CITY NATIONAL ROCHDALE
AN RBC/CITY NATIONAL COMPANY

Key Terms

COMPREHENSIVE WEALTH ASSESSMENT (CWA)

City National Rochdale's (CNR) Comprehensive Wealth Assessment is a complimentary, holistic service offered in collaboration with financial advisors to identify gaps and solutions and empower clients to make informed decisions that will serve to optimize their wealth. Our comprehensive approach to assessing wealth encompasses what we refer to as the Strategic Pillars of Wealth. These pillars enable CNR and financial advisors to expand wealth analysis and recommendations into areas that are often ignored or forgotten.

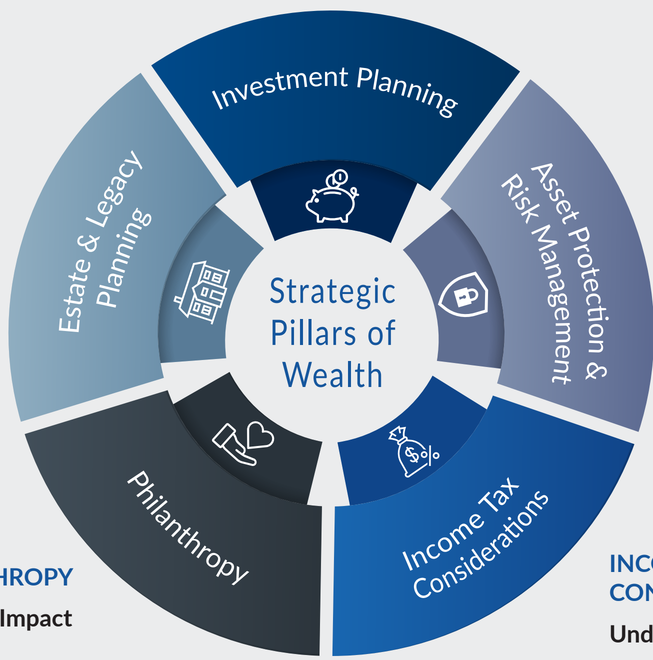
ANALYZING ALL ASPECTS OF A CLIENT'S FINANCIAL WELL-BEING ACROSS THE STRATEGIC PILLARS OF WEALTH

INVESTMENT PLANNING

Customize Your Investment Approach

ESTATE & LEGACY PLANNING

Protect Your Wealth and Your Legacy



ASSET PROTECTION & RISK MANAGEMENT

Reduce Risk and Safeguard Your Wealth

PHILANTHROPY

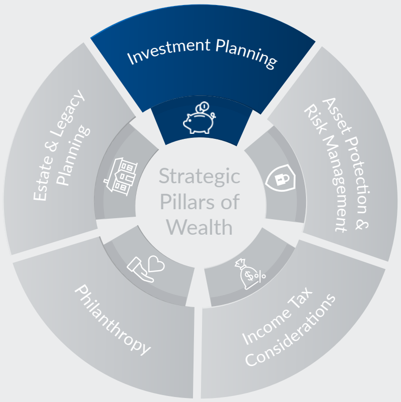
Make an Impact

INCOME TAX CONSIDERATIONS

Understand Your Tax Exposure

The following pages include key terms related to the Strategic Pillars of Wealth. These terms act as a reference while engaging with CNR and your financial advisor during the Comprehensive Wealth Assessment process.

For more information on our Comprehensive Wealth Assessment, reach out to your financial advisor or CNR Senior Investment Consultant (SIC) or Portfolio Manager (PM).



INVESTMENT PLANNING

Asset Allocation
The allocation of investments among stocks, bonds, and cash. Asset allocation at City National Rochdale is based on the principles of Modern Portfolio Theory and takes into account the interrelationship between asset classes as well as expected risk and return (volatility of return).

Asset Correlation
The relationship between different assets or asset classes within a portfolio.

Asset Location
The discipline of placing certain securities into specific accounts (e.g., tax-deferred vs. taxable) in order to optimize tax efficiency and maximize the client's after-tax returns.

Diversification
A technique that reduces risk by allocating investments among various different categories that react differently to the same event. While diversification does not guarantee against loss, it's one of the most important components of minimizing risk.

Goals-based Investing
An approach to investing that customizes each portfolio to the investor's individual life goals, priorities and time horizons. This type of investing creates more meaningful measures of success and deeper client engagement.

Portfolio Risk Management
Risk management techniques used by City National Rochdale such as strategic asset allocation, rebalancing, and downside loss controls, implemented through three levels of portfolio risk management:

- **Strategic Asset Allocation**

  A custom built portfolio for each client's investment goals using the appropriate asset allocation, seeking an efficient risk/return trade-off.

