PRESENTATION

You Are About to Be Liquid: Now What?

August 25, 2016

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PRESENTATION

PRESERVING YOUR REWARD FOR FUTURE GENERATIONS

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I. Estate Planning

The process of structuring your financial assets in a manner to preserve and pass them on to the next generation or generations in a tax efficient manner with long term preservation in mind.

A. Non-Tax Considerations

1. Wills

2. Trusts

3. Powers of attorney

4. Living wills

B. Basic Overview of Federal Estate Tax

1. Property included
2. Tax rate
3. Exemption amount
4. Planning tools
   - Limited liability companies
   - Lifetime transfers
   - GRATs, etc.

C. Bringing the Total Plan Together

Stewarding Your Liquidity for the Long-Term

August 25, 2016

Wealth and Asset Management

Capital One

OVERVIEW OF CAPITAL ONE ASSET MANAGEMENT, LLC ("COAM")

- SEC registered investment advisor and wholly owned subsidiary of Capital One, N.A.
- Offers proprietary investment management services through:
  - U.S. Large Cap, Mid Cap and Small Cap Equity strategies;
  - U.S. Fixed Income strategies;
  - Energy related strategies through Master Limited Partnerships (MLP)
- Offers a global rational architecture platform of carefully selected investment strategies across a variety of different asset classes
- Engaged by Capital One, N.A. to provide investment management services to Bank clients
- Global Investment Performance Standards (GIPS®) - compliant firm manufacturing sixteen distinct investment styles

The GIPS standards are a set of standardized, industry-wide ethical principles that provide investment firms with guidance on how to calculate and report their investment results to prospective clients.
The GIPS standards provide: Firms with an ability to compete across the globe and the ability to make comparisons.
CFA Institute created and administers the GIPS standards
Organizations in 32 countries sponsor and promote the GIPS Standards.

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TO HELP US GET A BETTER UNDERSTANDING

Questions

- Do you know what amount you need as post-tax proceeds in order to fund your goals?
- What is your post-sale lifestyle plan? Will you start new ventures or is this truly retirement?
- Do you plan to remain a part of the company for a time after sale?
- Are you interested in tax advantaged ways of passing wealth to the next generation as a part of this business transition?

A TEAM APPROACH TO WEALTH MANAGEMENT

Wealth Management Specialist
(Resource Coordination)

Private Banker
(Liquidity Management)

You – The Client

Wealth Planning Specialist
(Financial Planning)

Portfolio Manager
(Investment Management)

Trust Officer
(Trust Management & Estate Settlement)

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THE IMPACT OF TAX AND ESTATE PLANNING

Assumptions

- Husband and wife reside in New York
- Two children and three grandchildren
- Husband and wife both die in 2014
- Their personal wealth is $15mm, and includes:
  - Securities (not tax-deferred) $4mm
  - Life Insurance - $2mm
  - Tax-Deferred (RSUs $1mm; 401k $2mm; Deferred Comp $3mm)
  - Real Property (home $1.5mm; vacation home $1mm)
  - Jewelry, fine art and other collectables $.5mm

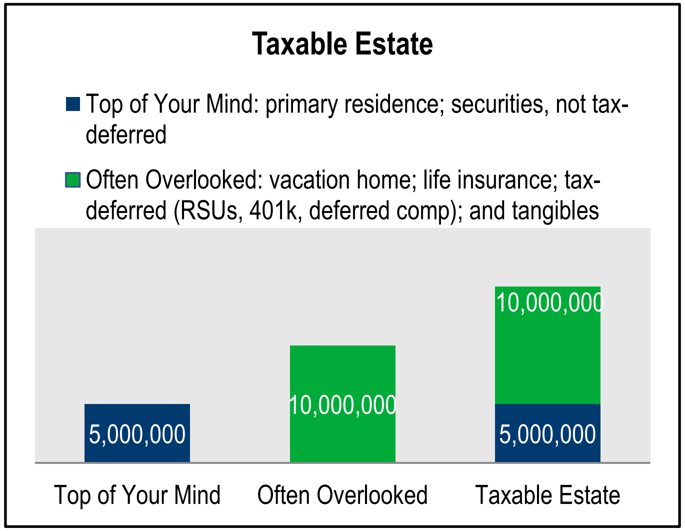
Without Planning

- Current wills give assets to grandchildren (skipping the children)

