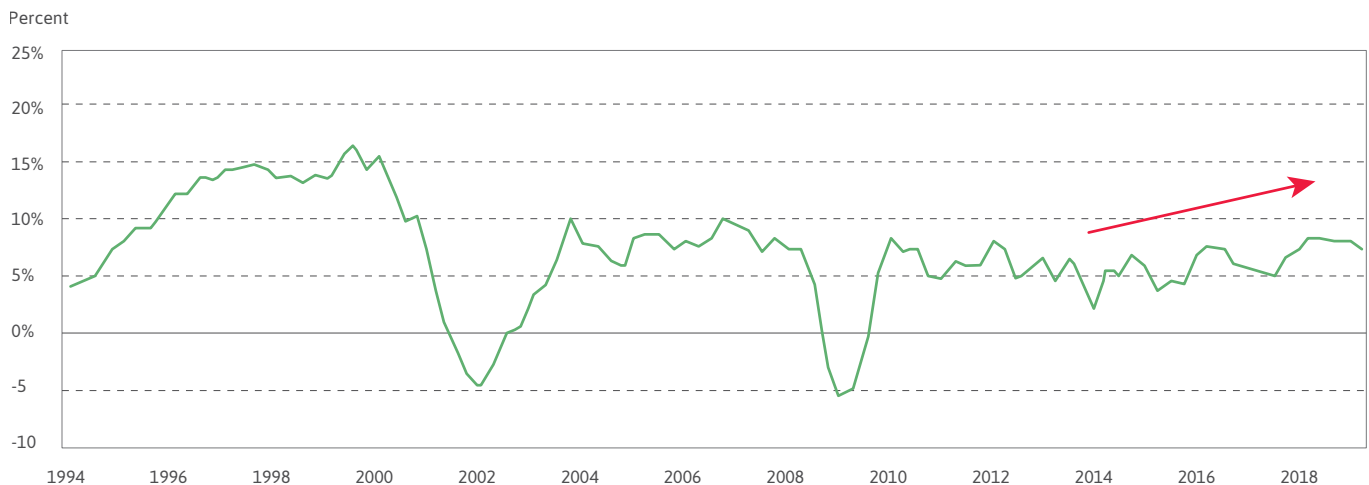
Many of our clients are comfortably able to allocate 10%-15% of their portfolios to illiquid assets including private equity, venture capital and real estate; and another 10%-15% to credit and uncorrelated strategies. This still leaves 70%-80% of the portfolio in a combination of stocks and high-quality bonds, which benefits from their negative correlation.

We own bonds in balanced accounts because they reduce volatility, provide liquidity and produce current income. In growth accounts, we do not own bonds because our clients want greater returns and are willing to accept greater volatility.

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

Investing in the New Era

Real investment spending, annual growth rates



Note: New-era spending defined as information processing equipment and intellectual property products (54% of total business investment).
Source: Leuthold. A Silent Productivity Miracle – September 12, 2019.

What's Up with Negative Interest Rates?

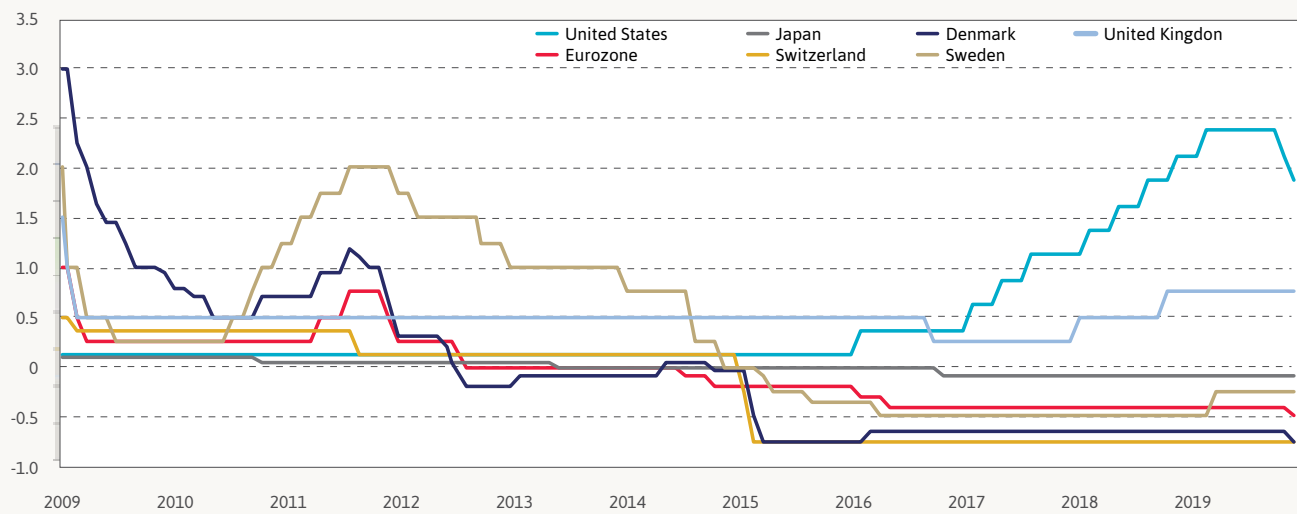
By Brian Pollak

The first of what modern investors would recognize as government bonds were issued in the 12th century by the city-state of Venice to finance continual wars with the Byzantine Empire and rival Italian city-states.

All Venetian citizens were required to finance these wars by purchasing the bonds, called *prestiti*, but accounts of the era suggest the public didn't object; the promise of an annual return of 5%, with variable interest rates introduced a couple of centuries later, was thought to be better than being taxed directly and receiving no return at all.

How low can they go? Central bank policy rates

U.S., Eurozone, Japan, Switzerland, Denmark, Sweden, United Kingdom from 2009 through 2019



Source: Bank of International Settlements - September 30, 2019.

The *prestiti* contributed to the war effort, and they also helped to establish the foundations of modern finance by explicitly conveying the idea that money has a price: the interest rate.

Centuries later, we might think the Venetians drove a hard bargain with their rulers. We pay taxes to our governments and still lend them money, too, and for returns far less than 5%. Since the global financial crisis, in fact, interest rates on government debt issued in mature economies have been close to zero, or even less than zero in many places, forcing bond investors to pay for the privilege of lending money.