- **Dynamic Asset Allocation**

  Using research to proactively monitor changing risk factors over time, including risks associated with individual sectors or securities.

- **Personalized Downside Risk Management**

  City National Rochdale's proprietary process that acts as a circuit breaker for limiting losses in the portfolio while adhering to the client's overall risk budget.

Standard Deviation
An estimate of the possible future dispersion (or divergence) of the actual returns from an assets class around its expected return.

Risk Tolerance
The degree of variability an investor is willing to withstand in investment returns.

- **Risk of Loss**

  The risk of investments losing value; this type of risk is often minimized by diversified holdings.

- **Inflation Risk**

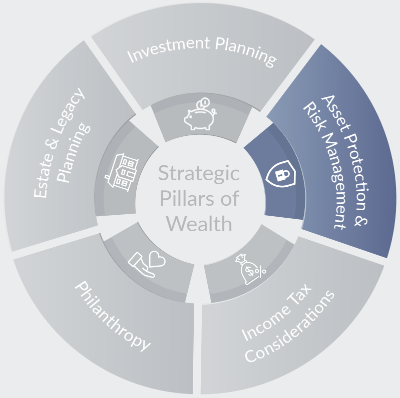
  The risk of a reduction in purchasing power; this type of risk is often minimized by making investments with expected returns that are greater than inflation.

- **Volatility Risk**

  The risk that comes from a fluctuation of value; this type of risk if often minimized by proper diversification of investments in addition to a long time horizon.

Tax Alpha
The practice of leveraging tax-saving strategies to maximize after-tax returns.

Time Horizon
The expected time an investor plans to hold a portfolio.



ASSET PROTECTION & RISK MANAGEMENT

Asset Titling

Titling assets in entities such as FLPs, LLCs, and Irrevocable Trusts to protect assets from potential judgment creditors.

Captive Insurance

A form of self-insurance where an insurance company is owned by the owner(s) of the company it insures. Its assets are generally protected from creditors.

Debt Shield

Borrowing money against an asset to enhance creditor protection by reducing it's value. This in turn can reduce settlement value when faced with claims of potential judgment creditors.

Family Limited Partnership (FLP)

A business or holding company owned by two or more family members within a partnership structure.

- **General Partner**

  Persons responsible for making all the necessary decisions involving management of the FLP, usually parents.

- **Limited Partner**

  Partners, usually children, who do not have influence in the FLP's operation, but do have a certain level of limited liability protection and are taxed on their share of FLP income generally at their income tax brackets (adult children).

Individual Retirement Account (IRA)

An account set up at a financial institution intended to provide a source of retirement income. Contributions to IRAs are made by the individual account owner and, for certain types of IRAs, the employer. Federal law protects IRAs in bankruptcy proceedings.

Intentionally Defective Grantor Irrevocable Trusts (IDGIT)

- **Asset Protection Trust (also known as a Domestic Asset Protection Trust or DAPT)**

  An irrevocable trust created by a grantor, with the grantor's own assets, to provide protection against the claims of the grantor's own future unknown (and unknowable) creditors, while removing the assets from the grantor's taxable estate.

- **Beneficiary Defective Irrevocable Trust (BDIT)**

  An irrevocable trust where the client is both the primary beneficiary and trustee of the trust, while someone other than the trustee/beneficiary is the grantor (usually the beneficiary's parent or grandparent). The BDIT attempts to freeze the value of assets for gift and estate tax purposes when such assets are sold to the trust, and the beneficiary is eligible to receive future discretionary distributions from the trust. This strategy comes with a higher degree of complexity and planning risk.

- **Spousal Lifetime Access Trust (SLAT)**

  A type of IDGIT where the grantor names their spouse as a primary beneficiary, affording a degree of access by non-grantor/beneficiary spouse to income and perhaps principal from the trust.

Limited Liability Company (LLC)

A business structure where "non-managing members" are not personally liable for the company's debts or liabilities.

- **Managing Member**

  A controlling member of an LLC with general authority to manage daily operations and enter into contractual relationships. Managing members are generally liable for the company's debts and liabilities.

Outright Distributions

Language in a will or trust where the beneficiary receives assets outright and free of trust. This generally provides less creditor and divorce protection than may be achieved with irrevocable trusts.

