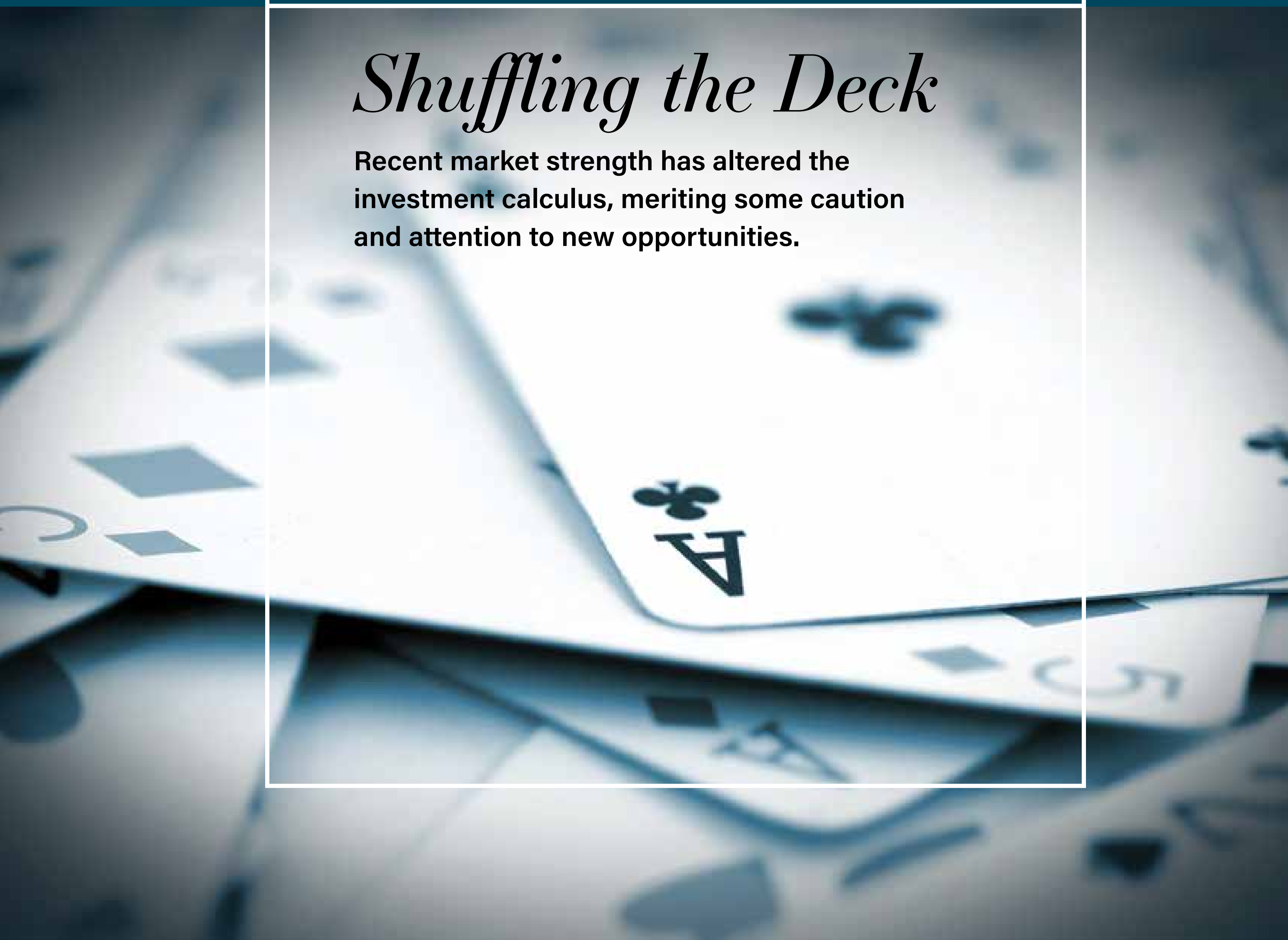
SUMMER 2025

NB PRIVATE WEALTH

Aspire

Shuffling the Deck

Recent market strength has altered the investment calculus, meriting some caution and attention to new opportunities.



JOHN F. GEER, JR., CFP®
Managing Editor

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HEAD OF NB PRIVATE WEALTH

Now Comes the Hard Part

AN EVENTFUL PERIOD LEADS TO MORE QUESTIONS.

The last few months saw considerable *sturm und drang* in the markets, tied to the new U.S. tariff regime, conflict in the Middle East and the budget fight. But progress on all of these issues relieved initial concerns: The worst tariffs were delayed to allow time for negotiation, the Iran war took 12 days to conclude, and the President signed the "One Big Beautiful" tax and spending legislation on July 4. All the while, the U.S. economy remained surprisingly resilient (if slowing), and inflation subdued. The net result was not only a retracing of April losses, but the achievement of new highs for some major U.S. stock indices.

Now comes the hard part. As Shannon Saccocia, CFA, Chief Investment Officer—Wealth, points out in her outlook article (see page 3), the deck has been shuffled for investors, who face relatively high domestic equity valuations, renewed tariff uncertainty and questions about long-term U.S. fiscal health. Attention to asset allocation could be useful, along with openness to diversification opportunities such as in non-U.S. stocks and flexibly managed fixed income.

Along these lines, this issue of *Aspire* features an article on page 8 by the NB International Equity team with perspective on why non-U.S. developed market stocks look appealing after a long period of trailing the U.S. In their view, low valuations, European spending and regulatory change, and Japan's economic recovery all support the case for allocating more assets overseas.

For those clients who have been asking, we also include an assessment of how cryptocurrency can potentially fit into portfolios (see page 15). In terms of risk, author Derek Devens, Senior Portfolio Manager for our firm's Option Group, equates crypto to venture capital, and based on that premise offers his thoughts on the potential development of this landscape and how to think about sizing positions.

> *"The deck has been shuffled for investors, who face relatively high domestic equity valuations, renewed tariff uncertainty and questions about long-term U.S. fiscal health. Attention to asset allocation could be useful, along with openness to diversification opportunities."*

Planning is a cornerstone of what we do, of course, and this issue offers plenty to consider, including analysis of the new tax law from Sam Petrucci, Head of Advice, Planning and Fiduciary Services, and Adam Rosenberg, Head of Trust Tax (page 20); an essay from Julia Chu, Head of Philanthropy and Family Governance Advisory, and Karin McNair, Head of Estate Planning and Senior Trust Counsel, on protecting and supporting aging loved ones in decline (page 25); and an item from Sam on gaining exposure to private markets through insurance (page 30).

Finally, I will note our ongoing outreach to clients and community, which in recent months included our traditional *Celebration with Service* volunteer events (page 28) and an evening for clients to appreciate an extraordinary exhibit by contemporary artist Rashid Johnson at the Guggenheim New York (page 27).

I hope you enjoy this issue of *Aspire*. As always, please do not hesitate to contact your NB Private Wealth team about your portfolio, planning considerations or current market trends.

SHANNON L. SACCOCIA, CFA
Chief Investment Officer—Wealth

MARKET OUTLOOK

Shuffling the Deck

RECENT MARKET STRENGTH HAS ALTERED THE INVESTMENT CALCULUS, MERITING SOME CAUTION AND ATTENTION TO NEW OPPORTUNITIES.

Halfway through 2025, investors would be hard-pressed to disagree with the notion that remaining disciplined and aligned with a long-term asset allocation (and rebalancing to it in times of volatility) is a pretty good way to navigate challenges. Indeed, while it seemed to many that the U.S. economy was on the precipice of a sharp deterioration tied to onerous tariffs and heightened geopolitical risk, the real surprise has been investors' willingness to look beyond current troubles for signs of hope for the coming year.

Shaking off sharp declines in April, the second quarter ended with the S&P 500 up 10.9%, reflecting renewed leadership from technology and communications services stocks, which rose 23.7% and 18.5%, respectively. U.S. small caps lagged somewhat, rising only 8.5%, as tariff worries offset the opportunities presented by deregulation and pro-growth initiatives included in new U.S. tax legislation. Both non-U.S. developed and emerging market equities gained 12% for the quarter—evidence of the shift in investor sentiment. Treasury yields were volatile, but the 10-year Treasury yield closed the quarter essentially flat, at 4.23%, after hitting a high of 4.6% in mid-May. The U.S. Aggregate Bond index returned 1.2%, while municipal bonds were off -0.1% as a rush of supply pressured prices; high yield credit outperformed investment grade issues. Gold closed the quarter with a modest 1.4% return, while both natural gas and oil finished in the red despite a ramp-up in Middle East tensions.[1]

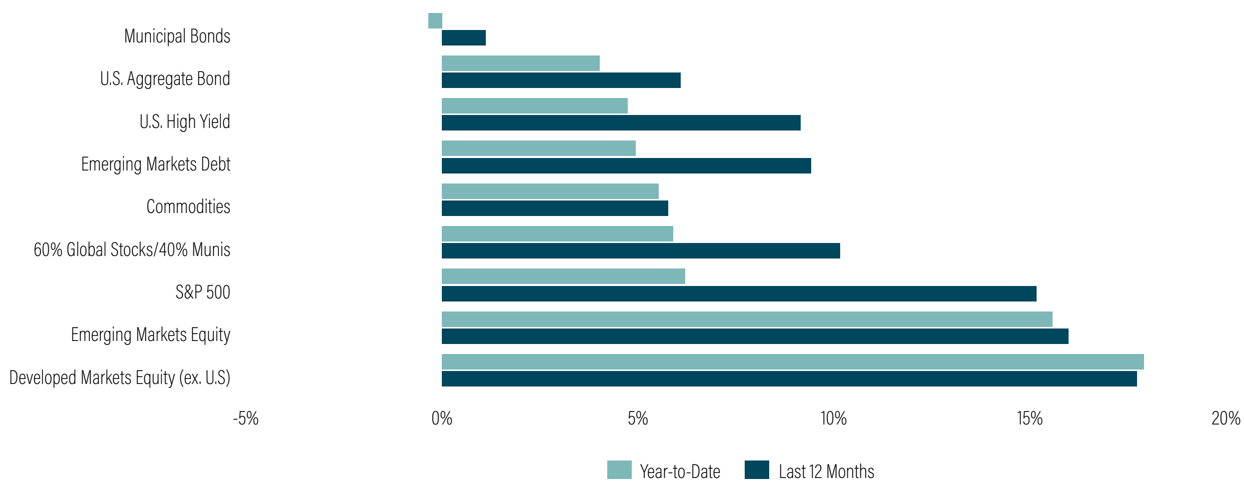
A key question is whether that comfort—and some would call it complacency—is justified. The average tariff rate being imposed on importers to the U.S. is well over 10%, with some countries and certain goods facing much higher levies. As of yet, there is minimal evidence that production can quickly be relocated to avoid the additional tax burden and eventual impact on consumers. The U.S. labor market is slowing, as job seekers report longer periods of unemployment with little to prompt companies to accelerate hiring. Conflict in the Middle East represents not only a geopolitical, nuclear and humanitarian threat, but also the potential for supply disruptions akin to those created in 2020. Policy measures, both monetary and fiscal, are being complicated by changing global relationships and investor preferences.

