

IFS Client Summary

Total assets: \$31,000,000

Client Portfolio

Advisory fee: **\$295,000 (.95%)**
Product cost: **\$350,000 (1.13%)**

Total cost: **\$645,000 (2.08%)**

Client reduced portfolio

Advisory fee: **\$155,000 (.50%)**
Product cost: **\$183,000 (.59%)**

Total Cost **\$339,000 (1.09%)**

Opportunity cost due to under performance: 2.00% since inception, estimated to be \$10mm

IFS savings to client \$306,000 per year.

Annual savings compounded at 8% over 20 years creates additional portfolio growth of \$14,004,000

Scope of work

Client: Primary beneficiary of 3 Irrevocable Trusts (approximately \$25mm). Trustee of 2 Revocable Trusts (approximately \$5mm). Grantor of 3 Irrevocable Trusts (approximate value of \$7.5mm). Personal residences and land valued at approximately \$4.5mm. Art collection with unknown value; estimated between \$10mm and \$25mm. \$6mm insurance policy. Annual gifting.

Engagement: Analyze efficiency and costs of portfolios. Report findings. Negotiate with current provider and propose alternative options.

Findings: Costs were 2.08%. Manager's performance reports indicate that the portfolio underperformed benchmarks by approximately 2%, since inception and before tax. The exact opportunity costs cannot readily be calculated, primarily due to the sequencing of returns and tax liability, but conservative estimates indicate a loss of more than \$10mm. Portfolio was not managed efficiently for tax purposes.

Additional findings outside of the scope of Engagement (at no cost to client): Two Irrevocable trusts had specific language limiting Trustee compensation. Trustee had been significantly over-charging trusts since 1978. IFS does not offer legal advice, however, all documents are reviewed. It became apparent that the original estate plan should be updated and non-trust assets should be transferred to other or new entities for the purpose of probate avoidance. The plan to liquidate and/or distribute homes, land, and art collection upon death were not consistent with client's wishes.

Outcome: Reduced costs of administration and investment management by approximately \$306,000 per year, after cost of successor trustee. Settlement with trustee to, among other issues, resign and agree to appointment of a new corporate trustee for Irrevocable Trusts. Bi-furcated trust administration and investment management to separate providers. Appointed a South Dakota trust company to avoid substantial state income taxes. Analyzed immediate and long-term distributions. Discussed desire to limit distributions upon death. Recommended, and client retained, counsel to re-state, modify, and/or create documentation to clearly state client's intentions upon death – primarily relative to homes, land, insurance, and art works.

Since changes have been implemented, performance has mirrored, or exceeded, that of relevant benchmarks, and managed effectively for purposes of tax efficiency.