ENCOMPASS

by Commerce Trust

FALL | WINTER 2026

SECURE YOUR LEGACY

Commerce Trust
Banking | Investments | Planning®

Secure your legacy

An enduring legacy is shaped by how thoughtfully wealth is protected, how intentionally business and personal goals are aligned, and how carefully future generations are prepared.

Since 1906, Commerce Trust has woven these considerations together through a holistic approach grounded in a deep understanding of your family's complete wealth picture.

Letter from Commerce Trust President and Chief Executive Officer

An enduring legacy is built through foresight. It calls for preparation across the circumstances that can shape a family's financial future, from incapacity and insurance needs to business transition and the stewardship future generations may assume.

For more than a century, Commerce Trust has helped clients approach consequential decisions with discipline, perspective, and care. Rooted in prudent financial practices, our holistic, team-based approach brings together dedicated specialists in wealth and estate planning, tax strategy, investment management, banking, trust administration, privately held business advisory services, and real estate management. Clients benefit from the insights of a team that considers protection, business ownership, family priorities, and legacy as connected parts of one wealth strategy.

In this issue of *Encompass by Commerce Trust*, our private wealth management client leaders explore three essential areas of wealth planning. We examine wealth protection and risk management through proactive incapacity planning and evaluation of insurance coverage. We consider wealth planning for business owners, including the relationship between business and personal assets, succession, valuation, and preparation for an eventual exit. We also address preparing the next generation through purposeful conversations, increasing responsibility, trusts, and experiences that can help cultivate sound judgment, independence, and responsible stewardship.

These areas often converge. Incapacity planning can influence the continuity of family wealth or a family enterprise. Insurance decisions can affect liquidity, estate planning, and resources intended for future generations. Trusts can help preserve wealth while providing a framework for communicating family values and responsibilities. Such connections reinforce the value of rigorous planning informed by an understanding of a family's complete wealth picture.

On behalf of our organization, allow me to express gratitude for the confidence you place in Commerce Trust and for the privilege of serving you and your family. As the year moves toward a season of reflection and gathering, we hope the perspectives in this issue inspire meaningful conversations and thoughtful planning for the people, enterprises, and purposes that matter most.

Sincerely,

John K Handy

JOHN K. HANDY
President and Chief Executive Officer, Commerce Trust

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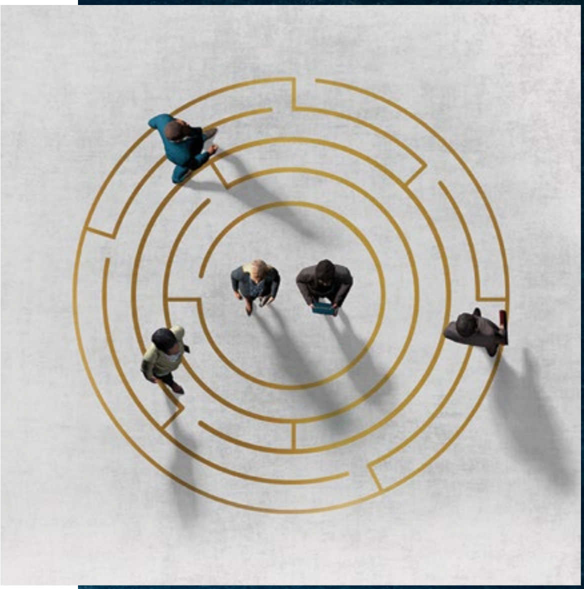
OUR TEAM-BASED APPROACH

The true team advantage with Commerce Trust



Multigenerational planning to secure your legacy requires more than experience in any single discipline. Commerce Trust builds your relationship team with specialists that function as one cohesive unit focused on your holistic wealth picture.

Your team is led by your private client advisor or private banking relationship manager, and your relationship is supported by a group of seasoned professionals with dedicated experience in financial planning, trust and estate planning, investment management, banking, tax strategy, trust administration, and other specialized advice addressing privately held businesses, real estate, and private markets.

These disciplines work in concert, guided by a shared understanding of your goals, values and vision for the future. Commerce Trust clients benefit from our experience administering over $85 billion in total client assets through all market cycles.[1]

[1]As of June 30, 2026

Strengthening Your Wealth Plan Through Proactive Incapacity Planning

AUTHORED BY

SCOTT LAPRESTA, CTFA
Director of Private Client Advisors
Commerce Trust

Consider these planning conversations

» For high-net-worth individuals, ensuring you have a comprehensive wealth strategy that incorporates incapacity planning is essential, given the complexity of interrelated assets, ownership structures, and business interests that could affect personal and business matters that must continue to function without disruption.