In our view, the answer is not clear-cut. Global fiscal policy has become increasingly stimulative, with Europe and China following in U.S. footsteps. While supportive to global growth, higher deficits have attracted the ire of investors worried about authorities "kicking the can down the road." Consumers have continued to spend, but businesses have been more cautious, waiting for signs of clarity and improved demand before reinvesting. Innovation, too, remains a tailwind, but is also not without risk as disruption

[1] Source: Bloomberg, as of June 30, 2025.

A BIG BOUNCE

Major Market Performance



Source: Bloomberg, through June 30, 2025. The following indices are represented: S&P 500, MSCI ACWI (global stocks), Bloomberg Municipal Bond Index, Bloomberg U.S. High Yield 2% Issuer Cap, Bloomberg EM USD Aggregate, Bloomberg U.S. Aggregate, MSCI Emerging Markets, MSCI ACWI ex-U.S. (international large and midcap stocks) and Bloomberg Commodity.

moves at lightning speed, and the winners and losers remain uncertain. In short, we believe this is a time for a thoughtful and prescriptive approach to investing; the proverbial low-hanging fruit has been plucked, and the next gains might prove more difficult to earn.

CONSUMERS AND THE DEMISE OF AMERICAN EXCEPTIONALISM

U.S. consumers are not exuding confidence. As we cautioned in our spring outlook, "A Bumpy Path," tariffs have weighed on the consumer psyche, with expectations of higher inflation and concerns around job availability painting a muted picture. On the inflation front, recent data has been relatively soft, with core consumer prices slowing and rent inflation at multiyear lows, even as collected tariffs are running some $60 billion higher (year-over-year) through May.[2]

While wage growth remains healthy, the labor market is showing mixed signals: Job gains are largely concentrated in select industries like health care, social assistance, and leisure and hospitality, but areas including manufacturing and temporary work are weakening. Initial jobless claims are trending higher, while continuing claims have spiked in recent weeks. The unemployment rate has been holding in a narrow range of 4.0 – 4.2%, but with immigration and labor participation falling, we may see nonfarm payrolls trend lower moving forward.

Offsetting moderation in the labor market are several tailwinds: Personal income growth, strong equity and housing markets, and slowing services inflation have all contributed to consumer spending. Outlays by middle- and higher-income households have shown few signs of slowing, even as behavior has shifted. Pre-tariff spending in areas such as consumer electronics and autos will likely translate into slower sales over the summer, while travel and lodging volumes have deteriorated recently, perhaps due to heightened geopolitical tensions and the threat of broader tariffs.

[2] Source: U.S. Treasury.

You might ask why so much attention is paid to the U.S. consumer—especially when so many other forces are at play in the global economy. The short answer is that the U.S. consumer has been a key driver of American "exceptionalism" since the Global Financial Crisis. Globalization, the broadened use of technology, low interest rates, growth in government spending and a resilient U.S. consumer have all contributed to a wave of GDP growth and investment in U.S. assets over the past decade.

That said, a resurgence in opportunities outside the U.S., building fiscal pressure stemming from U.S. budget deficits, and investors' structural overallocation to U.S. assets on the back of strong returns have combined to shift investment flows to other markets in recent months. At the same time, the U.S. consumer survives as a meaningful driver of global demand—and spending could accelerate should improved business confidence translate into capital expenditure and hiring.

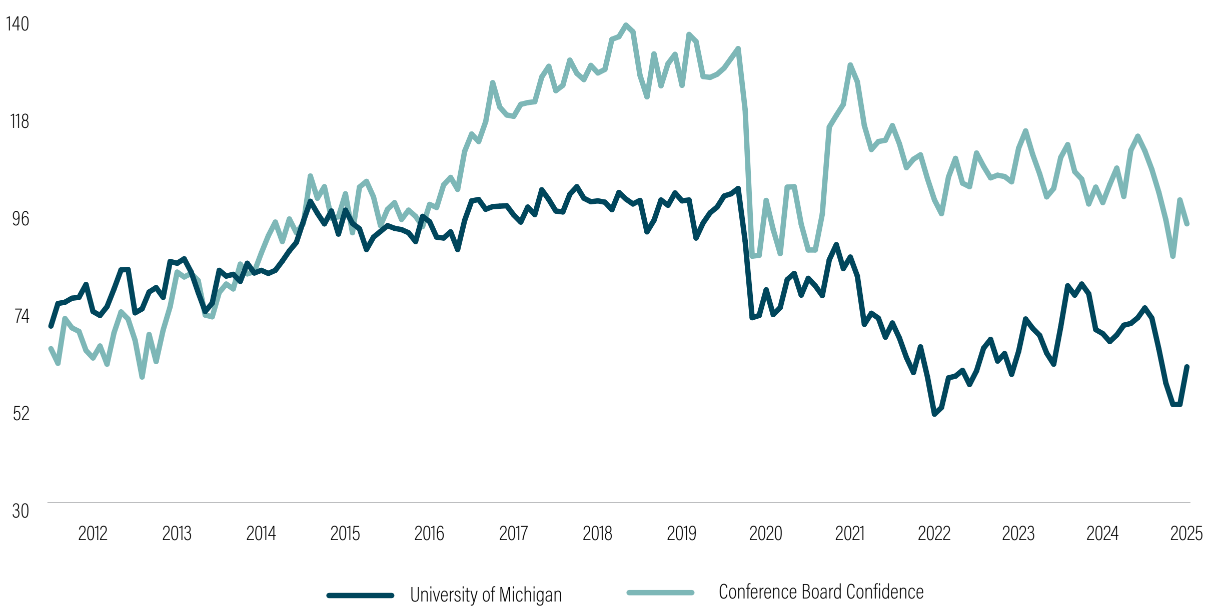
LOOKING AHEAD

It is difficult to predict where U.S. tariff policy is going, but the Trump administration's actions since its initial April 2 announcement suggest an economic scenario that could be far better than the one we were modeling in April. The looming threat of a 2025 global recession, built on the U.S. consumer facing price increases and a deteriorating labor situation, appears to have been averted. With that has come the sharp rebound in risk assets, which, in our view, requires tougher decisions as to investment positioning.

U.S. equities are once again trading at valuations that imply continued robust earnings growth, supported not only by reaccelerating revenues, but also defensible profit margins despite higher input costs. Tariffs are still in place, and the revenue they generate suggests that somewhere the costs are being paid. U.S. equity investors also appear to anticipate benefits from lower interest rates and the pro-business agenda evangelized

IS CONSUMER CONFIDENCE REBOUNDING?

Sentiment Indices (Indexed at 100)



Source: FactSet, data through June 2025. For illustrative purposes only. Historical trends do not imply, forecast or guarantee future results. Due to a variety of factors, actual events or market behavior may differ significantly from any views expressed. **Past performance is not indicative of future results.**

by the Trump administration—an agenda that has yet to "deliver the goods," but could help to catalyze a long-awaited rally in U.S. small- to midcap equities.

With U.S. equity valuations back to first-quarter levels, we encourage the incorporation of non-U.S. developed and emerging market equities into portfolios. Fiscal measures helped to drive European equity performance through the first half of the year, particularly in sectors and industries that would benefit from greater defense and infrastructure spending. The backdrop for Japanese equities has also improved given expectations for stronger earnings growth in 2026. This, combined with continued U.K. and eurozone spending, should allay investor concerns about missing the recent run-up. In addition, we find Chinese equities to be increasingly compelling, as consumer-focused stimulus and trade negotiations combine to mitigate the threat of dampened growth.

In fixed income, we believe diverging central bank policy, a shifting fiscal approach and a potential uptick in demand for credit could create a fertile plain for investors. Attractive yields and a benign default backdrop have, at times, limited capital appreciation opportunities, but a nimble approach to both credit and interest rate exposure could be useful at a time when multiple factors are driving movement in yields.

Finally, our constructive view extends to private market equity. Admittedly, muted business confidence has slowed the recovery in mergers and acquisitions, but we believe the needs of private companies for capital—through secondaries, co-investments and debt—should create opportunities for investors; indeed, M&A activity has shown signs of life in recent weeks.

Overall, we acknowledge the potential for price volatility in the second half of the year, but also believe that the combined catalysts of the U.S. tax law, lower global interest rates and meaningful non-U.S. fiscal stimulus could temper the negative effects of tariffs and geopolitical unrest.

Highlights 3Q 2025

FROM THE ASSET ALLOCATION COMMITTEE

Shannon is a member of the Neuberger Berman Asset Allocation Committee, whose views are presented below.

Despite potential for short-term disruptions, we are broadly positive on the global economy and risk assets given general monetary easing, pro-growth European and U.S. fiscal policies, and fundamental improvements elsewhere.