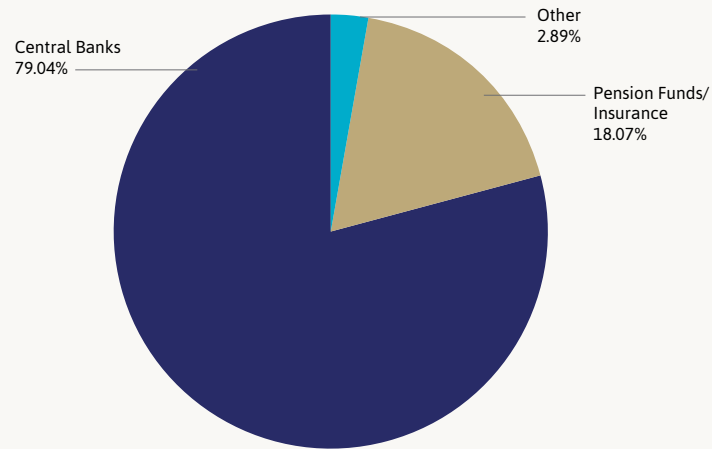
Bonds with negative yields accounted for as much as \$17 trillion in 2019, or about 25% of the global sovereign debt, although a recent uptick in rates has pushed the figure down to around \$12 trillion. Bonds are being issued with negative yields in Japan and throughout Europe, even in Greece, which only emerged from an international bailout program in 2018, yet was able to issue three-month debt priced to yield -0.02% in October.

Who would buy assets with such miserly yields, and why? And could we ever have bonds with negative yields here in the United States?

Negative interest rates exist largely because central banks want them. The Federal Reserve maintained a zero-interest rate policy, or ZIRP, earlier in the decade, then adopted a tighter stance beginning late in 2015, raising interest rates nine times, a quarter-percentage-point each, over the next three years. The Fed reversed course a few months ago, executing quarter-point cuts three times since July. Central banks in much of the rest of the developed world also dropped rates to zero percent, but then kept dropping them. Starting in Denmark

Who buys negative interest rate bonds?

Central banks are the biggest buyers



Source: DoubleLine - September 17, 2019.

in 2012, followed by the Eurozone, Japan, Switzerland and Sweden, central bankers implemented not ZIRP, but NIRP, or negative interest rate policy. The Bank of England, like the Fed, is an exception, but just barely; it has maintained its short-term policy rate at 0.25%.

rate policies was to help stimulate economic growth by making the hoarding of cash so unrewarding that it would persuade individuals and businesses – still wary of taking risks after having experienced the financial crisis so recently – to spend and invest instead.

25%

Global sovereign debt has a negative yield.

The rates set by central banks are those at which commercial banks lend money to one another on overnight loans from their reserve balances, and these rates heavily influence all other interest rates within a country. The central banks' intention in introducing negative interest

But some investors still want to buy bonds, even with rates below 0%. How does that even work? A bond will have a negative yield when investors pay more for it than they will receive from all coupon payments and the return of principal at maturity. Here's a straightforward example: In August, Germany issued a 10-year bund (its version of a Treasury bond) with no coupon. Buyers paid €102.64 for a bond that will be worth €100.00 when it matures, and they will receive no interest in the meantime. That works out to a return of about -0.25% annually, assuming an investor holds the bond to maturity. That bondholder, in effect, will pay ¼ percent annually to lend money to the German government.

Why would anyone do that? It turns out the biggest purchasers of negative interest rate bonds are the central banks themselves, as illustrated in the chart on page 8. This is a consequence of another unconventional policy arising from the financial crisis – quantitative easing, or QE, in which central banks buy securities to increase the money supply and encourage more risk-taking in capital markets. The U.S. stopped QE in 2014, but central banks in other large, developed economies continue the practice. As a result, about 79% of negative-yielding bonds, as of September, were held by central banks. Most of the rest (18%) were owned by entities that are controlled by governments or that need long-term assets to match long-term liabilities, such as pension funds and insurance companies. The amount of negative-yielding securities in the hands of other investors or speculators is actually quite small, at around 3%.

Negative rates have become a common feature on the investment landscape

But 3% of \$17 trillion is still a large amount to put into securities that are guaranteed to lose money if held until maturity. Investors do it for at least two reasons:

First, they may believe interest rates will continue to drop. A buyer of bonds, or bunds as in the example above, can sell them at a profit if the yield continues to fall. Whether the sign in front of the yield is positive or negative, a bond's price moves inversely to its yield. Second, they may believe there will be deflation over the life of the bond. If a bond yields -0.3% a year over the holding period and the issuing

2.25%

Percentage point yield difference a 10-year Treasury and a 10-year bund

country experiences deflation at 1%, the real (inflation-adjusted) yield will be 0.7%, increasing the bondholder's purchasing power.

There may be a rationale for buying negative-yielding bonds, but has economic performance justified the issuance of them? Because Japan has had inflation ranging between 2% and -2%, and very low real economic growth and interest rates over the last 30 years, negative interest rate policy seemed a reasonable experiment. The Japanese economy is probably the best in which to examine the success or failure of negative interest rate policy, or NIRP.

The Federal Reserve Bank of San Francisco recently released a paper that analyzed the early efficacy of negative rates by reviewing the impact on market-based inflation expectations. It concluded that NIRP had the opposite of its intended effect, as inflation expectations fell on announcements surrounding implementation of the policy. Meanwhile, bank profitability and investment spending in Europe and Japan has decreased in the years since NIRP was implemented. Other factors may be influencing growth in these regions, but, empirically, NIRP has not had a positive impact on banks, businesses or consumers in any of the regions where it has been tried thus far.

We believe this makes the introduction of NIRP in the United States unlikely in the near future. But there is no

guarantee that if inflation and growth remained stubbornly low, the Fed wouldn't try it.

As John Apruzzese says in his article on page 4, we expect interest rates and inflation to remain low for the foreseeable future due to a number of factors, including an aging population, technological innovation that enhances productivity, a high debt burden, and heightened trade and competition fostered by globalization. There is a path to negative yields, but outside of the case of a deep and prolonged recession, we believe U.S. bond investors will not have to pay for the privilege of lending to our government anytime soon.

Negative rates have become a common feature on the investment landscape in the developed world. As U.S.-based investors, we view the opportunity afforded by domestic bonds in the context of what's on offer elsewhere. Yields are low relative to what has been available over the course of history, but they are quite high relative to yields in much of the rest of the world today. For instance, as of the end of September, a 10-year Treasury bond yielded about 2.25 percentage points more than a 10-year bund. This yield advantage, along with the negative correlation factors, provides another reason why high-quality bonds should remain a part of balanced portfolios for U.S. investors.