Planning Steps

- Updated wills pass assets to trust for children
  - GST tax avoided
- Annual exclusion gifts ($14,000) for seven years
  - $980,000 removed from taxable estate
- Life insurance policy transferred to trust
  - $2,000,000 removed from taxable estate
- Grantor Retained Annuity Trust
  - $2,000,000 removed from taxable estate

For illustration purposes only; not based on actual scenarios.
Not intended as tax or legal advice; consult your advisors.



	Without Planning	With Planning
Taxable Estate	$15,000,000	$10,020,000
Federal GST tax	1,728,000	0
Federal estate tax	981,280	0
New York estate tax	1,866,800	1,082,800
Total estate taxes	**$4,576,080**	**$1,082,800**
Effective tax rate	31%	7%
Net to heirs	**$10,423,920**	**$13,917,200**
Taxes Avoided		**$3,493,280**

Please see accompanying disclosures

INVESTMENT PROCESS

COAM follows a disciplined, forward thinking approach to managing investments focused on three central objectives:

- Participating in strong market environments while limiting losses in difficult ones
- Delivering strong absolute returns outpacing inflation, fees and taxes (when applicable)
- Achieving superior relative returns versus relevant benchmarks and peers

Establish Goals and Objectives → **Asset Allocation** → **Investment Program Search and Selection** → **Performance Monitoring**

Determine Investment Parameters

- Profile the Client
- Consider the impact of taxation on the results of investment decisions
- Maximize risk / reward trade-off

Define Investment Strategy

- Tailor asset allocation to objectives and risk tolerances
- Manager/product selection
- Formulate performance benchmarks
- Prepare portfolio proposal

Implement Investment Strategy

- Client understanding and agreement
- Coordinate funding schedule
- Transition to agreed upon portfolio and investment of funds

Measure Performance

- Tracking and reporting
- Absolute and relative returns
- Peer group comparisons

Review and Adjust Investment Strategy

- Review current client circumstances
- Review current distribution needs
- Rebalancing

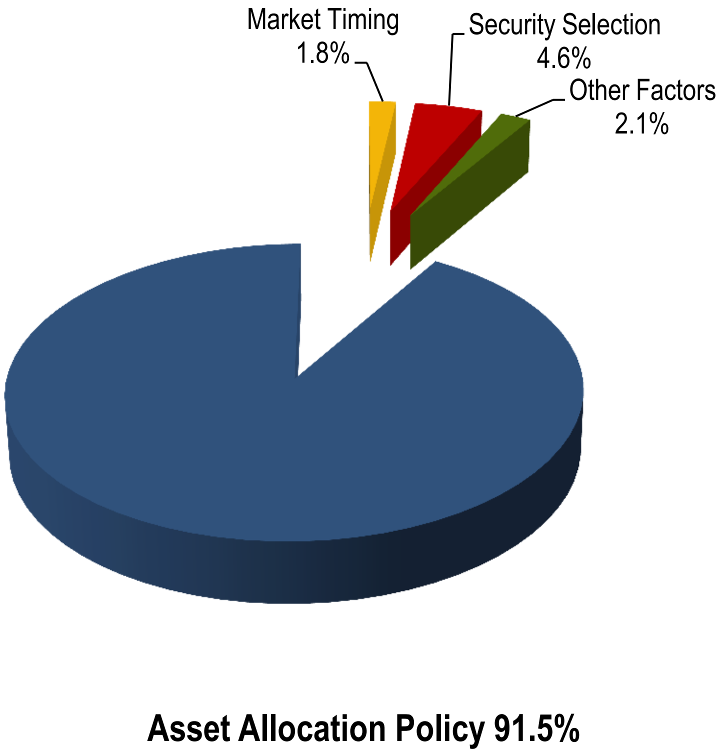
Please see accompanying disclosures

Capital One

ASSET ALLOCATION IS CORE TO SUCCESSFUL INVESTING

The Brinson, Hood & Beebower Study, conducted in 1987, and updated in 1991, found that nearly 92% of the variation in pension funds' returns from 1977 to 1987 were attributable to the asset allocation decision.

