



INVESTOR'S Edge

Third quarter, 2024

An exclusive newsletter from RBC Wealth Management

Meeting the needs of family businesses

Family-owned businesses are considered main contributors to the world economy. According to the U.S. Census Bureau, 90% of U.S. businesses are family-owned, yet only 30% make it to the next generation.

Owning a business is hard work that requires careful planning. Because your business may be your largest investment, it's important to work with your financial professional throughout all stages of development—from startup to being established and onto maturity.

As a business owner, the challenges you face in planning for retirement are more complex than for most people. Advanced planning with support from financial, tax and legal professionals is critical to achieving your short- and long-term goals.

A financial professional can offer guidance and support in a number of ways to help you expand and protect your business. Your financial professional can help you focus on serving your customers and taking care of your employees, managing your cash flow and liquidity needs, as well as developing a plan to pass your business along to your heirs.

Some specific strategies for achieving your goals as a business owner follow.

Contingency planning

Your business faces risks and challenges so it's important to have protection plans in place for unforeseen expenses, changes in leadership or the loss of a key employee. Some contingency and protection options to consider include:

- **Disability plan** — A plan in case you become incapacitated or disabled. Typically documents the critical functions of the business and identifies who will carry them out, specifies the power of attorney and contains sufficient disability insurance coverage.
- **Life insurance coverage** — Recommended as the death of a business owner is a tax-triggering event that may undermine your

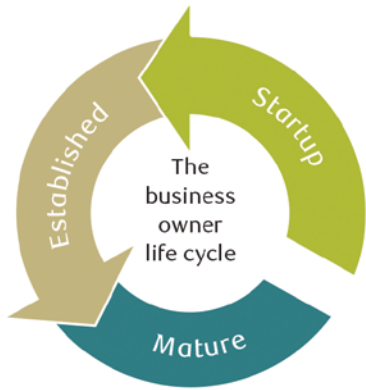
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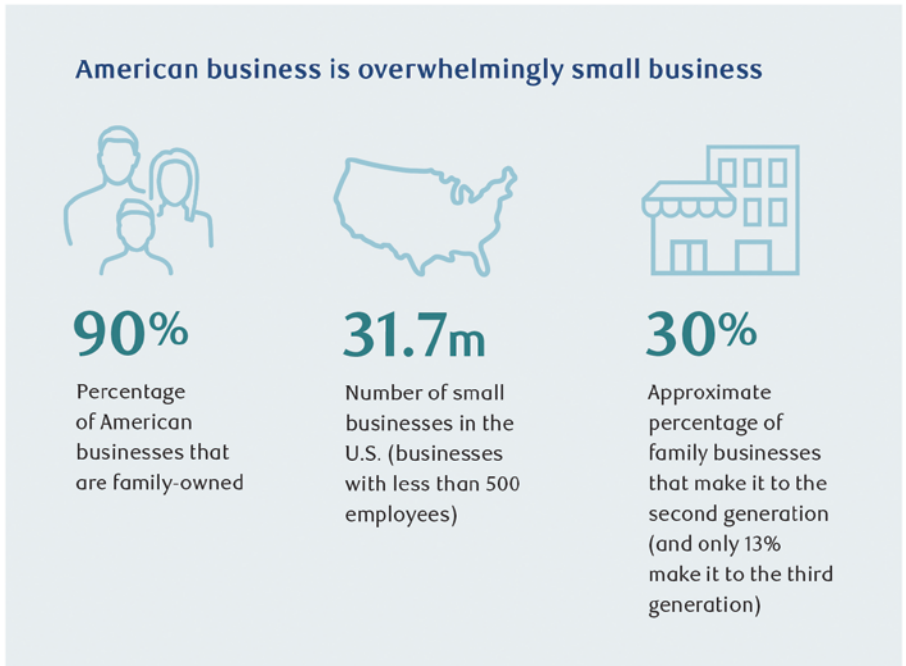
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Where's your business?

- **Startup:** Begin retirement planning now
- **Established:** Develop your exit strategy
- **Mature:** Consider tax-efficient strategies for surplus assets



Source: U.S. Census Bureau, 2020

plans—or force family members to sell important assets. Coverage may help your family with living expenses, pay off business debt and keep the business running.

- **Shareholders' agreement** — Created to govern the relationship between shareholders regarding voting and other control provisions, buy or sell agreements between major shareholders and rules for how new shareholders, including children, are brought into the business.
- **Diversification** — Taking some money off the table during periods when your business is prospering and diversifying it into other assets, such as investments, real estate and life insurance.