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

Business Transition Planning: It's Personal

By Daniel Stolfa

Business owners generally have only one shot at getting transition planning right. But most are so focused on the business itself that they risk securing a legacy and preserving wealth by not focusing enough attention on the transition process.

Editor's note: This is the first in an *Independent Thinking* series on business transition planning. This article focuses on personal considerations in selling a business; future articles will look at preparing a business (including a family business) for sale, and options for structuring the transaction.

Almost half of the business owners surveyed by the Exit Planning Institute, or EPI, have not prepared for transition; 79% have no written business plan; and 94% have no written personal plan. That's despite 99% of respondents agreeing that a transition strategy is "important both for my future and the future of the business."¹ The organization estimates that only 20% to 30% of companies will survive a successful transition.²

For many owners, the clock is ticking. Of the approximately six million privately held companies operating in the United States, about 63% are owned by Baby

Boomers, according to the U.S. Census Bureau.³ Although it appears that they are holding on to their businesses longer than previous generations (see Jeff Maurer's article on retirement on page 21), it's worth noting that all Boomers will reach the age of 70 or older within the next 15 years. It seems likely that we will soon see a corresponding wave of business transitions, in one form or another.

What form will those transitions take? Failure to plan opens the door to unexpected and even unwanted developments, particularly if a business owner is exposed to divorce, disability, disagreement, death and disaster. Divorce can be crippling to businesses smaller than Amazon when ownership is split. Disability, which can take many forms and is far more likely than an early death, may not directly affect ownership of the business but can most

certainly affect profitability if the owner is a key employee. Disagreement is by far the most common exposure and arises anytime two or more owners of a business dispute major decisions. Death and disaster are less common, but can be severe blows to an unprepared business. Good transition planning needs to account for unforeseen pitfalls and to chart a path of the owner's choosing.

So where to start? Many business owners begin by trying to imagine what will happen to the business – their life's work – when the focus should be on their own future. Others expect to fully liquidate their ownership and walk away, assuming the buyer is on board with that plan too. This may not always be the best plan and may leave value on the table. Many want to stay involved in the business, but take some money out and diversify their risk exposure. This is possible, but can affect

¹ Exit Planning Institute, *A Local Market Study: The State of Owner Readiness, Twin Cities Metro Area 2017*.

² *IBID*.

³ Colby, Sandra L. and Jennifer M. Ortman. *The Baby Boom Cohort in the United States: 2012 to 2060*. Current Population Reports, P25-1141. U.S. Census Bureau, Washington, DC. 2014.

business operation and profitability. There are many different ways to achieve these and other transition goals, but they have to be articulated first.

At the personal level, proper transition planning starts with the owner's lifestyle needs and goals. It covers income replacement, expense restructuring, funding the next venture if that's in the cards, and securing the family's future. Thoughtful advance planning should always take full advantage of available tax and legal structures, and for some business owners that may raise the possibility of changing domicile. It is important to proceed carefully and well in advance of a transaction.

Here is a brief outline of the basic components:

GOAL IDENTIFICATION AND DEVELOPMENT

Conduct a comprehensive family wealth and business assessment to prioritize objectives and develop a goals-based wealth management plan.

COMPREHENSIVE INCOME TAX PLANNING

- Minimize income tax liability on the sale of publicly traded or privately held business interests.
- Factor in domicile, residency and trust situs considerations.
- Incorporate income tax planning considerations while developing an overall asset diversification and reinvestment plan.

ESTATE AND WEALTH TRANSFER PLANNING

- Integrate current estate planning "with the corporate succession plan to ensure that all proper documents (e.g., buy-sell provisions,



shareholder agreements) are reflective of current goals.

- Implement tax-efficient wealth transfer strategies to transition assets with potential for growth to future generations.
- Current gift and estate tax laws make intergenerational transfers more favorable than in the past.
- Take advantage of lack of marketability and minority interest discounts with closely held private assets.
- Incorporate charitable trusts and entities to facilitate philanthropic objectives while minimizing overall income and estate taxes.
- Manage customized investment portfolios in a tax-efficient manner, utilizing both public and private investments.
- Consider asset location with respect to investment strategies across entities.
- Develop post-transaction equity diversification strategies while being mindful of securities laws as they relate to restrictions on selling, hedging and borrowing of restricted stock.
- Utilize tax-efficient concentrated stock management.

PHILANTHROPIC ADVISORY

Develop a long-term plan to manage and administer charitable-giving vehicles in support of the family's philanthropic mission.

INVESTMENT MANAGEMENT

- Review liquidity needs, risk tolerance and asset allocation.
- Implement investment policy and asset allocation goals for all entities.

Transitioning out of a business, whether through gift, sale or many other techniques, and the start of the next stage of life is a big undertaking – and the considerations are as unique as the people involved. Anyone thinking about a transaction in the next five to 10 years should consult their Wealth & Fiduciary Advisor and other trusted professionals.

Daniel Stolfa is a Managing Director and Wealth & Fiduciary Advisor at Evercore Wealth Management. He can be contacted at daniel.stolfa@evercore.com.

Q&A

with Muzinich



Michael McEachern

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 is the second *Independent Thinking* interview with Michael McEachern, the manager of the Muzinich Credit Opportunities Fund; the last was in 2015. This fund seeks to deliver high-yield income and capital appreciation by investing in corporate bonds, both below-investment grade and investment grade, and in bank loans and floating rate loans issued by U.S. and foreign corporations. We believe this fund complements Evercore Wealth Management's proprietary, high grade, tax-exempt bond strategy by dynamically managing global corporate credit exposure.

Q: Let's start with the interest rate outlook. As a global fixed income portfolio manager, what are you thinking now about negative interest rates? Are you concerned about the inverted yield curve?

A: Negative interest rates are a dominant issue in managing global fixed income. The questions now are: "How long will European and Japanese rates stay negative?" and "Will U.S. interest rates follow?" It seems to us that, for the foreseeable future, developed global economies will be in a negative

yielding/low rate environment. We see global growth slowing as the economic cycle matures; coupled with a benign inflation outlook, our overall conclusion is to be longer duration. We are concerned about the yield curve showing bouts of inversion; however, given that this current late cycle lacks the typical late cycle investor concerns about inflation and growth, we feel the yield curve shape could remain in this generally flatter structure for some time and may not necessarily provide a clear signal about an impending recession. Nonetheless, the yield curve is signaling caution, and credit portfolios should be positioned accordingly.

