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Industry Trends & Dynasty Guidance

Q1 2023

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Insights Heading Into Q1 2023

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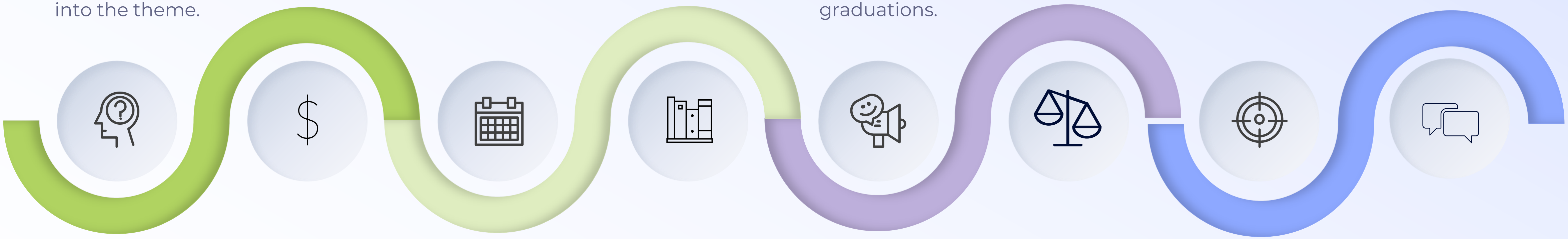
How to Plan An In-Person Client or Prospect Event

Client events can be an excellent way to show client appreciation and bring new prospects to your pipeline. However, the planning process can be confusing, and it can be difficult knowing where to start.



Know Your Audience

Choose an event that you know will resonate with your audience. Events should have a theme, and you should establish goals the event should accomplish that tie into the theme.

Budget

Have your budget set before anything else. Make sure to leave room for miscellaneous expenses, especially the day of the event. For example, you may need to pay for a tent if rain is forecast the morning of your outdoor event.

Timing

Give yourself more time to plan than you think and start early!

Use Your Resources

Reach out to your Dynasty RM for resources including a budget template, a Run of Show document, and a sample event timeline.

Registration

Get registration out as soon as possible. Drip reminders out consistently to catch stragglers. Double check calendars for industry events, holidays, school breaks, and graduations.

Selecting Vendors

Don't choose the first party you speak to – know your options. Remember to check for attendees' food allergies and give ample notice to restaurants and caterers. Negotiate with vendors – they tend to have some flexibility.

Details Matter

From making sure any branded items are perfectly positioned with the logo out to ensuring there's flowers on tables, the details really do matter. Remember to only provide swag that will actually be used.

Solicit Feedback

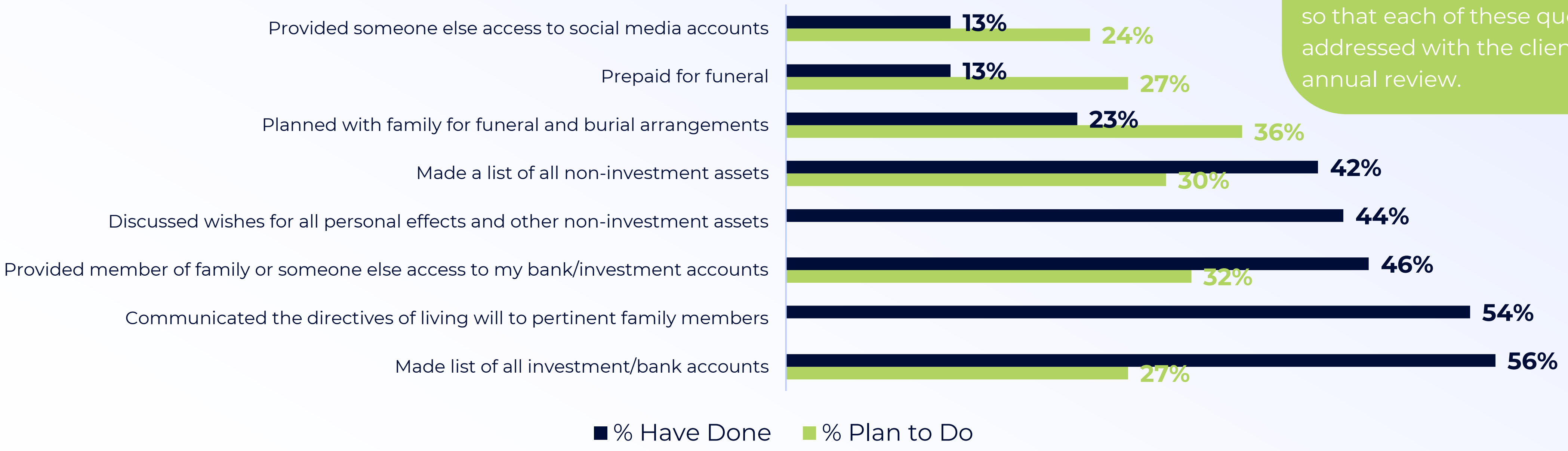
Make sure to send out a feedback survey immediately after the event and tie the questions back to your established event goals.