Equities

We remain at target on large-cap stocks, but believe that U.S. small and midcaps could stand out due to likely interest rates cuts, deregulation and improved tax treatment. Europe remains appealing given fiscal spending and interest rate trends, while Japan is benefiting from improved economic fundamentals. Overall, valuations overseas appear favorable versus the U.S.

Fixed Income

Expectations for rate cuts drive our improved view of U.S. fixed income, particularly among short to intermediate maturities, and in Treasury Inflation-Protected Securities. Despite tighter spreads over Treasuries, high yield corporate bonds offer what we consider attractive yields and stable credit fundamentals. Emerging market debt (particularly in local currencies) should continue to benefit from improved economic fundamentals.

Alternatives

We have tactically upgraded our view on commodities as a hedge against geopolitical and inflationary risk. Private equity and debt should benefit from potentially improved deal flow and demand for liquidity solutions. We retain our underweight view of hedged strategies although select opportunities may be emerging.

All views are over the next 12 months unless otherwise stated. See disclosures at the end of this publication, which include additional information regarding the Asset Allocation Committee and the views expressed.

Aspire to... INVEST

INTERNATIONAL EQUITY TEAM

The International Moment

AFTER YEARS IN THE WILDERNESS, ARE INTERNATIONAL STOCKS PRIMED FOR A MORE SUSTAINED PERIOD OF OUTPERFORMANCE?

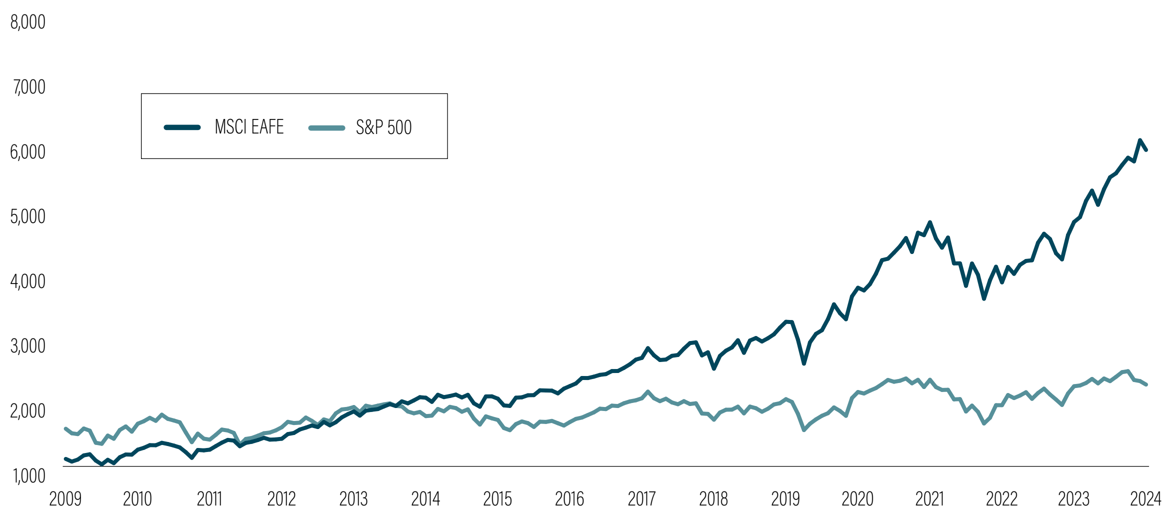
The traditional home market bias of U.S. investors has served them well in recent years, with domestic equities often substantially outperforming international peers. That said, no single country has ever (since World War II) been the top-performing market globally in consecutive decades, and such epochs have generally been followed by periods of weaker results. Examples include Japan's 253% cumulative return in the 1980s, followed by a 26% decline in the 1990s,[1] and U.S.'s 300% gain in the 1990s, followed by a -5% return in the 2000s (worsened by the Global Financial Crisis of 2008).[2]

Over the last 15 years, the S&P 500's 13.9% annualized return has dwarfed the 5.8% achieved by the MSCI EAFE index (the standard proxy for international equity markets). But we think seismic geopolitical and economic shifts could alter the investment landscape moving forward, and that investors are already beginning to calibrate these changes: Year-to-date, the MSCI EAFE has outpaced the S&P 500 by over 15 percentage points.[3]

In our view, the trends taking place warrant a rethink for U.S. investors on regional diversification. In this article, we lay out five key reasons we believe international equities may offer better return potential versus U.S. equities than they have since the Global Financial Crisis.

INTERNATIONAL STOCKS HAVE LAGGED FOR YEARS

MSCI EAFE vs. S&P 500 Performance Since 2010



Source: Bloomberg, data through December 31, 2024. U.S. stocks represented by the S&P 500. International stocks represented by the MSCI EAFE Index. **Past performance is not indicative of future returns.**

[1] Source: Bloomberg. Japan equities represented by the MSCI Japan Index.
[2] Source: Bloomberg. As represented by the S&P 500 Index.
[3] Source: Bloomberg, through June 15, 2025.

1. Monetary Policy: Europe Diverges From the U.S.

After aggressive interest rate hikes in 2022 – 23, the European Central Bank has been cutting rates faster than the Federal Reserve due to faster disinflation in Europe. In June, the ECB cut its base rate for the eighth time in 12 months to 2%, while the Fed has cut rates three times, with its fed funds rate now at 4.5%. The Fed has since been on pause for several meetings due to sticky core inflation, and is worried about the potentially inflationary effects of tariffs and tighter immigration policy. Meanwhile, Europe could benefit from falling gas prices with a glut of liquid natural gas coming onto the world market, and lower interest rates could also affect consumer wallets as European mortgage rates are often based on shorter-term fixed or variable rates rather than the 15- or 30-year fixed loans more common in the U.S.

In essence, we believe Europe is entering a "Goldilocks" zone of monetary policy: cooling inflation and easing by the central bank, but with plenty of slack in the region's economy, which should keep a lid on inflation and prevent a policy reversal. This contrasts with the U.S., where policy will likely be tighter for longer. The ECB's more dovish stance should help cap borrowing costs, stimulate spending and investment, and underpin equity valuations.

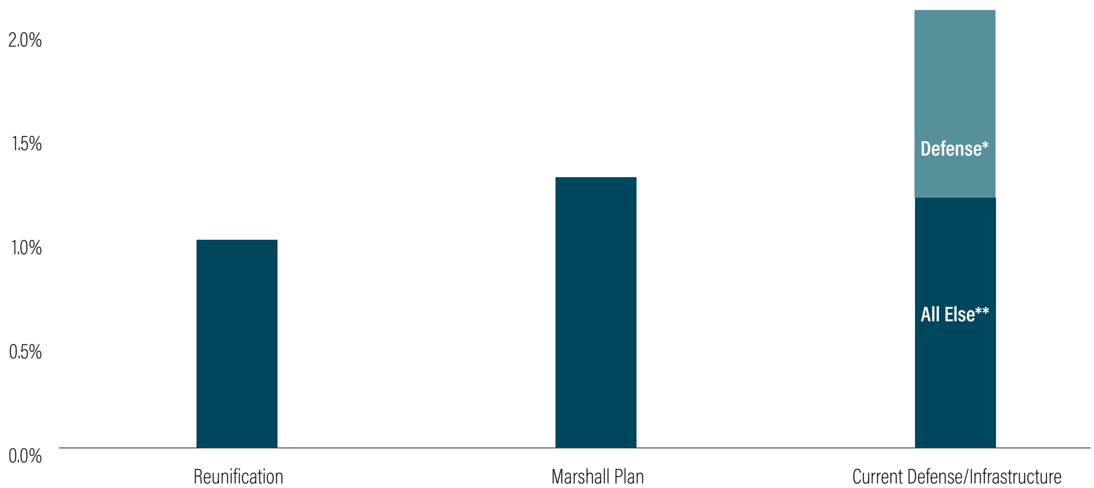
2. Fiscal Policy: From Austerity to Stimulus

Europe is on the cusp of a historic pivot from fiscal austerity to expansion. In the post-Global Financial Crisis period, many European countries were constrained by debt crises and budget discipline, which dampened growth. Germany, for example, adhered to a self-imposed "debt brake," running minimal deficits despite ample capacity. This era of belt-tightening kept European economic growth anemic and weighed on corporate earnings. Now, fiscal policy is becoming more expansive across the continent, providing a much-needed demand stimulus and investment boost. In response to extraordinary events—the pandemic, geopolitical threats and aggressive U.S. spending—European leaders are finally "opening the tap" on public spending, with Germany leading the way.

Drilling down, traditionally frugal Germany has approved a €100 billion special fund for defense and about €500 billion for infrastructure and green investment over the coming decade. Altogether, this equals nearly 20% of Germany's GDP—comparable in scale to the country's post-WWII Marshall Plan. It marks a new era for German policymakers, who are now prioritizing military and economic security. The impacts will likely be significant in Germany (adding about 2% to GDP), but could also spill over to the rest of Europe, with potential beneficiaries in the Industrials, Materials and Financials sectors (and across sub-sectors such as capital goods, machinery, electrical equipment, banks, and aerospace and defense). These are sectors in which international markets have more opportunities than the technology-heavy U.S. market, and commonly sell at steep discounts to U.S. peers.

GERMANY OPENS ITS CHECKBOOK

Historical Comparison of Major German Fiscal Plans, Annual Outlays as % of GDP



Source: Bloomberg, as of March 18, 2025.
* Virtually uncapped. At €400 billion in 10 years (i.e., meeting a 3% NATO target), annual defense spending would be about 0.9% of GDP.
**€500 billion in 10 years.

