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Professional Advisors Council CONNECTOR

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SUMMER 2023

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Greetings Professional Advisors Council

Welcome to the Professional Advisors Council ("PAC") Newsletter. I am happy to announce that we have added several new members to the PAC in the last few months. I am sure our members look forward to meeting you in person at an upcoming event.

I am also pleased to greet our existing members who make the Collier Community Foundation ("CCF" and the "Foundation") such a great organization and who share the news about CCF with our community.

As you know, the PAC supports CCF by connecting the Foundation with people looking to make an impact with their philanthropic giving. Your efforts and support have resulted in many new and significant donors to the Foundation. Your hard work is appreciated. But we have only barely begun. The pending transfer of wealth that will take place in Collier County in the next decade is an opportunity to take CCF and CCF's impact on our community to the next level.

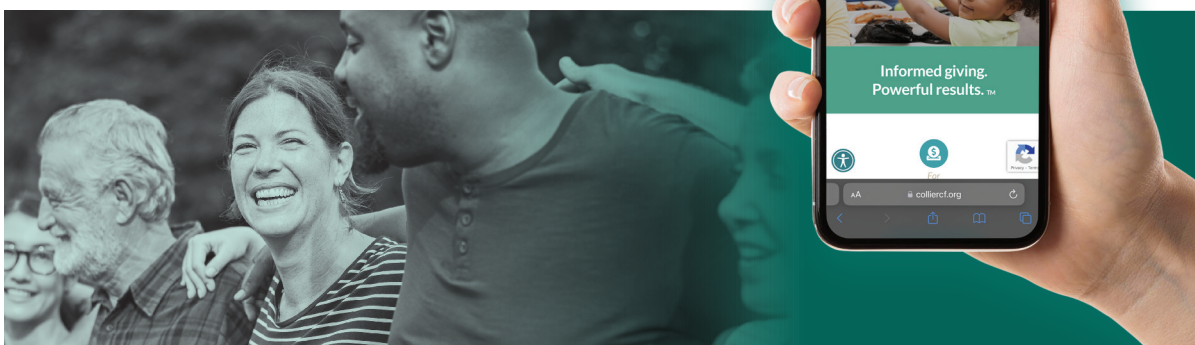
If you have not yet read the Florida Transfer of Wealth Opportunity and the Collier County Transfer of Wealth Snapshot, I encourage you to do so. **Contact Julie Van Tongeren at 239-307-4521 or jvantongeren@colliercf.org to schedule a Transfer of Wealth presentation at your office for you and your team.**

As the liaison between the Board of Trustees of the Collier Community Foundation and the PAC, I look forward to seeing all of you at our upcoming meetings.

BRAD A. GALBRAITH, J.D., CPA

Professional Advisors Council Chair & Board of Trustees Member
Collier Commuity Foundation

Managing Partner
Florida Bar Board Certified Wills, Trusts and Estates Attorney



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1110 Pine Ridge Rd., #200
Naples, FL 34108

239.649.5000
CollierCF.org

The Great Transfer of Wealth

Become part of the transformative power of endowing Collier County's future and sustaining its dedicated charities.

Baby boomers make up the wealthiest generation in American history, and they are passing down that wealth to their children and grandchildren during the next 25 years. How much? A staggering $68 trillion in homes, businesses, and investments.

This remarkable intergenerational phenomenon is playing out in communities across the nation. In Collier County, $34.8 billion is expected to change hands over the next ten years. These sums may be mind-boggling, but the Collier Community Foundation (CCF) is starting a conversation with the community to raise awareness about the transfer of wealth and the importance of including a philanthropic element in estate plans. CCF President/CEO Eileen Connolly-Keesler and her team are urging seasonal and full-time residents to allocate 3 percent of their estate to the foundation to establish a $1 billion endowment to help sustain the community's social safety net in perpetuity.

"One billion sounds scary, but 3 percent doesn't," said Rob Bulloch, a partner and fourth-generation estate planner at Bulloch Taylor PLLC in Naples.

Many community foundations in the United States have $1 billion in endowments. Collier County—where the current household net worth is $302 billion—certainly has the same capacity to build this endowment to meet significant local needs. "There is literally unlimited charitable capacity here," he said.