How to Prepare Your Clients for the Inevitable

Benjamin Franklin famously said that there are only two things that are certain in life — death and taxes. While advisors focus on minimizing the latter, it's critical to plan for the former. Most people do not like to talk about their own mortality, so planning for death is typically prompted by an attorney, financial advisor, or loved one. Many advisors claim they offer estate planning as part of their service offering, but what elements go beyond the standard written documents? And, more importantly, are investors prepared?

As you can see from the chart below, investors are not at all prepared for their inevitable death. **Dynasty suggests** viewing this as both a problem to address with your existing clients and an opportunity to highlight with prospects. Additionally, work with the **Dynasty CRM Team** to establish an **Essentials of Estate Planning Checklist** so that each of these questions can be addressed with the client during their annual review.

Essentials of Estate Planning[1]



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[1]Spectrem Group, *High Net Worth Insights Journal.* Volume 19, Number 9, October 2022.

Advisor Retirement Roadblocks and How to Remove Them

With an aging advisor demographic, many find it surprising that the wealth management industry has not experienced the "silver tsunami" pundits have long been anticipating. In **Dynasty's view**, there are three common roadblocks advisors encounter that go beyond the transaction and into the psychology of succession…

1 Lack of Financial Plan

- Yes, you read that correctly. Although advisors spend their entire careers planning for their clients, they often fail to plan for themselves. This is a tale of the cobbler's kid not having any shoes.
- **How do you remove this roadblock?** If you are in this situation, establish your financial plan today and be honest with yourself about income replacement needs.
- **Buyers beware**: This is a huge red flag. In some unfortunate cases, the advisor has adopted the lifestyle of their largest clients and cannot afford to retire. The advisor either doesn't want to fully exit the business because they are dependent on the income stream, or they may be demanding a multiple much higher than the business's valuation can support.
- **How do you remove this roadblock?** Cut your losses and walk away.

2 Nothing to Retire to

- The demographics of the wealth management industry tell us that advisors can be very productive well into their retirement age. Additionally, the Boomer generation defined "living to work" and generally like to be on the cutting edge of the times. There may also be a negative perception of retirement due to seeing their own parents retire early and die young.
- **How do you remove this roadblock?** Walking away from your life's work is hard, especially when your client work is so rewarding. Take careful thought about what you're going to retire to instead of away from. Focus on your health, reconnect with family and friends, establish a new routine, update your resume and LinkedIn profile, hire a ghostwriter to chronicle your professional wisdom, and look towards the future with an open mind.
- **Buyers be empathetic:** This is more important than any dollar figure or transition plan. Much of an advisor's identity is tied to their career.
- **How do you remove this roadblock?** Leave room for a defined consulting period. Start slow by reducing hours, then days of the week, then entire seasons. It's a delicate process, but it must be thoughtfully laid out.

