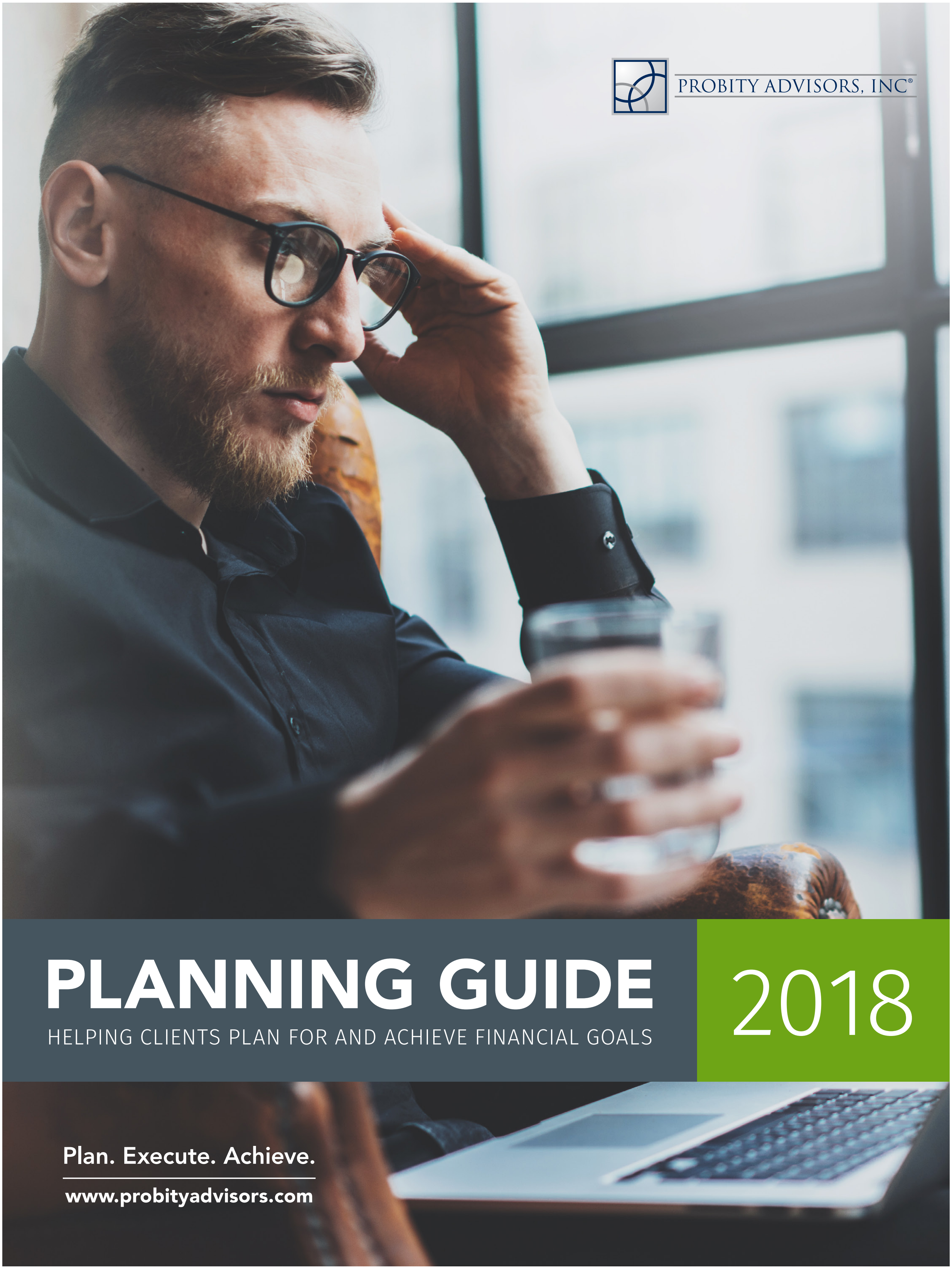

PROBITY ADVISORS, INC®

PLANNING GUIDE 2018

HELPING CLIENTS PLAN FOR AND ACHIEVE FINANCIAL GOALS

Plan. Execute. Achieve.