Why the Collier Community Foundation?

CCF addresses issues as they arise without bureaucratic red tape. CCF often helps fill in local gaps where the government lacks funding by supporting projects such as partnering with other organizations on a local workforce housing development. CCF has repeatedly pivoted to disaster relief by activating the Collier Comes Together emergency fund for hurricanes Irma and Ian, wildfires, red tide, and the Covid-19 pandemic. Unrestricted funds allow CCF "to adjust in real time for needs in the community," Bulloch said.

In Collier County, the government sets aside only 5.6 percent of its annual budget for human services. "Even if the county budget were larger, we know how to serve the community better than anyone because we are in touch with local needs and can act quickly to distribute funds where they are needed most," said Connolly-Keesler.

There are several tax-advantaged strategies for donating to charity during one's lifetime, such as a qualified charitable distribution from a retirement account, making charitable giving a win-win for the donor and the organization they support. "Increasingly clients are eager to see the direct impact of their donations during their lifetime and not wait until they are gone to do so," said Bulloch.

The YMCA's endowment fund at CCF ensures their programs and classes will continue to serve the community.

No matter your walk in life, estate plans are essential in life and death for everyone. They ensure your assets are distributed according to your wishes and are protected from probate. They are crucial if you become incapacitated and can no longer handle your financial affairs. They are also a wealth-preservation strategy. Uncle Sam levies a 40 percent estate tax. "What goes to CCF escapes taxes during your lifetime and when you die," Bulloch explained.

VISUALIZING THE OPPORTUNITY

$302.4 billion current household wealth

$34.8 billion of that will change hands by 2032

$1 billion endowed = $50M annually for community needs

3% captured in Estate Plans = $1B for charity in the next 10 years

TO LEARN MORE call the Collier Community Foundation at **239.649.5000**

CCF is also encouraging wealth and estate advisors to have this conversation with their clients. A BOA/Merrill Lynch HNW Philanthropy study showed that 90 percent of high-net-worth households expect their advisor to bring up charitable giving. Yet, only 10 percent of advisors bring up the topic.

At CCF, a permanent endowment will grow through investments. CCF also provides expert oversight of funding and grantmaking. We keep our finger on the community's pulse by studying local needs and demographics each year and tracking nonprofits' effectiveness through grant and program impact fulfillment.

Donors want to support causes they care about. But sometimes, organizations close their doors or change their policies. With a CCF fund, the money is redirected to a similar program or nonprofit that aligns with the donor's original intentions, so there are no surprises. "We provide the oversight to spend donors' dollars the way they want them spent according to their estate plan," said Connolly-Keesler.

Call the Collier Community Foundation at 239.649.5000 to learn more.

Baby Boomers

THE NEXT 25 YEARS

Over the next 25 years, the wealthiest generation in American history—Baby Boomers—will pass down this wealth to their children and grandchildren. In Collier County, it is estimated that $34.8 billion will change hands over the next ten years. And if just 3 percent of that is transferred to the Collier Community Foundation, it could result in a $1 billion endowment that generates $50 million annually to address our community's greatest needs supporting the programs that benefit our local youth, families, seniors and veterans, our environment, and other community needs— forever!

Call us to start the conversation.

Current Outlook & Portfolio Strategy

We witnessed a resurgence in market volatility during the first quarter as clouds of uncertainty hindered near-term visibility. The S&P 500 climbed almost 10 percent early in the quarter on expectations that inflation would continue to moderate and thus, the Federal Reserve (the Fed) would not need to raise interest rates much further. Those hopes were soon dashed as stronger than expected jobs growth and sticky core inflation (i.e., excluding food and energy prices) suggested that the Fed would have to continue raising interest rates well beyond initial expectations. Then, the banking sector experienced a crisis of confidence as three U.S. banks failed in quick succession, suggesting the Fed had overtightened monetary policy. Despite the market's concerns, the S&P 500 still finished the quarter in positive territory.