Advisor Retirement Roadblocks and How to Remove Them

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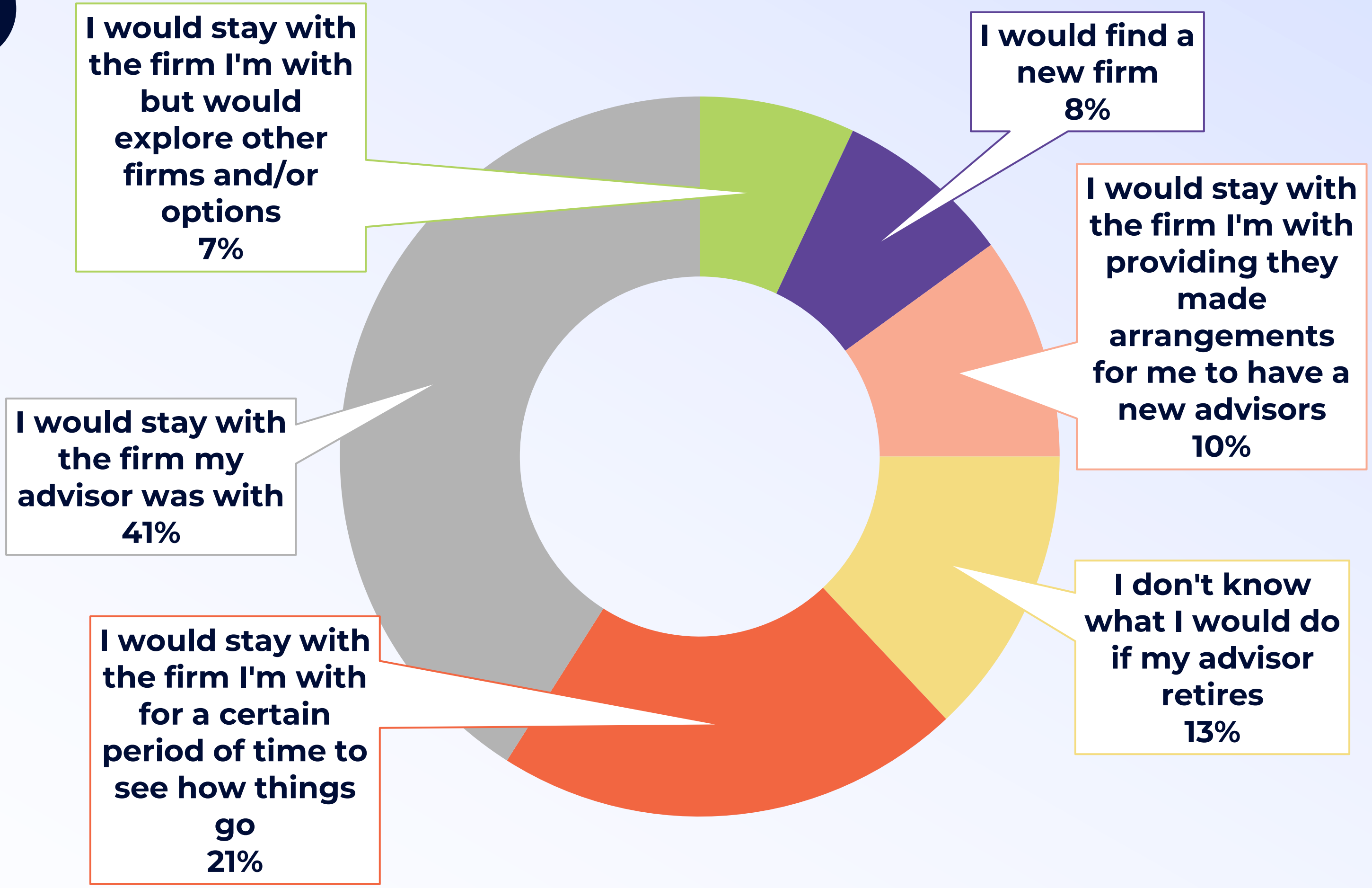
Fear of Client Attrition

- In general, clients are very loyal to their advisors. According to Spectrem Group, investors stay with their advisors for at least 15 years or longer. For this reason, advisors contemplating retirement fear that their clients won't stay with their planned successor(s) and firm. When a component of the retiring advisor's succession package is tied to client retention, this is obviously a cause for concern and leads to advisors being apprehensive about fully exiting the business.

- **How do you remove this roadblock?** Although clients are loyal to their advisor, clients may not consider what they might do should their financial advisor retire. Looking at the chart on the right, **82%** of responding investors indicated they would stay with the firm, while only **8%** said they would find a new firm.[1] In **Dynasty's view**, this chart proves that clients are slow to find a new advisor and the perception of client attrition may not align with reality.

Action if Advisor Retires[1]



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[1]Spectrem Group, *High Net Worth Insights Journal*. Volume 19, Number 1, January 2023.