www.probityadvisors.com

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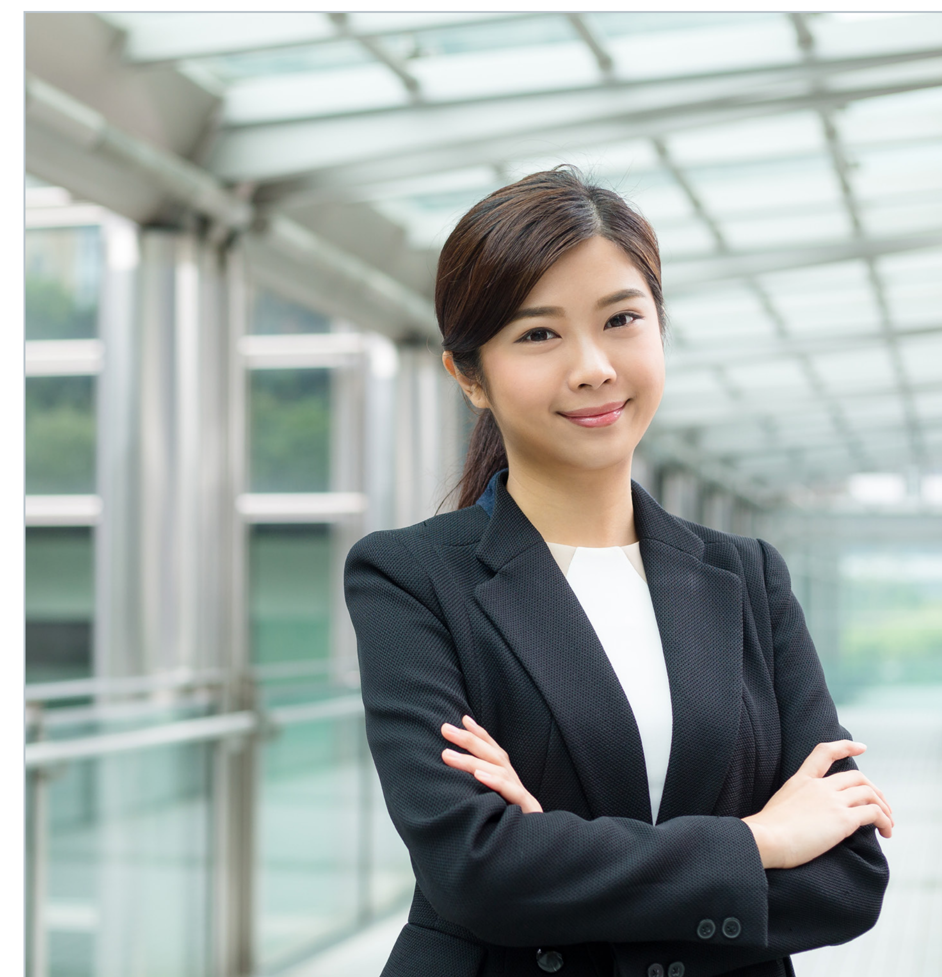
PLANNING GUIDE
2018

INTRODUCTION

Our mission is to be our clients' trusted advisor, promoting financial knowledge and transparency in every relationship and interaction and guiding clients and their families through life's transitions across multiple generations.

Our Annual Planning Guide is designed to empower you with resources and tools that will help you remain an informed participant in your financial future. This guide is not intended to be a substitute for regular, in person meetings or communication with your advisors, but rather, we hope you will use the educational guide to initiate and steer discussions with advisors and with family members.

We encourage you to reach out to us with any questions, comments, or concerns you may have about your financial life.



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SECTION 1
FINANCIAL PLANNING

Financial Planning
at Every Life Stage.

As your financial needs grow and change over time, there are often correlating changes in income, spending patterns, risk, and other areas of financial concern. Trusted, professional advice can be invaluable when you're navigating the complex financial decisions associated with big life milestones.