The rapid increase in interest rates over the past year combined with poor risk-management at these banks were the main culprits for their failures. While the issue appears to be isolated amongst a few such undiversified banks, the impact was felt across the entire financial sector. The result was greater uncertainty about the direction of interest rates from here: will the Fed lower interest rates to contain the near-term financial sector woes or will they continue to focus on the longer-term issue of reducing inflation?

Understandably, the market remains concerned that the Fed will overtighten financial conditions and increase the risk that the U.S. will enter a recession.

Andrew Vanderhorst, CFA, CAIA, CFP®
Chief Investment Officer, The Naples Trust Company

Such an outcome will inevitably draw questions about whether the cure (higher interest rates) will be worse than the disease (higher inflation). Although the near-term effects of tighter financial conditions may be painful, they are typically much preferred to the alternative of stubbornly high inflation. One must simply recall the ultimate effects of the Fed not choosing to sufficiently tackle inflation in the 1960s and 1970s to understand that the cure today is more appealing than the more aggressive treatment that would be required years from now.

Recent economic reports suggest that the Fed can continue to raise rates to dampen inflation. Indeed, the Fed meeting in March resulted in another 0.25 percent increase to the Federal Funds rate. The Fed's newly updated dot plot also suggests that the Fed still sees sufficient evidence to continue raising interest rates for

the next few meetings. The median expectation from the voting members of the Fed is that they are close to reaching peak interest rates, but they do not foresee cutting interest rates until 2024 at the earliest. Instead, future Fed decisions are expected to be very much data dependent.

Investors, however, believe that the Fed will have to start cutting interest rates soon. The yields on short-term U.S. Treasuries climbed early in the quarter only to reverse course. The 2-year Treasury note yield climbed to over 5 percent, but ended the quarter below 4 percent indicating that the bond market expects the Fed to start cutting rates this year. Currently, the futures market expects the Fed to cut interest rates by 1 percent over the next 12 months.

In the near-term, we expect both the stock and bond markets to continue to display high levels of volatility. All eyes will be monitoring monthly economic reports, especially non-farm payrolls, unemployment, and inflation, to gauge the Fed's likely decision at their next meeting in May and the path of interest rates through year-end. Meanwhile, the first quarter earnings reports from U.S. companies will be closely scrutinized for any signs of slowing sales growth and net profits. Such signs would be in line with already tightening financial conditions and may weigh on stock prices. Despite the near-term uncertainty, we believe a diversified portfolio of high-quality dividend and growth companies combined with prudent amounts of short-term bonds and cash will help our clients ride out the storm and continue to meet their financial goals.

About The Naples Trust Company

The Naples Trust Company and The Tampa Bay Trust Company are divisions of The Sanibel Captiva Trust Company of Sanibel, Florida; an independent firm with $3.6 billion in assets under management that provides Family Office and Wealth Management Services, including investment management, trust administration and financial counsel to high-net-worth individuals, families, businesses, foundations, and endowments. Founded in 2001 as a state-chartered independent trust company, the firm is focused on wealth management services that are absolute-return oriented and performance driven. Each portfolio is separately managed and customized specifically to the client's yield and cash-flow requirements. Offices in Sanibel-Captiva, Fort Myers, Naples, Marco Island, Tampa, Belleair Bluffs, and Tarpon Springs.

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A division of The Sanibel Captiva Trust Company
www.NaplesTrustCompany.com

New Homes

Arriving for Seniors Impacted by Hurricane Ian

Several seniors living in Moorhead Manor on Bayshore Drive in Naples will soon be celebrating the arrival of their new homes. In a collaborative partnership between the Collier Community Foundation (CCF) and the Baker Senior Center Naples (BSCN), an innovative program to replace the homes of five year-round homeowners will provide relief from the months of frustration and uncertainty of being displaced from their homes.

The Moorhead Manor neighborhood of manufactured homes is located in a low-lying area and was hit especially hard by Hurricane Ian's surge and flood waters.

In addition to receiving the 2-bedroom, 2-bath units, each homeowner will receive furniture and appliances as part of the funding provided through CCF's Collier Comes Together Hurricane Ian Fund.