Financial resource planning

Having access to cash management solutions and securities-based lines of credit can help accomplish the

See the New Investors' Nook (on page 3) for tips on managing your side hustle, especially if you're age 20–40.

strategic goals you have for your business. Managing your cash flow and borrowing needs with agility may be critical to the success of your business.

Retirement plans for employees

An employer-sponsored retirement plan benefits you, your employees and your business. Multiple options exist and the plan you choose depends on the size of your business, how it is structured and how much money you can afford to put aside.

Succession planning

It's never too early to start thinking about this step, but with careful planning, you can better achieve your long-term goals for the business, your family and your retirement. Several succession strategies go into a business ownership transition plan. Whether your business is a farm or ranch that has been in the family for a century, a restaurant that has spanned three generations or a first-generation professional services consultancy, some basic tips:

- Develop a transition plan in advance
- Make sure it is in writing
- Address funding for retirement
- Include an estate plan

A common consideration in a succession plan is whether your

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business will transition to family or non-family. For family, the options are to sell, gift, bequest or some combination. A non-family transition may be to sell the business to a co-owner, employee(s), employee stock ownership plan (ESOP) or third-party.

Business owners often underestimate how long it takes to create a succession plan. If you don't have one, now is the best time to start thinking about it. Begin by writing down your goals and getting professional advice on setting up a business transition plan.

Retirement planning

In addition to these planning ideas to help you protect, expand, sell or pass on your business, don't forget to have your own retirement plan. A well-structured retirement plan is the foundation of long-term financial security. Also, review your plan regularly to make sure it remains current with the changing circumstances in your life.

Your will and estate plan

As a business owner, you may be pressed for time, but there's one more plan you need to attend to. You should create and then regularly review your will and estate plan—making sure they are both in sync with your business succession plan as well. This planning will limit disagreements among your heirs and successors.

Since your business is likely your greatest asset, creating a personalized plan for what happens next builds confidence and helps you capitalize on opportunities. Contact your financial professional for guidance today.



New Investors' Nook

Tips for sustainable side gigs

Second jobs or personal businesses, often called side gigs, are a growing trend. While side gigs may be secondary to your primary employment, many factors go into making them successful and sustainable. Here are some tips:

- **Know yourself** — What are you passionate about and how can you use it to create a business or find another job?
- **Have a vision** — What do you want to achieve? Establish this before wasting time and money on the wrong thing.
- **Watch for burnout** — A side gig can take a few hours a week—or more. Establish a schedule and boundaries to stay balanced.
- **Think retirement** — It may seem far off, but side gigs can help you save for retirement and be an eventual source of income. A financial professional can help you plan for your retirement goals.

You don't have to plan alone. Your financial professional can assist you today and throughout your journey.

Are you prepared for the sunseting tax laws?

With the sunseting of provisions in the 2017 Tax Cuts and Jobs Act coming soon, it's necessary to take the time now to determine how this might affect your taxes and make plans accordingly.

Instead of the great tax sunset looming, Americans should learn the implications of the expiring tax cuts and think more urgently about their estate and income tax planning. Without planning, the 2026 tax year could be a shock to many U.S. taxpayers. High-net-worth individuals may be surprised by a larger estate tax liability—as well as other significant tax changes—when the favorable provisions enacted by the 2017 Tax Cuts and Jobs Act (TCJA) expire, or “sunset,” at the end of 2025.

Primarily related to individual income and estate taxes, items expected to be affected by TCJA changes include:

- Estate tax and gift tax exemptions
- Income tax brackets
- Standard deductions and personal exemptions
- SALT deduction limitations

- Mortgage interest deductions
- Pease limitations
- Qualified business income deductions
- Alternative minimum tax

Some specific examples follow:

Estate and gift tax

The sunseting of the current estate and gift tax provisions may provide the greatest gloom—reverting to pre-TCJA levels. For example, the TCJA provided 10 years of estate and gift tax relief through an elevated exemption that is currently over \$13 million per individual. It will reset to an estimated \$6 million in 2026. This poses a significant impact on individuals who own larger estates, including numerous baby boomers.

Income tax

Tax brackets will revert to pre-TCJA levels as well, resulting in many Americans seeing their tax rate increase. For example, the top individual, estate and trust income tax bracket is expected to return to 39.6% from the current rate of 37%.

Deductions

Change is ahead for multiple tax deductions, including standard deductions, personal exemptions, state and local tax (SALT) deduction limitations and mortgage interest deductions.