Our advisors are here to help you and your family maintain a sound overall financial strategy during changing life circumstances, such as:

FIRST JOB

- ☐ Develop good financial habits
- ☐ Pay down debt
- ☐ Establish savings goals
- ☐ Take advantage of employee benefit plans

GETTING MARRIED

- ☐ Have an estate plan
- ☐ Get disability insurance
- ☐ Designate beneficiaries
- ☐ Create or update your will
- ☐ Speak with an advisor about life insurance
- ☐ Invest wisely

STARTING A FAMILY

- ☐ Review estate plan
- ☐ Save for college
- ☐ Prepare for unexpected events
- ☐ Spend wisely
- ☐ Review life and disability insurance
- ☐ Consider special needs planning

ADVANCING YOUR CAREER

- ☐ Max out retirement contributions
- ☐ Be proactive in tax planning
- ☐ Discuss long term care plans with an advisor
- ☐ Review your investments
- ☐ Review financial goals

NEARING OR DURING RETIREMENT

- ☐ Manage taxes and preserve wealth
- ☐ Have adequate medical insurance
- ☐ Make sure your estate plan is up to date
- ☐ Accelerate saving and investing for retirement
- ☐ Begin retirement income planning

DIVORCE OR DEATH OF A SPOUSE

- ☐ Refine your financial plan
- ☐ Review your estate plan
- ☐ Review beneficiaries
- ☐ Review income needs and spending plan

EXITING OR SELLING A BUSINESS

- ☐ Determine financial and professional goals
- ☐ Identify potential successors
- ☐ Communicate plans to stakeholders
- ☐ Share plans with family members

FINANCIAL PLANNING

Comprehensive and ongoing financial planning that keeps up with evolving priorities and goals can help you achieve better outcomes.

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SECTION 2
RETIREMENT

When planning for retirement, the earlier you start saving and investing, the better off you will be. Below are a few strategies our advisors recommend to help individuals make the most of their retirement accounts.

1. GET EMPLOYER CONTRIBUTIONS
If you have a workplace savings plan, take advantage of any matching contributions from your employer. For example, if you earn $75,000 per year and save 6% of your pay, or $4,500, and if your employer matches half of that, you could get another $2,250 from your employer in matching contributions. Don't pass up the "free money" you might get through a matching program.

2. MAX OUT YOUR 401(K)
If you have a 401(k) plan, maximize your annual contributions to help you build your nest egg faster. In October 2017, the IRS announced an increase in the elective deferral limit from $18,000 in 2017 to $18,500 in 2018. The chart to the right shows the contribution limits for a variety of retirement accounts with changes reflected in green.

3. MAX OUT YOUR IRA
An IRA – individual retirement account – is a type of savings account that is designed to help individuals save for retirement in a tax-advantaged way. If you qualify, an advisor can help you determine which type of IRA might be the right choice for you and help you understand the differences between the options. You can contribute up to $5,500 to an IRA in 2017 and in 2018. Unlike 401(k) contributions, which generally need to be made by December 31st, IRA contributions may be made up until the April 15th tax filing deadline.

4. TAKE ADVANTAGE OF CATCH-UP CONTRIBUTIONS
Workers age 50 and older can contribute an additional $6,000 to their 401(k) and an additional $1,000 to an IRA. This is a great boost for those nearing retirement.

5. IF YOU ARE A BUSINESS OWNER, CONSIDER CONTRIBUTING TO A SEP IRA OR SOLO 401(K)
For the self-employed, the amount that can be contributed to a SEP (Simplified Employee Pension) IRA is the lesser of 25% of compensation or $54,000 in 2017 and $55,000 in 2018. Solo 401(k)s allow the lesser of 25% of compensation plus $18,500 or $54,000 in 2017 and $55,000 in 2018, as well as a catch-up contribution of $6,000 for those who are 50 years or older.

6. PUT RETIREMENT SAVINGS ON AUTOPILOT
Take advantage of automatic salary deferrals and utilize automatic monthly withdrawals from a checking account to make contributions to your retirement accounts. Steadily increase contributions over time or with any raises you might earn to help ensure you are saving enough for the retirement you envision.