"I am so excited," said Marie Powell, one of the Moorhead Manor residents receiving a new home. "I had a place to go. I stayed with my daughter, who doesn't live far away. Not all of my neighbors were as fortunate."

Tearfully, she continued, "Just after the hurricane, we were all in survival mode. We tried salvaging what we could. I had lived there for 24 years. It was so emotional—so devastating—for me and for my grandchildren."

Julie Fox and Charles Jacob found housing in Cape Coral when displaced from their 'unlivable' 49-year-old home. "We're 80 years old and just can't do the cleanup work like we did following hurricanes Wilma and Irma," said Fox. "Our friends still live in Moorhead. We miss being there and want to stay connected."

They had two feet of sewage water inside their home and could only salvage a few upper cabinets. "You watch the news and see floods in other parts of the country," said Jacob. "When it happens to you, your perspective really changes."

Powell said Penny Taylor, BSCN Disaster Response Coordinator, contacted her regarding the home replacement program. She said everything happened so quickly.

She and others in the neighborhood met with Taylor, Dr. Jaclynn Faffer, BSCN President, and Eileen Connolly-Keesler, CCF President/CEO. Taylor's position as a case manager for the home replacement project was funded with a grant from CCF to the Baker Senior Center.

Taylor's public service experiences give her tools to help remove roadblocks and keep the project moving forward. "I appreciate the opportunity to develop this program to bring new homes to these individuals. My heart goes out to them. Some are terribly alone. We have U.S. Veterans, single women, couples, men and women still working and others retired. At first, all they could do was panic. It is such a natural reaction. Now, we are able to bring some stability—some hope."

Fox and Jacob belong to BSCN, where they learned about and applied for the home replacement program. After Taylor talked to them and several of their neighbors at Moorhead Manor, they completed the application and were thrilled to be selected to participate. "Our family suggested we simply get out of here and move to Indiana to be near them," said Fox. "We made it clear that we had no interest in permanently moving from our Naples home and friends. This program is making it all

> **“First, we lived with the heartbreak, then the unknown, then the stressful replacement process, but there is such relief in knowing that we will be able to live here again.”**
>
> - Moorhead Manor resident Marie Powell

possible for us to soon return to our community.”

Taylor, Connolly-Keesler, and Faffer have been in constant communication, with many moving parts and decisions to be made and many unforeseen challenges emerging. “A clear process and documentation of each step is critical to the success of this initiative and serves as a guide for future programs,” said Taylor. “Fairness and integrity are critical. With donated money, it only heightens the importance of accountability.”

Eligible residents completed applications for the home replacement program, and selections were announced quickly. Each resident was required to purchase flood and home insurance. For some, FEMA has been funding some of those expenses for several years.

The damaged homes have been removed from the lots, and each site was scraped and prepared for new utilities, including electrical and water. To ensure that the properties will be above the flood level to minimize future storm damage, cinder blocks or stilts will be used to raise each home at least 5 feet, depending on the zone. Furniture and appliances have been selected and purchased and now sit in storage, waiting for delivery of the units being built (manufactured) by LeeCorp in Fort Myers.

Fox and Jacob say they are in good spirits while awaiting delivery date updates about their new home. “In Cape Coral, we still see people suffering.... but we are very blessed. Very thankful,” said Fox.

“First, we lived with the heartbreak, then the unknown, then the stressful replacement process, but there is such relief in knowing that we will be able to live here again,” said Powell. “They have been so helpful. They are there for us. Penny has been so upfront, transparent, keeping us informed. We can’t express our thanks enough.”

As the first few families settle into their new homes, CCF will seek additional funding to help other families. “We know there are many more neighborhoods and homes that received significant damage, or are located in low areas susceptible to dangerous flooding,” said Connolly-Keesler. “We will continue our work to make our community more resilient, whether storms, floods or pandemics.”

TOP: Marie Powell is interviewed in her severely damaged home after Hurricane Ian.

BOTTOM: The entryway of one of the new homes that a CCF grant is providing through a collaboration with Baker Senior Center.