Qualified Plan

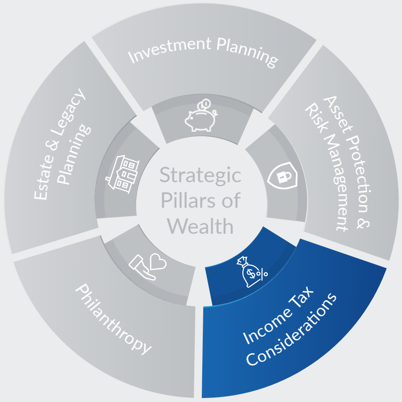
An employer-sponsored retirement plan that qualifies for special tax treatment and creditor protection under federal law.

Self Settled Trust

A type of trust in which the grantor is also a beneficiary. In most states, this would cause assets to remain in the grantor's taxable estate and available to potential judgment creditors.

Statutory Protection

Laws passed by some states that afford a higher level of creditor protection for certain types of assets such as life insurance, annuities, and assets held in IRAs.



INCOME TAX CONSIDERATIONS

199A Deduction

The ability for select business owners (not C corporations) to reduce taxable income by up to 20% of qualified business income (QBI).

3.8% Net Investment Income Tax (NIIT)

A tax provision that applies a 3.8% tax to the net investment income (includes the interest, rent, dividends, capital gains, royalties, and non qualified annuities) of individuals, and estates and trusts that have income above the statutory threshold amounts.

Bracket Management

Tax Considerations strategies that are mindful of the income levels that trigger higher taxes in the form of ordinary and capital gain brackets, NIIT, 199a and other taxes that may be avoided by staying below a threshold. Strategies like Roth and Donor Advised Funds, and others that might accelerate, defer, or deflect income to stay below a threshold are considered.

Deduct, Defer, Deflect

Categories of income tax considerations strategies where income can be deducted in the year received, deferred to a future year, or deflected to a person or entity in a lower bracket.

Income Tax Diversification

How a person allocates present and future income streams across tax-deferred, tax-free, and taxable options going forward. The risk of higher taxes in the future can make tax deferral less attractive and tax free options (Roth, municipal bonds, life insurance) more attractive.

Incomplete Non Grantor Trust (ING)

A type of trust where the grantor funds the trust without incurring gift tax. The grantor also achieves non-grantor status for income tax purposes. Under some circumstances, income from assets held in an ING trust are taxed by the state where the trust is located.

Material Participation

A criteria used by the IRS to determine if an individual actively participated in a business venture. Without material participation, income from the venture is deemed as passive for income tax purposes.

Real Estate Professional Tax Exemption

Individual taxpayers who own rental properties are able to avoid the 3.8% investment tax on their rental income if their activity level qualifies them as a “Real Estate Professional”.

Roth Conversion

The act of transferring retirement funds from a traditional IRA or 401(k) into a Roth account. Because a Roth is tax-exempt, deferred income taxes due must be paid on the converted funds at the time of conversion. To maximize tax savings, it is better to pay the tax with cash separate from the IRA assets.

Secure Act

Legislation passed in 2019 that, among other changes, increased the age at which retirement plan participants must take required minimum distributions (RMDs) from 70 ½ to 72.On the other hand, it eliminated the “Stretch IRA” strategy for non spousal beneficiaries.

Stretch IRA

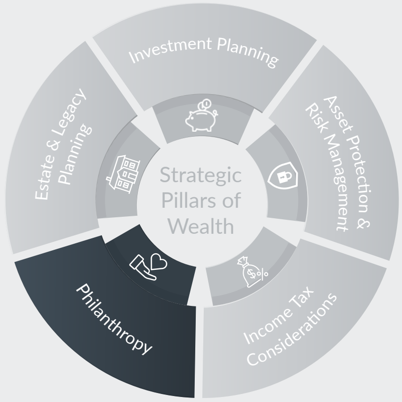
A strategy that applied to individual retirement accounts (IRA) inherited by a non-spousal beneficiary prior to The Secure Act. It allowed the IRA to be withdrawn over the beneficiary’s lifetime, taking advantage of income tax-deferral that is now limited to just 10 years since the Secure Act was passed in 2019.

Testamentary Charitable Remainder Trust (CRT)

An alternative to the previously available “stretch IRA” which allows a beneficiary to spread taxation over their lifetime, while leaving the balance to charity after death.

Year End Capital Gain Offsets

Selling depreciated assets to realize losses in order to offset the gains of appreciated assets sold in the same year. This strategy can minimize taxation in the future.



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Applicable Federal Rate (AFR)

The minimum interest rate set by the IRS for private loans.

Charitable Gift Annuity

An annuity contract offered by a charity in return for a donor's irrevocable transfer of cash, marketable securities or other assets. In exchange for the transfer, the charity agrees to make a fixed (unalterable) annuity payment to one or two individuals for their lifetime and the donor receives an up-front charitable income tax deduction.