2023 Advisor Fast Figures

Federal Marginal Tax Rates

	Individual Single		Married, Filing Jointly	
	From	*To*	*From*	*To*
37%	$ 578,126	*and beyond*	$ 693,751	*and beyond*
35%	$ 231,251	$ 578,125	$ 462,501	$ 693,750
32%	$ 182,101	$ 231,250	$ 364,201	$ 462,500
24%	$ 95,376	$ 182,100	$ 190,751	$ 364,200
22%	$ 44,726	$ 95,375	$ 89,451	$ 190,750
12%	$ 11,001	$ 44,725	$ 22,001	$ 89,450
10%	$ -	$ 11,000	$ -	$ 22,000

Estate and Gift Planning

Annual Gift/GST Tax Exclusion	$ 17,000
Married, Splitting Gifts	$ 34,000
529 Plan 5-Year Election	$ 85,000
Married, Splitting Gifts	$ 170,000
Basic Exclusion Amount	$ 12,920,000

Notes: 1. Annual 529 Plan contributions count as gift to beneficiary.

2. The following states levy an estate tax. Note that rates and applicable exclusion amounts often differ from federal:
CT, DC, HI, IL, MA, MD, ME, MN, NY, RI, OR, VT, WA

3. The following states levy an inheritance tax: IA, KY, MD, NE, NJ, PA

Individual Filers: Tax Deadlines

January 17, 2023	Q4 2022 Quarterly Estimated Tax
April 18, 2023	**2022 Tax Return**
	Q1 2023 Quarterly Estimated Tax
June 15, 2023	Q2 2023 Quarterly Estimated Tax
September 15, 2023	Q3 2023 Quarterly Estimated Tax
October 16, 2023	Extension: 2022 Tax Return
January 15, 2024	Q4 2023 Quarterly Estimated Tax

LT Capital Gains and Qualified Dividends Tax Rates Depend on Taxable Income

	Individual Single		Married, Filing Jointly	
	From	*To*	*From*	*To*
20%	$492,301	*and beyond*	$ 553,851	*and beyond*
15%	$ 44,626	$ 492,300	$ 89,251	$ 553,850
0%	$ -	$ 44,625	$ -	$ 89,250

Notes: 1. Additional net-investment Medicare surtax of 3.8% applies to incomes above $200,000 for single filers and $250,000 for married, filing jointly.

2. Capital gains exclusion on sale of qualifying personal residence of up to $250,000 for singler filers and $500,000 for married, filing jointly.

3. Short-term capital gains are taxed at ordinary rates.

2023 Advisor Fast Figures

Retirement Contribution Amounts

Account	Max. Elective Deferral	Catch up, Age 50 or Over
401(k), 403(b), TSP, most 457 plans*	$ 22,500	$ 7,500
IRA / Roth IRA	$ 6,500	$ 1,000
SIMPLE plan	$ 15,500	$ 3,500
SEP IRA**	$ 66,000	N/A

*Total annual limit of employee plus employer contributions is $66,000

**Lesser of $66,000 or 25% of compensation up to $330,000

IRA Deduction Limits (if Covered by Retirement Plan At Work) By Modified AGI

Filing Status	Modified AGI	Deduction
Married, Filing Jointly / Qualified Widow(er)	≥ $136,000	None
	> $116,000 but < $136,000	Partial
	≤ $116,000	Up to Limit
Single / Head of Household / Married, Filing Separately	≥ $83,000	None
	> $73,000 but < $83,000	Partial
	≤ $73,000	Up to Limit
Married, Filing Separately and lived with spouse at any time during year	≥ $10,000	None
	< $10,000	Partial

Roth IRA Contributions By Modified AGI

Filing Status	Modified AGI	Contribution
Married, Filing Jointly / Qualified Widow(er)	≥ $228,000	None
	≥ $218,000 but < $228,000	Partial
	< $218,000	Up to Limit
Single / Head of Household / Married, Filing Separately	≥ $153,000	None
	≥ $138,000 but < $153,000	Partial
	< $138,000	Up to Limit
Married, Filing Separately and lived with spouse at any time during year	≥ $10,000	None
	< $10,000	Partial