Q: How do you see the role of fixed income in balanced portfolios changing in an era of persistently low global yields?

A: Central banks are encouraging more risk-taking in stocks and bonds with their negative/low interest rate policies. This has created an environment where absolute yield levels are historically low and look relatively unattractive. We believe that while interest rates will stay relatively low for the foreseeable future, market volatility will not, and fixed income will therefore continue to play a meaningful role in balanced portfolios. We think that while opportunities are relatively limited in credit at the moment, credit spreads will continue to be affected by economic and geopolitically driven volatility, which would provide opportunities for credit investors over time.

Q: The exposure to interest rate risk in the fund is at an all-time high since the fund's inception in 2013. Why are you positioned this way, and what would cause you to move to a lower interest rate duration?

A: The strategy reflects our view that we are in the later stages of a prolonged economic cycle. Global growth is slowing, and inflation remains subdued. Interest rates have fallen globally this year, reflecting both the lack of inflation and central bank efforts to stimulate economic growth. We identified this "slowdown" theme late last summer and began moving duration out, using a combination of high-quality corporates and U.S. Treasuries.

While we continue to believe this theme represents our base long-term assumption, we review a mix of macroeconomic data and bottom-up company-specific data to understand if a growth theme might be possible. If we were to conclude that longer-term growth could turn higher, then we would reduce the duration range in which we manage the strategy. In addition, if long-duration corporate credit spreads were to move from attractive to unattractive as measured by our fundamentals, technicals, and valuation review process, we

would reduce our spread duration. This is all part of our tactical credit process for best positioning the portfolio for what we think lies ahead.

Q: The fund can invest internationally, in domestic, European and emerging markets, and also across sectors, including high-yield and investment-grade corporate bonds, leveraged loans and Treasuries. On what basis do you determine the fund's positioning among these different geographic regions and sectors?

A: We use a top-down approach as the basis for a good portion of the portfolio positioning. While we use the phrase “top-down,” our real emphasis is on identifying emerging top-down themes developing across or within the global credit markets. Macroeconomic trends are definitely an important part of our investment decision process; our global growth outlook, central bank policies, and geopolitical frictions influence our broader allocation to credit risk. But identifying emerging credit themes developed from both the top-down perspective and bottom-up credit analysis are where we feel we have the most success.

Q: The fund can invest in companies based anywhere in the world but does not take on foreign currency exposure. How does that work?

A: Muzinich typically hedges currency using a series of 1-4 months rolling forward, back to an account's base currency. We note, importantly, that we are only speaking about hedging hard currency purchases (USD, EUR, GBP, and CHF typically) as for emerging market credits; we avoid local currency issues where we would be less confident that results actually reflect company credit risk that we can measure – and get paid for appropriately. We also have clients who, in a separate account, prefer currency remain unhedged as they use a currency overlay manager, or those who ask us to hedge to a global benchmark blend. However, we consider the cost or benefit of hedging transactions in thinking about total return potential in different markets in which we invest. Currency is generally not an active source of investment income. We believe there are far more efficient platforms for betting on currency markets, and that our preference for delivering low-volatility returns can be better managed through a credit-intensive approach.

Currency hedges have been systemic – not strategic – in the portfolio. We are always targeting being nearly 100% hedged, such that hedges are largest when we are most committed to the value added by investments in non-USD currencies. Currency hedging is not a strategic decision undertaken by the portfolio manager but is rather conducted systemically by

members of the risk team. Portfolio managers make investment choices with consideration of the anticipated total return of a bond or market, including the cost or benefit of any required currency hedging, in their hunt for best relative value.

Q: How do you manage risk within the portfolio?

A: From an investment strategy perspective, Muzinich considers the most significant areas of investment risk, in order of importance, to be asset allocation risk, company-specific credit risk, industry risk, credit spread duration, interest rate risk, geographic risk, and liquidity risk.

- Asset allocation risk: The strategy's tactical nature gives it the flexibility to move in and out of asset classes in response to shifting market conditions and risk levels. The firm's asset allocation process is an output of the investment team's analysis of bond markets based on relative value views across and within sectors of the fixed income markets. In addition to their fundamental research, the investment team also implements a Z-score analysis to target objective evaluation of the relative value of different asset classes and to distinguish valuation inefficiencies between asset classes. The Z-score analysis shows how today's price (spread) compares vs. the average price over the last 180 days (smoothed price). It relies on the theory of mean-reverting behavior of asset classes relative to their historical average. It serves as a monitoring tool and is supplemental to the firm's fundamental research.
- Company-specific risk: Key to risk control is the proper selection and monitoring of the individual securities in each portfolio. Muzinich uses its research capabilities to proactively manage company-specific risk by monitoring our financial projections of the issuers against actual financial performance. We also monitor each company's liquidity and operating sources and uses of cash to ensure that the business plan is fully funded under various economic/industry scenarios. Additionally, we hold regular discussions with management.
- Industry risk factors: From an industry risk perspective, we evaluate criteria including, but not limited to, the cyclicality of the end markets, supply and demand dynamics, competitive landscape within the industry, changes in consumer preferences, and the regulatory environment. We monitor daily news flow for the investments and industries we follow. We seek to mitigate industry risk by achieving meaningful diversification, which is enforced through industry limits.