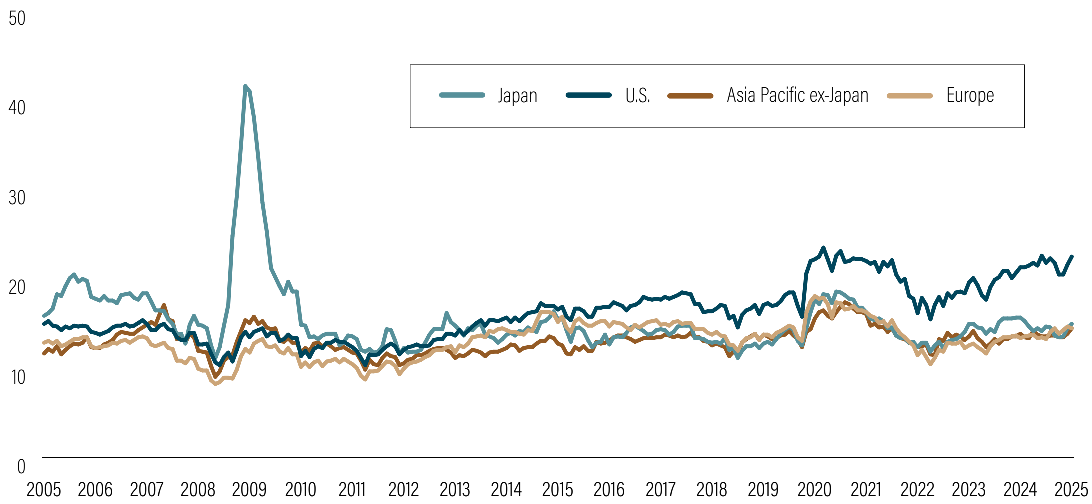
In our view, this fiscal sea change supports equities in two ways. First, higher government spending raises GDP, which filters into higher corporate earnings. Some analysts estimate that recent defense and infrastructure expansions could lift European earnings-per-share growth by about 3% annually over the next five years, in turn justifying higher equity valuations. Second, pro-growth budgets may improve investor sentiment and attract capital. Europe is changing from a region associated with budget cuts to one undertaking bold investments. This narrative shift could prompt global investors to rethink underweight positions in Europe, especially given currently low valuations.

3. International Is Cheap vs. the U.S.

International equities generally trade at a discount to the U.S. given the latter's significant exposure to faster-growing technology companies and the former's great exposure to "real" economy sectors such as Financials, Materials and Industrials. As of June 2025, the MSCI EAFE traded at a one-year forward price/earnings (P/E) ratio of 13.5, compared to about 21 for the S&P 500. Historically, the S&P 500's forward P/E has averaged a premium of about 25 – 30% over the MSCI EAFE, making the current gap far wider than usual and close to its largest in several decades. Even when neutralizing sector differences between the indices, we believe international looks inexpensive on a relative basis.

A HISTORIC VALUATION GAP

12-Month Forward P/E Ratios



Source: Bloomberg, data through June 30, 2025. Regions/countries represented by the MSCI Japan, U.S., Asia (ex-Japan) and Europe indices.

4. Europe Chooses Growth Over Regulation

Europe is beginning to loosen its historically tight regulations and bureaucracy in order to prioritize growth and strategic industries. For years, a common critique of Europe was that "overregulation"—from rigid labor laws and heavy red tape to stringent rules on businesses—contributed to slower growth. Now, facing new economic and geopolitical realities, European policymakers are increasingly willing to cut red tape and adopt an industrial policy mindset in consultation with business leaders. We think this represents an important potential tailwind, with renewed emphasis on competitiveness, innovation and regulatory efficiency.

How we got here is worth considering. The U.S. Inflation Reduction Act of 2022 (which poured $369 billion into clean energy subsidies) served as a wake-up call for European leaders, who feared that capital and companies would be lured to the U.S. The EU quickly drafted a "Green Deal Industrial Plan" that eases state aid rules (so governments can subsidize key green technologies), streamlines permitting for renewable energy projects, and provides incentives for nascent industries like battery manufacturing, hydrogen and carbon capture.

Another example of positive reform is the "Europe First" Sovereignty Agenda. Rising geopolitical tensions and supply chain disruptions have led to an EU-wide emphasis on "strategic autonomy," ensuring that Europe isn't overly dependent on foreign powers. This has prompted new policies to develop European capabilities in defense, semiconductors, batteries and critical materials.

In sum, Europe's policy mindset is shifting from one of stringent oversight to one of competitive pragmatism: not abandoning regulations, but recalibrating them to encourage domestic growth, innovation and security.

5. Japan Is Winning on Inflation and Corporate Reform

After the "lost decades" of deflation and weak growth, global investors have been warming up to Japanese equities in recent years. The Bank of Japan's (BoJ) preferred measure of inflation has remained above its 2% target for nearly three years, which could mean that Japan is finally leaving deflationary stagnation behind it. In January, the BoJ raised interest rates for the first time in 17 years to 0.5%, a further sign of confidence that better times await. Many Japanese companies have been raising prices, which has been a tailwind for their revenues and earnings.

Perhaps more important for longer-term investors, rules published last year by the Tokyo Stock Exchange (with the support of the Japanese government) seek to force companies to improve capital efficiency, profitability and engagement with shareholders—or face delisting by 2026. This follows other measures such as unwinding "cross-shareholding" networks to reverse corporate Japan's track record of complacency, low returns on equity, poor capital allocation policies and weak governance. Stock buybacks in Japan in 2024 set a record and were almost double the prior year.

There is still plenty of room for improvement, and we think the next few years could be rewarding for stock-pickers who stay the course.

CONCLUSION: A SHIFT IN LEADERSHIP?

Investors waiting for a rotation into international stocks have been disappointed over the last 15 years as much-anticipated "catalysts" such as economic catch-up potential, a weakening U.S. dollar and the narrowing of valuation discounts failed to materialize. In our view, the transition to a new geopolitical and economic regime, characterized by higher capital investment to ensure self-sufficiency in key national strategic interests, including infrastructure, energy, defense and broader economic resilience, could provide better results. To capitalize, however, we believe investors need to look beyond the past "exceptionalism" of the U.S., where, after outsized returns in recent years and given high current valuations, returns moving forward may be more subdued. Generally, return potential is viewed as more favorable where expectations are low rather than high. U.S. expectations are at generational highs, while the opposite is true for international equity markets.

DEREK DEVENS, CFA
Senior Portfolio Manager—Option Group

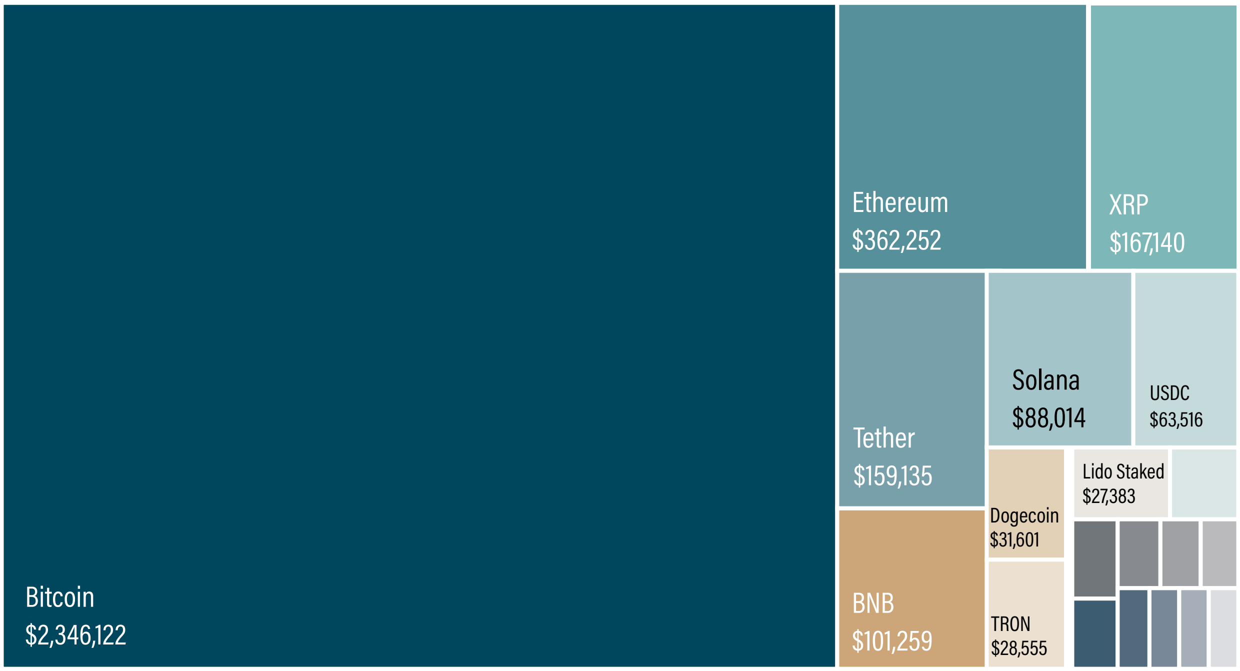
Sizing Up Cryptocurrency

INVESTORS OFTEN WRESTLE WITH HOW TO FIT BITCOIN INTO PORTFOLIOS; WE SHARE SOME IDEAS.

The cryptocurrency universe continues to evolve and grow by leaps and bounds. While once Bitcoin was the only major player on the block(chain), it has been joined by myriad products with various characteristics that are part of the growing category of digital assets. How is the current landscape shaping up, what might be the path forward, and what should investors consider if interested in dipping their toe in the water? We offer some high-level thoughts.

TOP 20 CRYPTOCURRENCIES BY MARKET CAPITALIZATION

($ Millions)



Source: CoinGecko. As of June 30, 2025. Represents actively managed open-end U.S. domiciled funds. Performance is based on funds' oldest share class. Quartile rank is based on the annualized 10-year returns. Investing entails risks, including possible loss of principal. **Past performance is no guarantee of future results.**

THE CURRENT LANDSCAPE

As we see it, the cryptocurrency universe includes three foundational constructs, all of which are likely to serve unique functions in the years ahead.

The first is the **digital asset** (such as Bitcoin), which operates as a store of value that, unlike a traditional "fiat" currency, is free from the influence of monetary authorities like the Federal Reserve. Only a finite amount of Bitcoin will be issued over time, with limited new issuance provided to "miners" who verify transactions on the digital ledger known as blockchain, thus potentially limiting the devaluation often associated with fiat currencies. In our view, Bitcoin should represent the cornerstone of any cryptocurrency investment strategy.

