EARNING TRUST.
CREATING PLANS.
DELIVERING RESULTS.

CHARITABLE GIVING PLANNING STRATEGIES

December 13, 2018

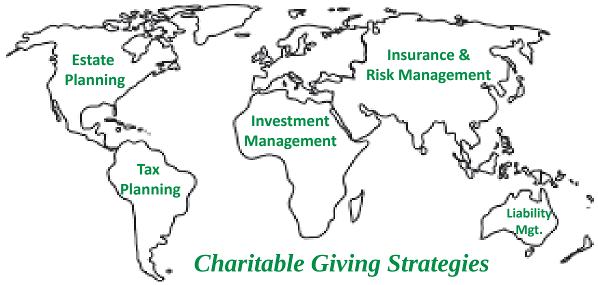
SEQUOIA FINANCIAL GROUP

OVERVIEW

- Integrating Giving Strategies within Financial Plans
- Investment Management within Giving Strategies
- Economic Outlook

THE WORLD OF FINANCIAL PLANNING

- **Defined as**: "The process of determining whether and how an individual can meet life goals through the proper management of financial resources."*
- **Financial Independence**: "The ability to earn an income from your investment resources sufficient to maintain your current standard of living indexed for inflation throughout your life."
- **Elements of Planning**



*Source: CFP Board website 11/2018

THE WORLD OF FINANCIAL PLANNING

- Incorporating charitable giving into a financial plan
- Discover giving goals
- Develop personal giving strategies

Common Giving Strategies

- Taxable Investment Accounts with Appreciated Securities
  - Donate Appreciated Securities Directly to Charity
  - Coordinate with Employer Giving Programs
- Qualified Charitable Distributions
- Create a Donor Advised Fund
  - Fund with cash or appreciated securities
  - 2017 TCJA: "Bunching"
  - Tax Features/Deduction Limits
  - Legacy Features
  - Non-Traditional Assets
  - Investment Considerations

DEDUCTIBILITY LIMITS FOR DONATIONS OF NON-PUBLICLY TRADED SECURITIES TO A: *

	Public Charity or Donor-Advised Fund Account	Private Foundation
Generally Deductible at:	Fair Market Value	Lesser of Cost Basis or Fair Market Value
Deductibility Limits	30% of AGI 5-year carry forward	20% of AGI 5-year carry forward

*Source: Schwabcharitable.com 11/2018

Sequoia Strategic Insight

Q4 2018

WHERE ARE WE IN THE BUSINESS CYCLE?

- Global growth continues and recession fears remain at bay for now while tariff tantrums threaten international trade activity
- U.S. economy likely in the late innings of the business cycle expansion despite possible late-cycle acceleration in 2018
- Out of the 14 U.S. business cycles since 1929, only the mid-1990s cycle lasted longer than the current business cycle
- Focused on end-of-cycle leading economic indicators and the declining probability of continued business cycle extension

WHAT ARE THE KEY RISKS TO THE BUSINESS CYCLE?

- The Fed Reserve Bank usually kills business cycle expansions; but coast clear for more rate hikes over next six months
- During the 100-year Fed history, there has only been one non-Fed-induced recession (1945) and three soft landings (mid-1960's, early 1980's & 1994); all other sustained Fed tightening episodes ended in recession
- The equilibrium interest rate is moving higher with elevated inflation expectations compare to the last two years; the Fed will have to follow along to keep the economy from overheating which increases the possibility for a monetary policy mistake
- Increased geopolitical risk will likely be here for some time (U.S. politics/midterm fallout, "Brexit", N. Korea, China, terrorism, etc.)

ASSET ALLOCATION IMPLICATIONS

- Long-term expected returns for all asset classes may be below returns experienced over the last 10 years; however, returns for equities could be above those for fixed income for some time with higher volatility compared to the previous 18 months
- A number of exogenous threats (biggest include Federal Reserve Bank monetary policy blunder anxiety, tariff tantrums, a global economic slowdown) will continue to unsettle capital markets anytime
- Given the combination of low but rising inflation, moderating global economic growth, and monetary policy support winding down, portfolio positioning favors a neutral allocation to equities, real asset alternatives, and fixed income
- U.S. equity valuations are relatively expensive vs. ex-U.S. and have not experienced an equity market correction in years
- Alternatives should offer low correlation, inflation protection, and differentiated returns compared to Equity & Fixed Income
- Fixed Income and Cash remain prudent for downside protection
- Assuming your plan, risk tolerance and investment policy are aligned, caution is warranted tactically, but in our view, long term investors need not take drastic action

OCTOBER 31, 2018

Please see important disclosures on the last page of this report.

Other Giving Strategies

- Beneficiary Designations on Tax-Deferred Accounts
  - Individuals and Charities as Primary Beneficiaries
  - RMD Consequences/Separate Accounts
- Life Insurance (Case Study and Investment Considerations)
- Charities named in estate planning documents
- Charitable Remainder Trusts
- Charitable Lead Trusts & Pooled Income Funds
- Private Foundations

IMPORTANT DISCLOSURE INFORMATION

SEQUOIA FINANCIAL GROUP

This was prepared by Sequoia Financial Advisors, LLC a federally registered investment advisor under the Investment Advisers Act of 1940. Registration as an investment advisor does not imply a certain level of skill or training. Sequoia Financial Advisors, LLC Form ADV Part 2A & 2B can be obtained by written request directly to: Sequoia Financial Advisors, LLC, 3500 Embassy Pkwy, Akron, OH 44333 or online at https://adviserinfo.sec.gov.