RETIREMENT PLAN	2017 CONTRIBUTIONS	2018 CONTRIBUTIONS	AGE 50 & ABOVE CATCH UP
401(k) or 403(b) and most 457 Plans	$18,000	$18,500	+ $6,000
Traditional IRA and Roth IRA	$5,500	$5,500	+ $1,000
SIMPLE IRA	$12,500	$12,500	+ $3,000
SEP IRA	$54,000	$55,000	N/A
Solo 401(k)	$54,000	$55,000	+ $6,000

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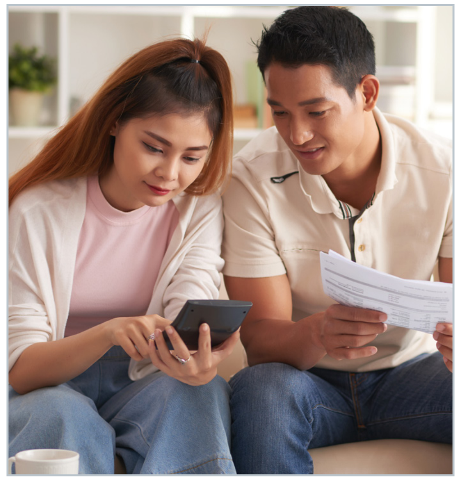
SECTION 3
BUDGETING



Budgeting is the process of creating a plan to spend your money. It begins with simply balancing your expenses with your income and prioritizing your spending to focus on what is most important to you.

The idea of budgeting might bring to mind an image of pinching pennies or making uncomfortable trade-offs, but if you think of it in terms of a spending plan for your money – taking charge of how, when, and where you want to spend your money – budgeting can give you the insight you need to get the best possible life with the money you have.

Developing a budget can help you accomplish the following:

1. MAKE WISE FINANCIAL DECISIONS
   Being smart with your money begins with understanding where your money is going. An advisor can help you create a realistic budget that includes room for fun and enjoyment and help you decide just how much can be harnessed for retirement, emergencies, charitable giving, or special savings goals.

2. GAIN FREEDOM
   Developing a budget doesn't limit your freedom, it gives you freedom to be intentional with where your money goes. The process of budgeting can allow you to shift your spending to the wedges of the "personal income pie" that reflect your priorities, and as a result, you may feel happier, more enriched, and be more satisfied with your financial situation.

3. REDIRECT SPENDING TO YOUR PRIORITIES
   Categorizing your spending into the personal income categories to the right allows you to examine if your spending patterns are aligned with your priorities. We generally spend our money one of four ways: living, giving, growing, and owing. Taxes and debt are monies that we owe, and savings and investments are monies that we grow for the future. The money we spend to maintain our lifestyle is the money used for living, and donations we make to charitable causes are monies used for giving. This quick analysis reveals some "big picture" insights and allows you to make adjustments if needed.

PERSONAL ALLOCATION OF INCOME

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DEVELOPING A BUDGET: WHERE TO START

This list is a great place to begin tracking your income and expenses. If you know what is coming in and going out, it is easier to analyze needs versus wants and create a spending plan that helps you achieve your financial goals. Our advisors can help you develop a clear picture of your financial situation and help you maximize your financial well-being.

INCOME

Total Net Income	Other Income

HOUSING & LIVING EXPENSES

Mortgage or Rent	Insurance
Property Taxes	Utilities
Groceries	Child Care
Additional Expenses	Additional Expenses

HEALTH

Health Insurance	Medical Expenses
Dental Insurance	Additional Expenses

AUTO & TRANSPORTATION

Auto Loan Payment	Auto Insurance
Public Transportation	Fuel & Maintenance
Additional Expenses	Additional Expenses

EDUCATION

Tuition & Fees	Textbooks
Supplies	Additional Expenses

LOANS & CREDIT CARDS

Student Loans	Credit Cards

SAVINGS & INVESTING

College Savings	Investments (Stocks)
Investments (IRA / 401K)	Other Savings

GIVING

Gifts	Donations

MISCELLANEOUS EXPENSES

Entertainment	Travel
Clothing	Personal Care
General Purchases	Additional Expenses