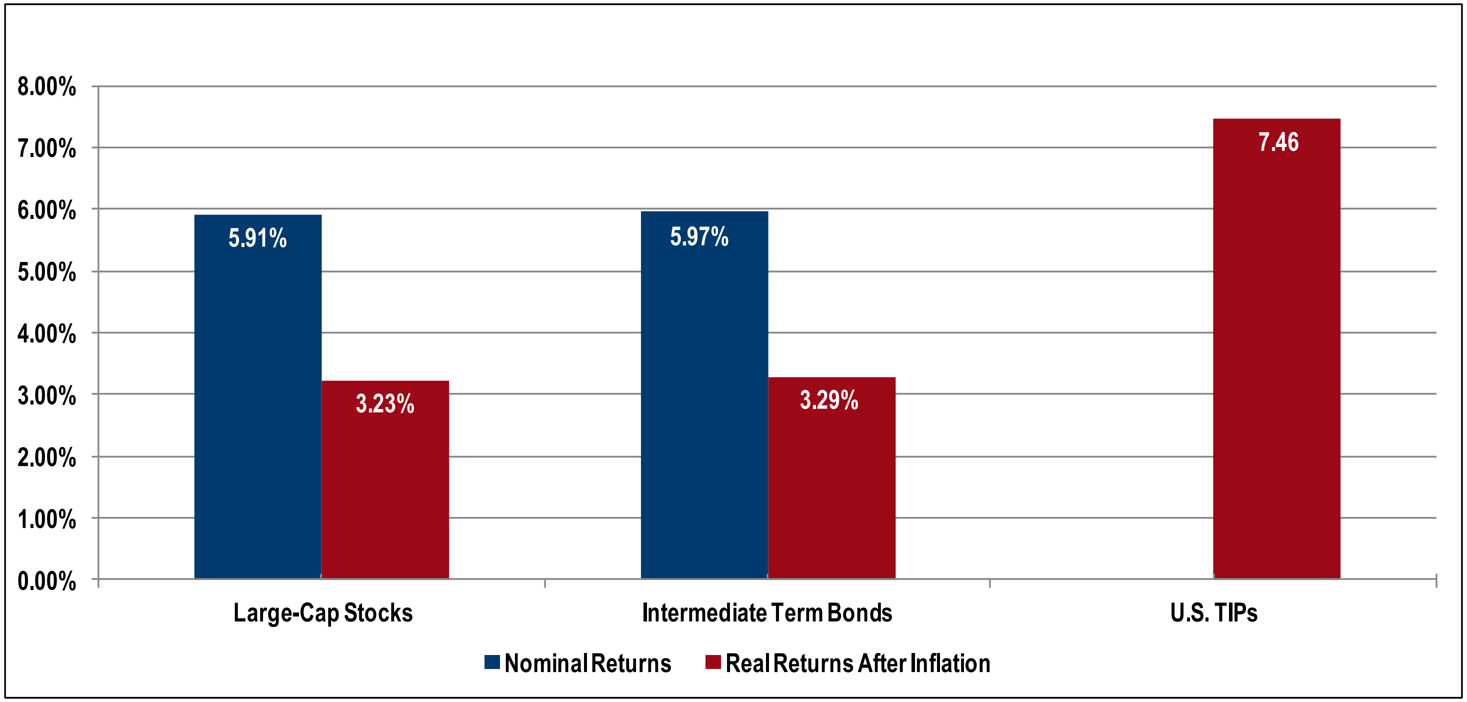
- Allocation is also an important factor in determining liquidity, cash flow, and other important investment goals.
- The emergence in the last two decades of non-traditional, non-correlated assets and strategies expands the range of available outcomes and the complexity of the decision.
- Careful analysis is needed to best balance asset classes.