» Though the possibility of incapacity may be uncomfortable to consider, failing to put a thoughtfully structured, integrated incapacity plan in place and to identify the trusted agents to act on your behalf could be a considerable risk to your family's financial stability and may take an even greater emotional toll on your family.

» Engaging an integrated private wealth management team that can work closely with your estate planning attorney, accountant, and your business partners if necessary, to design a plan for incapacity as part of your broader estate strategy can provide the level of professional guidance and support required for your family's unique needs.

> ***For many high-net-worth individuals, wealth and estate planning tends to focus on asset growth, tax efficiency, and the eventual transfer of an estate to heirs and philanthropic beneficiaries. But an equally critical area that can be overlooked is incapacity planning.***

The reality is that cognitive decline, medical emergencies, and severe accidents can affect anyone at any time. Although such risks may increase with age, individuals of all ages can experience temporary or permanent impairment of their ability to make financial or medical decisions.

For individuals with significant wealth, the complexity of your estate, investment strategies, family trusts and, if applicable, operating businesses calls for holistic, proactive incapacity planning. This approach can help provide the continuity and stability your family will need during a time of great emotional stress. Putting a clear and well-documented plan in place can help ensure you have the time needed to think through and designate trusted individuals who will act on your behalf and can communicate your direction with your family.

Incapacity generally refers to a health-related condition that limits your ability to understand information or communicate decisions independently. From a legal standpoint, incapacity is typically determined under state law and often requires certification by one or more medical professionals. Importantly, incapacity is not always permanent, and in some cases, an individual may regain the ability to make decisions after a period of recovery.

FOUNDATIONS FOR EFFECTIVE HIGH-NET-WORTH INCAPACITY PLANNING

Putting a durable power of attorney in place can be a natural complement to a revocable trust as part of a coordinated incapacity plan. While a trust governs assets titled in its name, a durable power of attorney provides authority over assets that are held individually, helping ensure that all aspects of your financial affairs remain under the direction of trusted decision-makers if you become incapacitated. A comprehensive incapacity plan for high-net-worth individuals should also account for investments, digital assets, insurance policies, and other components of your balance sheet that may otherwise be inadvertently neglected during a period of incapacity.

A DURABLE POWER OF ATTORNEY IS ESSENTIAL FOR INCAPACITY PLANNING

A durable power of attorney allows you to authorize a trusted agent to manage your financial and legal affairs if you become incapacitated. You may grant your agent broad authority under your power of attorney or limit their powers to specific matters. This may include tasks such as making certain financial decisions, managing personal investment accounts, overseeing real estate or business interests, submitting tax filings, or handling financial transactions such as paying bills and transferring assets between accounts.

For estate planning, having a durable power of attorney in place allows your agent to act on your behalf after you become incapacitated. In contrast, under a standard or non-durable power of attorney, the agent's authority ceases if you become incapacitated.

The details of your power of attorney and direction with respect to certain tasks or decisions can be tailored within legal limits[1] to suit your needs. The document should reflect your unique circumstances and estate planning goals. For individuals with a revocable trust, a durable power of attorney generally applies to assets and accounts held outside of a trust. This could include personal property, retirement accounts, or bank accounts held in your personal name rather than in the name of the trust, or digital assets and digital accounts not owned by the trust.

[1]Specific power of attorney laws vary by state.

If you only want someone else to take over managing your financial affairs if you are unable to do so yourself, you may structure your power of attorney to take effect only if certain triggering conditions are met, such as a doctor's certification that you are incapacitated. This is often referred to as a "springing" power of attorney. While this approach allows you to maintain full control of your financial and legal decisions while you are competent, it can cause delays in decision-making in critical situations because of the need to verify your incapacity.

HOW A REVOCABLE TRUST CAN SUPPORT YOUR FAMILY THROUGH INCAPACITY

Working with your estate planning attorney to establish a revocable trust allows you to plan for how the assets titled in the trust would be managed during your lifetime if you become incapacitated, unlike a will, which becomes effective only after death. Another benefit of proactively establishing a trust is that you can thoughtfully devote time to provide your direction for how and when assets will be managed and ultimately transferred to beneficiaries before you and your family are dealing with incapacity. Assets properly titled in the trust generally avoid probate, which is a public, potentially lengthy, and, in some circumstances, costly court process to determine how your estate should be settled and your assets distributed.