Charitable Gifts of Low Basis Assets

Gifts of low basis assets are generally preferred to gifts of cash because gifts of low basis assets allow the donor to avoid tax upon the sale of the asset and obtain an income tax deduction. The deduction for gifts of appreciated (i.e.. low basis) assets is, however, limited to 30% of adjusted gross income (AGI). If the value of the gift is reported as basis, then the deduction can be up to 50% of AGI.

Charitable Lead Trust (CLT)

A split-interest irrevocable trust with two or more beneficiaries. The "lead" income beneficiary is the charity(ies) named under the terms of the CLT and the "remainder" beneficiary(ies) is either the Grantor (Grantor CLT) or the Grantor's heirs (Non-Grantor CLT).

Charitable Remainder Trust (CRT)

An irrevocable trust where the grantor contributes appreciated assets or cash and the CRT provides payments to an initial income beneficiary (often the grantor or their spouse). At the end of the trust term, any remaining assets will pass to one or more charitable remainder beneficiaries, which may include a private family foundation.

Donor Advised Fund (DAF)

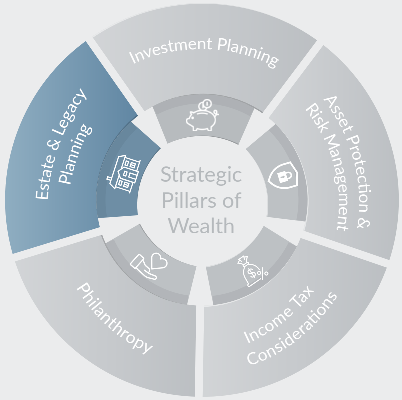
A vehicle that allows current tax deductions for irrevocable charitable gifts, without first identifying the specific qualified nonprofit organization(s) who will ultimately receive the funds. A DAF is considered to be a "public charity" and provides an immediate income tax deduction of up to 60% of donor's adjusted gross income (AGI) for gifts of cash and up to 30% of AGI for gifts of appreciated assets.

Intra-Family Loan

A loan that allows individuals to transfer wealth to a family member without gift tax consequences at an interest rate set by the IRS (the Applicable Federal Rate) that is generally lower than what a commercial lender might provide. An intra-family loan is optimized for gift and estate tax purposes when the family member (or trust for family member) borrower earns a higher return on the money borrowed than the Applicable Federal Rate (AFR).

Private Family Foundation

A non-profit entity that is controlled by, and generally receives a significant amount of its funding from the donor, a single individual, family or business. The gift made by the donor qualifies for an income tax deductions and removes taxable assets from the donor's estate without incurring capital gains taxes.



ESTATE & LEGACY PLANNING

ESTATE PLANNING TERMS

Conservator / Guardian

An individual who is legally responsible for the care of another person.

Conservatorship / Guardianship

A court supervised process where a court appointed individual is responsible for someone who is physically or mentally incapacitated.

Federal Estate Tax Exemption

Federal estate tax is a tax imposed on the value of assets transferred by a decedent at death. Federal law provides for a unified tax credit up to a certain value that is commonly referred to as the federal estate tax exemption. Asset values above the exemption level are subject to the estate tax rate in place at date of death. The federal estate tax exemption for 2020 is $11,580,000.

Financial Power of Attorney

A document that authorizes a person(s) to act as the client's attorney-in-fact to make decisions (e.g., sell a property, make gifts on client's behalf up to $15,000), and may be changed at any time while the client is alive and deemed mentally competent.

Generation Skipping Transfer Tax (GSTT)

A tax provision that applies to inheritances or gifts received by individuals who are two or more generations younger than the donor. This tax is separate from the Estate Tax.

Intestate

The method of disposition of the estate of a person who dies without a will. The law of the person's place of domicile at death will govern the distribution of the person's assets.

Living Will (also known as an Advanced Health Care Directive)

A legal document that outlines the client's preferences on end-of-life measures and empowers an individual (Health Care Proxy) to carry out the client's medical wishes. This document may be changed at any time while the client is alive and deemed mentally competent.

Permanent Life Insurance

A form of insurance that has a lifetime investment component.

Pour Over Will

A Last Will and Testament that provides for the distribution of estate assets after death. Assets that were not titled in the name of a revocable living trust established during life may be transferred to the trust after the Probate process is completed.

Probate

The legal process for validating and administering a deceased person's will. All probate proceedings are public record.

Term Life Insurance

A type of life insurance where a premium is paid over a period of years for the cost of the insurance coverage. If the insured dies during that period, a death benefit is paid. There is no cash value associated with term life insurance.

Will

A written document with instructions for disposing of assets after death.