Calendar Year Market Returns

	2017	2018	2019	2020	2021	2022
S&P 500	19.4%	-6.2%	28.9%	16.3%	26.9%	-19.4%
DJIA	25.1%	-5.6%	22.3%	7.3%	18.7%	-8.8%
Nasdaq	28.2%	-3.9%	35.2%	43.6%	21.4%	-33.1%
Russell 2000	14.7%	-11.0%	25.5%	20.0%	14.8%	-20.4%
MSCI ACWI	24.6%	-8.9%	27.3%	16.8%	19.0%	-18.0%
Blmbrg US Agg	3.5%	0.0%	8.7%	7.5%	-1.5%	-13.0%
Blmbrg Global HY	10.4%	-4.1%	12.6%	7.0%	1.0%	-12.7%

Rethinking Competence

Competent workers can agree on <u>who</u> is the best at their jobs, but they differ on <u>why</u>. That centers on individuals' understanding of the job itself.

The best managers appreciate that specific skills don't necessarily equate to competence. A Harvard study of Volvo's testing engineers illustrates how one role is interpreted three different ways. While all the workers in that position agreed on the necessary attributes for the role, their description of those skills varied widely and stemmed directly from the way they defined the job. Interpretations are categorized into three types, which varied based on definition, focus, and different attributes such as working with others, accuracy, and data analysis.

Findings:

Workers who understood their role in relation to customers were considered the most competent, even by the other subgroups. But the reasons given as to <u>why</u> customer optimizers were most effective differed greatly from how customer optimizers actually understood their roles.

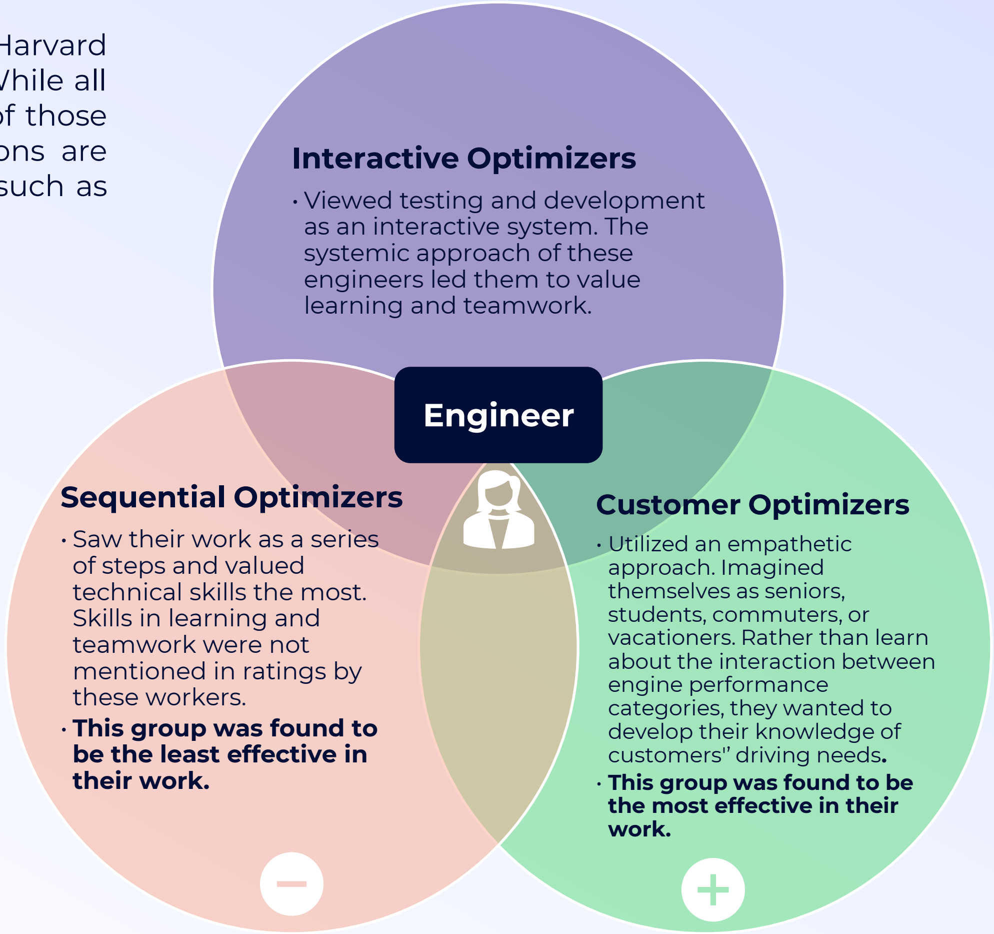
If we extrapolate this dilemma to broader talent management practices, how can we possibly expect standardization across performance indicators, especially for more nuanced jobs?