In most situations, when a revocable trust is created, you would serve as both the grantor, the person who creates the trust, and the initial trustee, the person responsible for holding title to the trust's assets and managing them according to the trust's governing document. Your trust document can outline the conditions under which a successor trustee may step in, such as a determination of incapacity and how that transition of responsibility occurs.

In the event of your incapacity, the corporate trustee or individual you name as successor trustee assumes responsibility for administering the trust and managing the assets held within it in accordance with the trust's terms. Naming a successor trustee allows for continuity of the management of your assets and provides clarity as to who is authorized to act while you are incapacitated.

Serving as a successor trustee is a long-term responsibility that requires attention to detail, accurate recordkeeping, and consistent administration. While individuals can be named as successor trustees, if circumstances prevent an individual trustee from serving when needed, continuity in decision-making regarding your assets in trust could be disrupted. For this reason, some choose to name a corporate trustee as successor trustee to secure a reliable, professional, ongoing fiduciary that can carry out the trust's administration over time.

In practice, adequate planning for incapacity often involves the coordination of documents for both your revocable trust and your durable power of attorney, with a trustee managing assets in trust and a power of attorney overseeing assets held in an individual's name.

INVESTMENT OVERSIGHT DURING INCAPACITY

Because investments often represent a significant portion of a high-net-worth individual's balance sheet, it is helpful to understand how investment oversight typically functions during a period of incapacity. When someone becomes incapacitated, responsibility for investment oversight depends on how assets are titled. Investments held in a trust fall under the authority of the trustee, while investments held outside the trust could be managed by the agent acting under a durable power of attorney.

Because incapacity is not always permanent, fiduciaries must balance the need to maintain liquidity and manage risk with the possibility that the incapacitated individual may later resume decision-making. As a result, investment decisions during incapacity are often focused on continuity and near-term needs rather than making dramatic changes to asset allocation and long-term investment strategy.

INCLUDE DIGITAL ACCOUNTS IN YOUR INCAPACITY PLANNING

It can be easy to overlook your digital life when planning for incapacity, such as online bank and investment accounts, cloud-stored documents, email, online photo storage, and social media accounts. However, without access to such accounts, your family, your durable power of attorney, and your successor trustee may not understand the full scope of your affairs, be able to manage your accounts to transact or pay bills on your behalf, or access tax or other important account documents.

Incapacity planning should include secure methods for sharing credentials, access instructions, and an inventory of your digital assets with trusted individuals. Work carefully with your estate planning attorney to ensure that your credential sharing is compliant with your service providers' and digital asset platforms' terms of service as well as applicable state and federal privacy laws. Doing so can help provide continuity in the management of your digital accounts and reduce the risk that valuable digital property is not forgotten or inaccessible.

CENTRALLY ORGANIZE YOUR INSURANCE POLICIES

Insurance policies are another important part of a broader estate plan, yet they can also be overlooked in incapacity planning. When your durable power of attorney steps in to manage financial matters, it is critical that they know what insurance policies exist and where those policies are held. Without a clear inventory of your various insurance policies, policies may lapse or be forfeited due to missed premium payments, or valuable benefits may go unused simply because your trusted persons or agents are not aware of your insurance benefits or coverage.

If a policy lapses, you or someone on your behalf will need to follow the insurance carrier's process to request that your insurance policy be reinstated. This could become particularly problematic for long-term care insurance, where benefits are intended to support care needs during periods of declining health. Organizing insurance information in advance and ensuring trusted individuals, such as an agent under a durable power of attorney or trustee, know where to find it can help ensure continuation of coverage you and your family may need and will expect.

PLANNING AHEAD FOR HEALTHCARE DECISIONS

The need to make medical decisions can arise under stressful circumstances, so documenting your preferences in advance can provide clarity when it is needed most. Authorizing trusted individuals to act on your behalf can help medical professionals act in accordance with your choices even if you are unable to communicate your intentions. These documents are invaluable for proactively defining your directions for medical care and designating your trusted decision-makers. Changes in your healthcare and medical needs should also be made in alignment with your financial plan and insurance coverage so that you can maintain and make full use of any applicable coverage, and additional sources of funding can be drawn upon as needed.