Source: Brinson, Hood & Beebower Study

INFLATION CREATES PORTFOLIO HEADWINDS

Since issuance in 1997, TIPs have shown a favorable return profile when compared to other major asset classes after adjusting for inflation. The chart below shows the annualized returns for U.S. stocks, bonds, and TIPs for the period of January 1998–December 2007. The Consumer Price Index steadily increased each year starting in 1998 before peaking in 2007ahead of the Great Recession.



Source: Return data – Zephyr Analytics. CPI information – U.S. Bureau of Labor Statistics.

ANNUAL ASSET CLASS PERFORMANCE (2006 – 2015)

Returns through 12/31/2015

2006 - 2015		Returns									
Returns (Ann.)	Std Dev	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
MLP 10.33%	REIT 26.43%	REIT 35.97%	EM EQ 39.78%	MF 18.33%	MLP 85.04%	MLP 34.98%	MLP 16.99%	EM EQ 18.63%	SC EQ 38.82%	REIT 32.00%	REIT 4.48%
EM FI 8.01%	EM EQ 23.6%	MLP 34.92%	CMDY 16.23%	INT FI 6.48%	EM EQ 79.02%	REIT 28.07%	TIPS 13.56%	EM FI 17.48%	MC EQ 34.76%	MF 18.37%	LC EQ 0.92%
MC EQ 8.00%	SC EQ 19.78%	EM EQ 32.59%	INT EQ 12.92%	IG FI 5.24%	HY FI 58.21%	SC EQ 26.86%	REIT 9.37%	MC EQ 17.28%	LC EQ 33.11%	LC EQ 13.24%	IG FI 0.55%
LC EQ 7.40%	MLP 18.74%	INT EQ 26.23%	HF 12.56%	CASH 1.80%	MC EQ 40.48%	MC EQ 25.48%	IG FI 7.84%	REIT 17.12%	MLP 29.48%	MC EQ 13.22%	CASH 0.03%
REIT 7.20%	INT EQ 18.46%	SC EQ 18.37%	TIPS 11.63%	TIPS -2.35%	INT EQ 34.39%	EM EQ 19.20%	HY FI 4.98%	INT EQ 17.02%	INT EQ 21.57%	MLP 7.61%	HF -0.71%
HY FI 6.96%	CMDY 18.16%	LC EQ 15.46%	INT FI 11.47%	EM FI -5.93%	REIT 28.46%	CMDY 16.83%	INT FI 4.18%	LC EQ 16.42%	HF 8.43%	IG FI 5.97%	MF -0.93%
SC EQ 6.80%	MC EQ 17.71%	MC EQ 15.26%	MLP 11.30%	HF -19.07%	LC EQ 28.43%	LC EQ 16.10%	LC EQ 1.50%	SC EQ 16.35%	HY FI 7.44%	SC EQ 4.89%	TIPS -1.44%
HF 4.97%	LC EQ 15.33%	HF 13.86%	IG FI 6.97%	HY FI -26.16%	SC EQ 27.17%	EM FI 15.43%	CASH 0.08%	HY FI 15.81%	REIT 1.22%	HF 4.13%	MC EQ -2.44%
IG FI 4.51%	EM FI 11.06%	EM FI 12.52%	MF 6.01%	SC EQ -33.79%	EM FI 21.72%	HY FI 15.12%	MC EQ -1.55%	HF 7.67%	CASH 0.05%	TIPS 3.64%	INT EQ -2.60%
MF 4.21%	MF 11.01%	HY FI 11.85%	LC EQ 5.77%	CMDY -35.65%	CMDY 18.91%	MF 12.22%	EM FI -1.97%	TIPS 6.98%	INT FI -2.00%	HY FI 2.45%	SC EQ -4.41%
EM EQ 3.95%	HY FI 10.59%	INT FI 8.15%	MC EQ 5.60%	LC EQ -37.6%	HF 18.57%	HF 10.95%	HF -2.52%	IG FI 4.21%	IG FI -2.02%	CASH 0.03%	HY FI -4.47%
TIPS 3.93%	INT FI 8.30%	MF 8.05%	EM FI 5.55%	MLP -38.55%	TIPS 11.41%	INT EQ 9.43%	SC EQ -4.18%	MLP 4.21%	EM EQ -2.27%	EM EQ -1.82%	INT FI -6.58%
INT EQ 3.41%	TIPS 6.31%	CASH 4.76%	CASH 4.74%	REIT -39.20%	INT FI 6.84%	IG FI 6.54%	MF -4.19%	INT FI 4.14%	MF -2.66%	INT FI -2.99%	EM FI -14.27%
INT FI 3.15%	HF 5.86%	IG FI 4.33%	HY FI 1.87%	MC EQ -41.46%	IG FI 5.93%	TIPS 6.31%	INT EQ -11.78%	CASH 0.07%	EM FI -8.30%	INT EQ -3.88%	EM EQ -14.60%
CASH 1.17%	IG FI 3.22%	CMDY 2.07%	SC EQ -1.57%	INT EQ -43.23%	CASH 0.16%	INT FI 3.16%	CMDY -13.32%	CMDY -1.06%	TIPS -8.61%	EM FI -5.19%	CMDY -24.66%
CMDY -6.43%	CASH 0.53%	TIPS 0.41%	REIT -17.55%	EM EQ -53.18%	MF -6.57%	CASH 0.13%	EM EQ -18.17%	MF -2.93%	CMDY -9.52%	CMDY -17.01%	MLP -31.74%