In contrast, the Ethereum platform looks to facilitate peer-to-peer **digital "smart" contracts** and applications built within blockchain to individual specifications. Rather than set a finite limit on issuance, supply of the "Ether" cryptocurrency is managed by balancing minting (or creation of new tokens) with "burning" (or deletion) of existing tokens.

Finally, **stable coins** provide a "time deposit" (like a CD) that is linked to the value of a hard currency. Stable coins including Tether's USTD and Circle's USD Coin (USDC) allow investors to keep their money in digital form while maintaining parity with the U.S. dollar. Investors can move into, out of or between these digital assets without going to a bank or broker. While USTD's global, less-regulated structure has many adherents, we believe that other stable coins, including USDC and Circle's euro coin (EURC), should gain traction, with increased acceptance by regulators and financial providers, as more investors move into the digital economy.

EVOLUTION

How things evolve in 2025 and beyond remains uncertain. Broad blockchain technology adoption across public and private markets may lead to a relatively independent digital asset ecosystem, with a spectrum of securities and investment exposures offering unique payoffs compared to other asset classes. However, the enthusiasm of investors regarding these assets may for a time be overshadowed by the lure of artificial intelligence, given its more obvious potential implications for corporate profits.

We believe the blockchain technology that enables cryptocurrency will likely become the backbone of public and private digital financial ecosystems—most importantly for contractual obligations and digital transactions. Specifically, blockchain and digital assets could serve as a global digital "patent/copyright office," helping to protect and reward those who create original content from AI bots that constantly scrape the internet to train and upgrade AI systems. The vast amounts of information and resources required for this purpose are unlikely to remain free on the internet for much longer.

ASSESSING DIVERSIFICATION BENEFITS

Clearly, the growth of cryptocurrency seems likely, with its continued integration into mainstream finance and the growing popularity amid increased economic, trade and market turbulence. But, more basically, should investors consider adding cryptocurrency to diversified portfolios and, if so, in what proportion?

A first step in considering this question is meaningful reflection, and an assessment of whether a volatile asset is appropriate for you and what you are trying to achieve for your portfolio. More technically, asset allocators have typically based their recommendations on traditional risk/return and drawdown analyses of Bitcoin's performance. Where a given investor has shown interest in such exposure, this has resulted in a growing industry consensus of allocating 1 – 2% of portfolio assets to Bitcoin.

At that level, assuming that Bitcoin continued its ascent (following back-to-back 100%+ return years), its inclusion could provide diversified investors a modest bump in overall portfolio returns. In large part, we think this would be due to Bitcoin's (as noted) constrained long-term issuance, increased regulatory acceptance and broadening investor ownership. Conversely, if Bitcoin proved to be a failed experiment, then a

Key Terms

Cryptocurrency is digital currency secured by encryption and operating on a decentralized system.

Blockchain is the technology used to record cryptocurrency transactions and issue new units without the need for a bank or government.

Bitcoin is by far the largest cryptocurrency; it is designed for investment and to serve as a store of value.

Ethereum is a cryptocurrency platform that facilitates smart contracts and applications.

Stable coins are digital assets linked to hard currencies such as the U.S. dollar or euro.

Some Ways to Invest

Individual investors have multiple ways to gain exposure to cryptocurrency. Here are a handful:

DIRECT PURCHASE
Buying cryptocurrencies through a crypto exchange

EXCHANGE-TRADED FUNDS AND MUTUAL FUNDS
Investing in pooled vehicles that track cryptocurrency prices or hold crypto-related assets

STOCKS
Investing in companies involved in the cryptocurrency industry, whether directly or through a portfolio strategy

FUTURES AND OPTIONS
Using financial derivatives linked to cryptocurrency prices or volatility without owning the underlying assets

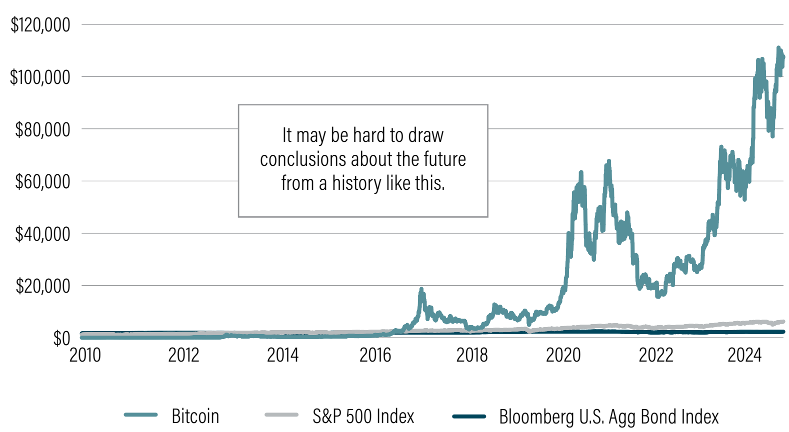
worst-case scenario given this allocation would leave investors with a 1 – 2% loss of portfolio assets—the equivalent of a tough trading day on Wall Street.

On balance, we believe the logic behind a relatively conservative allocation is sound, but it may prove incomplete given the broader array of digital investment products that are now available.

In practice, the diversification benefits apparent in a traditional portfolio construction analysis are largely a function of Bitcoin's meteoric price gains coupled with its outsized volatility. Statistically, it is almost impossible for an asset to have the extreme price volatility and strong gains that Bitcoin has achieved and not be a "diversifier" for traditional portfolios. Going a step further, digital assets are often highly correlated with technology exposures—particularly to the downside.

In our view, there could be a time when historical cryptocurrency performance becomes representative of its future. However, at present, we believe there's not enough data to make that call, and so it should not be the basis for allocation decisions—except, arguably, when it comes to the persistent volatility of the asset class.

BITCOIN'S PERFORMANCE: THE SAMPLE IS LIMITED
Daily Price (November 2010 – June 2025)



Source: Bloomberg. Data through June 30, 2025.

RIGHT-SIZING THE OPPORTUNITY

One way to look at cryptocurrencies is to compare them to another volatile asset category: venture capital startups. Estimates of the failure rate in venture capital vary greatly, but we believe it sits between 75% and 90% of companies, with a *Fortune* article identifying the top reason startups fail as making "products no one wants."[1] If we view Bitcoin and cryptocurrency through the lens of venture funding, the discussion of sizing allocations to cryptocurrency can be less dependent on statistics and focus on what we see as its key investment merits: useful products/services and diversified implementation, ideally facilitated by quality investment partners.

Given the likely continued venture capital-like characteristics of digital assets over the next few years, it may be worthwhile to tie initial digital asset investments to the equivalent of a single year of portfolio income—something less than 5%, informed by individual goals, risk tolerance and time horizon. An allocation of this size could allow investors to meaningfully participate in the growth and development of the digital asset economy and the expansion of artificial intelligence tokenization while limiting the risk of significantly impairing portfolio return potential during periods of elevated volatility.

Importantly, digital assets are replete with unique risks that require investor attention and thoughtful portfolio construction. Price volatility levels and drawdown risks are material, adoption by traditional financial firms remains limited, regulator plans are uncertain and blockchain security varies across platforms. From an investment perspective, each of these challenges may be addressed through modern portfolio techniques, including sizing, diversification, active management and hedging. However, substantially reducing or eliminating the risks that accompany digital asset investing would lead to a significant erosion of return potential. Risk management in traditional financial markets is not "free," and that's true for digital assets as well. And in practice, the latter is generally more expensive given the levels of uncertainty.

CONCLUSION: ALIGNING WITH INDIVIDUAL NEEDS

Despite their relatively new arrival to the capital markets, digital assets are becoming increasingly prominent in the financial world, and may merit study as to how they could become part of your investment portfolio. For those who are intrigued by digital assets, we believe a first step should be consultation with your NB Private Wealth team to assess whether they fit particular needs and goals. Building out diversified exposure may extend from there.

[1] Griffin, Erin, "Why startups fail, according to their founders," *Fortune,* September 25, 2014.

See disclosures at the end of this publication, which are an important part of this article.

Aspire to... **PLAN**

SAM PETRUCCI
Head of Advice Planning and Fiduciary Services

ADAM ROSENBERG
Head of Trust Tax

Alert: Major Federal Tax Law Changes

THE TRUMP ADMINISTRATION'S TAX AND SPENDING BILL IS NOW LAW; IN THIS ARTICLE, WE SUMMARIZE THE MOST NOTABLE TAX PROVISIONS.

On Friday, July 4, President Donald Trump signed into law a comprehensive tax and spending package, delivering on several major campaign promises and extending key provisions from the 2017 tax legislation. After intensive negotiations, both the House and Senate passed the bill ahead of the administration's self-imposed Independence Day deadline. The legislation introduces significant changes for individuals, families and businesses.

Key provisions:

- **Estate, Gift and Generation-Skipping Transfer Tax Exemption:** Beginning in 2026, the federal exemption will increase to $15 million per individual (up from $13.99 million), or $30 million for married couples. The change is permanent, and the exemption amount will be indexed for inflation going forward. This provides enhanced, long-term opportunities for tax-efficient wealth transfer.

- **Individual Income Tax Rates:** All individual tax rate reductions, previously set to expire after 2025, are now permanent. The top marginal income tax rate for high earners remains at 37%.

- **SALT Deduction Cap:** Starting in 2025, the State and Local Tax (SALT) deduction cap temporarily increases from $10,000 to $40,000 for both single and joint filers. The cap phases down for those with modified adjusted gross income (MAGI) above $500,000, but will not fall below $10,000. The cap will increase by 1% annually before reverting to $10,000 after 2029. Unlike the House bill, the final law does not restrict Pass-Through Entity Tax (PTET) workarounds for certain business owners.

- **Itemized Deduction Limitation:** Beginning next year, taxpayers in the 37% income tax bracket will see the benefit of all itemized deductions capped at an effective income tax rate of 35%. For those who do not itemize, the standard deduction has now increased to $31,500 for joint filers and $15,750 for all other filers, with ongoing inflation adjustments.