DESIGNATING SOMEONE TO MAKE HEALTH CARE DECISIONS ON YOUR BEHALF

A durable power of attorney for health care, sometimes called a health care power of attorney or medical power of attorney, empowers another person of your choosing to make health care decisions on your behalf. This person is often referred to as your health care proxy, agent, or representative. Their responsibilities may span from decisions such as selecting medical providers or approving treatments, to decisions about continuing or discontinuing medical care, even if that care is life-sustaining.

A durable power of attorney for health care generally takes effect when you are determined to be incapacitated and unable to make health care decisions for yourself. If there is a favorable change in your health status and you wish to change or revoke your durable power of attorney for health care, you may do so as long as you are able to make decisions for yourself.

Note that a durable power of attorney for health care is distinct from the durable power of attorney that authorizes an agent to make financial and legal decisions on your behalf. The person you designate to make health care decisions on your behalf does not have to be the same individual you appoint to handle financial and legal matters under a durable power of attorney. It is important to consider the various qualities and circumstances that would lead you to select the family members or individuals you wish to act as your health care proxy.

DOCUMENTING YOUR PREFERENCES FOR LIFE-SUSTAINING CARE

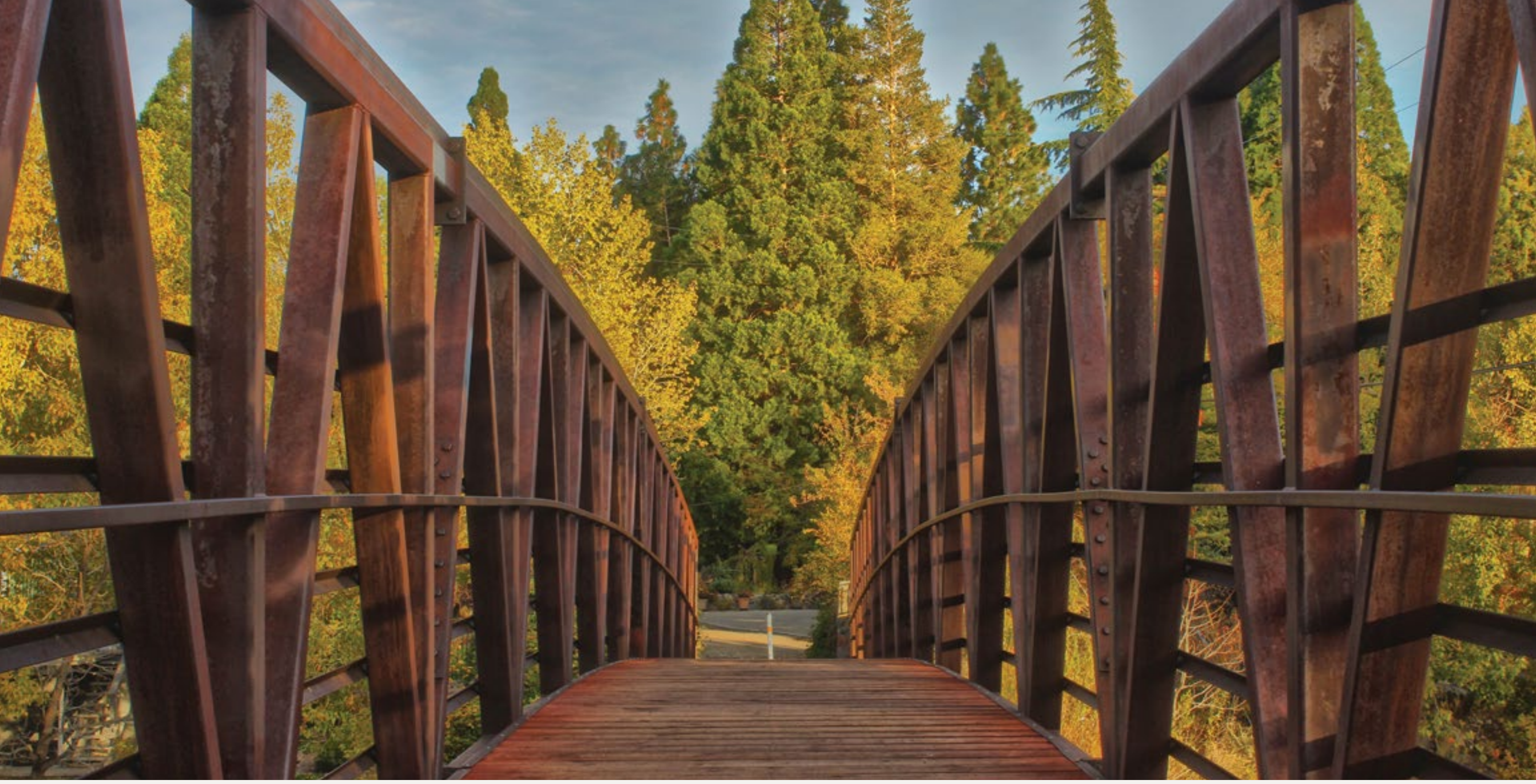
A living will is a legal document that outlines your preferences for life-sustaining treatments if you are seriously ill or injured and unable to communicate. Life-prolonging measures may include interventions such as cardiopulmonary resuscitation (CPR), mechanical ventilation, or artificial nutrition and hydration. A living will is legally recognized but not always legally binding in every circumstance, which is why choosing a trusted health care proxy is essential to ensure your preferences are respected as closely as possible.

