Environmental and Socially Responsible Investing
and Getting the Most Bang for Your Charitable Buck

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James Lange:

Hello and welcome. I hope you're all safe and secure. My name is James Lange, and I'll be your host and one of the speakers on today's webinar. The charitable giving strategies that I will be presenting could help you cut taxes and provide much more money for your children and your grandchildren. They could also deliver substantial bequests to the charity or charities of your choice. But the first part of today's webinar is going to focus on sustainable and socially responsible investing.

The environmental ravages of global warming have already rendered many communities uninhabitable. If nothing is done to limit the emission of greenhouse gases, entire regions of the world will follow suit. Millions and millions of people will be displaced, mobile food supplies will be decimated. This isn't just an environmental threat, it's an issue to all of humanity.

Given the gravity and urgency of this threat and other threats, such as coronavirus, emerging diseases, worldwide hunger, lack of safe drinking water and other immense challenges for humanity, I've wondered what, if anything, could I do about it. Would the impact of investing in environmentally and socially responsible companies make a difference? Should I seek out investments in green renewable energy companies for myself, my clients and my audience, and what impact, if any, will choices like that have on portfolio performance and risk?

So, I wanted to bring in an expert who could provide timely information to all my clients and readers who, like me, are interested in investments that might more closely align with our core values. I asked the people with Dimensional Fund Advisors if one of their top experts would be willing to join me for this webinar, and he agreed. His name is Will Collins-Dean, and he's a

senior portfolio manager and vice president at Dimensional. He serves as the chairman of the firm's Investments Stewardship Committee.

I think that you'll be particularly interested when he talks about the performance, because like many of you, I'd always assumed that we would be sacrificing performance by investing in socially responsible funds, but that's not what the historical results tell us. Will's information will complement my discussion of three charitable giving techniques that can help you get the biggest "bang" for your charitable buck when it comes to benefiting you, your family and your favorite charities.

We begin the webinar with Will and anticipate finishing in roughly an hour. Then I take over with charitable giving and I'll speak for roughly an hour. Both Will and I will entertain a limited number of questions that you could submit in the chat box.

Finally, I'll be offering several valuable bonuses to everyone who stays until the end of the seminar. The first bonus is a hard copy of my new book, "Beating the Death Tax," and I think that you're going to find that very valuable. And we will not only send you the hard copy, but we'll even pick up the postage. The book, by the way, contains literally the best of all my seven previous bestselling books condensed, and it also provides an action plan to defend your family from the dreaded SECURE Act. The other bonuses, which are going to be a surprise, are potentially even much more valuable than the book. Now please join me in welcoming Will Collins-Dean.

Will Collins-Dean:

Alright. Thank you, Jim. I really appreciate being here today, and I'm excited to talk to you guys about ESG investing and Dimensional's approach to ESG investing, in particular. ESG, or environmental social governance, responsible investing, sustainable investing, this is a topic that's gained a lot of interest recently in recent years from investors. With that increase in interest, we've seen an increase in investment offerings, more choices, generally good. However, more choice often means more complexity.

So how do investors identify an approach that's well-aligned with their values? We think first it's important to identify managers that have clear objectives when it comes to ESG, and not only have clear objectives, but are transparent in how they're achieving those objectives and transparent in reporting toward those objectives. After all, how do you measure whether a manager is meeting their objectives without a way of understanding the reporting?

Secondly, it's very important that any approach and pursuing ESG doesn't sacrifice sound investment principles; principles like diversification, cost-effective exposure. These are very important principles whether we're talking about ESG dedicated strategies or non-ESG dedicated strategies.

At Dimensional, our approach is based on decades of financial science. We use insights from financial science to overlay considerations around environmental and social issues, in such a way as to provide meaningful ESG outcomes for investors, but also reliable investment outcomes for our investors. So with that in mind, I'll jump into the presentation. Just share my screen here, and what we'll do is, we will talk about the agenda. So this provides a bit of a road map for the structure of the presentation today.

I understand that many people on the line may not have heard of Dimensional before. So I thought it'd be useful to provide a bit of an overview of who we are, our philosophy, our process, because that is so central to how we are pursuing ESG, as well as some of our more general approaches. So I'll spend a couple of minutes talking about Dimensional as a firm, but also our investment approach. And then we'll move to the topic at hand: ESG investing.

And I think it's always useful when we talk about ESG, to define some common terminology to clarify the jargon, because there's a lot of terminology and this very fast evolving space. So we'll spend a couple of minutes there and then we'll move to sustainability investing at Dimensional, socially responsible or socially screened investing. And then I'll save some time toward the end to answer any questions you guys might have. So, if that sounds good, we'll continue on in the interest of time to just give an overview of Dimensional.

So, this provides a bit of a snapshot high level information here. We've been in business for just a few years now. We opened our doors back in 1981. We're a global asset manager. We have offices around the world, 1,400 employees. We manage over half a trillion dollars in assets [inaudible 00:07:55]. I like to highlight this mostly from the perspective that we've grown this asset base organically, largely through word of mouth. And I believe that's because we offer a pretty unique model and a pretty unique investment philosophy. And that's where this number here comes in; One investment's philosophy.

We have a very unique view of markets and how they work. Namely, that markets do work, that they perform that function well in aggregating information and distilling that into security prices. So this One philosophy is a common thread throughout all of our investment offerings, and it's the only way we invest for the close to 40 years we've been in business. This is our only approach. It's a high conviction approach for us and is an approach we'll stick with over the long haul.

So, what has informed that approach? It's generally informed by a lot of the academic relationships we've had over the years. You can see here that we've had long-term relationships with Nobel Prize winners like Gene Fama, Bob Merton, but also Myron Scholes, who sits on our Mutual Fund Board, Nobel Prize winner back in 1997, and other academics that are leaders in the academic finance/financial science field. And so a lot of the innovations that we've seen over the last 50 plus years or so we've incorporated into our approach to investing, and it's really molded and shaped how we offer solutions for our investors.

So, what is that approach to investing? Well, it's all centered on this idea of the power of markets, that markets represent a powerful information-processing machine. There are millions of market participants every day. There's hundreds of billions of dollars changing hands buying and selling securities and market participants are acting on information and beliefs using past information, current information, but also future expectations about a company's prospects. And so these expectations are impounded into prices, through buying and selling every day. And that's a really powerful idea that you don't have to out guests or out predict markets. You can leverage the combined wisdom of the crowd in trying to assess which companies the market is telling you have higher expected returns or lower expected returns.

So, this is in stark contrast to many of the other industry providers out there that may be attempting to capitalize in market anomalies or mispricing. We're operating in a world where market prices were not relevant or did not reflect relevant information about companies. We might expect to see a lot of opportunity for those types of investors looking to capitalize on, on dislocations or market mispricing.

However, that's not what we see in the empirical data. Year after year, we see professional money managers by and large underperforming the broad market. And ultimately, this is good news, we think, for investors. This means that markets are functioning well, that prices are aggregating information that are reflecting relevant information about a company's prospects. And so ultimately, this is a good thing for investors.

So, the next step is, how do we pull out that information that the market is telling us about differences in expected returns across securities. We can combine information and prices with company fundamentals, to say something about relative returns across securities.

And that's what this next slide is meant to represent, that using decades of academic research, there have been shown to be a handful of characteristics that are associated with differences and expected returns across securities. There are characteristics in equities or stock markets. There are characteristics in fixed income bond markets that are associated with higher or lower expected returns. And all we're saying here is you can observe these characteristics and then sorting companies on these characteristics say something about expected rates of returns across securities. So let me give you an example.

A company's size, which is listed on the slide here … let me get my pen out. Company size here. So what this is, companies that are smaller in size, generally measured as market capitalization, price times shares outstanding. Companies that are smaller in size have offered higher returns than larger companies. Companies that are lower in relative price, trading at low valuations, often referred to as value companies, have offered higher returns than growth companies, companies trading at higher valuations. Companies with high profitability have outperformed companies with lower profitability, controlling for the price you pay. And, of course, the market characteristic, which is just to say that in expectation, stocks are expected to outperform bonds or cash. And we've seen that in the historical evidence as well.

So, what do we do with this information? Like I said, we can use these characteristics to identify higher relative return companies compared to lower relative return companies, but how do we actually put that into practice in our portfolios?

So, I'll start with an illustration here. Let's say you're interested in investing in the broad market. You might purchase the S&P 500 or Russell 3000 Index or some broad-based index that's well-diversified that proxies for the broad market. And generally with those types of approaches, you're going to hold securities at their natural market weight. Larger companies are going to receive a larger weight. Smaller companies are going to receive a smaller weight in the portfolio. And our belief is that, that's a reasonable approach, a reasonable first step, that the market itself has offered investors and attractive rate of return over time. It's cost-effective, it's low turnover, it's tax efficient and so it's a very reasonable place to start.

Now, if you have a view of which companies are offering higher expected returns, versus those that offer lower expected returns like we do, based on those characters we just talked about, the likelihood of experiencing out-performance relative to the market. And it's very simple in order to position a strategy to have higher expected returns, all you need to do is systematically emphasize those companies that have attractive characteristics from an unexpected return standpoint.

So those characteristics which we talked about in the last slide are companies that are smaller, companies that are trading at low valuations, i.e., value companies, companies at high profitability. Those would be represented on the left-hand side of this illustration here as having higher expected returns. Companies that are large, that are trading at high valuations, that have low relative profitability would be represented on the right-hand side of this illustration.

And so when it comes to designing and delivering a solution that has higher expected returns than a market-cap type of solution, just an approach pursuing the market return, all we do is we systematically tilt or emphasize toward the higher expected returning segment of the market and tilt away from the lower expected return segment of the market. So effectively, you hold the entire market, you're just biasing the portfolio toward those higher expected return securities.

Now, I spend an extra minute here really just to highlight this approach, because this is the underlying approach that we use in our sustainability strategies and our socially responsible strategies. This serves as the investment foundation, the chassis, if you will, over which we then overlay considerations around environmental and social issues. So that's why this concept is very important. And we refer to this as our core methodology, effectively holding most, if not all companies in a particular asset class or market, and then having a measured approach of emphasizing those companies that have higher expected returns, de-emphasizing those that have lower expected returns.

OK. So just to summarize, sometimes it's easier to think in relative terms than it is in absolute terms. So often, we're asked, "How do you guys think of yourself at Dimensional? Do you guys think of yourselves as active managers, as quants, as smart beta factor-based investors or something else?" And depending on who you ask, you can get any number of different definitions for what those types of managers may or may not be doing.