SECTION 4

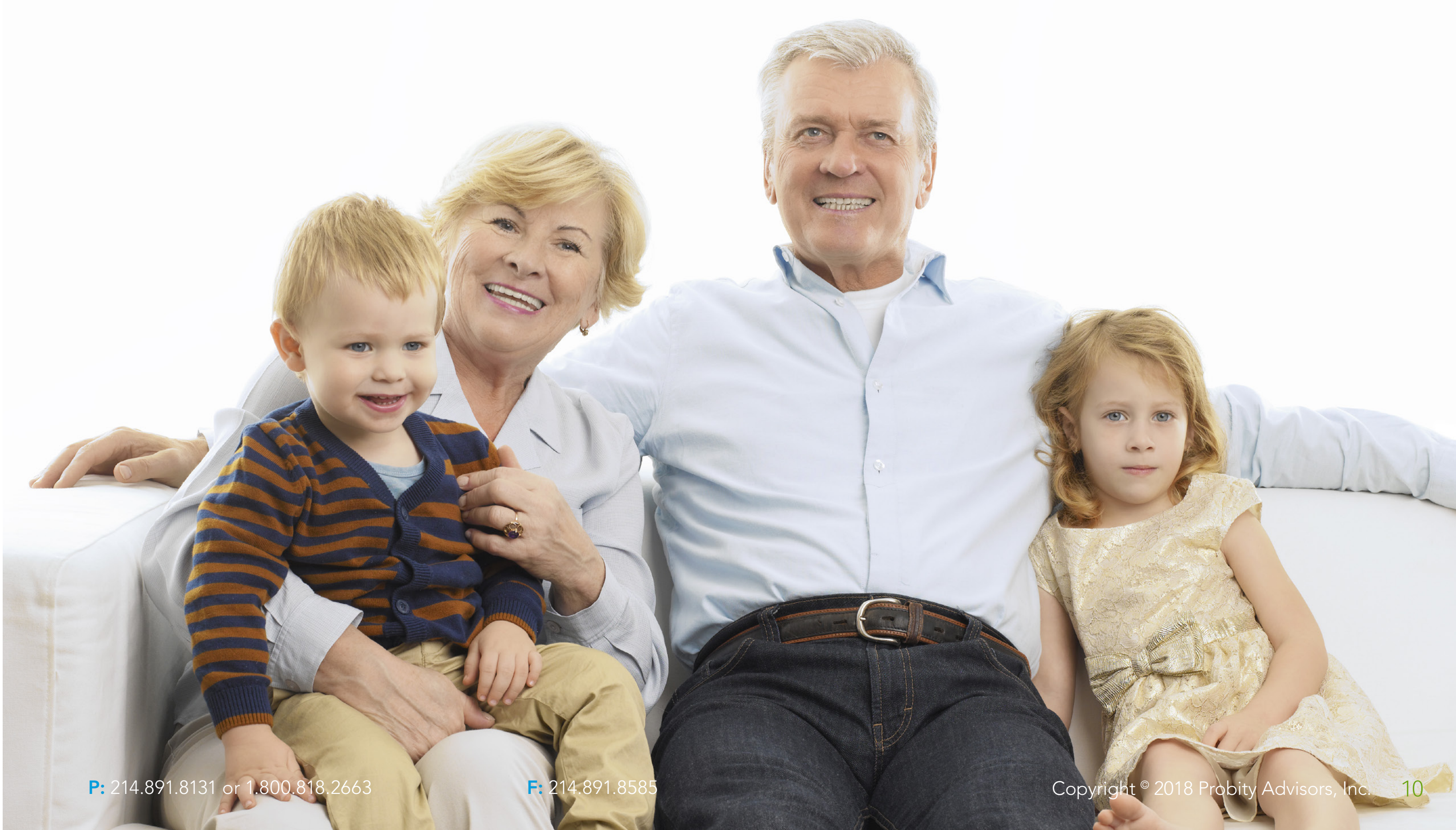
REQUIRED MINIMUM DISTRIBUTION

In most situations, once you reach age 70½, the IRS will require you to begin taking required minimum distributions (RMDs) from your retirement account(s). The IRS also requires you to pay ordinary income taxes on the taxable portion of your withdrawal.