- Credit spread duration: The portfolio managers will calibrate the portfolio exposure in accordance with our views on credit spread direction, and whether current levels of credit spreads reflect the actual level of credit risk and are over- or under-compensating investors for taking credit risk. For example, in cases where we have a high conviction that credit spreads will widen, reducing credit spread duration exposure may be achieved by tilting the portfolio toward higher rated credits or through a focus on selecting credits with a lower credit beta and/or short-dated bonds.
- Interest rate risk: Muzinich seeks to reduce the risk to the portfolio from rising interest rates, which will typically result in falling bond prices, by investing in securities with shorter durations. The portfolio's "duration-to-worst" profile is managed typically within a band of 0-6 years, where duration is a measure of a portfolio's sensitivity to interest rate changes. While duration can generally be extended without limit, we tend to extend only when – as now – we believe that interest rate risk is benign and may, in fact, be rewarded by the market's search for yield when credit spreads are compressed. Overall, due to market fluctuations, the average "duration-to-worst" profile of the portfolio may vary to insulate the portfolio from duration risk or extend duration risk where we believe rates could decline.
- Geographic risk: In portfolios that invest globally, geographic discrimination can be a key source of added value at specific times. Markets do not necessarily offer the same balance of risk and reward, and may experience different levels of correlation over time. While much of Muzinich's credit selection remains bottom-up even in a global context, the investment team looks for what they believe is attractive relative value across a wider opportunity spectrum and across credits that interact positively or negatively with local factors. Muzinich seeks to exploit relative value dislocations not only between different credits in the same industry located in different places, but also to exploit relative value dislocations between bonds issued by the same company in multiple jurisdictions or multiple currencies.
- Liquidity risk: We focus typically on issues over \$250 million to help preserve liquidity, from companies with normalized EBITDA of at least \$100 million. Muzinich prefers bonds for which multiple brokers can provide quotes and that demonstrate a history of volume-based trading and attractively tight spreads. Our traders monitor liquidity risk on a daily basis by tracking the trading volume for each of our securities, the "tightness" of the bid/ask spread, and the number of market makers. The firm's independent

risk function tests liquidity of positions firm-wide at least monthly by viewing the number of bids in the market, recent trading volumes, and spread, and will run tests at irregular intervals in response to market news. We can also track the historic beta of individual issues in the market to provide the trading team with insight into a credit's typical behavior in reaction to rapid market changes or headline news.

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

Past performance is not a guide to future performance. The value of investments and the income from them may fall as well as rise and is not guaranteed, and investors may not get back the full amount invested. Where references are made to portfolio guidelines or features, these may be subject to change over time and prevailing market conditions.

Any research in this presentation has been obtained and may have been acted on by Muzinich for its own purpose. The results of such research are being made available for information purposes and no assurances are made as to their accuracy. Opinions and statements of financial market trends that are based on market conditions constitute our judgment and are subject to change without notice. The views and opinions expressed should not be construed as an offer to buy or sell or invitation to engage in any investment activity; they are for information purposes only.

The fund's investment objectives, risks, charges and expenses must be considered carefully before investing. The Summary Prospectus and Statutory Prospectus contains this and other important information about the investment company, and it may be obtained by calling 1-855-Muzinich or visiting <http://www.muzinichusfunds.com/>. Read it carefully before investing. For U.S. Investors: The Muzinich Mutual Funds are distributed by Quasar Distributors, LLC.

Diversification does not assure a profit or protect against a loss in a declining market. The portfolio risk management process includes an effort to monitor and manage risk, but does not imply low risk. Bond ratings are grades given to bonds that indicate their credit quality as determined by a private independent rating service such as Standard & Poor's. The firm evaluates a bond issuer's financial strength, or its ability to pay a bond's principal and interest in a timely fashion. Ratings are expressed as letters ranging from "AAA," which is the highest grade, to "D," which is the lowest grade. In limited situations when the rating agency has not issued a formal rating, the advisor will classify the security as non-rated.

Wealth Planning into 2020 and Beyond

By Jen Tse

Planning does not end at the start of the New Year. It is an ongoing process, to ensure that changing family circumstances and potential changes in tax legislation and the investment environment are accounted for in setting and meeting long-term goals. Here are some key planning components in 2020.

- Take full advantage of the annual exclusion amount. The limits are unchanged for 2020 at \$15,000 for individuals and \$30,000 for married couples. The gift can be made outright or in a particular type of trust for the benefit of family and non-family members free of federal gift tax.
- The estate, gift, and generation-skipping tax exemption is up \$180,000 from 2019 to \$11.58 million per person in 2020, and it affords significant wealth transfer opportunities. It is anyone's guess as to how that might change after the election, so those who can afford to do so may want to consider accelerating gifts as part of a broader wealth transition plan. The exemption is scheduled to sunset on December 31, 2025 and revert to \$5 million per person, adjusted for inflation. Of course, the eventual limit could be lower still, under a progressive administration, but in this uncertain tax climate, it does appear that there is not going to be a clawback on used exemptions.
- On a related note, spousal lifetime asset trusts, or SLATs, are well worth considering now. Those who wish to take full advantage of the current exemption limits but have concerns around sustaining their lifestyle or passing too much, too soon, to heirs should discuss these vehicles with their advisor.
- Those interested in transferring the future appreciation on assets, and not the principal, should find that still historically low interest rates make this an opportune time to implement certain wealth planning strategies. Intra-family loans, Grantor Retained Annuity Trusts, or GRATs, and Charitable Lead Annuity Trusts, or CLATS, sales to intentionally defective grantor trusts and other estate freeze strategies should be considered in the context of overall wealth planning objectives.
- Reviewing wills and revocable trusts is always a good idea. It is particularly important now for those domiciled in states that levy a separate state estate tax to ensure that bequests for beneficiaries do not prompt additional state estate taxes on the first death as a result of the larger federal exemption amount.
- Exploring ways to minimize income and capital gains taxes throughout the year will be especially important regardless of what tax proposals may come to pass. In 2020, the income tax rate of 37% applies for those with taxable income over \$518,400 for single taxpayers and \$622,050 for married couples filing jointly. That, as everyone knows, could change. We will be providing guidance on related planning strategies as we approach the election.
- Non-grantor trusts are taxed at the highest income tax rate of 37% if taxable income exceeds \$12,750 in

2019 and \$12,950 in 2020. Trustees of discretionary income trusts and their advisors will need to determine if the income should be accumulated or paid out to a beneficiary in a lower income tax bracket, while taking into consideration the purpose of the trust and the needs of the current and future beneficiaries.

- The top federal capital gains tax rate of 20% applies if taxable income exceeds \$496,600 for married couples and \$441,450 for individuals. Capital gains and losses during the tax year should be netted against one another to minimize capital gains taxes. Net capital loss amounts in excess

of \$3,000 may be carried forward indefinitely but do expire at death.