Dynasty Recommends: Engage A Professional Employer Organization

Although the practical challenge for CEOs is to identify exactly what understanding-based recruitment and training will involve, Dynasty recommends utilizing a PEO/Recruiting Service to leverage the size and strength of co-employment. Businesses in a PEO arrangement experience:

- 7-9% faster growth
- 10-14% lower turnover
- 50% less likely to go out of business.

ONE JOB, THREE INTERPRETATIONS:



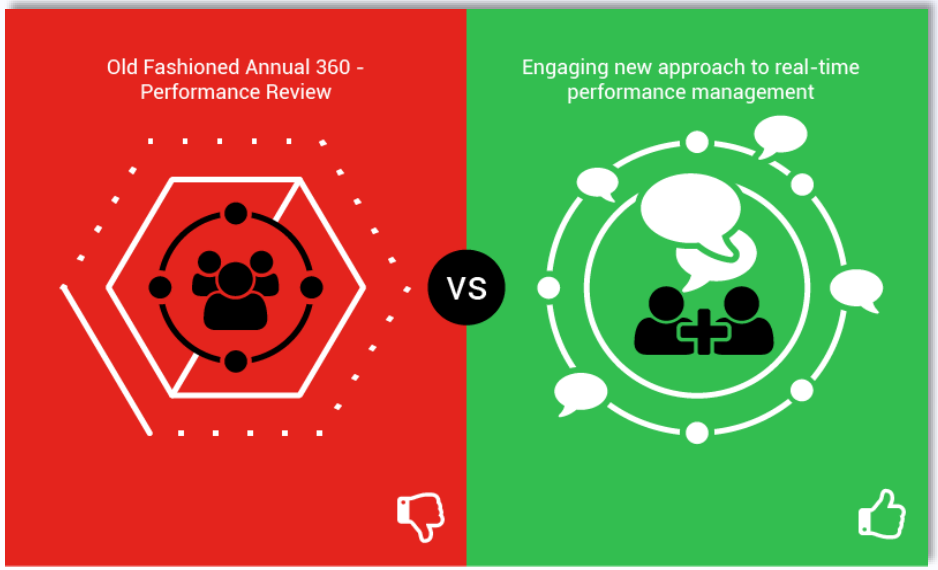
2001 Harvard Business School Publishing Corporation.

Reinventing Performance Management

Fuel performance in the present rather than assess it in the past, through a process performance snapshot.

Deloitte found that their current approach to performance management, annual 360 feedback, was wasting 2 million hours per year and was not engaging employees. Performance levels were also dropping drastically.

In response, Deloitte opted for a real-time and individualized feedback mechanism called a process performance snapshot:



Overcome the idiosyncratic effect by opting for these types of statements to evaluate an employee:

Given what I know of this person's performance, and if it were my money, I would award this person the highest possible compensation increase and bonus	• This measures overall **performance** and **unique value**.
Given what I know of this person's performance, I would always want him or her on my team.	• This measures ability to **work well with others**
This person is at risk for low performance.	• This identifies **problems that might harm the customer or the team** on a yes-or-no basis.
This person is ready for promotion today.	• This measures **potential** on a yes-or-no basis

Reinventing Performance Management

> **Most performance reviews identify the strength of the rater rather than the ratee.**

To implement a process performance snapshot approach, Dynasty recommends:

1. Check in weekly with each team member. If CEOs want their team to talk about how to do their best work soon, they need to talk often. This will then transfer into more productive performance reviews.

2. Employee performance snapshots should be regular and weekly. The technology should be designed to be simple, quick, and above all, engaging to use.

3. Advisors should ask their team leaders to assess their team members through statements that describe what they do, not what they think.

4. Reevaluate what performance management is for and ask team leaders what they would do with each team member, rather than what they think of that individual.

5. Leaders should adapt their performance reviews by focusing on the future through more frequent check-ins.

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