We think if you were to boil it down at the end of the day, it really comes down to what are you trying to achieve and how do you want to go about achieving it? If you're trying to achieve market returns, then following a passive traditional index approach, is a reasonable approach. It's going to be low cost, low turnover, tax efficient. But if you're looking to outperform, then you have another decision to make. And that decision can either point you in the direction of trying to outguess or out predict the market. Whether through trying to pick securities that you think are going to outperform or develop quantitative models that are taking advantage of biases in the market or dislocations in the market. Or, you can take an approach like ours, which is leveraging the collective power of markets and then focusing on implementation and efficient implementation and risk control when it comes to putting portfolios to work in the real world.

So that's a bit about Dimensional and our approach. Now we'll shift gears to the main topic of my presentation today, which is ESG investing. Maybe I'll pause for a second as we transitioned to the second half of the deck. Are there any questions that I might be able to address at this point?

Erika Hubbard:

I think we are going to hold all of the questions until the end at this point, if that's OK.

Will Collins-Dean:

Sounds great. So, we'll keep moving then. Thank you. OK. So if we think about … excuse me. If we think about ESG, there's a lot of terminology out there. There's a lot of jargon and it's a quickly evolving space. So depending on who you ask, you could get different definitions for these different terms. But we put together a slide that we think provides a reasonable framework of thinking about these different terms that tend to pop up pretty commonly in the ESG space, responsible investing space.

First is this concept of sustainability. Now sustainability can mean different things to different people, but in terms of just a working definition, we often think of sustainability as referring to leaving the world in a better place for future generations. That's a very broad definition. You can imagine there are a lot of different issues that might fall within that concept, and so having an organizing framework is useful, and that's where ESG comes into play.

ESG just stands for environmental social governance and can refer to a whole host of different issues. I'll just give you some examples. If we think about environmental issues, those may

relate to climate change, global warming, biodiversity, land use, toxic spills and releases, water use, waste management, for example. So those are some examples of environmental sustainability types of issues.

Social, the S in ES and G, can refer to social sustainability type of issues. These are often if we think of human rights or labor rights or equality, justice, peace, diversity, inclusion, those types of issues. But it can also refer to more faith-based areas of concern. So, for example, tobacco, alcohol, gambling, adult entertainment; these types of sin-stock kind of related issues.

And then lastly, the G in ES and G, governance. This is just refers to, if you think about owning shares of a company. By owning those shares in a company, you are effectively an owner of that company. You have a voice at that company. And the idea with governance is that you should exercise that voice to influence positive governance practices for those companies that you may hold. And positive governance practices could mean increasing accountability of boards of directors and management to ensure that they're representing the best interests of shareholders, for example. It could also refer to activities that encourage independence in a board of directors, so that their best positioned to represent the best interests of shareholders.

Lastly, if we think about SRI – that refers to socially responsible investing. This term has been generalized a little bit today and shortened to just responsible investing or sustainable investing. But at the end of the day, it represents an approach. How are you implementing these concepts around sustainability or ESG as part of a practical investment solution?

So, just as there are many issues that can fall underneath the ESG or sustainability umbrella, there are many different methods that managers may use to apply those issues as part of their investment approach. Some examples would be an exclusionary approach. So you would exclude securities that might flag on certain environmental, social or governance issues. It could also be a positive screening approach that you only include those companies that meet certain criteria from an ESG standpoint.

It could be a sort of squishier approach, where you're incorporating or integrating ESG considerations, but it's not necessarily a screening criteria. So, for example, you're evaluating whether to invest in a company. You might look at that company's financials, you might think of the macro economic environment, but you might also think of what risks and opportunities that company might face from an ESG perspective. So these are a variety of approaches managers had employed to pursue ESG as part of their investment approach.

I think the message here at the end of the day is that there's an increasing amount of complexity in this space. And so when it comes to deciding to make an investment, it's important to get under the hood to understand what your manager is trying to achieve from an ESG perspective and how they are communicating whether they're achieving those objectives that they've set for themselves.

So, moving on to Dimensional's approach to responsible investment offerings. We've managed socially responsible accounts and sustainability types of strategies going back many years now, 1980s, we were running separate accounts with social screens, but in the mid-2000s, we launched many of our mutual funds that pursued dedicated ESG outcomes. So our emerging-markets social core launched in 2006, our U.S. social in 2007 and our sustainability portfolios launched in 2008.

So if I were to highlight it from a high level, the two flavors of ESG dedicated solutions Dimensional offers, it would be our sustainability portfolios and our socially responsible or socially screened portfolios. Those two types of portfolios are pursuing different ESG outcomes. Our sustainability portfolio, I generally would refer to as environmentally sensitive in nature, and then our socially screened portfolios, I think of more as a faith based in nature.

So although they pursued different ESG objectives, they are built on the same investment foundation, same chassis that we talked about; that core methodology, where we're systematically pursuing companies that have higher expected returns based on current price information based on company fundamentals. And so they're using the same methodology with just a different overlay on top, because they have different ESG objectives at the end of the day.

So we'll talk about sustainability to begin with, and I refer to this as environmentally sensitive and we'll talk about why that might be. But if we think about the process for our sustainability investment offerings, we're going to start with that same foundation core methodology, very diversified, holding thousands of securities in most cases, systematic, and that we are pursuing higher expected returns in a measured controlled fashion. And then overlaying these considerations around sustainability on top.

So what are those considerations around sustainability? Well, I've mentioned that we've managed sustainability for many years now; 12 to 13 years. And over that period of time, we've consulted with practitioners in the industry, specialized data providers, and also environmental scientists and scientists in the ESG space from Scripps Institute of Oceanography, Greenhouse Gas Management Institute, Climate Impact Lab in Chicago.

So the culmination of many of these conversations has led us to recognize global warming as a primary concern from a sustainability standpoint, and more specifically, greenhouse gas emissions' contribution to global warming. So the objective we're trying to pursue in these portfolios from an ESG standpoint is to reduce exposure to greenhouse gas emissions. Not only current emissions, so those companies that are large emitters currently, but also, we want to reduce exposure to companies that might have future potential emissions in the form of fossil fuel reserves like coal, oil and gas deposits.

How do we actually structure the portfolios to achieve that objective? We acquire data from specialized data vendors. We enrich the data. We augment the data. We integrate that data with our investment process seamlessly into our investment process, and we design a solution

that doesn't sacrifice diversification or expected returns, while also achieving meaningful reductions in greenhouse gas emissions. And that's where the reporting comes into play.

I mentioned it's important, particularly in the ESG space, to have a clear line of sight, that what your manager says they're pursuing and the objective they're trying to achieve from an ESG standpoint, is actually ... they're doing what they said they would do and achieving what they said they would achieve. So from this perspective, we do offer reporting on our public website that's regularly published, that shows the reductions in greenhouse gas emissions that we're able to achieve through our approach. Looking at data from June of this year, these portfolios are generally achieving reductions of anywhere between 60 to 70% greenhouse gas emissions and close to 100% in reduction across potential emissions from fossil fuel reserves.

How are we achieving those reductions? This is the methodology that we're employing for these portfolios. It's multipronged; I'd say it's generally two-pronged. First, we're identifying companies that are the worst offenders in terms of their greenhouse gas emissions and also potential emissions from fossil fuel reserves. These are typically your traditional utility providers, your integrated oil and gas companies that have large amounts of fossil fuel reserves on their books. These would be the worst offenders. The portfolio is going to underweight or exclude those types of companies, and that serves to reduce a lot of exposure to emissions.

Second, we're going to rank companies based on a blended sustainability score, which is primarily emissions-focused, but also includes a few other environmental variables, land use, biodiversity, toxic spills and releases, operational waste, water management. We're going to rank companies using the sustainability score relative to their sector peers and emphasize or overweight those companies that score well, de-emphasize or exclude those companies that score poorly. This serves to also reduce exposure to greenhouse gas emissions.

This sort of tilting approach within sector is pretty unique within the industry, so I'll just mention it very quickly. We actually have patents out on these approaches, which we footnote down here. But it comes with several advantages. By tilting, as opposed to excluding, industries or sectors whole cloth, you are maintaining diversification in the portfolio, which we believe is very important in producing reliable investment outcomes. You're also rewarding companies that score well and penalizing those that score poorly. So it's twofold, reallocating capital to those good eggs and taking capital away from the bad eggs.

Then lastly, if you think about sustainability as a concept, it's a bit of a spectrum. You have clean companies, you have dirty companies, but you have a lot of gray in between. Being able to have this tilted type of methodology, we feel, better represents reality. Lastly, there are a couple of social sustainability considerations, and this would just involve excluding from investment companies that were to flag on some of these social criteria that we mentioned here.

OK, I'll move on to our social screened investing approach. Now, I mentioned that we're starting with the same investment foundation, very broadly diversified, robust chassis to then build these social considerations on top of. Same underlying philosophy and methodology, however,

when it comes to the objective we're trying to achieve with these portfolios, we're looking to screen out those companies that would flag on certain social criteria. I mentioned I referred to these strategies as largely faith-based in nature, and you'll see why. Many of the social screens that we consider here are generally aligned with many religious-affiliated types of institutions. You see your typical sin stocks; tobacco, alcohol, gambling, adult entertainment, among other considerations.

OK, to wrap up I thought it would be useful to not only ... up to this point, we've talked about what we will sell, what we will buy in the portfolio, how we generally position the portfolio in terms of which securities we're emphasizing or de-emphasizing, but there are other things that we do on a daily basis to increase the value of holdings in the portfolio. There's things that we can do beyond just buying and selling and transacting in our portfolios that create value for our investors. Those are mentioned here, but I do want to spend just a brief moment on stewardship because it does relate to the G in ESG. Investment stewardship you can think of as activities related to encouraging positive governance practices in the companies that are held in the portfolios we manage on behalf of our investors.

In particular, if you think about the role of a company board, the board of directors are meant to represent the interests of shareholders, they're meant to oversee management, and they're meant to oversee and mitigate material risks, including environmental and social risks that may show up at a particular company. In our sustainability and socially responsible portfolios, we will vote for shareholder proposals or proposals asking a particular company to increase disclosure around a particular environmental or social issue or take a particular action related to an environmental risk or social risk, we'll generally support those proposals that are aligned with that portfolio's overarching ESG objective. This is another avenue we have in both of these types of portfolios, in our social portfolios and sustainability portfolios, that doesn't involve divesting from a company. It's this notion of active ownership, that by being investors in a company or representing investors in a company, we can influence the practices of that company in a way that's consistent with our investors' values and beliefs.

I can summarize at a high level who we are at Dimensional. We apply financial science to real-world investment solutions. We've been managing ESG-dedicated investments for many years now, and over that period of time, we've learned that it's important to provide transparency and a clear objective when it comes to pursuing ESG outcomes, but it's also very important to maintain diversification, maintain cost effectiveness and efficiency in the portfolios we're implementing so that investors, at the end of the day, have meaningful ESG outcomes alongside reliable investment outcomes.