Building a *Family Legacy:*

The Power of a Multi-Life Charitable Remainder Trust (CRT)

By Edward E. Wollman, J.D., LL.M., CAP
Board Certified Wills, Trusts and Estates Attorney
Member of Collier Community Foundation's
Professional Advisors Council

Imagine a powerful technique that seamlessly combines estate planning, financial planning, and philanthropy into one. The multi-life Charitable Remainder Trust (CRT) takes the benefits of a regular CRT and enhances them by incorporating "multiple lives."

In this article, we will explore the unique advantages of a multi-life CRT and how it can help you create a lasting family legacy.

Estate Planning: Maximizing Tax Benefits and Legacy Preservation

The multi-life CRT offers a multitude of estate planning benefits. One of the core benefits of a CRT is that it reduces the amount of death/estate taxes on the amount treated as passing to the charity (present value). Additionally, it provides a lifetime charitable income tax deduction and defers capital gains taxes on appreciated assets contributed to the CRT, thanks to its tax-exempt status.

Notably, the CRT not only safeguards wealth but also ensures favorable cash flow, income tax deductions, and income for the future beneficiary. Along with these benefits, it simultaneously establishes a meaningful and lasting legacy for the remainder charity beneficiaries under the CRT.

Financial Planning: Fulfilling Common Goals and Maximizing Returns

A CRT can satisfy the donor's desire to have financial assets left over to take care of the donor's family and leave a legacy. The CRT maintains a steady income for the donor through required annual distributions (minimum 5 percent) while allowing for diversification of investments without incurring upfront capital gains taxes. With tax-exempt status, the CRT enables tax-free compounded growth within the trust and favorable income taxation on distributions.

With a multi-life CRT, you can choose multiple successor beneficiaries, be it a spouse, child, grandchild, or sibling, with a consistent income stream for a specified number of years or even their lifetime. In turn, the donor enjoys an immediate charitable income tax benefit that helps offset taxable income.

Philanthropic Planning: Making a Meaningful Impact

A CRT provides mutual benefits for all parties involved, including donors, their families, and chosen charities. It establishes an irrevocable trust that secures a legacy gift to the donor's preferred charity while allowing flexibility to change selected charities during the CRT's income term.

The multi-life CRT can serve as a catalyst for family philanthropy, fostering a sense of unity and shared values across generations.

Example:

To illustrate the potential of a multi-life CRT, let's consider the following scenario: a donor with a $5,000,000 estate, a spouse, and two children.

The donor's plan entails setting up a revocable trust to provide the surviving spouse's lifetime benefits of $4,000,000, plus two $500,000 multi-life CRTs. Upon the spouse's passing, the revocable trust divides into two $2,000,000 lifetime trusts to benefit the children and grandchildren. Additionally, the two $500,000 multi-life CRTs will provide a steady distribution of approximately $25,000 per year for each child (equal to the 5 percent distribution rate.) This distribution will continue for their lifetime or up to a set amount of time (maximum of 20 years.)

Finally, upon the death of the last non-charitable beneficiary, the remaining assets would pass to the donor's selected charities, ensuring a lasting philanthropic impact.

Multi-life CRT & Donor-Advised Funds: A Perfect Match

In many cases, donors may choose to make the charitable beneficiary a donor-advised fund at a community foundation. By partnering with a donor-advised fund, like Collier Community Foundation, donors gain centralized control over their charitable giving, ensuring flexibility and efficiency. Partnering with the Collier Community Foundation is a sensible way to build a meaningful legacy and make a significant difference in their communities while benefiting from reduced taxes, including estate and gift taxes, lifetime charitable income tax deductions, and deferred capital gains taxes.

By integrating estate, financial, and philanthropic goals, the multi-life CRT may be a powerful tool to consider as you plan your estate.

WOLLMAN GEHRKE & ASSOCIATES®
PA
Where today's plans become tomorrow's legacy

Hidden No More:
Designated Funds and Field-of-Interest Funds

Most attorneys, accountants, and financial advisors are well-aware of donor-advised funds and the reasons behind their popularity. Especially when a donor-advised fund is established at the Collier Community Foundation (CCF), this vehicle is an excellent way for your clients to organize their charitable giving and get even more connected to the causes they care about.