Charitable giving

The tax deduction for charitable donations is also sunseting back to 50% of adjusted gross income (AGI) in 2026, from the recent levels of 60% AGI for cash contributions to public charities.

Because tax laws are complex, and seemingly ever-changing, it's prudent to not only plan ahead but also thoughtfully engage with your team of advisors. To be prepared rather than surprised by the sunseting of the 2017 TCJA, meet with your financial professional, attorney and tax advisor to put together a plan.

Discuss your options and opportunities with your financial professional, accountant and attorney before the TCJA changes occur. Together they can help with personalized strategies to fit your unique situations.



AI is no match for the human connection

The human touch in wealth management brings empathy, understanding and personalized guidance that cannot be replicated by artificial intelligence (AI).

AI is embraced as a way to simplify and expedite daily tasks. However, AI is unlikely to replace professional services roles, like wealth management, in the foreseeable future. The relationship between financial professionals and clients is driven by human connection and understanding to help meet clients' goals.

Trust is key

Trust is the foundation of any successful relationship, including the one between financial professionals and their clients. While AI may process information at lightning speeds, it lacks the ability to understand what you are not saying and your true risk tolerance. Financial professionals hone their skills and abilities to form connections and instill confidence in their clients, all while navigating the ever-changing landscape of the financial industry.

Empathy and trust are beneficial aspects of the financial professional-client relationship as market ups and downs and life's financial uncertainties often create emotional responses. When that happens, a conversation with your financial professional can help alleviate worry and even prevent making an emotional decision that may not align with your wealth planning goals.

How AI can help financial professionals

Instead of replacing the role your financial professional plays in your financial life, our firm focuses on helping them embrace the technology to usher in a new era of efficiency and data-driven decision-making.



Technology can help financial professionals further customize their advice to help clients reach their financial goals, augmenting AI tools with human discernment and connectedness.

Meeting halfway

Critics of AI express concern about its potential for harm, including depersonalization of the client-financial professional relationship. Ideally, the collaboration of human and machine-learning can help clients reach their financial goals and feel peace of mind.

When combined with human expertise, AI can help deliver the desired outcomes for clients. Rather than replacing financial professionals, AI should be viewed as a tool to expedite data processing and other tasks more efficiently, thereby adding time for nurturing the personal relationship. Talk to your financial professional today about how they are using AI.

Exploring fine wine as an investment

Investing in fine wines—whether you favor French Bordeaux, Italian Tuscan, Australian tawny or other varieties—can be a lucrative venture for those with a discerning eye for quality and market trends. Wine investing requires patience and expertise, but can yield fruit over time.

Factors in wine investing

Investing in fine wines is an option that many people have not considered. However, in today's world, a growing number of individuals are seizing this opportunity. Investing in bottles of wine, wine stocks or wine platforms are options to consider.

Factors such as vineyard reputation, vintage quality and market demand play crucial roles in determining the investment potential of wine. As with any investment, thorough research and a long-term perspective are essential for success.

Results take time, like aging wine

Investing in fine wines is not a get-rich-quick opportunity. Wines take years to mature and reach an age where they are highly sought after. Over time, fine wines can be a reputable investment. However, like all alternate investments, these fine wines should only represent a small share of your overall portfolio. Additionally, they should fit within the context of a person's overall asset mix.

As with any investment decision, it's important to weigh the pros and cons ahead of time. Here are some insights for investing in the wine industry.

Advantages

Diversification — Investing in wine can be advantageous as it is a tangible asset with a low correlation to the price movements of stocks and bonds. Allocating funds to wine may help reduce the impact of market volatility and interest rate changes on your portfolio.

Intrinsic value — As a tangible asset, if a bottle of wine does not perform well as an investment, you can still enjoy your prized pinot noir—or share it with some lucky dinner guests.

Personal value — You can proudly showcase your wine cellar to fellow enthusiasts, enhancing your home's appeal to potential buyers.

Disadvantages

Expense — Building, stocking and maintaining a wine cellar can be a costly endeavor. Also, experience, knowledge and research into wine selection are necessary to avoid making costly mistakes.

Time — Patience is necessary. Just like fine wine improves with age, you need to wait until your wine reaches its full potential before selling it. Keep in mind that wine can be difficult to sell because there is no secondary market for it. You may have trouble finding a buyer and negotiating a fair price.

For investing in wine, patience is key. Expect a holding period of at least 10 years, especially when choosing a fine wine that improves with age. Seek the guidance of a professional buyer and consult your financial professional.



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