I'll pause there and see if there are any questions.

Erika Hubbard:

Great. There are some questions, and thanks so much. The first question actually comes from Thomas, and it's about the social screen criteria, "Are they all absolutes? As in, does the

company's activity across the board have to exclude any association with any or all of these criteria, or is there a weighting scheme?"

Will Collins-Dean:

It's a great question. Some of the criteria are any tie, but then some of the criteria are based on level of exposure. I can provide an illustration or example of this. If you think about companies that might sell cigarettes, or produce and manufacture cigarettes, you're going to have multinational retailers that might have some revenue being generated from the sale of tobacco. Generally, we want to consider the materiality, or how meaningful that revenue is, before we exclude a company on the basis of exposure to tobacco, for instance. There are some screens that we have certain materiality thresholds around and then there are other screens that are more absolute in nature.

Erika Hubbard:

Thanks so much. The next question, I'll lump these together because it's also about the social screening criteria. Susan asks, "The criteria listed on the slide are all things to avoid, so what are the positive qualities that would identify a company that would be good to invest with, or simply what are the positive social screens?"

Will Collins-Dean:

Right, so the socially responsible strategies that we oversee are largely negative screened as opposed to a positive-screened type of strategy. Reason being is we want to maintain diversification in the portfolio. If we have a criteria that might reduce diversification, that results in less reliable outcomes for investors. But I would say that we do view the fact that we're holding companies as an opportunity to positively influence the practices of those companies. As I mentioned with investment stewardship, it means you have a voice to engage with directors and management, to vote proxies in a way to ensure that you're encouraging good oversight of some of these social risks. I think it's an opportunity for these holdings in companies that may have room for improvement to actually implement some of those improvements through engagement, for example.

Erika Hubbard:

The next question comes from Dan, who asks, "Does their global social core equity portfolio perform as well as their comparable non-ESG portfolios? It may be that investors interested in this field are comfortable with some difference in returns, but what might be expected based on historical performance?"

Will Collins-Dean:

Right, yep. If we look at the historical performance of these portfolios, over any given period of time, the ESG screens in place or considerations will drive differences in realized returns versus a strategy that doesn't consider those types of ESG screens or considerations. However, our experience has been, over the long run for these strategies, the historical performance has been generally in line with an approach that doesn't explicitly screen for social considerations or environmental considerations.

Erika Hubbard:

Thanks so much. Denny asks, "Can I get a copy of the presentation that you're using?"

Will Collins-Dean:

I might have to coordinate with Jim on that one. We need to talk to our compliance folks.

Erika Hubbard:

No problem. The last question that we have from the live room is Robert. He asks, "If I'm interested in investing in Dimensional's responsible investment offerings, how would I go about gaining access to those portfolios?"

Will Collins-Dean:

I'd encourage you to talk to Jim and his team, very knowledgeable, and we'll be able to assist you as needed, for sure.

Erika Hubbard:

That's great. Actually, I think, Will, Jim had one last wrap-up question that he wanted to ask before we transition into the charitable giving portion of the webinar. I think I'd like to hand it over to Jim here, if I can.

James Lange:

Well, first of all, Will, I think you did a great job, and you did something that might be the first time in history that any speaker has done, which is actually finished early as opposed to going over, so thank you. I did have one question, but as you went along, I wrote down a couple other ones.

One of the things that I love about Dimensional Fund Advisors, and you kind of spoke around that, I kind of think of Dimensional Fund Advisors as, I'll call it, enhanced indexing. In other words, not a pure index approach, but not a stock-picking approach, which I think accounts, and I know we have to be very careful about talking about performance, but let's say that it accounts for what I would consider excellent performance. But one of the things that I love

about DFA is that there are so many companies that are represented in a traditional DFA portfolio. I forget the exact number, but it's something like 10,000 companies from 40 different countries. Does that sound about right?

Will Collins-Dean:

That's about right, correct.

James Lange:

OK. One of the things that I love about that is that that means that you can get some of your additional safety not by having to put money in low-return bonds, but you get some additional safety through that very, very broad diversification and having so many companies represented. My question to you is, do your ESG portfolios have that same type of number of companies, because I know that other socially responsible investment mutual funds just didn't have sufficient number of companies to do this. I don't know if you have a number, but I guess my question is are we going to not only get comparable returns, but also comparable safety, which for many of our listeners might even be more important than getting the absolute top.

Will Collins-Dean:

It's a great question, and I think it highlights one of the foundational principles we talked about, which is the importance of diversification, and that is that it increases the reliability of outcomes for investors. It doesn't eliminate risk, of course, but definitely increases reliability and is also useful when it comes to flexibility and implementation. Your question about the number of names and whether those are comparable if we look across our social and our sustainability portfolios versus maybe non-screened portfolios, if you look at the publicly disclosed holdings across these funds, order of magnitude, you're exactly right. Thousands of companies across many different markets are represented in these funds. I think you'd be hard pressed to identify a solution that's as diversified as ours, and we make no apologies for that. It's a benefit, it's a feature of these particular product offerings. So thousands of companies, it keeps me busy as a portfolio manager managing that many companies across that many markets, but we certainly believe it's worth it from an investment outcome standpoint.

James Lange:

Will, the other thing that I wanted to address is that you mentioned that you use the example of a retailer who include cigarettes as part of their offerings and you might not necessarily exclude that retailer. There's other companies obviously that have various degrees of things that might not be ESG perfect. If you are looking for a fund that is in every way as pure as the driven snow, this is not your solution, but presumably that those types of funds would have so few companies in them that you couldn't get the number of companies that would give you the return and the safety. Is that a fair statement?

Will Collins-Dean:

Yeah, I believe so. Maybe just to clarify, too, when we think about incorporating a particular issue into these funds, we're considering a number of factors. One is can we get good data on it, is it objective and measurable, so that we can provide a reliable screen in place or reliable exposure with respect to a particular ESG issue, is it to meet a large number of investor concerns or considerations, and then lastly, what is the impact on the structure of the portfolio? Is it going to significantly reduce diversification and therefore reduce the reliability of those investment outcomes that we're pursuing? We balance all of these things when we're looking to define the screens and then also balancing these issues when we're thinking about which types of screens we want to put in place to begin with.

But yeah, I'd say if you're going for a whole host of issues and trying to identify those companies that are checking all of the boxes, by definition, that's going to limit your investment opportunity set, which we would hazard against, just in terms of pursuing those sound investment principles.

James Lange:

Question, which might be limited to what you're allowed to say, but historically, and maybe you can give us as general an answer as you're allowed to give, how are the ESG and specifically DFA ESG portfolios, and I know it's hard to compare to the rest of the world, but let's just say compared to other DFA portfolios – how much is an investor sacrificing in terms of return in order to get socially responsible and environmentally sound companies and investment approach?

Will Collins-Dean:

It's a good question. I think we can think of it in two ways. One is sort of theoretical. If you're adding constraints to an investment approach, it's unlikely that you're going to be better off. That's from the theoretical perspective. We've done a ton of research to understand whether the constraints that we're adding to our solutions are binding or not binding, and then we also can rely on past performance history to see what has been the historical track record of these strategies versus maybe the nonscreened strategies, so in other words, the strategies that aren't considering these particular ESG issues. If you looked at the performance history, they're very similar across these socially responsible and sustainability funds, and then their nonscreened, non-ESG counterparts. We've gone to great lengths to design these portfolios, such that investors are still gaining exposure to those drivers that we talked about at the very beginning of the presentation, which ultimately we think are going to determine an investor's long run expected returns.

James Lange:

Well, Will, I want to thank you. I think you did a great job. What I am walking away with it, because you're like me, you're a quantitative guy and you just delved into the issue and you didn't talk about all the wonderful things that this is going to do for the environment and all of the children it's going to save and all the lead that's not going to be exposed to millions of people and all the water that we're going to drink, you just did the quantitative part, which I thought was a perfect and excellent, but what I got out of it is that there are significantly better investment approaches for ESG without a significant reduction in either risk and diversification or return.

I want to thank you again, Will, for doing such an excellent job. One of the reasons why I wanted to have Will on is because I wanted that perspective from an expert and from an insider from DFA. Let me just give just for a minute, what are some possible ways that you can achieve that. What Will did not say is that to get DFA funds, you can't just go to the mutual funds or “US.com” – I'd better watch out if that's a real website – but you can't just get these off the street or from any broker. I don't know the number, it might be 1,500, it might be 2,000, but of the roughly, say, 300,000 financial advisors, only about 1,500 or 2,000 actually are permitted to represent DFA. You have to go through a pretty substantial process before you can become one of those advisors. I am one of those guys and using DFA funds, which we are great believers in, and which happens to be the place that all my money is, my family's money, because we believe in it so strongly.

I'll talk a little bit more about the offers at the end, but there will be a couple offers potentially to work with a combination of me and my firm and a money management firm that works, to a large extent, with DFA funds, not exclusively, but to a large extent. I'll talk a little bit about the way that works. But for people who are interested in potentially having ... unfortunately, we put so much work into it. Our side, as we run the numbers, we do a complete financial plan and we do this on an ongoing basis. It's roughly probably two days of a very highly sophisticated CPA's time, as well as my own, to come up with what we call the master plan. Then we have a money manager using DFA, either socially responsible or a more traditional DFA portfolio, who actually does the money management. He's wonderful. He has his own 40-step solution, all for 1% or less, depending on how much money is invested. We'll talk a little bit about that at the end.

The other thing that I wanted to mention is at the beginning I promised a couple of bonuses. If you are on till the end, we have, I think, some terrific bonuses. I just came out with my newest book, which I think is certainly the latest, but I actually think the greatest, book. I've had seven bestsellers up to now, and I basically took the best concepts, the most important concepts of all seven of them, whittled them down, then took the information from the SECURE Act and said, "OK, what do people have to do now that we have this new law," and I combined all that into one book, “Beating the New Death Tax.” I think it is, again, very valuable for all IRA and retirement plan owners. It is just recently, within literally the last couple of days, available on Amazon for $24.95. If you send an email to requests@paytaxeslater.com, I'll repeat that again, requests@paytaxeslater.com, and include your hard copy mailing address, we will actually mail you a hard copy. We're even going to pick up the postage.

Then there's going to be some additional bonuses that are going to be the surprise bonuses that I think that you will really like. I mean, we basically made it too good of an offer to turn down. The surprise bonuses, by the way, are worth hundreds of dollars, where the first bonus is worth, let's call it, $24.95 plus shipping, but I actually think it's worth a lot more because of the content.