- We recommend reviewing capital gains and losses across all investment portfolios throughout the year, including business assets and LLC or partnership interests, as well as gains on the sale of any real estate. Those

2020 Federal Tax Rates for Trusts and Estates

2020 Ordinary Income Tax Rates for Trusts and Estates	
10% tax bracket	\$0 - \$2,600
24% tax bracket	\$2,601 - \$9,450
35% tax bracket	\$9,451 - \$12,950
37% tax bracket	\$12,951 and above

2020 Long Term Capital Gains and Qualified Dividends Tax Rates for Trusts and Estates	
0% tax bracket	\$0 - \$2,650
15% tax bracket	\$2,651 - \$13,150
20% tax bracket	\$13,151 and above

2020 Federal Income Tax Rate Schedule for Individuals and Married Filing Jointly

Tax Rate	Individuals	Married Filing Jointly
10%	Up to \$9,875	Up to \$19,750
12%	\$9,876 to \$40,125	\$19,751 to \$80,250
22%	\$40,126 to \$85,525	\$80,251 to \$171,050
24%	\$85,526 to \$163,300	\$171,051 to \$326,600
32%	\$163,301 to \$207,350	\$326,601 to \$414,700
35%	\$207,351 to \$518,400	\$414,701 to \$622,050
37%	over \$518,400	over \$622,050

Top Federal Income and Capital Gains Tax Rates

Top Federal Marginal Tax Rate for Ordinary Income	37.0%
Qualified Dividend Income Tax Rate – Top Bracket	20.0%
Hospital Insurance Tax on Earned Income (“Medicare Surtax”)	0.9%
Net Investment Income Tax (“Medicare Surtax”)	3.8%
Long-Term Capital Gains (assets held greater than 1 year) – Top Bracket	20.0%
Long-Term Gain from Collectibles (art, precious metals, etc.)	28.0%
Short-Term Capital Gains (assets held less than 1 year) – Top Bracket	37.0%

Notes: The Medicare Tax is part of the Health Care Reform Act passed in 2010.

As it applies to individuals, a tax equal to 3.8% will apply to the lesser of:

- Net investment income for the year, which includes interest, dividends, and net capital gains (including gain on sale of investment property), or
- The excess (if any) of modified adjusted gross income in that taxable year over the threshold amount of \$250,000 for married couples filing jointly, \$200,000 for single filers and \$12,950 for Non-Grantor Trusts in 2020

Also, an additional tax equal to 0.9% on earned income above the threshold amount of \$250,000 for married couples filing jointly, \$200,000 for single filers.

with sizable realized short- or long-term capital gains should consider investing in an institutional-quality Qualified Opportunity Zone, or QOZ, fund. These investment vehicles were recently established to encourage long-term economic development and revitalization in underdeveloped communities. Evercore Wealth Management provides qualified investors with access to a carefully selected QOZ fund.

- If a liquidity event is likely to prompt a large income tax year, consider accelerating charitable gifts into

a donor-advised fund or family foundation. This enables an upfront income tax deduction, as well as the ability to determine which charities will benefit over time. Charitable contributions in excess of Adjusted Gross Income, or AGI, limitations that are not deductible in the current year can be carried forward for up to five more years. Low-basis stock should be used to make charitable gifts, as the current fair market value of the securities contributed (subject to AGI limitations) can be deducted while avoiding the capital gains tax due on the appreciation if the asset

had been sold. Those with low basis stock to gift, who desire to benefit charity and family members at the same time, should consider funding a charitable lead or charitable remainder trust.

- IRA account owners over age 70½ can make tax-free direct transfers (up to \$100,000 in the calendar year) from IRA accounts to a charity and satisfy their required minimum distribution, or RMD, an alternative for those who have RMDs but are not itemizing charitable deductions. Individual income tax situations will determine whether or not this strategy or gifts of appreciated stock are more appropriate.

Federal Estate, Gift, Generation-Skipping Tax

	2019	2020
Annual Exclusion Single Person	\$15,000	\$15,000
Married Couple/Gift Splitting	\$30,000	\$30,000
Gifts to Non-U.S. Citizen Spouse	\$155,000	\$157,000
Lifetime Gift Tax Exemption	\$11,400,000 (indexed)	\$11,580,000 (indexed)
Maximum Gift Tax Rate	40%	40%
Estate Tax Exemption	\$11,400,000 (indexed with portability)	\$11,580,000 (indexed with portability)
Maximum Estate Tax Rate	40%	40%
Generation-Skipping Tax (GST) Exemption	\$11,400,000 (indexed, no portability)	\$11,580,000 (indexed, no portability)
Maximum GST Tax Rate	40%	40%

Notes:

- This chart does not include any possible state estate tax rates, rules or exemptions.
- The annual exclusion is indexed for inflation and can only be increased in increments of \$1,000.
- The gift, estate, and generation-skipping transfer tax exemption are indexed annually for inflation.
- Portability of the federal estate tax exemption is if one spouse dies and does not make full use of his or her exemption, the surviving spouse may elect to utilize the deceased spouse's unused federal estate tax exemption in addition to his or her own exemption.

These are just a few of the planning considerations that merit attention as 2019 turns into 2020 and throughout the New Year. Please do not hesitate to contact any of us at Evercore Wealth Management and Evercore Trust Company to discuss your specific circumstances and with any questions you may have.

Jen Tse is a Vice President and Wealth & Fiduciary Advisor at Evercore Wealth Management and Evercore Trust Company. She can be contacted at tse@evercore.com.

Hidden Risks in Selling a Business

By Stacie Price

Hidden risks can imperil the successful sale of a business, with lasting repercussions for the owner and his or her family, unless some hard questions are addressed well ahead of the transaction. Is the price right? What form should the proceeds take? What are the pre-transaction planning opportunities for the efficient transfer of wealth?



In not-so-plain sight

Uncovering and mitigating the hidden risks in selling a business

Exposure	Planning Tools
Minimize Transaction-Related Income & Capital Gains Taxes	<ul style="list-style-type: none"> • Implement concentrated stock hedging strategies – risk management, diversification, and tax deferral. • Consider domicile and tax jurisdiction options. • Utilize charitable giving strategies.
Create a Tax-Efficient Plan, Manage Concentration Risk	<ul style="list-style-type: none"> • Meet current and future liquidity needs. • Create a tax-efficient investment plan. • Invest to meet specific lifestyle, business and legacy goals. • Manage and diversify concentrated positions.
Minimize Estate Taxes & Structure an Optimal Estate Plan	<ul style="list-style-type: none"> • Maximize favorable valuation discounts available prior to a liquidity event timing. • Create structural planning vehicles to retain control and ensure proper governance. • Implement tax-efficient wealth transfer strategies.

No one wants to sell at a low price, of course, and buyers will certainly have their own view on the value of the company. But even impressive-looking deal numbers can be worth less than they seem, after tax and transaction costs, and owners will want to consider the appeal of all offers in that context. The biggest risk in selling a business is that the real proceeds will not allow the seller to secure personal financial goals.