If you are age 70 ½ or older, you must take an annual RMD by December 31, 2017. If you turned 70 ½ in 2017, then you have until by April 1, 2018 to take your RMD. If you don't take withdrawals, or if you take less than you should, there is a 50% federal penalty tax on the difference between the amount you withdrew and the amount you should have withdrawn on top of the ordinary income tax that you already must pay on the distribution.

RMD rules apply to all employer-sponsored retirement plans such as pensions, profit-sharing, 401(k), 403(b), and 457(b) plans, as well as Traditional IRAs and IRA-based plans such as SEPs, SARSEPs, and SIMPLE IRAs. However, RMDs are not required for Roth IRAs while the owner is still alive. You can make a one-time (also known as "lump-sum") withdrawal, a series of withdrawals, or schedule automatic withdrawals. RMDs are also not required from 401(k), 403(b), and 457(b) plans if you are 70 ½ but are still working – assuming you are not a 5% or more owner in the company for which you work.

If you don't need your RMD for living expenses, you may want to consider a Qualified Charitable Distribution, which is an IRS provision that allows tax payers to donate IRA withdrawals up to $100,000 annually directly to a charity without paying income tax. It is one giving strategy that helps individuals who qualify fulfill their required minimum distribution (RMD) obligation while reducing taxable income.



SECTION 5
FAMILY GOVERNANCE

There is a common proverb, "Shirtsleeves to shirtsleeves in three generations," and in Japan, the saying is, "Rice paddies to rice paddies in three generations." The Scottish say, "The father buys, the son builds, the grandchild sells, and his son begs."

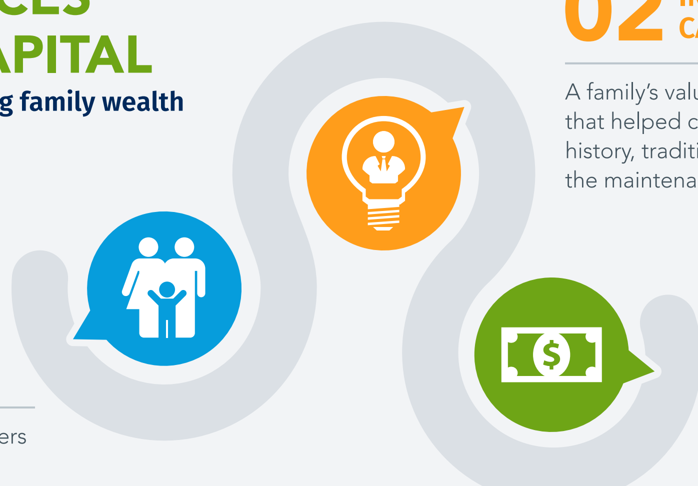
Around the world, there is a shared paradigm that the first generation works hard to build wealth, and the second generation learns from the prior generation's hard work and is eager to make the same choices that helped their parents achieve success.

Subsequent generations benefit from the hard work of their parents and grandparents, but may not have an understanding of the struggle, the work ethic, the frugality, the perseverance, and the care and concern that it takes to preserve their family's good fortunes and the lifestyle they now enjoy. They have a tendency to whittle away what previous generations worked so hard to achieve, and by the third or fourth generation, the wealth is gone.

We have found that in order for families to successfully transfer multi-generational wealth, it is essential to recognize that family wealth goes beyond financial assets. We typically advise our clients that wealth that endures through multiple generations requires three sources of capital: **human capital, intellectual capital, and financial capital.** In short, human capital is comprised of the individual family members, intellectual capital refers to the values that helped create the wealth, and financial capital is the family's assets. Legacy-minded families work hard to cultivate human and intellectual capital along with financial capital, knowing that *it is just as important to prepare the family for the money as it is to prepare the money for the family.*

A **family governance** system can help families navigate the challenges of legacy continuity. It begins with identifying the principles, policies, and practices in a family that contribute to a shared vision of family money, and, more importantly, a process for making decisions about the family's wealth. Our advisors help families educate future generations about the family's legacy and develop a family governance system to help build a sense of accountability towards sustaining family wealth and ensuring the family operates efficiently and harmoniously now and into the future.