By the way, that book does have three different chapters on charitable giving. That's what I'm about to talk about. I'm going to talk about three different techniques. I'm going to spend most of the time on the first technique, because a little bit like socially responsible investing, where you're not actually hurting your performance, or my case you're not hurting the amount of money that you are potentially leaving your children or grandchildren, but in some cases actually leaving them much more. That'll be a discussion on charitable remainder trusts. We're also going to do a discussion on which dollars to leave to charity. That will be relatively brief but very important. We will also talk about ways that you can leave money to charity from your IRA, where money goes directly from your IRA to a charity. They're called QCDs, or qualified charitable deductions, and we'll talk a little bit about that.

The concept I am most excited about, though, are charitable remainder trusts as the beneficiary of IRAs. Now, the reason why I've never talked about this up until this year, except the only time I've talked about it, as I said, when they change the law, these techniques are going to be really powerful. By the way, I've been talking about this for five years. I was a little bit like the boy who cried wolf, "The death of the stretch IRA is coming, the death of the stretch IRA is coming!" For five years it didn't come, and then finally, unfortunately, I was right. So instead of being the boy who cried wolf, I was Nostradamus because I said, "Hey, this thing is coming."

I have literally two books saying this new death of the stretch is coming, here's what you ought to do about it. I had some things that you could do before the law came, but then this was one of those things that people should only do after the law came. But the new law, it's sarcastically, in my opinion, called the SECURE Act, because I think it's anything but the SECURE Act, is effective January 1, 2020. It is the law of the land.

I am having a problem … wait with me for a second.

Will Collins-Dean:

Jim, just do not touch anything. I got you.

James Lange:

OK, Alright. OK.

Will Collins-Dean:

Give me a second, I'll get you going here. We didn't launch it yet because you were talking. You should be good.

James Lange:

OK, so you're going to do the PowerPoint?

Will Collins-Dean:

No, you're going to do it with your clicker.

James Lange:

Alright, sorry about that. OK.

Oh, by the way, the surprise is blown. Alright. I'll tell you what it is. On February 8th, right before COVID hit, we did workshops on the SECURE Act. We had a three-camera shoot, the highest quality we could. We edited those three workshops. We actually updated them with new information for COVID and for CARES and they are, let's say the latest and greatest. Full, in-person live workshops that we have done, and the bonuses are all three of those videos. Well, we'll give you a digital version that you can use and watch. Literally it is, I would consider, my best work. And yes, there's going to be a lot of duplication with the book and there's some duplication of today's webinar, but I think that those are going to be three great bonuses. In addition to the hard copy of the book, and we'll tell you how to do that at the conclusion of the webinar.

Alright. The SECURE Act basically says, when you die, subject to some exceptions, when you die with money in your IRA, that unlike the old law where your beneficiaries could stretch, or to a large extent, defer the taxes on that IRA for their entire lives, the income taxes on that money will be accelerated, again, subject to exception within 10 years of the IRA owner's death. Now, this is a huge change from what we have known our whole lives, and I actually think it's a huge betrayal. Because for decades Congress has told us, "We are going to give you tax-favored treatment for your IRAs, your 401(k)s, your 403(b)s, your SEPs, your Keoghs, et cetera. Not only for you are we going to let you defer the taxes, but even after you die, we're going to let your beneficiaries, most likely children, grandchildren. It might not be, if you don't have a traditional family. Or even if you do, we will let your children defer.

Then, after many of us in reliance on what the laws were said, "OK, these are great rules. I'm going to sacrifice. I'm going to put as much money as I can afford into my IRAs, my 401(k)s, 403(b)s, et cetera.” Then late in the game, Congress says, "Oh no, we changed our minds. We're going to make your beneficiaries pay income tax on all this money within 10 years of your death." This is pretty, I think, really a betrayal of our trust on the other hand. By the way, I did try to do something with it. I set up a website and a Facebook page and everything else called Save Our Stretch. Obviously, that did not do any good.

So, what is the impact? What's really the difference? You say, "OK, Jim. Instead of my kids, for example, being able to stretch or defer the taxes on the IRA over their lifetime as in the prior law, versus having to pay the income taxes on the IRA within 10 years of my death, what's the real difference?" We actually ran the numbers on that, and then the slide that you see here, the old law or the law up to December 31, 2019, is shown in the green line, which is the top, which basically means given certain assumptions, including dying with a million dollar IRA that your kids, when they're in their mid-80s, your child would have $2 million left.

But under the SECURE Act, instead of having $2 million left when they're in their 80s, they would be dead broke. Just think about that. That change in the law is the difference between your kids having $2 million, which is financially secure, versus being broke. This is an enormous change whether you use these charitable techniques or whether you use other techniques that we also cover in the book. Being passive about responding to the changes in the tax law is really a terrible, terrible solution for your family, and to protect your IRA retirement plan that you work so hard. I'm going to skip over the assumptions, but I will tell you that we've run these numbers until we're blue in the face and we can't stand it anymore.

Shirl, one of the CPAs in my office, she would run every time she saw my face because she knew that I wanted more analysis, more numbers, more insights as to the differences between the law, both for the purposes of webinars, back then in-person workshops, as well as the book.

But there are some important exceptions to this income tax acceleration. The most important exception is, we can leave the money to our spouse and our spouse can do what's commonly called a spousal rollover. We prefer the term a trustee-to-trustee transfer, but let's not get technical about that. The point is, is that, the most important exception is, we can leave the money to our spouse and basically, the rules are the same as they were before the SECURE Act.

The next rule or the next exception are minors. But even that's a limited exception because when the minor turns 21 or 18 in some states, then the 10-year rule starts again. Chronically, in disabled children or adults for that matter, that is an exception. But the exception that I really want to ... oh, and then the other one is, if the beneficiary is less than 10 years younger than us, that would most typically be maybe an unmarried partner or a sibling. But here's the one I really want to talk about, which is the big exception that is not subject to the 10-year acceleration rule of the income after the death of the IRA owner, which is a charitable remainder trust.

Alright? That's going to be the real juice, if you will, for why you can leave money to a charitable remainder trust with your child or children getting the ... it's a special definition of income, but to oversimplify, call it the income from the trust, and at the child's death, whatever's left goes to the charity of your or your child's choice. And your child can actually be substantially, maybe hundreds of thousands of dollars, better off than if you just left it to the child themselves. Well, gee, let's say that you said, "I hate charity." Obviously, this doesn't work for every fact pattern, but it does for a lot.

“I hate charity.” Of course, nobody hates charity. At least nobody on this call, but let's even say that you are much more oriented towards making your family safe and secure than charity. If the fact pattern is right, you can actually leave a lot more money to your family with a charitable remainder trust than if you left the money to the charity outright. When I saw that, when I saw these numbers, I was just blown away. I got very excited, and I'm on a mission because people sometimes say, "Oh, Jim, I've heard you're on a mission to raise a billion dollars for charity. Well, that's nice, but I'm really more interested in my family." Well, this is not at the expense of your family. This is actually, again, not every fact pattern, in fact, not many, but with the right fact pattern actually enriches your children or your grandchildren.

What has really changed, and by the way, charitable remainder trusts were around before the SECURE Act. But what really changed in the SECURE Act is not the rules on the charitable remainder trust, but the rules if you have the alternative, which is the old alternative. Meaning that your kids could stretch the IRA. In the previous slide, I showed that they would still have $2 million given certain assumptions when they were 85 compared to being broke. Well, even this charitable trust can come up with the same benefits to your children as the old law, but that's not an option anymore. We have to do what is new law, and the new law is, the charitable remainder trust with the right fact pattern are extremely beneficial.

OK. I would say you say that you almost have to at least take a look at it. If you want to look at it, think about it, see all the downsides, I'm going to try to be fair and talk about the downsides, and then eliminate it, that's great. But I don't think it would be good, particularly for people who have maybe a million dollars or at least maybe $750,000 or more in an IRA to not at least consider it as the beneficiary of your IRA. By the way, this isn't something that you are committed to. This is a beneficiary form, and you can change it as many times as you like.

The other thing is, if you are married, I still want to name your spouse as the primary beneficiary. Everybody wants to do everything they can to maintain the safety and financial security of themselves and their spouse while they're both alive, and if we can pass money on to children and grandchildren in a very tax-efficient way, and charity gets a lot of money, that's even a bonus. But by the way, first, we're talking about leaving money to spouse. Then again, this is completely, the legal word is revocable. Meaning you can change your mind as many times as you like.

You're going to say, "Well, gee, this sounds great. Family gets a lot more money. Charity gets a lot more money. This sounds like a win-win. If this was a zero-sum game, who's the big loser in this game?" Well, that's the Internal Revenue Service, and I don't feel bad for them.

Let's take a look at some of the numbers, and then we'll talk about why the concept works. Because it doesn't sound like it should make sense that your kid gets more money and the charity gets more money. We'll talk about why in a minute, but first, let's take a look at the numbers.

What do you see in the graph here shows where your kids or child will be comparing leaving money to the trust versus just leaving it to them outright. Right now if you leave, let's say a million dollars in an IRA outright to a child, remember, under the SECURE Act, that child must pay income taxes on that full amount and the growth on that amount within 10 years of your death. Obviously, that child is starting with not a million dollars, because they're paying tax on it, but they're starting out relatively well compared to somebody who is getting the income from the charitable remainder trust.

The breakeven point, depending on which assumptions you use, and I'm not going to get too technical, probably around age 67. Meaning, if the child lives till age 67, given certain reasonable assumptions, it's about a tie. Whether you're better off with a charitable remainder trust, you're leaving it to your child outright. But what if your child lives beyond age 67? What if he lives into his 80s? Well, again, given certain reasonable assumptions, your child would still have $465,000 if you left the money to a charitable remainder trust with your child getting, and again, that special definition of income versus if you just leave the money to the child outright. In which case, if the child makes it that long, he would be broke.

Let me talk about some of the disadvantages. I'm not here to sell charitable remainder trust. I'm here to educate and to, let's say in a broad sense, help you determine if this is something that you should consider, or if it's something that is A, a slam dunk Yes, or B, a slam dunk No. How can you get hurt by doing this strategy? Because I think that that's fair. Well, the way you get hurt is if your child dies young. If you say, "OK, I'm going to leave my IRA to a child," and the, again, oversimplified terms of the trust or the income from the IRA or the ... I'm sorry, the income from the charitable trust goes to the child and at the child's death, the remainder goes to charity, what happens is, if the child dies young, let's say he just took out a couple years of income then he dies. Then all that money goes to a charitable trust. In which case, your family's worse off.

Matt Schwartz, our veteran estate attorney said, "Hey, people will never go for that because if their child dies young, what about the grandchildren? What about the rest of the family, et cetera?" That is a very valid objection. The way we answer that objection is, potentially with life insurance on the child. Again, I'm not talking about a big, expensive, whole life or permanent policy. Just a term policy to cover the family, protect the family of the child up until, let's say the breakeven point. Let's say the child is in his mid-40s at the time of your death. You could get, say, a 20-year policy that would cover the family for a 20-year period in case the child dies young for minimal costs. If the child doesn't die young, but dies much later and they're $460,000 better off, well, obviously, you're doing a lot better.