While some use the term “advance directive” interchangeably with a living will, an advance directive is a broader term that includes your living will and your durable power of attorney for health care documents. The two are interrelated, as your health care proxy is responsible for carrying out the wishes expressed in your living will. In some states, both documents may be combined into a single form.

AUTHORIZING ACCESS TO YOUR MEDICAL INFORMATION

Health Insurance Portability and Accountability Act (HIPAA) authorization forms are legal documents that are used to designate who can access your protected health information and communicate with your medical providers about your condition and treatment. Individuals of your choosing, known as authorized representatives, are listed on the form to indicate your permission to share medical records, test results, and other private health details with them. You may choose to grant broad access to your medical information, or you can exclude certain categories if you are concerned about privacy, such as mental health records, certain communicable diseases, or treatment for substance use.

Having trusted individuals authorized to handle your protected health information can be invaluable in the event of incapacity. For example, you may want your health care proxy to complete a HIPAA authorization so they can access information necessary to make decisions



if you are unable to do so yourself. In addition, you might consider authorizing other trusted individuals to access your medical information, such as a spouse, adult child, or close family member, to avoid a gap in access if your health care proxy is unavailable.

INCAPACITY CONSIDERATIONS FOR BUSINESS OWNERS

Because a business owner's personal wealth may largely be tied up in the value of their ownership interest, and their cash flow may be dependent on the income they receive from the business, it is important to consider how you want your role in the business and your ownership stake to be handled if you become incapacitated.

Even if your estate plan accommodates your directions for incapacity, if the operating agreements for your business do not address succession or the transfer of decision-making responsibilities, your personal wealth may ultimately be impacted. Without clear provisions in place, your family may no longer be able to rely on steady income, and uncertainty around leadership could disrupt operations, erode confidence among board members, partners, or lenders, potentially diminishing the value of your ownership interest.

SUCCESSION PLANNING CONSIDERATIONS FOR BUSINESS OWNERS

Having a clear succession plan that outlines a strategy for the company's continued leadership can be vital to financial stability in the event of incapacity. A well-defined plan outlines who will assume your management or operational responsibilities and how ownership interests will be transitioned, whether through a sale to co-owners, employees, an outside buyer, or transfer of ownership to a family member. For those who wish to keep the business in the family, succession planning can provide a structure to better prepare the next generation for future ownership.

EMPLOYING A TRUST TO SUPPORT BUSINESS CONTINUITY

Trusts can serve as a valuable framework to ensure continuity if a business owner becomes incapacitated or passes away. By placing ownership interests in trust, a trustee can carry out the founder's instructions as outlined in the trust's governing document.

Examples of this could include stepping in to handle the day-to-day management of the business, facilitating the transition of ownership to the next generation, or preserving the business until a sale can be completed. The specific advantages of using a trust for business succession depend on the type of trust and its terms as well as the terms included in the business's governing document(s), but other benefits may include estate and gift tax optimization, asset protection, and ensuring fair and objective treatment of the trust's beneficiaries.