3 SOURCES OF CAPITAL
for sustaining family wealth



01 HUMAN CAPITAL

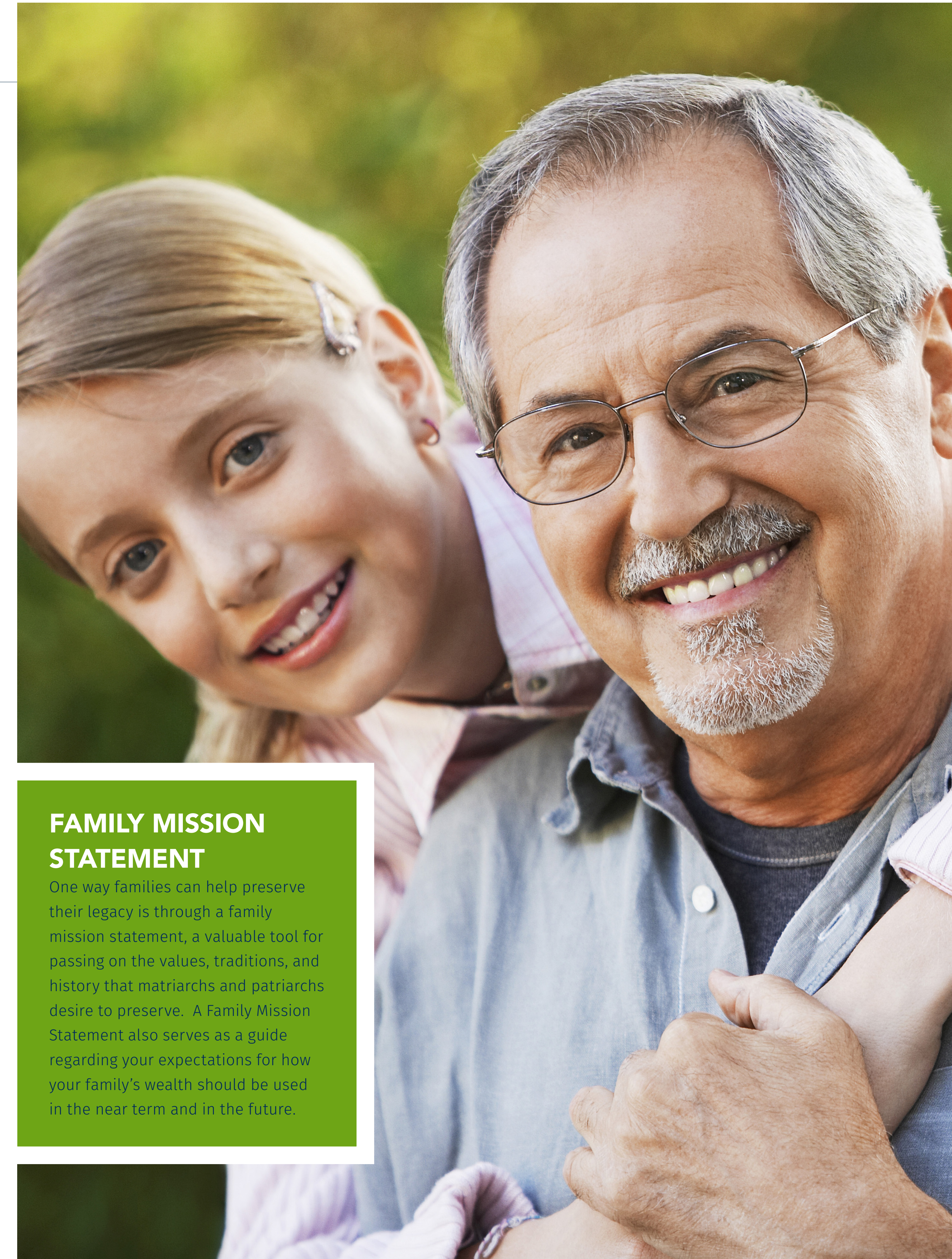
Individual family members

02 INTELLECTUAL CAPITAL

A family's values, knowledge, and experiences that helped create wealth as well as the family history, traditions, and heritage that facilitated the maintenance of wealth