Alright, let's keep going with disadvantages. There are still accounting costs that have to be considered when you are talking about charitable remainder trust. Matt reminded me, he said, "Jim, for 30 years you've been telling people, 'Try to keep your estate plan as simple as possible while preserving all the tax-saving features and getting the money where you want it to go.' Now, you're introducing this charitable remainder trust, which" ... again, this is the downside. This is going to be after you, and if you're married, your spouse are gone. This charitable

remainder trust must file a tax return every year. That tax return is going to include a K-1. That K-1 will become part of the child's personal income tax return.

You need a trustee for this trust, and for some people, that's enough. “OK, I've heard enough. Don't want to do it.” And that's fair. By the way, that's another reason why you have to have a certain amount of IRA per beneficiary or the administrative costs are just going to be way too high. To pick a ridiculous example, if you had a $100,000 IRA and 10 beneficiaries, and we wanted a separate trust for each beneficiary, the administrative costs would way outweigh any tax or charitable benefits. Ideally, you'd have a million dollars in an IRA in one beneficiary, in which case, the benefits of the trust far outweigh the administrative aggravation. A lot of people are going to be in between, maybe 1.2 million and, let's say two beneficiaries.

There isn't a hard, fast line. The only thing I'm bringing up is that you have to take into consideration the additional complications. By the way, drafting the charitable remainder trust; well, of course, we're state attorneys. Only licensed in Pennsylvania, by the way, but we can still get involved in people's estate plan, but we're not allowed to draft. We're not allowed to be the attorney of record for people who are residents outside Pennsylvania. But again, we're allowed to consult. We're allowed to review. We're allowed to recommend attorneys, et cetera.

But anyway, the drafting part is the easy part. Or at least we think it's relatively easy, because we do it. But the, and I won't even say difficult part, but the burdensome part is going to be doing the trust income tax returns for what might be 20, 30, 40 years. So we have to take that disadvantage. So we have the disadvantage of the child dying early, which again, my answer is cheap term insurance until, let's call it the breakeven years. The second disadvantage, which I don't have any easy answer to, is the administrative aggravation. The answer is, if you save enough money for your family and we direct hundreds of thousands of dollars to charity, it might very well be worth some administrative aggravation.

Now, the other thing you're saying is, "Gee, Jim. I'm looking at this chart and you're saying that the child's going to have $465,000 more money if I leave it to a charitable remainder trust than if I leave it to the child outright. How is that possible? If I leave it to the child outright, shouldn't the child have more than if the child is only getting a certain income from the charitable remainder trust?" I think that that is a 100% valid point. Without getting too deeply into the math, let me at least talk about the general rules of the math. I'm going to oversimplify and the purists are going to say, "Your example isn't pure. It's not really exactly the right example." I would agree with them, but this is the easiest way that I can simplify it.

Under the SECURE Act, your kids are going to have to pay income taxes on the IRA within 10 years unless they're disabled or chronically ill or a few other exceptions. But let's just take the normal case, healthy adult child. Alright? Think of it simplistically. You leave them a million dollars. Now yes, there's going to be growth on that million dollars during that 10-year period, but let's keep it simple. Forget about the growth. They're going to have, let's say maybe a $350,000 tax hit on that million-dollar IRA bequest. So they're only going to have maybe 6 or $650,000 left on that. Let's keep the math simple, let's call it 600,000. Let's say that they're just

taking in effect the income from that, and let's say that the income is roughly 6%. You have 6% times the 600,000, or they're getting $36,000 a year.

OK? Example Number 2. We have a million dollars going into the charitable remainder trust. But if you remember, the charitable remainder trust is one of the exceptions to the income tax acceleration. So instead of getting income on 600,000, your kids are getting income on the full million. Again, let's use 6%. 6% times the million isn't 36,000, but it's 60,000. So which one is better for your kids? A $36,000 income, but the right to go into principle whenever they want, or a $60,000 income that ends when your child dies? Again, the result of that is this graph that shows, if your child makes it to his mid-80s, he's going to be $465,000 better off. If he lives longer, he's going to even be better off and the charity will take a little bit of a hit. But again, if he dies early, then the family's going to take a hit, which I'm saying should be offset with insurance.

But that, to oversimplify, is how the math works and how you can leave money to a charitable trust, have your kid get hundreds of thousands of dollars of additional money, and then when your child dies, then that money, whatever's left, goes to the charity of either your choice or your child's choice. It could also be some combination or a number of charities. In the interest of keeping things going, because I tend to be overly verbose, I'm going to skip the assumptions. But basically the difference is $465,000 or, and I said mid-80s. I forgot, it was actually age 81 when your child would run out of money if you just left it to your child directly.

OK. I've just kind of used the generic charitable remainder trust. There are a whole host of variations of charitable remainder trust. There's the one that we tend to favor, which is one of the simpler ones, which is a charitable remainder unitrust. That is where the child gets a certain percentage of the corpus, or the principle, of the trust every year. That way, if the trust is invested primarily in stocks and the investment does well, then the child will typically get a higher annual amount. You could also have a CRAT, which is a charitable remainder annuity trust, where the child gets a certain amount regardless of investment performance every year.

You could also have something called a NIMCRUT, which is a charitable remainder unitrust with makeup provisions, which means that a child will have some flexibility as to perhaps not taking all the income one year and maybe taking additional income a different year. Another variation is, it doesn't have to be for the child's life. We did one trust where the child had a reduced life expectancy due to health issues, so rather than leaving the income, or again, this special definition of income to the child for life, we just said, "OK, we're going to leave that for 20 years." That way, since 20 years was less than the child's life expectancy, we could afford to give that child even a higher annual income distribution.

This to me is a very, very exciting process. Again, we actually hope, and we don't think it's all that unrealistic, that about 2,500 people see the value of this approach and do it. Again, it's not going to be for a long time. It's basically when your child dies. But basically, that'll be a billion dollars to charity. Again, this isn't one of those things where it is at the expense of your children

or grandchildren. Given the right fact pattern, which has high IRAs and not many, many beneficiaries, it's going to actually enhance the benefits to your child or children.

I have two more techniques that I certainly want to get to, but because is one of the ... this is the newest one, or at least newly important technique. This would probably be a good time to see if there are any questions from the live room before I go onto the two additional techniques. So I'll ask Erica, do we have any questions at this point from the live room?

Erika Hubbard:

Do you have questions from the live room about this strategy? The first, it comes from Fred who said, "Why not just buy life insurance with the IRA for legacy? Life insurance is tax-free for legacy."

James Lange:

Well, Fred has suggested an alternative. I don't want to diminish the effectiveness of combining life insurance and IRA and charitable planning. Very frankly, living in the real world, most clients that I work with are naturally resistant to life insurance. If I had named this webinar, How You Can Benefit Charity Through Life Insurance, I'd have about three participants. So, I don't want to say that that isn't a good strategy.

In certain situations and fact patterns, it might be a better strategy. That's one of the reasons why part of our offering for assets under management clients, or our $7,500 financial master plan, we actually compare it and we can say, "OK, Fred. Here's using the charitable remainder trust without life insurance. Here is a strategy where we are using life insurance. Here's a strategy where we're combining Roth IRA conversions and life insurance. Here's a strategy where we're combining charitable remainder trust, life insurance," et cetera.

To me, I think that Fred has given us a good alternative that doesn't appeal to a lot of people. And very frankly, in many fact patterns will actually not be as advantageous as this charitable remainder trust. But I don't want to take away from Fred's suggestion because there are a whole host of very good strategies for IRA owners to incorporate life insurance. In fact, I have a coach and that is his big thing. I wanted to incorporate all the... let's say, the techniques. On the other hand, there's only so many things I can cover. And the other thing is to be very honest with you, I would not call myself a veteran expert in combining insurance and IRAs, although certainly, one of the things that we have been looking at, we've actually been doing in practice for probably more than 20 years, is something called pension rescue.

And what that is, is you take maybe one or 2% of the IRA, you withdraw that amount, you pay taxes on that amount, and with the proceeds of the after-tax dollars from the IRA distribution, you can buy ... some people do a first -to-die, we've more traditionally done a second-to-die, life insurance policy. And we show that the beneficiary is far better off, and that allows some money for charity also.

So I am aware of that and a whole bunch of other charitable techniques, but I don't want to say that in all variations that's going to be much better than what I've presented. But, to be fair, I don't want to say that what I've presented in all variations is going to be better than an insurance-based solution.

Erika Hubbard:

So the next question from the live room, it comes from Bruce, who asks, "Who controls the investment content of the charitable trust?"

James Lange:

The question who controls the investments of the charitable trust, and that's going to be the trustee. Now, I'm going to get myself in trouble because, of course, most charities are going to want to, or they already are in many areas, as in charitable annuities and things like that. But if you want the biggest bang for your family, and charity to benefit, I tend to prefer family members as the trustee. And by the way, I'll also extend that to executors and trustees of other trusts and minors trusts and special needs trusts, et cetera.

I've had too much experience, and I don't want to name any of the big banks, but I'll just say I've had too much experience with the big banks and the big trust companies where I see huge fees and not necessarily the highest quality work. The other problem with naming the corporate fiduciary is if they're not doing a great job, they have all the power.

If you name a family trustee and, let's say, you name a sibling, a cousin, somebody in the family, and obviously that family member might not have the technical expertise to prepare the tax return, to do the investments, et cetera. If the person doing the investments isn't doing a good job, either in terms of performance, or reporting, or whatever reason, the family member can fire that advisor and hire somebody else. If the attorney is messing things up, he can fire the attorney and hire somebody else. If the CPA isn't getting the taxes done right and on time, he can fire that CPA and hire a different one.

So I like to keep the power in the family. The direct answer to the question, though, is it is the trustee of the trust that determines these issues like investments, and who to hire to prepare the return, et cetera.

Erika Hubbard:

So Larry asks, "What are the percentages yearly, and end requirement for charity?" So I think he's asking what percentage of the CRUT needs to go to charity?

James Lange:

OK, now we're getting into little technical stuff that I was hoping to avoid, but I'll take on all questions. So now we're going to get a little technical, but hopefully that's OK. At the time of death, assuming that you want the most money for your family and the least money for the charity, that in order to qualify for these rules for the charitable remainder trust, the charity must get at least 10% measured in present value of the bequest at the child's death.

So let's say it's a million dollars, and basically what it would say is you figure out the distributions to the child using what's called a 7520 rate, which is a government rate, which right now is very low, which is actually very favorable for the child and not so favorable for the charity, and you work backwards and say, "OK, how much money in terms of a percentage can I leave the child?"