- **Charitable Contributions:** The 60% AGI limitation for cash contributions to public charities is now permanent. Starting in 2026, individuals who take the standard deduction may claim a $1,000 charitable deduction ($2,000 for joint filers). Additionally, for those who itemize deductions, a 0.5% floor will apply to charitable contributions, with unused amounts eligible for carryforward.

- **Tax Relief for Workers and Seniors:** From 2025 to 2028, deductions are available for up to $25,000 in qualified tips and $12,500 in overtime pay, subject to phaseouts above MAGI thresholds ($150,000 for singles, $300,000 for joint filers). Auto loan interest of up to $10,000 (starting this year, on new loans for U.S.-assembled vehicles) is deductible, with phaseouts above $100,000/$200,000 (single/joint). Seniors age 65+ benefit from an increased deduction of $6,000 (phasing out above $75,000/$150,000 MAGI), which is intended to offset the taxation of Social Security benefits.

- **Small Business Provisions:** The Section 199A deduction for qualified business income (QBI) is permanently set at 20%. In addition, the law relaxes the limitations for Specified Service Trades or Businesses and pass-through entities subject to the wage and investment threshold, enabling more business owners to take advantage of the deduction.

- **Qualified Small Business Stock (QSBS) Exclusion Expansion:** For shares acquired after July 4, 2025, the exclusion increases to $15 million (up from $10 million), and the corporate asset limit rises to $75 million (up from $50 million), both indexed for inflation from 2027. Additionally, there is a new tiered gain exclusion for such shares: 50% after three years, 75% after four years and 100% after five years.

- **Child Tax Credit:** The credit becomes permanent, increasing from $2,000 to $2,200 per child (effective 2025), indexed for inflation beginning in 2026. Existing phaseout thresholds remain ($200,000 single/$400,000 joint), with phaseouts of $50 for every $1,000 above these limits.

- **"Trump Account":** Starting in 2026, a new tax-advantaged savings account for children, seeded with a $1,000 federal contribution for those born between 2025 and 2028, will allow annual private contributions up to $5,000 (and employer contributions up to $2,500). Funds may grow tax-deferred, with qualified withdrawals taxed at ordinary income rates, and will be accessible starting at age 18.

- **University Endowment Tax:** Beginning next year, the excise tax on net investment income will increase from 1.4% up to 8%, based on endowment size and student population. Institutions with fewer than 3,000 tuition-paying students will be exempt. Proposed excise taxes on foundations were not adopted, leaving their rate at 1.39%.

- **No Changes to Certain Provisions:** The law preserves the current treatment of carried-interest income, retains the top income tax rate, and does not repeal the estate tax.

These sweeping changes present new opportunities and considerations for tax planning. We are actively monitoring regulatory developments and will continue to provide updates. Please contact us to discuss how these provisions may affect your personal or business situation.

See disclosures at the end of this publication, which are an important part of this article.

JULIA CHU
Head of Philanthropy and Family Governance Advisory

KARIN McNAIR
Head of Estate Planning and Senior Trust Counsel

Safeguarding and Supporting Loved Ones in Mental Decline

PROACTIVE STEPS CAN EASE THE BURDEN OF A DIFFICULT PROCESS.

Declining mental capacity among aging loved ones can be an overwhelming challenge for family members, posing myriad emotional, medical, planning and caregiving issues. Those suffering from decline may be unaware of their condition and thus resistant to assistance, even as dementia makes it hard to make even routine financial and health care decisions. Where possible, we believe it is important to take proactive steps to protect them from a health care and financial perspective, whether from poor decision-making or from those who may seek to take advantage of them. Here are a few high-level ideas to consider.

Watch for Warning Signs

Cognitive decline among the elderly can reveal itself a little at a time, from interactions to personal habits. When it comes to financial matters, research has shown that decision-making can begin to deteriorate years before a formal diagnosis of dementia.[1] Everyone changes with age, of course, so watch for actions that may seem uncharacteristic or imprudent relative to the past. Early signs may include payment delinquency, declining credit scores, impulsive purchases or investments in risky ventures that in previous years would not even have been considered.

Set Up a Framework for Assistance

Signs of decline may introduce a whole set of tasks and decisions, from consulting with medical professionals to considering forms of care and assistance. Addressing mental capacity with loved ones can be an uncomfortable task, but incorporating mental and cognitive health into annual checkups can help normalize the topic and introduce opportunities for more targeted expert assessments as needed.

In terms of care and support, it can be helpful to bring the whole family into the picture; a candid discussion among family members can help clarify their availability and skillsets for this purpose. When considering the services of mental wellness professionals, we suggest working only with those who do not accept referral fees or other compensation from providers, to help ensure objectivity.

Introduce Safeguards

Clearly, friends and relatives should tread carefully when stepping into the lives of those suffering from decline. That said, two early financial steps can offer benefits while potentially avoiding issues of intrusion into the autonomy of the person affected:

Establish Automated Bill Payment. Plenty of people use automated bill payment these days for purposes of convenience and security. You can help arrange for the automatic payment of most regular expenses, including utilities, mortgage and rent.

Name a Trusted Contact. To reduce the chances of fraud or unauthorized activity, the account owner may designate an individual whom financial firms may contact to address possible financial exploitation, confirm contact information, or confirm the identity of someone instructing the firm based on their status as a guardian, executor, trustee or holder of a power of attorney. The trusted contact cannot see the owner's balances, gather information about them, conduct transactions on the owner's behalf or make changes to the account.

[1] Source: New York Federal Reserve, "The Financial Consequences of Undiagnosed Memory Disorders," May 2024.

It can be helpful to bring the whole family into the picture; a candid discussion among family members can help clarify their availability and skillsets.

Put the Right Documents in Place

In an ideal world, your relative will have consulted an estate planning attorney to create documents needed in the event of mental incapacity. However, if they have not, or if it has been a long time since those documents were developed, it may make sense to encourage the individual in decline to have an attorney review and update them as needed. Importantly, the individual must have the mental capacity to sign those documents, often making time of the essence to accomplish this step.

Although a full range of estate planning documents may be appropriate, here are the key ones to help your relative as they face coming challenges:

Power of Attorney. A power of attorney allows an agent to make financial and other decisions on your relative's behalf when they no longer are able to do so. A distinction is often made between a "durable" power of attorney, which goes into effect upon signing and lasts until death, and a "springing" power of attorney, which takes effect upon a finding of incapacity and lasts until the incapacity has ended. Durable powers are used more often than springing powers because the latter require proof of the principal's incapacity, which may require a court proceeding to determine.

If your relative does not have a durable power of attorney and becomes unable to manage personal or business affairs, it may become necessary for a court to appoint a guardian or conservator. Proceedings to make these appointments can be complicated, lengthy and expensive. However, having a properly drafted durable power of attorney in place naming both agents and successor agents should generally prevent the need for a court-appointed guardian or conservator.

Advance Health Directive. Deciding on treatment options in the late stages of disease can be excruciating for families. Advance health directives encompass an array of documents that allow the expression of one's wishes in such cases. The terms of a directive should be discussed with health care providers to ensure they are aware of the person's wishes, with copies provided to them, the caregivers and attorney, as appropriate, so that the documents can be accessed quickly should the need arise.

Living Will. A living will is a type of advance health directive that provides written instructions and preferences regarding the medical treatment one wishes to receive at end of life. Sharing these wishes with the family in advance can help prevent future conflict when siblings disagree over the right course of action. (Other more specific directives may also be appropriate, such Medical Orders for Life-Sustaining Treatment or Physician Orders for Life-Sustaining Treatment.)

Online Resources

Alzheimer's Association
www.alz.org

National Institute on Aging:
www.nia.nih.gov

Family Caregiver Alliance:
www.caregiver.org

Helpful Books

When Your Aging Parent Needs Help: A geriatrician's step-by-step guide to memory loss, resistance, safety worries, and more, Leslie Kernisan MD, MPH and Paula Spencer Scott, Better Health While Aging, LLC, 2021.

The 36-Hour Day: A Family Guide to Caring for People Who Have Alzheimer's Disease and Other Dementias; Nancy L. Mace and Peter V. Rabins, John Hopkins Press Health, 2017.

Health Care Power of Attorney. A Health Care Power of Attorney (or Health Care Proxy) allows an individual to name an agent to make health care decisions when they cannot communicate with medical providers. Given the wide range of medical interventions for certain conditions, it may be beneficial for your loved one and you, if appointed as agent, to ask the loved one's medical team thorough questions to ensure your understanding of various treatments and their implications.

Keep Documents in a Central Location

While well-intentioned, suggestions to commence or update an estate plan can sometimes alarm or upset older family members. Beginning the process of locating and collecting key documents in a central binder, file or location may provide a non-threatening context for estate planning. Identifying your loved one's important documents not only helps them, but also prepares the family for emergencies and disruptions, and provides invaluable peace of mind.

To support you in this essential task, our *Estate Planning Organizer* can help them (and you) collect, arrange and store all their vital information in one safe and accessible location. Ask your NB Private Wealth team for details.

Conclusion: Navigating Your Family's Journey

Adapting to a relative's declining mental capacity can feel overwhelming, but proactive steps can help lessen your burden and enhance the quality of life of your loved one. In our view, it can be important to allow them to retain autonomy where possible. At the same time, you may believe that new protections are in order, requiring a degree of intervention that you might otherwise want to avoid. It is a delicate balance that, with a degree of care and planning, we believe you can achieve. As always, your NB Private Wealth team is available to help you through challenging situations with personal and financial ramifications.

The authors would like to thank the professionals at Intent Clinical for their perspective and guidance as we prepared this article.

Arranging for Home Care

Various care options are available for those in mental decline, from assisted living to nursing homes to Alzheimer's special care units (SCUs; also called memory care units). However, a common denominator for many older Americans is a desire to remain at home or with relatives for as long as feasible. In accommodating such wishes, family members may choose to serve as caregivers, but in many cases, it may make sense to find outside professionals to do much of the work or take on that role entirely.