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SEQUOIA CAPITAL MARKETS OUTLOOK Q4 2018

Given the combination of (1) stable but slowing global economic growth; (2) sensible monetary policy support by central banks in the U.S., Europe and Japan; and (3) moderately rising inflation, our portfolio positioning favors a "neutral" approach, balanced between equities, real asset alternatives and fixed income with the following expectations:

- Long-term expected returns for all asset classes may be below returns experienced over the last 10 years; however, returns for equities could be well above those for fixed income for some time with higher volatility compared to the previous two years.

- Several exogenous treats (the biggest of which include a Federal Reserve Bank monetary policy misstep, tariff policy changes/trade wars, geopolitical turbulence and a rising risk of a global economic slowdown) could unsettle capital markets at any time, resulting in higher volatility than recently experienced.

- Compared to foreign-developed and emerging-market equities, the relative valuation of U.S. equities is the most expensive they have been in decades and can experience market corrections at any time.

- Alternatives should offer low-correlation inflation protection and differentiated returns compared to equity and fixed income.

- Fixed income investments remain prudent given potentially rising bouts of volatility.

- Assuming your plan, risk tolerance and investment policy are aligned, long-term investors need not take drastic action.

Rewinding the clock one year ago, the state of things was better. The global economy was enjoying a synchronized economic expansion and capital markets performed well. Nearly all major regions — the U.S., Europe (but not including the U.K. due to its "Brexit" problem), Japan, and emerging markets such as China and India — grew their economies on the heels of surging global trade and a robust U.S. economy.

However, this year the narrative may be changing a bit. As a result, skittish global equity investors are starting to worry, hence volatility flare-ups in the first quarter and again this quarter. Given the low volatility period we experienced over the last few years, these are good reminders that capital markets do not always go up.

We see two reasons for investor consternation.

The first is our familiar refrain: the biggest risk to the business cycle expansion is the Federal Reserve Bank and its continued campaign to raise short-term interest rates. Virtually every recession in the U.S. for the last 100 years has been triggered by the Fed via an act of commission (raising rates too much) or omission (failing to cut rates fast enough to loosen debilitating tight financial conditions). It appears the Fed is slated to raise interest rates in

December, and the latest view looks like market participants are betting the Fed will raise again in 2019. This may be too much, too fast or both. They will make a mistake at some point by tightening financial conditions and stalling out the business cycle expansion. It is just a matter of when.

As the Fed raises short-term interest rates, equity investors worry about slowing economic and corporate earnings growth (both from higher interest costs in addition to higher wage costs eating into fat profit margins) and the next recession. When comparing potentially declining expected returns from equities, investors may see higher short- and long-term interest rates now offering better return competition to equity investments at the margin. Notice how you are starting to get paid for holding cash in money market accounts (finally)?

The second reason for investor worry is the continued barrage of both enacted and prospective trade tariffs. That said, while still ultimately small in terms of global corporate earnings, trade tariffs are starting to have an impact by biting into global corporate confidence. There have been a few third quarter company earnings reports and future outlooks that have come in lower than expected due to rough ex-U.S. sales and anxiety on tariffs. A good example is Caterpillar Inc., a huge global construction equipment manufacturer. They specifically mentioned higher steel costs from tariffs.

Despite the worries outlined above, we remain optimistic. Note, as usual, this is a view that we consider “a strong opinion, loosely held” as we reserve the right to change our mind when the facts and circumstances change.

Regarding the Fed, financial conditions in the U.S. remain looser today than when they started to raise short-term interest rates back in December 2015. However, we know from history, financial conditions can seize up rather quickly over the course of a few quarters. Going forward, the challenge for the Fed and its control of short-term interest rates is to deliver a soft landing otherwise known as the monetary policy “triple crown”: keeping employment strong, inflation under control and no recession. Unfortunately, the Fed does not have a strong track record on this outcome, achieving it three times in the 100 years.

The tariff threats are more bark than bite in our opinion. According to our calculation, the $32 billion of announced tariffs on $250 billion of imported goods would have a very small impact if they were passed through perfectly to the $14.7 trillion final U.S. consumer market. As students of economic history, we also know that tariffs are virtually unseen as a principal cause of a U.S. recession.

In the meantime, the U.S. economy is doing very well. Gross domestic product, a broad measure of business activity in the U.S., is back above recovery averages on an annual year-over-year basis. However, the growth rate should slow next year and in 2020 as the spike in fiscal stimulus this year gets lapped and the lagged effects of the Fed’s monetary policy tightening take hold.

We continue to monitor our informed radar screen of leading economic indicators for signs of a recession. As a reminder, this is helpful because bear markets (sustained stock market declines of 20% or more) coincide with recessions based on our study of business cycles over the last

100 years. All said, our educated guess is the risk of recession in the next 12 months is still less than 50% of happening despite this business cycle expansion being the second longest since 1900.

Based on the slowing U.S. economic backdrop, it is still challenging to see material upside in global equities from current levels, given U.S. equities having a bit more than half the market capitalization weighting of our global equity benchmark index (MSCI All Country World Index). However, equities outside the U.S. should do better over time due to lower valuations, decent future earnings growth and a monetary policy tailwind.

Fixed income performed poorly so far this year as interest rates have risen. This made sense given the improved economy. However, assuming slowing economic growth for the next two years, longer-term interest rates should not move meaningfully higher and make for a better fixed income setup over the next 12 months.

In summary, our shift last quarter to a more neutral portfolio positioning remains appropriate for now.

The portfolio profiles outlined above may vary based on the individual investment objectives of your financial plan. As always, we very much appreciate and value the trust and confidence you place in our firm. Please do not hesitate to contact your advisor with any questions or service needs.

Contact our Chief Investment Officer, Russell Moenich to learn more about this topic.
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