Obviously, an older child or an older beneficiary is going to get a much higher percentage, but it can't be more than if the actuarial calculation is accurate, which it probably isn't because the 7520 rate, I think it's around 2%, it's something very low. It's something that your investments should be able to substantially outperform over time. But the charity must get 10% of that.

So, I just basically oversimplified and call it an income. But actually when you look at it, the numbers that we're arriving at in practice are sometimes 7, 8, 9%, which is, if anything, one of the fears is if that amount far exceeds the investment returns, the charity might not end up with anything, and it's potentially possible that the child would actually run out of money because their distributions are so high. And there's ways that we can, let's say massage that issue. But to oversimplify, it would be at a higher rate than you would probably expect.

Erika Hubbard:

So for the next question, Larry and George had a very similar question. So the basic premise of the question is, "Approximately what are the yearly annual administration costs for a $1 million CRUT with one beneficiary?"

James Lange:

Well, I don't want to sound like an attorney, but that depends. Let's say that for discussion's sake that you name your child as your beneficiary, again, $1 million, one beneficiary, and you name your nephew as the trustee, and your nephew really gets along well with your child. He happens to be very good with taxes, he happens to be very good with investments, and he does the investing himself. He does the tax return himself. Well, theoretically the cost could be zero.

I don't think that's too realistic. It's not a real easy return. So I don't want to put ... alright, I will put a number. I'm going to say it's going to be roughly a $1,000 to do the return because you have to do the tax return for the CRUT, you have to do a K-1 for the CRUT, and that's going to, to some extent complicate the life or the tax return of the beneficiary.

And I think to think about it in terms of much less than 1,000, maybe even $2,000 a year for accounting is probably not too much. Then in terms of the trustee, what we have found in practice is we often get family members who will waive the trustee fee.

If you use a corporate trustee, they're going to maybe charge 1%. You might end up with a charity themselves that is willing to act as a trustee, but then again, they're not they're not going to draft in a way and give advice in a way that is going to be the best for the beneficiary, that is the income beneficiary, they will more likely favor the charity itself. But let's call it between 1 and $2,000 for accounting, and the administration could vary widely.

Erika Hubbard:

So the next question comes from Joseph, and he asks, "Can a charity administer the trust?"

James Lange:

Well, the charity can, right now, you see a lot of charities that are doing this with the charitable annuities, where you give us a certain chunk of money to the charity, and by the way, this is typically not an IRA strategy, this is typically an after-tax strategy.

So, let's say that you bought Apple when it was a dollar or whatever it is, it's very, very highly appreciated. One of the charitable strategies is a charitable remainder trust. This is actually with you as the income beneficiary. And again, if we draft it, we're going to draft it in such a way that the charity is going to get in effect the least, and you're going to get the most assuming that's what you want. So you would get 90%, the charity would get 10%.

If the charity is drafting it and administering it, they're going to take a much bigger chunk of the pie. By the way, that's maybe what you want. And maybe you don't want to hire an accountant and a CPA and a trustee, and maybe it's well worth the difference to you, but I would say that if you're going for what I would call the biggest bang for your charitable, bang being for the benefit of your children and beneficiaries, the administration costs, particularly for a larger IRA, is not all that high relative to the potential value.

Erika Hubbard:

Great. And the next question comes from Robert, who asks, "Does a CRUT apply only to beneficiaries who are children? What about nieces and nephews?"

James Lange:

Nieces and nephews are fine. I just use children because that is the most common. The only difference that I would see is by the way, you get a little bit of a charitable break, but if you use our assumptions, you're still basically leaving 90% of the value to ... at least for Pennsylvania, and that's a linear layer, which is 4.5%, percent and nephew is [inaudible 01:37:49] layer, and it

was a 12.5% … or is it 15% for a niece and nephew? But anyway, the PA inheritance tax is going to be higher. But other than that, it wouldn't make any difference.

Erika Hubbard:

And Brian asked, if using Roth rollovers as a tax minimization strategy, how do you determine how much is reasonable to leave an IRA versus roll over to Roth. I'm not sure, this might be implying some assumption you want to leave something in the IRA to create a CRUT, or it might just … I'm not sure.

James Lange:

Well, this is one of those ... I'm going to sound like an attorney and say it depends. In the real world, people tend to not go 100% all in, forget the Roth, I'm going to do 100% percent of the money to a charitable remainder trust nor will they likely do, well, I want every cent converted to a Roth IRA before I die, although some people do have that goal.

The right answer is going to be one of those "it depends," and one of the unique features of our firm is we actually run the numbers. So let's say that we say, OK, let's take a look at an all Roth, no charitable solution and see where the kids are 30 years after your death. OK, let's call that variation Number 1 ... actually, variation Number 1 is usually the status quo. No Roth conversions or no additional Roth conversions, no charitable remainder trust where a kid gets clobbered in taxes, let's see where the kid is.

Then let's say that we just look at Roth strategies and we see where the kid is. Then, and by the way, that might be five or six variations or more, we might do big strategies early, I would maintain now's a great time to do Roth conversions, different topic for a different day, but we have the lowest income tax rates ever.

And I don't mean to be political, but I think these rates and they haven't ... they were much, much higher as recently as 2017. They're the lowest in history. If we can do Roth conversions while A, the tax rates are low, B, the investments are low, now they've come back some, but they haven't gone back to where they were. D, while you're both married, you both get filing jointly in your lowest rates and no minimum required distribution from the IRA this year, thanks to CARES.

So, this is a great time to look at Roth, and I'm certainly not going to exclude Roth IRA conversion analysis because I'm excited about the charitable trust. The other thing that's nice about a Roth IRA is it's going to give your kids something more than just the income. What if the kid needs a down payment for a home? What if the kid wants to get married? What if the kid wants to send his child to private school when the income from the CRUT isn't sufficient for that?

Well, it's again, I can't think of one example where the only thing the kid got was the income from the CRUT, you have to, I believe, come up with a balanced solution. And in terms of how much of a Roth, how much of a CRUT, how much of the traditional IRA, how much after-tax dollars, how much should you convert to a Roth? And we're going to get into a little bit which dollars go to whom; you never want to leave a Roth to charity, for example, it just doesn't help the charity like it helps your kids.

That's going to be an issue by issue approach. We do that by ... and it takes about two days of analysis of what we call running the numbers, the starting point for somebody who runs the numbers is a federal tax preparer who then goes on additional training, both outside our firm and inside of our firm to learn how to run the numbers is a much more manual process than you think.

You would think today with all the software you just put in a bunch of inputs and hit maximized and ... it's nothing like that. It's more like interpolation. Let's try this. Let's try that. Let's try this. Let's try that. Let's try this. And that is part of our offering. So if people choose to invest with the combination of us and the DFA money manager, either using traditional or socially responsible funds or some combination thereof, that is part of what we do, which is a huge undertaking the first year, and then we update it every year.

We'll talk a little bit about our offer, and you could imagine that there's a lot of work involved for us. We split fees with the money manager, and that's why we have a million-dollar minimum, subject to some exceptions. But the long answer to the question is that is a running the numbers approach.

And by the way, for people who would rather have a root canal than pay an advisor an annual fee to manage the money and oversee the strategies, at least at this point, we might get too busy, but at least at this point, we are doing the strategies only for a flat fee of $7,500.

So again, how much Roth? How much charity? How much charitable remainder trust? Is life insurance part of this deal? And I would also say that the ultimate solution for most people that we come up with is going to be some combination of head and heart, meaning we run the numbers, but that doesn't mean that you are required to do the strategy that the numbers look most favorable.

So, for example, we might want numbers where an insurance solution is very attractive and somebody says, "No, I don't like insurance." I'm not going to argue, fine. We're the advisor; it's our job to give you really good information and what tends to happen, particularly the type of people that we attract, which tend to be pretty intelligent people. I sometimes joke when I'm actually serious saying that we have the smartest clients of certainly any firms that I know, and I've been exposed to thousands of firms because I speak all over the country to CPAs, attorneys and advisors.

But anyway, the solution also has to pass the stomach or the heart tests. So, that's what we try to arrive at, which I think is perhaps the biggest distinguishing factor between us and a more traditional asset under management firm that tends to concentrate on performance since we use DFA's basically … Will didn't say this, but it's basically what I would call an enhanced index.

So they're going to overweight the areas that have traditionally outperformed, but they're still going to summit. They're not stock pickers. So from that standpoint … so we're not spending time on that. And the money manager, he gets to spend his time on some overlap with us, tax strategies, et cetera, but then also he has 40 other things that he goes through and he runs the numbers more for investments rather than tax strategy and the combination of him doing that, he's a wonderful manager, his name is Adam Yofan, who works for a great company called Buckingham, and Buckingham based not 100% percent, but a very good chunk, usually maybe 70 or 80%, sometimes more of their portfolios are going to be DFA funds, again, socially responsible or traditional. The vast majority of our clients, by the way, are in traditional and not socially responsible, and that might be because they assume that they would be taking a big hit in performance. But anyway, too long of an answer to a question, but I hope that that helps.

Erika Hubbard:

One more question from the live room on this strategy and in your long answer to Brian, I believe you touched on the answer to Kurt's question when you talked about leaving Roth IRAs to charity not being a viable strategy, but I'll go ahead and ask a full question for you. Kurt asks, "If all you leave your kids is a trust that only has a Roth IRA as the only asset, all the distributions and the income are technically tax-free at the time of distribution?"

James Lange:

So let's forget about charitable remainder trust for a minute and let's say that you leave your child a Roth IRA. And unless for discussion's sake is a million-dollar Roth IRA, and keep it even simple, that's all you have. Well, I'm not looking for charitable solutions at all, unless you're fantastically ... actually, if you're a fantastically charitable, you shouldn't die with a million-dollar Roth IRA, but that's another question.

So let me just quickly review what happens to an inherited Roth IRA under the new law. Yes, that money is income tax-free, and yes, the distribution of that money, including the growth, is tax-free. So now we have a different strategy for a child inheriting a Roth. Let's say the child doesn't need the money, at least doesn't need the money for 10 years.

And let's say you die with a million dollars. Let's say that the child invests that million-dollar inherited Roth IRA in an investment that averages 7%, and using the rule of 72s, the money doubles in 10 years. And now we have $2 million in inherited Roth IRA 10 years after you're gone.

At that point, the money has to come out of the inherited Roth IRA, there's no income tax either on the original million or even the growth on that additional million. But at that point it just becomes a plain old brokerage account and the dividends, taxable dividends, interest, et cetera, does become taxable.

That's a much different strategy than if you leave somebody a million-dollar traditional IRA, because if they wait 10 years and they take the whole thing out in 10 years, which by the way they're allowed to do. Now they have to pay income tax on $2 million, which is going to push them into the highest bracket.