03 FINANCIAL CAPITAL

The family's assets or a family business



FAMILY MISSION STATEMENT

One way families can help preserve their legacy is through a family mission statement, a valuable tool for passing on the values, traditions, and history that matriarchs and patriarchs desire to preserve. A Family Mission Statement also serves as a guide regarding your expectations for how your family's wealth should be used in the near term and in the future.

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SECTION 6

RAISING FINANCIALLY SMART KIDS

Raising financially smart children in today's world can be a challenge. We are fortunate to be growing up in a progressive time with so many opportunities. However, different values about consumerism, entitlement, credit, debt, and money can influence our children's and our grandchildren's financial intelligence and their future.

Teaching the next generation well will pave the road to financially successful and independent children who can make smart financial decisions on their own. Many parents wonder when is the right time to talk to kids about money, and financial advisors recommend starting early. Children are naturally curious and inclined to ask questions. When parents shy away from having conversations about money or wealth, they lose a tremendous opportunity to impart basic financial lessons that are increasingly important for children and young adults. It is also an opportunity to imprint lessons about what the family truly values.

STARTING KIDS ON THE RIGHT FINANCIAL PATH

Below are ways experts advise teaching children about important money concepts. These insights can be helpful for parents and grandparents alike.

DEBT

It's been said that small foxes spoil the vine. The little decisions we make every day can determine financial success. Since children learn how to handle money by watching their parents, modeling smart financial decision making – both for small, every day purchases and for more expensive items – can help set good patterns for life. Generation X and older millennials are the most debt-laden generations in U.S. history, so it's important that children understand how debt, loans, interest, and principal payments work and the pitfalls of poor financial decision-making.

SAVING

Giving children opportunities to save for something they want, rather than providing what they want when they want it, can teach them patience, self-control, and delayed gratification. Older children can benefit from managing their own savings account and learning how compound interest works. By teaching children to save, you also begin teaching them the cardinal rule for financial success: to spend less than you make.

CHARITABLE GIVING

If you want to teach your children about the importance of giving, help them find a charity they can relate to and research the organization's needs. Your child can raise money to donate or collect donations from friends and family. Volunteering is another way to teach the concept of charity and giving back.

HAPPINESS

Happiness researchers know that experiences bring greater joy than buying things, and research also shows that children will remember special events and adventures longer than toys or material possessions and relive the joy and excitement of cherished family moments again and again. Counteract the message that happiness can be bought by focusing on giving your children the best possible experiences and memories that they will carry into their adult life.

SECTION 7

FINANCIAL WELL-BEING CHECKLIST

We understand the complexities of managing your financial life. Our team of professionals has provided the following Financial Well Being Checklist to help simplify the process.

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- ☐ Review your Probity Advisors, Inc. Investment Profile, which includes your investment preferences, your risk profile, and your personal information, and call our office with any changes
- ☐ Review your estate plan, including your will, trusts, and power of attorney appointment(s)
- ☐ Conduct a beneficiary review of all of your accounts to ensure there are no changes or updates needed
- ☐ Have a digital estate plan to enable your heirs to access any online accounts or digital property and assets you may have
- ☐ If you have children or grandchildren, consider contributing to or opening a 529 college savings account
- ☐ Review your insurance needs
- ☐ Plan for any charitable contributions you may make
- ☐ Maximize tax effectiveness by gifting highly appreciated securities to your charity
- ☐ Consider having a family meeting to coordinate and communicate financial and estate matters with loved ones
- ☐ Take your Required Minimum Distribution if you are age 70 ½ or above
- ☐ Communicate with business partners, employees, and anyone who may need to understand your business succession plan
- ☐ Meet with your advisor to ensure you are on track to achieving your financial goals

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