Making choices in this area can be complex, but here are a few points worth considering:

Choosing an agency. Inquire how long the agency has been in business and whether it is licensed, accredited, bonded (e.g., to compensate for any caregiver theft) and/or insured. You may wish to ask about quality-control checks made by supervisory personnel, 24-hour support, and how emergencies or absences are handled.

Hiring an individual care provider. When speaking with potential caregivers, ask about their experience, training in dementia care, caregiving philosophy, first aid and CPR certification, background checks, references and availability, among other concerns.

Supporting caregivers. Sharing information about triggers, calming techniques and routines can facilitate the caregiving. Spending time with them early on may help ease the transition for your loved one. Encouraging caregivers to focus on caregiving tasks (as opposed to domestic chores) and treating them with kindness can create a positive environment for everyone.

Bring the patient into the planning. To the extent possible, it is important to consult your aging relative along with other family members in developing care plans. When including a loved one with dementia in making choices about their care, consider dividing the broader conversation into multiple briefer and focused decisions that can be discussed separately, as well as offering specific options that the individual can choose from, to facilitate their decision-making.

Aspire to... **OPTIMIZE**

SAM PETRUCCI
Head of Advice Planning and Fiduciary Services, NB Private Wealth

Private Markets Exposure Through Life Insurance

WE BELIEVE SPECIALIZED INSURANCE PRODUCTS CAN BE POWERFUL TOOLS FOR TAX-EFFICIENT INVESTORS.

Private markets have gained significant traction among investors seeking attractive return potential with relatively low correlation to traditional public market assets. However, as with public investments, taxes can pose challenges, reducing the returns that fully reflect the economic success of the underlying investments. For taxable investors, asset location plays a critical role in optimizing returns. Specialized insurance products, such as Private Placement Life Insurance (PPLI) and Private Placement Variable Annuities (PPVA), can offer meaningful advantages for qualified investors, making them powerful tools in a tax-efficient investment strategy.

ILLUSTRATIVE EXAMPLE: TAX EFFICIENCY OF PPLI AND PPVA

The following table highlights the potential tax efficiency of PPLI and PPVA compared to taxable accounts. As you will see, a taxable investor with assets generating a 10% per annum return will only have a net after-tax investment income of roughly 4.6% in a high income-tax state such as New York or California. These solutions enable a taxpayer to compound returns on either a tax-deferred or tax-free basis, depending on the structure.

<table>
<tr><th></th><th colspan="3">TAXABLE INVESTOR</th><th></th><th></th></tr>
<tr><th></th><th>California</th><th>NYC</th><th>Texas/Florida</th><th>PPLI</th><th>PPVA</th></tr>
<tr><td>Gross Investment Return</td><td>10.00%</td><td>10.00%</td><td>10.00%</td><td>10.00%</td><td>10.00%</td></tr>
<tr><td>Federal Tax Rate</td><td>(4.08%)</td><td>(4.08%)</td><td>(4.08%)</td><td rowspan="2">0.00%</td><td rowspan="2">(2.04%)</td></tr>
<tr><td>State/City Income Tax</td><td>(1.33%)</td><td>(1.35%)</td><td>0.00%</td></tr>
<tr><td>Annualized PPVA/PPLI Fees</td><td>0.00%</td><td>0.00%</td><td>0.00%</td><td>(0.58%)</td><td>(0.50%)</td></tr>
<tr><td>Net Investment Return</td><td>4.59%</td><td>4.57%</td><td>5.92%</td><td>9.42%</td><td>7.46%</td></tr>
</table>

Source: Winged Keel Group. Net level annual rate of return of 10%. See the assumptions and disclosures at the end of this paper, which are an important part of this display.

PRIVATE PLACEMENT LIFE INSURANCE: A TAX-EFFICIENT SOLUTION

PPLI is an advanced insurance product tailored to wealthy individuals seeking to combine the benefits of life insurance with access to private market investments. Unlike traditional life insurance policies, which primarily focus on providing a death benefit, PPLI policies enable policyholders to invest in a broad range of complex assets, including private equity, private credit, hedge funds and real estate.

The structure of PPLI is designed to maximize tax efficiency. The policyholder contributes premiums to the insurance policy, which are then allocated to Insurance Dedicated Funds (IDFs) or Separately Managed Accounts (SMAs). These investment vehicles are managed by professional investment managers to align with the policyholder's objectives.

The PPLI structure typically provides the following advantages:

Tax-free growth. Investment returns, including dividends, interest and capital gains, grow on a tax-free basis. This means that policyholders do not incur taxes on the growth of the investments while the policy remains in force, providing the potential for enhanced capital compounding over time. PPLI is particularly advantageous for assets that would otherwise generate high levels of income taxable at ordinary income rates such as private credit or hedge funds because the tax-free structure shields their earnings from annual income taxes. Private equity, which typically benefits from capital gains rates, can also achieve more tax efficiency when held within a PPLI policy. The higher the returns of the underlying assets, the greater the compounding benefit.

Estate planning benefits. PPLI policies can be integrated into a broader estate plan. Upon the policyholder's passing, the death benefit is paid out to beneficiaries on a tax-free basis. This feature not only preserves wealth, but can also provide liquidity to help indirectly offset estate taxes, ensuring a smooth transfer of assets to heirs.

Tax-free withdrawals. Policyholders can access tax-free liquidity up to certain levels by making withdrawals up to their cost basis and taking loans against the policy's cash value, provided the policy remains in force. This flexibility enhances the utility of PPLI policies as part of a broader financial plan.

Investment flexibility. Policyholders can customize their investment strategies by selecting from a wide range of IDFs and SMAs, which include both traditional and alternative asset classes. This flexibility enables investors to align their portfolios with their long-term goals while accessing top-tier private markets managers and strategies, the number of which has grown over the past five years. This stands in contrast to the relatively limited investment options offered by traditional insurance products. In addition, assets within a PPLI account may be reallocated without triggering income tax liability.

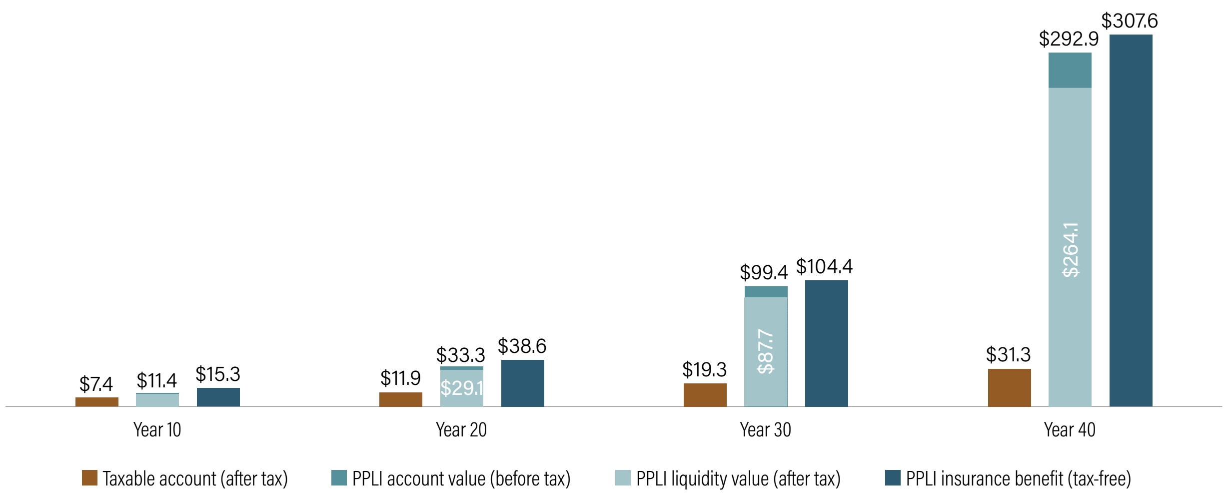
Simplified tax reporting. Unlike many traditional private market investments, PPLI policies do not generate Schedule K-1s, which are commonly associated with partnerships and can complicate tax filings. By eliminating the need for K-1s, PPLI simplifies tax reporting for investors.

Over the long term, the returns generated within a PPLI policy should be expected to significantly outperform those of an identical portfolio in a taxable account, even after accounting for additional fees.

The following display illustrates the potential compounding benefit of a PPLI account purchased by a 50-year-old male with an initial $5 million value that grows at a 12% annualized rate of return. By year 10, the account value inside the policy would be $11.4 million (with a $15.3 million death benefit) compared to $7.4 million for a taxable account. By year 30, the account value inside the policy would be $99.4 million (with a $104.4 million death benefit) compared to $19.3 million for a taxable account.

ILLUSTRATIVE EXAMPLE: COMPOUNDING BENEFIT OF PPLI

Long-term growth of $5 million assuming 12% annualized rate of return ($mn)



Source: Winged Keel Group. Net level annual rate of return of 12%. See the assumptions and disclosures at the end of this paper, which are an important part of this display.

PRIVATE PLACEMENT VARIABLE ANNUITIES: A COMPLEMENTARY TAX-DEFERRED STRATEGY

Similar to PPLI, PPVA offers a tax-advantaged structure for individuals and families. However, there are key differences in how these structures work and the benefits they provide.

A PPVA is an annuity contract where the investment component grows on a tax-deferred basis. Annuity holders allocate funds to the annuity, which are then invested in IDFs or SMAs. The growth of these investments is not subject to annual income taxes, providing a significant compounding advantage over time. Similar to PPLI, assets within a PPVA account may be reallocated without recognizing income tax. Unlike PPLI, PPVA does not include a death benefit, instead focusing primarily on the tax-efficient accumulation of wealth.