So it's probably going to make more sense to take out strategic distributions every year. And as much as I would love to keep going, I am already getting short shrift to the two additional strategies I do want to move on. So at the end, again, I'll review some of the bonuses or I'll review some of the offerings, but I do want to move on to the additional strategies.

The next one, when you hear it, you're going to say, "Oh gee, of course, that makes sense." But I will tell you when we are putting together a proposal to do so somebody's will or retirement plan, and now we become a much more national practice, we always look at the person's existing wills, trusts, estate planning documents. And I would say, with all due respect to our state attorneys, they botch this, I'm going to say 95% of the time.

So let's keep it simple. Let's say that you have IRA money and non-IRA money, and maybe some Roth money, too. And let's just say the total of everything is a million bucks, and you want, and typically people are charitable, not at the first death, but usually after both deaths. So after my wife and I die, I'll leave a $100,000 in my will or in my revocable trust to the XYZ Charity.

So think about this. You're leaving a $100,000 in your will or in your revocable trust, typically again, after both spouses are gone, and maybe there's a little bit of a tax savings, but basically your family's taking a $100,000 hit, meaning that's $100,000 less than your family would otherwise get.

Alright, let's take the exact same fact pattern. Again, any combination of IRAs, retirement plans, Roth IRAs, and you want to leave $100,000 to charity. Don't put it in your will with after-tax dollars. Don't put it in your Roth IRA with tax-free dollars, put that in the beneficiary as part of your traditional IRA.

So the beneficiary of your traditional IRA says after my wife is gone and after I'm gone, please take $100,000 from my traditional IRA. Remember, nobody has yet paid taxes on that traditional IRA. That $100,000 goes to charity. The charity doesn't pay tax on that $100,000, so the charity's getting a full $100,000.

Now, how much is your family giving up? Well, yes, they're giving up $100,000 in an IRA, but $100,000 in an IRA, is it worth $100,000? Depending on their tax rate, it might be worth $60,000. It might be worth $70,000. So that's a very, very easy switch, but hardly anybody does

it. We've been doing it for over 30 years. I don't understand why everybody isn't doing it except that these attorneys, with all due respect, are not thinking.

I don't want to go on not about all the problems that I see with other people's wills and estate plans, but there's very few I'm happy with. And since we're only licensed in Pennsylvania, if I work with somebody from out of state, I typically say “Well, this is what the change should be,” and maybe we help them find the state attorney or we work with their existing one. But I'll just say that this is one of the areas that is really simple.

I mean, you don't have to talk about the five conditions in order to qualify as a designated beneficiary or the exact right language of the charitable remainder trust, or all the more sophisticated estate planning issues that we get. This is a simple, alright? Leave your IRA, or leave your charitable deductions and bequest, not in your will or your revocable trust or Roth, use that as a portion of the beneficiary of your IRA.

Again, the big loser in this one because your kids are going to get more, the charity is going to get the same, or you can say, "Well, gee, since the kids are not taking a tax hit, I can move forward to give the charity more." The big loser again is the IRS. OK. So that's the quick, easy one.

And by the way, let me just mention one thing. Our approach to estate planning is, most people start by, “How are we going to cut up the pie? What percentage goes to who, how are we going to do this?” That's not my beginning portion. My beginning thought is how do we make the biggest pie? And by the way, the planning has changed radically in the last year.

Last year through a series of disclaimers, which is another topic for another day, we disclaimed very often a million dollars or more of IRA money to children and grandchildren at the first death, saving the family maybe a million dollars or at least hundreds of thousands of dollars, because that made a lot of sense.

So, it made more sense to leave children IRA money than after-tax dollars. These days, because the kids are going to get nailed with taxes within 10 years of your death, if you're going to have some children get money at the first death, you typically want that to be after-tax dollars. And our approach is, we just don't know what the law is going to be, what the situation is, so we prefer for at least traditional families – original husband, original wife, same kids; we call it the “Leave It to Beaver” families – we prefer a more flexible approach.

But again, so we want to start by making the biggest pie possible and just changing who gets what, like we just did a minute ago, we just made a bigger pie. We just created an extra 30, $40,000 for the family and kept the same amount for the charity. So that's another one.

Alright. So the last one which is going to get the least attention just because of time and probably because it's been around, and I don't necessarily have anything new, is the QCD, which is a qualified charitable deduction. So that's where money comes directly from your IRA

and it goes directly to the charity. It's not taxable, but you don't get a charitable deduction. And what's interesting ... it's not taxable, but you don't get a charitable deduction. And what's interesting is you can even do it this year or when there's no minimum required distribution. And since the itemized deduction ceiling is higher, it often saves a lot of money. So we are big fans of QCDs. Now again, it's administratively if you give $10 to this charity, $10 to that charity, it's going to drive the administrators nuts. But assuming it's a decent amount of money, we are big believers in QCDs. By the way, in quote, a normal year, if there's such a thing, that will satisfy, at least partially, your minimum required distribution.

You have to be a little careful. This is basically 501(c)(3)s. The charitable annuities ... and I know Fidelity has one, Vanguard has one. There's a whole bunch of them. They actually don't qualify. It has to be a 501(c)(3) charity. And the limit is a $100,000 per IRA owner. If you're married, it's $100,000 each, but it has to be $100,000 from each IRA. So you can't take 200,000 from one IRA, and the spouse's IRA is untouched. And let's say the wife has a million, the husband has $100,000 ... I'm sorry, 50,000, you can't take more than 50,000 from the husband's and $100,000 from the wife's. OK. And again, it lowers adjusted gross income, and that has some other flow through benefits to the tax return. You can save, potentially save on Medicare Part D, you could potentially save on Roth IRA conversions. I love combining Roth IRA conversions and charitable trusts, and charitable trusts or just direct bequests to charity. So lots of potential there.

OK, so couple things, as you might expect, we are offering the chance to potentially work with some combination of me, my firm and, again, this money management firm. Buckingham is the, in effect, boss of the money management firm. That is the firm. They are a, depending on how you define it, either a 35 or a $50 billion company. They are wonderful. I've met the CEO. I've met the main players. They are as ethical, and they have as much of a fiduciary way of practice as I have ever seen. They are just terrific. The Pittsburgh representative is a guy named Adam Yofan. Adam is sharp. He's so on top of it. He's a CPA. He's a CFP. He's been doing this for, I don't know, 25 years. Buckingham has this wonderful approach that they like their clients to go through. Adam does that, and he does so much more, and he does tax-loss harvesting. And he's just terrific.

We switched from somebody else, and my wife just is so much happier. And the investments are great. And let's say that you had never met me before, and you just were typing “low cost, enhanced index funds” or you heard something and you heard, “Well, OK, who's the DF guy in western Pennsylvania. Oh, OK, Adam Yofan.” And he has a certain rate schedule, which to oversimplify, don't quote me on this, but it's roughly, maybe 1% on the first million. And then over and above that, it becomes lower and lower, down to maybe 50 basis points on a couple million. But anyway, that would be his fee. And that would be a great deal in and of itself.

Maybe we can put up the portion where people can sign up for this consultation. If you go to me first, you get us to run the numbers. You get us to do the master plan. You get us to do all these things that I've been talking about, which to me add tremendous value for yourself and your family, and potentially the charities also, for the same cost. So I genuinely don't know of a

better deal. And at least right now, you talk with me. My schedule is filling up, and the book just came out, and we're getting flooded. But you talk with me. You don't start with one of the CPAs, or you don't start with Adam. And by the way, if I don't think we're a good fit – end of story. I'm only going to work with clients who I think we can provide a huge value for.

And the other thing is, I'm going to be honest with you, if I think you're going to be a pain in the butt, I'm at the agent stage, I don't need it. But if I think you're going to be fun to work with, and that we can ... I always like to say, I'd like to provide at least 10 times the value. I was joking with one client, I said, "Well, I'll tell you what, if you don't like our fee, how about if I charge you 1% of what I saved your family?" Within a millisecond he said, "Absolutely not."

But anyway, we're very ethical. I've been around for well over 30 years. We've never had a complaint. We've never had a lawsuit. You can check our record, our ADV. It's very, very clean, so is Adam's. DFA ... well, DFA is the big ... DFA, by the way, I think we'll mention it, they're a $500 billion company. So the investments are not Jim's unique mutual funds with a screwy strategy. This is ... again, I don't want to say enhanced, but I'll just say an enhanced index strategy. But if you do see value in the information and the services that we provide ... again, we have a million-dollar minimum for assets under management and $7,500 to, what we call, run the numbers, you should take advantage of this generous offer.

And by the way, this doesn't commit you. This just is, let's say, the beginning of the dialogue. First, you have to go through my screening. And if I don't think I can save you a ton of money, I'm just going to say, "Hey, gee, thanks anyway for your request, but we can't save you a ton of money. We can't justify a $7,500 fee. We can't justify 1% of the assets, or less depending on how much money." Or there might be something in your information that we don't like, "Jim, we've sued the last five advisors that we used because they didn't maximize our investment return. Now, we want to turn to you." Well, that's a pretty easy no.

But anyway, if you are interested in working with a combination of us and Buckingham and Adam Yofan, that you fill out the form, and then we will get in touch with you as to all the information that we want. We do ask for a lot of information. Frankly, I go through it. Sometimes people are more interested in having their wills changed than their investments. And I say, "OK, send me your will, send me your revocable trust, send me your joint trust, whatever you have." And I go through it. And I'm going to say, eight out of 10 times, maybe nine out of 10 times, I'm not happy with it. And I say, "Well, here's the problem with this, hey, here's the problem with this." Sometimes it's easy. Sometimes it's a little bit more subtle. But I can't help myself, I've been an attorney since, I guess, '84. And all we do is estate planning. We don't sue anybody. We don't defend lawsuits. There's a million different areas of law. All we do is estate planning and estate administration.

Again, the meetings, obviously, these days are not in-person, even if you're in Pittsburgh. At this point, I think they're too risky. They're all with Zoom, some people, maybe over the phone, and the consultations are with me. So you don't get my guys, at least to start. The consultations are with me. If I think you're a good prospect and you like it ... I, actually, that day like

yesterday, I did two of them that I dictated ... I haven't seen it yet, but it's probably going to be about three pages each of all the different strategies that I am interested in exploring. So that both the money manager and the number cruncher can explore those strategies. And then, I will be involved towards the end to see what people came up with, to see if I am happy. So anyway, that is the offering that we have today.