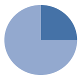
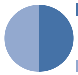
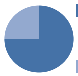
Asset Class Legend

- U.S. Large Cap Equity
- U.S. Mid Cap Equity
- U.S. Small Cap Equity
- International Equity
- Emerging Markets Equity
- U.S. Investment Grade Bonds
- U.S. Corporate High Yield Bonds
- International Bonds
- Emerging Markets Bonds
- U.S. REITs
- Commodities
- U.S. TIPS
- Managed Futures
- Hedge Funds
- MLPS
- Cash

Source Data: Bloomberg, LP

Please see accompanying disclosures

SPENDING LEVELS IN RETIREMENT SHOULD BE CONSISTENT WITH YOUR INVESTMENT PLANS

Initial portfolio Value: $10 million		Probability of Running Out of Money		
Asset Allocation	**Annual Spend Rate**	**10 Years**	**20 Years**	**30 Years**
 25% Equities, 75% Bonds	3% ($300,000)	0%	0%	28%
	5% ($500,000)	0%	54%	99.9%
	7% ($700,000)	0%	99.9%	99.9%
 50% Equities, 50% Bonds	3% ($300,000)	0%	0%	16%
	5% ($500,000)	0%	32%	88%
	7% ($700,000)	0%	91%	99.8%
 75% Equities, 25% Bonds	3% ($300,000)	0%	1%	14%
	5% ($500,000)	0%	25%	61%
	7% ($700,000)	2%	67%	90%

The analysis shows that the trade off of investing in so called higher risk assets is a lower risk of running out of money.

With only 25% invested in Equities the $500,000 lifestyle investor runs **a greater than 50% chance of running out of money** in 20 years. The risk is halved by investing 75% of the portfolio in equities.