Enter the Qualified Charitable Distribution

Your clients can give nearly any type of asset to a donor-advised fund at CCF. A notable exception, though, is the Qualified Charitable Distribution (QCD). A QCD allows a taxpayer 70 ½ or older to make a direct transfer of up to $100,000 annually from an IRA to a qualifying charity. A donor-advised fund is not considered to be a qualifying charity.

Although donor-advised funds cannot accept QCDs, CCF offers other types of funds that can accept QCDs. For example, designated funds and field-of-interest funds held at CCF are ideal recipients of QCD transfers. These fund types are often overlooked, despite the high value they can deliver to your client and to the community.

What is a field-of-interest fund?

The Council on Foundations defines a "field of interest fund" as, "A fund held by a community foundation that is used for a specific charitable purpose such as education or health research." Perhaps your client is passionate about rare-disease solutions, feeding the food insecure or preserving works of art, for example. Your client selects the name of the fund (family, cause-related or even nondescript) and then, the knowledgeable team at CCF distributes grants from the field-of-interest fund in a way that is aligned with your client's values and charitable wishes outlined in the fund documentation.

What is a designated fund?

Designated funds are defined as, "A type of restricted fund in which the fund beneficiaries are specified by the grantors." These are a good choice for a client who knows they want to support a particular charity

or charities for multiple years. The client names the fund and CCF fulfills the distributions. Made over time, these funds can help the charity's or charities' cash flow planning. Distributions are aligned with your client's wishes set forth in the original fund document.

QCD reminders

For the client aged 70 ½ through 72, a QCD removes funds from an IRA before the client reaches the age-73 threshold for Required Minimum Distributions (RMDs). This can lessen the eventual income tax hit that accompanies RMDs. And for RMD-applicable clients, the QCD counts toward their RMD. In both cases,

the QCD transfers do not fall into the client's taxable income.

QCDs are even more popular now that the $100,000 cap will be indexed for inflation under the new laws. Also, under the new laws, a one-time, $50,000 distribution to a charitable remainder trust or charitable gift annuity is now permitted.

CCF is here to help! We are always tracking the latest news and trends with charitable giving and our team is happy to help you as you serve your charitable clients.

The team at CCF is a resource and sounding board as you serve your philanthropic clients. We understand the charitable side of the equation and are happy to serve as a secondary source as you manage the primary relationship with your clients. This newsletter is provided for informational purposes only. It is not intended as legal, accounting, or financial planning advice.

UPCOMING EVENTS:
Save the date!

PROFESSIONAL ADVISORS BREAKFAST

THURSDAY, AUGUST 24 • 7:30 - 9 a.m.
Collier Community Foundation
1110 Pine Ridge Road • Suite 200 • Naples

featuring
David R. York
York, Howell & Guyman

ESTATE PLANNING COUNCIL OF NAPLES, INC. AND COLLIER COMMUNITY FOUNDATION JOINT LUNCHEON

THURSDAY, SEPTEMBER 7 • 11:30 a.m.
Imperial Golf Club
1808 Imperial Golf Course Blvd. • Naples

featuring
Bryan K. Clontz
Charitable Solutions LLC

PROFESSIONAL ADVISORS INVITATIONAL LUNCHEON

FEBRUARY 1, 2024
Imperial Golf Club
1808 Imperial Golf Course Blvd. • Naples
Stay tuned for more details.

To register or for more information, contact Julie Van Tongeren, jvantongeren@colliercf.org or 239.307.4521.

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1110 Pine Ridge Rd., Suite 200
Naples, FL 34108

Why I Choose the Collier Community Foundation...

As a professional advisor and a local wealth management leader in our community, I have trust and confidence in the great work that Collier Community Foundation does. I know when I refer my clients to them, their charitable needs and goals are in great hands. The Collier Community Foundation can help you leave a legacy, make an impact and transform the community we love.

— Amy Hale
Regional President -Southeast BMO Wealth Management U.S.

You have the opportunity to ensure the future of our community for the next generations. Together we can help you invest in the community you love and support the causes you care about most.

Call us at Collier Community Foundation at 239-649-5000 to learn more.

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