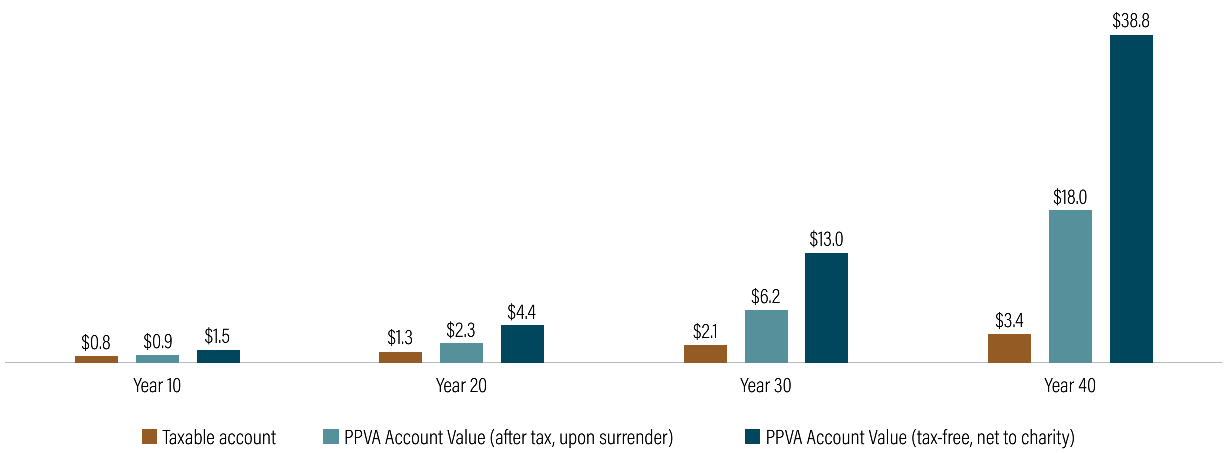
One of the distinguishing features of PPVA is the withdrawal structure: Distributions are taxed as ordinary income at the time of withdrawal, but the tax-deferred growth allows for potentially higher returns over the life of the annuity.[1] For philanthropically inclined investors, we believe PPVA is particularly compelling. Policyholders can designate a charitable organization as the beneficiary of the annuity, thereby eliminating taxation and helping to satisfy philanthropic objectives.

[1] While no withdrawals are required until age 95, there is an early withdrawal tax of 10% on the gain element of withdrawals taken before age 59½.

A $500,000 investment in a PPVA that generates a 12% annual rate of return would grow to $1.3 million (after tax) by year 20 in a taxable account, $2.3 million in a PPVA account (after tax, upon surrender) and $4.4 million (tax-free) for a charitable recipient, with return benefits continuing to grow over time.

ILLUSTRATIVE EXAMPLE: COMPOUNDING BENEFIT OF PPVA FOR INDIVIDUAL OR CHARITABLE BENEFICIARY

Long-term growth of $500,000 Initial Investment, assuming 12% annualized rate of return ($mn)



Source: Winged Keel Group. Net level annual rate of return of 12%. See the assumptions and disclosures at the end of this paper, which are an important part of this display.

KEY DIFFERENCES BETWEEN PPLI AND PPVA

While PPLI and PPVA share similarities in their tax-advantaged structures and their ability to invest in private markets, their purposes and mechanics differ, as shown below.

FEATURE	PPLI	PPVA
Primary Purpose	Combines life insurance with investment capabilities for tax efficiency and estate planning.	Focuses solely on tax-deferred investment growth, often used as a retirement or philanthropic tool.
Death Benefit	Includes a tax-free death benefit for beneficiaries.	Does not include a death benefit; instead, provides distributions during the annuity holder's lifetime.
Tax Treatment	Investment growth and death benefits are tax-free.	Investment growth is tax-deferred; gains are taxed as ordinary income when withdrawn.
Estate Planning	Designed to transfer wealth to heirs efficiently; can indirectly provide liquidity for estate taxes.	Less focused on estate planning; more oriented toward income generation and philanthropy.

CONSIDERATIONS WHEN USING PPLI OR PPVA

While PPLI and PPVA may offer compelling benefits, they are not without complexities. Key considerations include:

Cost and complexity. These policies often involve higher fees, including mortality and expense charges, and require careful planning to ensure alignment with investor objectives.

Liquidity constraints. Private market assets are typically less liquid than public market securities, which may limit the investor's ability to quickly access funds within a PPLI or PPVA policy.

Regulatory risk. Changes in tax laws or insurance regulations could affect the benefits and flexibility of these products.

Above all, the effectiveness of these policies depends on proper structuring and compliance with tax regulations. In our view, collaborating with experienced financial advisors, insurance brokers, tax professionals and legal experts is essential to ensure alignment with investor goals and legal requirements.

MAKING THE RIGHT CHOICE

PPLI and PPVA offer unique opportunities for individuals and families to access private markets in a tax-efficient manner. While PPLI is often better suited for those seeking a combination of estate planning and investment growth, PPVA can be ideal for investors focused on long-term tax deferral and philanthropic objectives. By leveraging the investment flexibility, tax advantages and structural benefits of these products, investors can align their portfolios with their broader financial goals.

How Neuberger Berman Fits In

Both PPLI and PPVA provide policyholders with access to IDFs, which allow investors to participate in strategies across private equity and private credit, potentially offering a high degree of customization and access to leading investment managers. Neuberger Berman has extensive experience in this space and manages $3.3 billion in IDF assets as of March 31, 2025.

Rashid Johnson at the Guggenheim

As a major sponsor of *Rashid Johnson: A Poem for Deep Thinkers* at the Guggenheim New York, we recently hosted our signature client appreciation event to celebrate this landmark exhibition.

Widely recognized as one of the most influential contemporary artists of our time, Rashid Johnson presented more than 90 works—including paintings, sculptures, films and more—that thoughtfully explore themes of creativity, self-expression and cultural identity.

We welcomed 422 guests—including clients and team members—to a private reception in the museum's iconic rotunda. Attendees enjoyed exclusive access to the exhibition, with opportunities to join tours led by gallery guides for deeper insights. The evening's highlight was a special, impromptu address by Johnson himself, whose presence and remarks made the event truly memorable.

Since our founding, a deep commitment to the arts has been woven into our firm's DNA. We champion art and living artists as essential contributors to shaping and enriching culture. Sponsoring exhibitions like *A Poem for Deep Thinkers* reflects this long-standing dedication.

The exhibition runs through January 18, 2026. For more information, visit the Guggenheim website at www.guggenheim.org/exhibition/rashid-johnson-a-poem-for-deep-thinkers.

Celebration with Service

15 Years and Counting

2025 marks the 15th anniversary of *Celebration with Service*, our volunteer initiative recognizing Neuberger Berman's reemergence as an independent firm. Each year, we partner with nonprofit organizations and connect with colleagues in activities that support our communities. In recent months, roughly 1,600 employees across 18 offices participated in 147 projects. Together, we served meals, help students with career advice and financial literacy, shared time with seniors, cleaned up parks, community spaces and beaches, organized donations and assembled care packages, among the many activities.


The Bowery Mission



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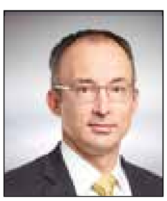
AND
HORSEMANSHIP


About the Authors

Julia Chu is the Head of Philanthropy and Family Governance Advisory at NB Private Wealth, leading our practice in guiding individuals and families to convey their values and priorities across future generations. Julia helps clients through all phases of their philanthropic journey, from distilling mission, to refining strategy, to extending legacy across generations; she fosters dialogue to develop each family's governance system and articulate its common vision. Julia received an LLM in Taxation from New York University School of Law, a JD from Boston University and a BA from Cornell University. She has been awarded the GEN Certificate in Family Business Advising (CFBA) and the Certificate in Wealth Advising (CFWA) by the Family Firm Institute.



Derek Devens, CFA, is a Senior Portfolio Manager with the Option Group. Prior to joining Neuberger Berman in 2016, Derek was responsible for Research and Portfolio Management at Horizon Kinetics. Before that, he was a Vice President with Goldman Sachs' Global Manager Strategies Group, where he conducted investment manager research. He also served as a Fixed Income Portfolio Manager at Fischer Francis Trees & Watts and Bond Logistix. Derek received a BS in Civil Engineering from Princeton University and an MBA from New York University. He has been awarded the Chartered Financial Analyst designation.

Karin McNair is Head of Estate and Wealth Planning and Senior Trust Counsel for the Neuberger Berman Trust Company N.A., where she advises clients on tax-efficient intergenerational transfers of wealth and provides counsel on fiduciary matters. Karin has over 20 years of experience in estate planning, tax planning, and trust and estate administration. Prior to joining the firm in 2023, Karin was a Trusts and Estates Advisor with Rockefeller Trust Company, N.A. Before that, she practiced trusts and estates law for nearly a decade at Hughes Hubbard & Reed LLP. She has also taught trusts and estates law as an adjunct professor at Columbia Law School. Karin received her BA from Vanderbilt University and her JD from Columbia Law School.

Sam Petrucci is Head of NB Private Wealth's Advice, Planning and Fiduciary Services team, which consists of attorneys, financial planners and fiduciary specialists. Together, they advise clients in areas such as estate planning, tax planning, life insurance, philanthropy and wealth education, as well as providing estate and trust administration for families through the firm's trust company. Before joining Neuberger Berman, Sam was Global Head of Wealth Planning and Chairman of the Trust Company at Deutsche Bank, and previously co-founded and led the U.S. Wealth Planning Group at Credit Suisse. He holds a BA from the University of Pittsburgh, a JD from Widener University School of Law, and an LLM in Taxation from Villanova University School of Law.

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Shannon L. Saccocia, CFA, is Chief Investment Officer—Wealth, working closely with investment leadership across Neuberger Berman to establish market views, asset allocation and portfolio recommendations. She is responsible for leading the investment platform to enable comprehensive delivery of the firm's investment capabilities to Private Wealth clients. Prior to joining the firm in 2023, she was the Chief Investment Officer for SVB Private and Boston Private Wealth. Shannon received her BA in Economics and History from Brandeis University, and has been awarded both the Chartered Financial Analyst and Certified Investment Management Analyst® designations.

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