Once the value is broadly agreed, what form will the sale proceeds take? Retaining too much equity in the business – a real temptation for those who aren't ready for retirement – can mean an unacceptable lack of liquidity and diversification. Retaining too little equity risks forfeiting future growth.

These exposures – and the related tax consequences – can be minimized through advance planning, as illustrated in the chart above. For example, an installment sale – as

opposed to an outright sale – can enable a business owner to realize gains over time, rather than incurring capital gains tax on the entire transaction at once. (Also, the buyer may be willing to pay a premium for the additional payment time.) Receiving stock as part of the sale proceeds also allows for a well-timed diversification and hedging plan, not only to defer capital gains but to minimize risk. However, the seller will be hostage to the fortunes of a business that he or she no longer controls.

This might be the time to plan gifts to family.

It's important to note that exchanging equity in a private company for shares in a public acquiring company doesn't necessarily enhance diversification or liquidity. Indeed, it may limit liquidity if the new holding is

subject to restrictive securities laws, a factor that should be thoroughly examined in pre-transaction planning.

Securing lifestyle and retirement goals and maximizing gift tax exemptions, both before and after the sale, need not be mutually exclusive, as long as planning starts well in advance. It is entirely possible to efficiently transfer assets while retaining some level of control and security. A charitable remainder trust can allow a philanthropically-minded seller to reduce a taxable gain and supplement his or her own income for life through the conversion of sale proceeds, whether cash, highly appreciated public shares or a blend of the two, into a diversified income stream.

Trusts can also protect future growth. If the company is likely to continue growing, this may be the time to plan gifts to family that can leverage the relatively low value and allow for future growth to the next generation. There may also be ways to take advantage of allowable discounts for lack of marketability and lack of control. A well-thought-out plan can result in options for giving away only the appreciation of the asset to family and retaining either an income stream or the base capital.

Each of these options raises big questions for prospective sellers and their families, which will be addressed further in future issues of *Independent Thinking*. They are certainly deserving of thoughtful, personal discussions with advisors in the context of individual and family circumstances and goals. With the right planning and support, selling a business can be an exciting and rewarding transition to the next stage of life.

Stacie Price is a Partner and Wealth & Fiduciary Advisor at Evercore Wealth Management and Evercore Trust Company. She can be contacted at stacie.price@evercore.com.

The Future of Mobility

By Elsa Ferreira

5G, essentially the fifth generation of cellular technology since the first was introduced in 1979 (and four years later in the United States), will be up to 100 times faster than 4G, with real-world speeds reaching nearly 2Gbps and theoretically speeds of 20Gbps once fully deployed. Latency, or time delay, should be drastically reduced, to one millisecond from 50 milliseconds presently, once fully developed. At the same time, more users – as many as one million devices in a square kilometer – will be able to simultaneously connect to the network. In short, users of 5G should experience a near real-time interaction across thousands of miles.

This enhanced connectivity is inspiring new opportunities that can change the way businesses, hospitals, and even whole cities operate. As businesses grow, they rely on their employees to be more productive in more places, and 5G ensures greater dependability on mobile devices.

Additionally, 5G will also offer network management features, among them network slicing, which allows mobile operators to create multiple virtual networks within a single physical network. This capability will enable wireless network connections to support specific uses. A self-driving car, for example, would require a network slice that offers extremely fast, low-latency connections. A home appliance, like a smart refrigerator could be connected via a lower-power, slower connection. And the “Internet of Things”, which uses computing devices embedded in everyday objects, could use secure, data-only connections.

So when is 5G coming? The United States, Japan, South Korea, and China are largely driving the first 5G buildouts. The four major services providers in the

United States, AT&T, Verizon, T-Mobile, and Sprint, are all launching 5G and in some metro areas it’s already available. The carriers expect general deployment by the end of 2020.

In the interim, a 6G network is already on the horizon, led by the University of Oulu in Finland which is focusing on data transmission.

Interestingly, the American taxpayer foots the bill for GPS service around the world. All GPS program funding comes from general U.S. tax revenues, largely through the Department of Defense, which has the primary responsibility for developing, acquiring, operating and modernizing GPS.

Editor’s note: Clients of Evercore Wealth Management and Evercore Trust Company will soon be able to access a dedicated App, a subject we will discuss in the next issue of *Independent Thinking*. In the interim, here is a synopsis of a recent internal Evercore article on 5G technology by the firm’s Chief Information Security Officer Elsa Ferreira.

Time to Retire?

By Jeff Maurer

How do you know when it's time to retire? A younger colleague asked me that the other day. It's such an important question and there is so much to consider, but I didn't hesitate in answering.

But first, the forks on the road to retirement and the subsequent pitfalls. After 50 years in wealth management, my perspective is in large part informed by discussions with clients, colleagues and friends on their own retirements, as well as their business and family succession planning.





Time is a river: a view of the Douro

© 2019 Jeff Maurer

If we are blessed with sufficient health and wealth to have choices around retirement, it seems to me that we have four broad options.

87 & 89

Life expectancy for top 1% men and women, respectively

Those who cash out to **retire early**, whether through the sale of their own business or a public company or after early successes in other fields, often choose to retire early, to smell the roses. But those roses may soon wilt, if the

retiree doesn't have a well-thought-out plan to pursue other interests. The prospect of increased longevity (now 87.3 years for men in the top 1%; almost 89 years for women¹) can compound any feelings of boredom or restlessness, as more free time has to be filled, as well as funded. Starting a new business may seem like a remedy – and it may very well be – but it can also lead to financial and other forms of stress.

Others are forced into retirement earlier than they had hoped, perhaps because of changes in management at their public or private companies, and must **manage an unplanned retirement**, to make the best of it. It can be tough, but it can also prompt a rewarding second act – and a better understanding of what to

expect from eventual retirement. The fortunate ones may be able to serve on boards or join entrepreneurial firms that value professional experience and expertise.

Increasingly, those who enjoy it **continue working** for years or even decades after the traditional retirement age. This can work out well for everyone involved, or it can stifle colleagues who tire of waiting in the wings, or annoy spouses who are looking forward to traveling or relocating. And there may be personal opportunity costs in not exploring other interests.

Some **retire gradually**, working with their colleagues to shift responsibilities, and reducing their hours and compensation along the

¹ National Center for Biotechnology Information, U.S. National Library of Medicine.

way. If thoughtfully and collaboratively managed, this slow retirement can work very well.