TYPES OF ROLES RELATED TO TRUSTS

Agent for Trustee or Executor

A person or entity acting on behalf of an Executor or Trustee. Executor or Trustee still retains all liability.

Beneficiary

Person or entity who is entitled to a beneficial interest from a trust.

- **Contingent Beneficiary**

  Beneficiary identified in the document whose interest becomes current upon some contingency occurring (e.g., death, attaining a certain age, college degree, etc.).

- **Discretionary-Only Beneficiary**

  Beneficiary who only has access to the assets of a trust at the discretion of the Trustee. The Beneficiary must make a request for any distribution. Usually the Trustee will be allowed to use income or principal to satisfy the request, but they may be limited to one or the other.

- **Income-Only Beneficiary**

  Beneficiary who only has rights to income from a trust and no access to the principal.

- **Primary**

  Beneficiary who is usually the current Beneficiary and the Beneficiary for whom the trust assets are to be used for first. The Primary can be multiple people/entities and is sometimes called the Current Beneficiary.

- **Remainder Beneficiary**

  Beneficiary identified in the document whose interest becomes current after a previous Current Beneficiary no longer has a current beneficial interest.

Custodian

The person or entity that has physical possession of the individual's financial assets that reside within a trust.

Executor

A person or entity responsible for administering an estate during Probate. Also known as a personal representative.

Grantor

The individual who creates the trust and is usually the source of the assets held in trust.

Trustee

The person or entity named in the document, or appointed by some other means, who is the fiduciary for the administration and investment of the trust assets.

- **Co-Trustee**

  An individual or entity who shares the trustee responsibility with one or more other individuals or entities.

- **Directed Trustee**

  An individual or entity serving in a limited fiduciary capacity where they are "directed" by an "Investment Advisor or committee" and/or a "Distribution Advisor or committee" to handle assets and distributions a certain way. When acting at the direction of one of these roles, the Directed Trustee is released from liability for those decisions and the liability shifts to the people serving in those roles. This structure is not allowed in all states.

- **Discretionary Trustee**

  Person or entity responsible for all administration and assets of the trust.

Trust Protector

The person named in the document or appointed who retains certain rights and controls over the trust. This is usually not a fiduciary position and is typically limited to removal and appointment of Trustees and/or other basic functions or controls.

TYPES OF TRUSTS AND RELATED TERMS

Charitable Trust

An irrevocable trust established for charitable purposes that is subject to tax benefits.

Directed Trust

A type of trust where the investment liability and/or the distribution liability is with an individual or committee who directs the Directed Trustee on what to do. These types of trusts are not available in all states.

Grantor Retained Annuity Trust (GRAT)

An irrevocable trust that provides for annual payments to the grantor for a fixed term of years. At the end of the term, the remainder of the trust can be transferred to named beneficiaries. The payout rate is chosen by the grantor and the amount of the gift is based on the term of the trust and the Section 7520 Rate for that month. The value of the remainder, which can be zero, is reported as a taxable gift to the beneficiaries.

Irrevocable Trust

A type of trust that is not amendable or revocable and is usually used to gift assets out of an estate. Living Revocable Trusts also become Irrevocable upon the death of the Grantor. Irrevocable trusts have their own tax ID number.

Irrevocable Life Insurance Trust (ILIT)

An irrevocable, non-amendable trust which is both the owner and beneficiary of one or more life insurance policies. Upon death of the insured, the trustee invests the insurance proceeds and administers the trust for one or more beneficiaries.

Qualified Personal Residence Trust (QPRT)

An irrevocable trust into which grantor gifts a primary or secondary residence at a reduced value, retaining the right to live there for a term of years. The house is removed from the taxable estate if grantor survives the term. After the term, the trustee can permit the grantor to remain in the house as long as the grantor pays fair market rent.

Revocable Trust

A type of trust usually set-up by a Grantor and funded with their own assets, of which they are the trustee while they are alive. Usually called a Living Revocable Trust (with the tax ID number of the Grantor or Trustee). These trusts can be amended and/or revoked.

Special Assets

Usually used to define any asset that is not liquid or marketable securities (e.g., real estate, businesses, cars, art, oil/mineral rights, etc.).

Special Needs Trust

A type of trust where a beneficiary receives other benefits for their care and the trust needs to be administered in a way they do not become disqualified from receiving those benefits.

Trust Property

Assets that have been placed into a fiduciary relationship between a trustor and trustee for a designated beneficiary.

Trusts Under Will / Testamentary Trust

Sometimes referred to as a testamentary trust; a trust which arises upon the death of the testator and which is specified in his or her will. A will may contain more than one trust under will and may address all of any portion of the estate.

Important Disclosures

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