Assumptions:

- ***Inflation Rate** = 2.46%, **Spending Rate** is inflation adjusted and withdrawn annually**, Investment Management Fee** of 1% of total market value is withdrawn annually*
- ***Rate of Return:** 25% Equity / 75% Fixed Income = 3.5%; 50% Equity / 50% Fixed Income = 4.9%; 75% Equity / 25% Fixed Income = 6.9%*
- *For illustration purposes only; not based on actual scenarios*

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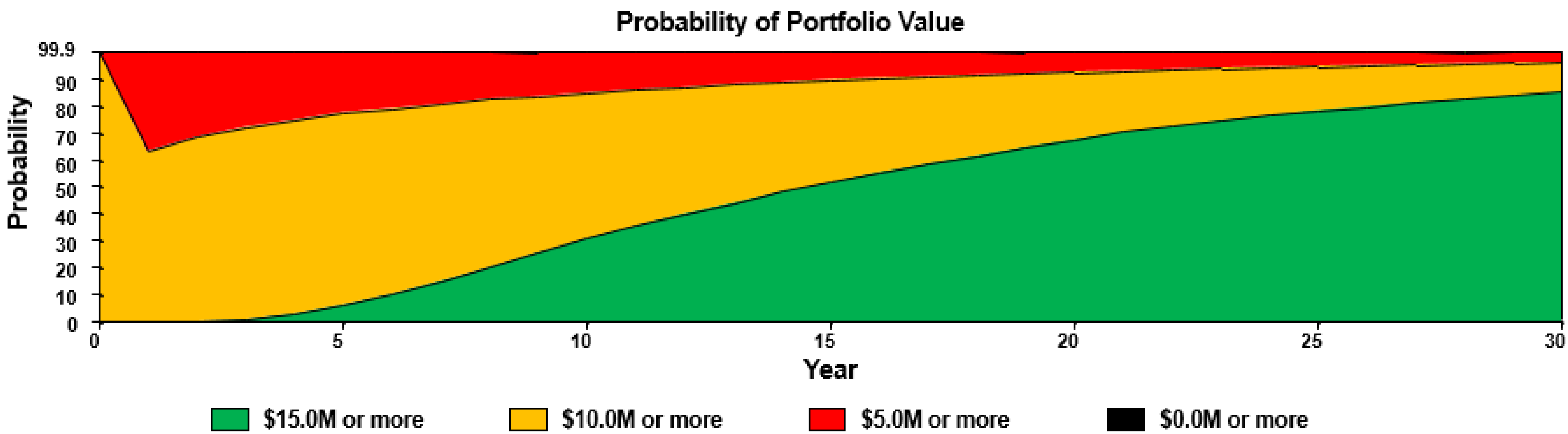
SIMULATION RESULTS

Inputs		**Flows - Beginning of year**					
Trials	10,000	Annual Withdrawal	Withdrawal	Inflation Adj		$200,000	Years 1 - 30
Inflation Rate	2.46%						
Lognormal Return Distribution	Mean: 7.50% StdDev: 8.20%	**Probability Targets**	$15,000,000	$10,000,000		$5,000,000	$0



Portfolio Probabilities

		Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Probability of:							
15,000,000	Inflated Target:	16,938,036	19,126,468	21,597,652	24,388,118	27,539,120	31,097,238
	Probability:	**6.0%**	**31.0%**	**51.0%**	**67.0%**	**78.0%**	**85.0%**
10,000,000	Inflated Target:	11,292,024	12,750,978	14,398,434	16,258,745	18,359,414	20,731,492
	Probability:	**77.0%**	**85.0%**	**90.0%**	**93.0%**	**95.0%**	**96.0%**
5,000,000	Inflated Target:	5,646,012	6,375,489	7,199,217	8,129,373	9,179,707	10,365,746
	Probability:	**99.9%**	**99.9%**	**99.9%**	**99.9%**	**99.8%**	**99.8%**
0	Inflated Target:	0	0	0	0	0	0
	Probability:	**99.9%**	**99.9%**	**99.9%**	**99.9%**	**99.9%**	**99.9%**
Probability of Zero Value:		0%	0%	0%	0%	0%	0%

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