My view is also influenced by my own experiences at each of these forks, stories that I'll leave for another day. Suffice it to say that a traditional retirement at 65 made no sense for me, as I felt throughout my 60s much as I did in my 30s, and I had a new and growing wealth management firm to manage. Besides, my mother and father made it into their mid-90s; if I really do live four to five years longer than my parents, as Baby Boomers can apparently expect, there's no reason to settle into a rocking chair just yet.

At 72, another five or 10 years at my current 60-hour-plus workweek doesn't make much sense for me either. I don't

have the same high energy, the same unrelenting focus, and the same willingness to endure many more New York winters. I have grandchildren to play and travel with, and other passions to explore (for proof of that, look no further than the image on page 22 where you'll see one of my drone photos from a recent trip to Portugal). I also have a spouse who has been at my side for 46 years, and we have made our decisions together.

So it's time to retire as CEO, passing the reins to Chris Zander, as I discuss on page 1 and he also reflects on page 2.

I have a plan, to stay active and engaged. I'll remain Chairman of Evercore Wealth Management and Evercore Trust Company, working mostly from our relatively new office

in Palm Beach. I'll counsel clients and colleagues, remain on our firm's Strategic Planning Committee and continue to contribute to the pages of *Independent Thinking*, as well as to my charitable interests in both Florida and New York. When I seek to add stress back into my life, I will play a little golf.

But why now, exactly? How did I know that this was the year to transition out of the day-to-day responsibility of running our business? I was able to answer my colleague's question so readily because I was reminded not only of all these experiences but also of a conversation with a doctor at the Hospital for Special Surgery in New York 15 years ago. When I asked how I would know the right time to schedule my bilateral knee replacement surgery, he simply replied: "You'll know." He was right about that. (And about other things too; the surgery was very successful, and I haven't felt knee pain since.)

On reflection, isn't that how we address so many of life's big transitions, at least the ones over which we have some control? We discuss, dither, desire and even dread the next stage while at the same time preparing for it, financially and in other ways. But when the time is really right – to marry, to start a business, and to retire – we often simply know.

Building a New Nest: Key Considerations in Changing Domicile

Jeff Maurer and Helena Jonassen, Partner and Wealth & Fiduciary Advisor hosted an event on October 17 to address client questions about changing domicile. The event, which was attended by clients around the country, indicated that a lot of people are at least thinking about moving. Certainly, it is not a decision to be undertaken lightly.

"New York state in particular has always been aggressive about non-residency audits and has become even more so in recent years," said Jeff Maurer, noting that more than half of the approximately 3,000 people audited each year between 2010 and 2017 lost their cases, resulting in a cumulative \$1 billion in revenue.

Helena Jonassen cited five key criteria in establishing domicile: the residence a taxpayer considers home; employment and active business involvement; time spent in the new (and the old) location and the quality of the time spent there; situs of near and dear possessions, such as artworks and the family dog; and family connections - where are the immediate member of their family, where do they gather? The case for each needs to be clear and convincing, she said.

An earlier *Independent Thinking* article discusses this subject at length and can be viewed here: <https://www.evercorewealthandtrust.com/florida-bound-moving-to-a-warmer-tax-climate/>. To discuss changing domicile in the context of your family and business circumstances, please consult your attorney and your Evercore Wealth & Fiduciary Advisor.

Jeff Maurer remains Chairman of Evercore Wealth Management and Evercore Trust Company; he will step down as CEO at the end of 2019. He can be contacted at maurer@evercore.com.

Client Events

Topics ranged near and far at recent *Independent Thinking* panel events, featuring well-known outside speakers and Evercore Wealth Management and Evercore Trust Company professionals.

Environmental Sustainability: Preserving Home for Ourselves and our Children, moderated by MPR environment reporter Elizabeth Dunbar and including panelists Jessica Hellmann, Melissa Rappaport Schifman and Nicole Rom, generated a big turnout in Minneapolis. *California: It's All Good, for Now* was the focus on the annual municipal bond outlook in San Francisco. And *Collecting in Context: A Panel Discussion with Leading Art Advisors*, with Amy Cappellazzo, Wendy Cromwell and Lisa Roumell, drew collectors from across the New York metropolitan region.

Other events took a wider lens, including *Potential and Power: Preparing Next-Generation Philanthropists* with The Minneapolis Foundation and independent nonprofit 21/64. *The A to Zs of QOZs* (Qualified Opportunity Zone funds) and *Building a New Nest? Key Considerations in Changing Domicile* focused on specific investment and planning topics.

A Comprehensive China Policy: Improving Sino-American Relations, was the biggest draw of the season. Kevin Rudd, the former

Prime Minister of Australia and current President of the Asia Society Policy Institute, and Elizabeth Economy, Director of Asia Studies at the Council on Foreign Relations, considered Sino-American relations in a lively discussion in New York, hosted by John Apruzzese, Chief Investment Officer of Evercore Wealth Management, and moderated by Krishna Guha, Vice-Chairman and Head of Global Policy and Central Bank Strategy at Evercore ISI.

Wise Women Seminars:

Please hold April 16 for the third annual Wise Women afternoon at Evercore Wealth Management and Evercore Trust Company. Highlights will include four key panels discussions and leading speakers:



- *How to Align Your Philanthropy and Your Values*
Speakers: Kathy Calvin, Betty Hudson, Milton Speid, Jocelyn Wyatt
- *How to Use Your Voice in the 2020 Elections*
Speakers: Amy Walter, Lois Romano, Ambassador Jane Hartley
- *How to Age Well and Sustain the Planet*
Speakers: The Honorable Ann Veneman, Sam Kass, Adam Gopnik
- *How to Express Your Values Through Your Investments*
Speakers: Liz Michaels, Praveen Sahay, Iain Silverthorne

Independent Thinking Panel Series:

- *Market Outlook 2020*
Speaker: John Apruzzese
- *Market Outlook 2020*
Speakers: Ed Hyman and John Apruzzese
- *Market Outlook 2020 – What to Expect in an Election Year*
Speakers: Martha Pomerantz and Mike Seppelt
- *Financial Wellness*
Speakers: Kate Mulvany and Michael Kirkbride
- *CLE: The Whole Truth*
Speaker: Anthony E. Davis, Esq.
- *Facing and Embracing Risk*
Speaker: Jonathan Haidt

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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