Again, we have a questionnaire ... and by the way, if you don't fill out the questionnaire because you're too lazy, well fine, I won't talk with you. You can fill out part of it, like when we ask for a list of assets, if you have a good Excel spreadsheet that is broken down pretty much the way we want, that's fine. I'm not going to ask you to transcribe everything, but basically, I'm really interested. I want to see everything. I want to see your tax return. Tax returns speak to me. They say all kinds of things, and that's going to be helpful in A, can we help you? And B, how can we help you? I do want to see your wills, your trust, your beneficiaries of your retirement plan. I also want to see your current investments, unless you're only interested in running the numbers, in which case we don't get involved in your investments. We also don't get involved in your estate plan if we are just running the numbers.

But that way I can give you the biggest bang for your time. And it also helps determine if we are a good fit. Now, let me tell you the most important thing to bring to the meeting if you're married – your spouse. If your spouse is not ambulatory, if your spouse really has a major problem, that they can't either come to the Zoom meeting, I will make exceptions. But the general rule is, if you try to set up a meeting and your spouse isn't there, I'm not so interested because this is a family decision. And even if you are the technical person in the family, even if you're the money person in the family, your spouse has to be comfortable with me.

And by the way, even if you're comfortable with me, you're also going to, ultimately, if you let's say, survive my scrutiny, and you liked me and I like you, you're still going to have to go through your own process with Adam Yofan. I have people who are on this call, who've been getting my emails for over 20 years. They know me, they've read my books, they've read my strategies, et cetera. But you really don't know much at all about Adam. So it's probably going to take at least one, maybe two telephone calls ... and by the way, if you get through this, let's say, the process with me, and then you go to Adam, and then, let's say, you have one or two phone conferences or Zoom conferences with him, then I think you're going to know one way or the other, yep, this is the firm for us or the combination of firms for us, the solution for us, or maybe isn't the right solution. Hopefully, I will have filtered that out, but anyway, we're not going to take you unless we think we can add tremendous value.

And by the way, we give you more information than we can stand, books and CDs and DVDs and all kinds of stuff. And we give you a cheat sheet on what you should look at. But I also promise bonuses whether you're going to take the next step or not. So again, you can sign up for the, let's call it, running the numbers. I say 15 minutes on the slide. It's never 15 minutes. If you survive me looking at your information, and I say, yes, I can't remember the last time I took much less than an hour. And that's for the personal financial plan or master plan. Again, that's a

flat fee of $7,500. And then again, we do that memo that I mentioned. The slide says early August, we're looking at early September by now.

The assets under management, again, you have to survive me. You have to survive Adam. And there is a million dollar minimum, and there should be something, some kind of box, where you can sign up for that one. Jack Bogle says all kinds of nice things about, not me specifically, but he actually believes a financial advisor's a very valuable piece of work, that he describes. Is that one of our bonuses, my interview with Jack Bogle, by the way, I've had two. I had a radio show. I had Jack Bogle. I had the top 15 IRA experts.

Oh, and there's one thing that I didn't mention. In the last, let's say, two months, I have become obsessed with masks as M-A-S-K-S. And I've already given 5,000 masks to a variety of charities. We just ordered all the guy had left, and these are high quality KN95 masks. We just ordered, I think, another 9,300. And I'm going to allocate another 5,000 masks toward charity. If you are involved with a charity that could benefit by having some of these high-quality masks, go to wait ... it is requests@paytaxeslater.com, and tell us a little bit about the charity. I'm particularly interested in protecting health care workers and now educators. We've seen all kinds of studies of how important masks are. I'm one of those guys, when I walk out of the house, I always have a mask on. And even when I go outside for a hike or a bike ride, I have the mask on, if not the whole time, at least most of the time. If anybody's coming, I put it on.

But anyway, we do ask that you fill out the evaluation form at the right part of your screen. By the way, to be fair, what we're really looking for are assets under management. The $7,500 run the number, that is something that will eventually go away. Because we will be so busy with assets under management. And I think right now, we're somewhere around 600 million. Again, no complaints, no issues, no violations on our ADV or anywhere else. By the way, our estate planning firm this time, we found about 2,800 wills, trusts, beneficiaries of IRAs and retirement plans. Again, no lawsuits, no complaints, no problems there. And tax returns, I think we do about 7 or 800 annual tax returns. So we actually do all of them. My favorite thing is the strategies.

But even if you're not interested in services, or at least not now, I did make a promise and I do intend to keep it. If you send ... and it's requests with an S, I think I might've said request. If you send an email to requests, R-E-Q-U-E-S-T-S @paytaxeslater.com, and you have to include your hard-copy address because we're going to actually send you at our own expense ... so this is actually costing us money, this isn't just a digital version. And you can type “webinar” in the subject line, but frankly, it's not going to be like, we're going to get 500 leads, although, we might get 100. Assuming you put in your hard copy address, we will send you our new book. And I think we literally got it ... I think we got it yesterday from the printer. So this is genuinely hot off the press. That will be a great bonus.

The reason we're doing that instead of just a digital version, we think that you have a much higher chance of actually reading the book or reading portions of the book. We also will tell you what we think you should read, what are the most important parts. Again, we have a chapter

on charitable remainder trust. We have a chapter on which assets to leave charity. We have a chapter on QCDs as well as Roth IRA conversions, gifting, insurance and other defenses against the SECURE Act. The other thing that we are ... and I don't see it on my screen, but hopefully, you see it in some way on your screen, is I mentioned that we did these three in-person workshops in February of this year, that has a lot of this information. And all the studies show, the best way to absorb information is both reading and viewing, obviously hearing, too. But reading some of the information, seeing it. And we have a very good table of contents for the video. I would highly encourage you to sign up for that.

So again, we have the options, a $7,500 run the numbers. Again, you still get me in the consultation, no commitment, but that starts the ball rolling. Assets under management, million dollar minimum, again, no commitment, that starts the ball rolling. But remember, we do have a million dollar minimum or, well, no, I just want some information, and in which case, you get the hard-copy book and the videos. Alright, I think I have ready exceeded my time by a little bit, but why don't I take a couple more questions. But if you have not already, please do again, requests@paytaxeslater.com for the book and the videos. And if you want to take advantage of the consultation, do it. By the way, if you do want to do it, this is not something I would wait on. This isn't hype. The book just came out, and I think we sold, I don't know, 5 or 600 books. We give bonuses, giving people the hard-copy version. We're going to get flooded with work. And if you want to do this sooner rather than later, I would start the process sooner rather than later.

Anyway, why don't we take a couple more questions, and then, we will wrap up. But again, I want to thank Will Collins-Dean for doing a great job. DFA is a great company. Again, that's where my money is, that's where my wife's money is. That's where the vast majority of the roughly $600 million that we oversee, along with some of our, let's call it, investment partners is. I thought Will did a very good job, very straightforward. Again, he's like me, he's more analytical than heart. To me, maybe the simplest way to think of it is, “Gee, their returns are comparable rate diversification, comparable rates of return. Why not be socially responsible and environmentally responsible? And we can get Jim and his team and run the numbers and everything else.” You get all that for 1% or less. This is just great. Of course, that's my biased viewpoint, but that's where I am.

So, Erika, why don't we take a few more questions while people are filling out the forms. And again, email requests@paytaxeslater.com to get the bonuses. And by the way, if you want to meet with me through Zoom, you're going to get all those bonuses and more. But anyway, Erika, why don't we take a few more questions before we wrap it up?

Erika Hubbard:

So Jim, this might be a first in history, the two questions that we have from the live room are actually very similar. And they're the only questions that we have are leftover. Fred and Brian, both are asking about the offers for our services and what is available for people that are not in

Pennsylvania. So I thought you might want to clarify about the number-running offer and the math and the initial consultation offer.

James Lange:

Well, we are becoming a national firm. Traditionally, probably 90% or more of our clients either are, or at one point were, Pennsylvania residents. Then they moved somewhere and they still liked us, so we kept the relationship. Now and particularly since I've written seven bestselling books, and the books are distributed nationally, I have 10,000 email subscribers. I have this radio show for five years. So I have more and more people from, I don't think we have every state, but we have a lot of states represented. We can do the number running. It doesn't matter where you are a resident. We have some restrictions. And I forget exactly which states … and by the way, most of those restrictions are going to go away. But if we are restricted on money management, we will tell you. But I'm going to say the vast majority, probably roughly 45 states, we can do assets under management. So that is available.

The limitation that we have for non-Pennsylvania residents is we are not licensed to practice law outside of Pennsylvania. So many people were concerned, as they should be, with their wills, their trusts, their beneficiaries of their IRAs. We can tell them what they want. We can interact with their estate attorney. And by the way, we're not even allowed to charge for it, and people love that, "Oh, OK. So you're going to spend a bunch of time working with my estate attorney, so I can get my estate plan right, and you're not even allowed to charge for it?" Yeah, that's right. But that's going to be the limitation, the main limitation for the vast majority of people who are not Pennsylvania residents.

The other, let's say, old limitation was we used to do this running the numbers in person. If somebody was within western Pennsylvania, or sometimes people ... we had a plenty of people who flew in, drove in, some people came from 1,000 miles, et cetera, because they preferred in-person. To be honest, if I had a choice, I'd prefer in-person, too. It's more personal, I like it better. I prefer doing this webinar in person instead of doing a webinar. But anyway, now that's not really a factor. So the differences between where you live become less and less important in this, let's call it, COVID era, and with my own restrictions. The main one being that we can't actually prepare your will, trust, beneficiary designation of retirement plan, because we are not licensed to practice law outside of Pennsylvania.

So I think that that will conclude our webinar. As usual, I not only used all of Will's extra time, but I went a little bit over myself. But I'm so passionate about these charitable remainder trusts in particular. I think they're so beneficial. The little strategy that I talked about, about which dollars to leave where, very, very easy to implement. And could easily save your family tens of thousands, depending on how much money you leave the charity, maybe $100,000 or more, where a charity gets more, your family gets more, and the IRS doesn't get anything. And we did a quick review of qualified charitable deductions or the QCDs.

So again, please fill out if you just want the bonuses and you're not interested in talking with me, requests@paytaxeslater.com. If you are interested in our services though ... again, signing up does not commit you. You have to go through my screening, if you will. And then, we may or may not connect. And I might not think that we can give you sufficient value to work with you. So I would take advantage of that, fill that form out, and this will conclude today's webinar.

And I will thank Will. I thank you. And I'll also thank my team who just did a great job. You probably saw a couple of flaws. There's a million things that can go wrong, and look, a few did, but I think overall, we did really well. We have a resident person here, Josh Walker, who just really came through in the clutch to do a great job. And again, Eric Emerson, who is our marketing director, and let's call it, our technical guy, did a great job. Erika Hubbard, who you heard give us the questions. She did so many things, including much of the text that went out. Bryan Tann, he does a lot of the technical stuff with Eric, and Sandy Proto who makes everything happen. And she's like the person who keeps the trains on time. So, I will thank my crew, thank Will, and thank everyone for attending. Thank you very much.