Depending on how your ownership interests are titled, whether held individually or in trust, and whether you have a buy-sell agreement or funding mechanisms such as life insurance in place, additional planning may be necessary. Incorporating clear incapacity provisions into your business's governing documents and establishing liquidity arrangements in advance can help provide continuity and financial stability for your family, your business partners, and the enterprise itself.

FAMILY COMMUNICATION AND GOVERNANCE CONSIDERATIONS

Planning for incapacity is not only about naming decision-makers through formal documents, but also about how families communicate during uncertain and emotional moments. Even if you or your loved one may be unable to make financial, legal, or medical decisions independently, that does not mean you should be excluded from conversations altogether. When possible, keeping a loved one informed about what is happening with their affairs can help provide clarity and reassurance for both the individual and their trusted agents that the proper direction is being carried out as intended. Further, keeping close family members informed, even if they have no legal role as your agent, can help avoid confusion and ease stress that may arise between family members during such a period of uncertainty.

When determining who might serve to make decisions on your behalf, you might consider which family members may be better suited for different responsibilities based on factors such as proximity and where they reside, their temperament, and their experience with financial, legal, or medical matters. You may also wish to have thoughtful conversations in advance about whether a spouse, partner, adult child, or another trusted individual is best positioned to serve in this role. Establishing contingency plans, including the possibility that two primary decision-makers could be incapacitated at the same time, can help provide continuity and reduce uncertainty during an already difficult period.

Taking time to explain these decisions in advance to those you have designated to make decisions on your behalf, as well as other close family members, can help your family understand your rationale, their role, and what you expect of them in this capacity. In addition, defining roles and establishing communication expectations through family governance documents or within a trust document can provide further clarity, reducing the need for decisions to be negotiated among family members during a period of incapacity.

INCAPACITY AS ANOTHER ELEMENT IN THE REGULAR REVIEW OF YOUR ESTATE PLANNING DOCUMENTS

As you age and your family life evolves, estate planning documents should be reviewed periodically to ensure they reflect your intentions and current circumstances. In particular, if you have named an adult child or other family member as a trusted agent, their ability to serve may change as they age or as their personal circumstances change.

In addition to regular reviews, a significant life event may cause you to adjust how you have structured direction for your incapacity. Such life events could include a significant change in health, marriage, divorce, or a major liquidity event such as the sale of a business or receipt of an inheritance that alters the complexity of your circumstances. A change in residence could also be an important triggering event to revisit your plans, as state laws governing estate planning documents pertaining to powers of attorney, trusts, and health care directives may differ.

If your estate planning documents are outdated, incomplete, or unclear, this could create challenges for you and your family, such as delayed access to accounts, an inability to make timely medical or business decisions, and administrative hurdles that may require additional time and expense to establish decision-making authority. Gaps in planning can also place an unintended burden on your family members and increase the risk of confusion or conflict among them when determining your intentions.

BE PREPARED FOR INCAPACITY WITH COMPREHENSIVE ESTATE PLANNING

High-net-worth individuals and families face unique estate planning complexities given the breadth of assets, liabilities, and possible business interests that make up their estate. A comprehensive estate plan should balance goals for the transfer of your wealth across generations while protecting your estate by anticipating a wide range of outcomes that may be difficult to consider, such as incapacity, where failing to plan could be a far greater risk to the stability of your family's livelihood and your long-term legacy.

At Commerce Trust, your private wealth management team is comprised of estate planning, financial planning, tax management[1], investment, and trust administration specialists who will approach incapacity planning for you with a holistic view. Your team can help identify potential gaps in your estate plan and coordinate with your estate planning attorney to put incapacity planning measures in place that reflect your intentions and support alignment between your documents and your planning objectives.

Contact Commerce Trust today to learn more about how our comprehensive, team-based approach to private wealth management considers the various dimensions of your personal situation as it changes over time, to help preserve your wealth and legacy amid unforeseen circumstances.

[1]Commerce Trust does not provide tax advice to customers unless engaged to do so.

Insurance Planning for High-Net-Worth Individuals

AUTHORED BY

GUY HOCKERMAN, CPA, CFP®
Senior Financial Planning Manager
Commerce Trust

MICHAEL GRAHAM
Director - Insurance Premium Finance
Commerce Trust

Consider these planning conversations

» Understanding how much insurance coverage you have, whether or not your coverage is adequate, too much, or too little, is a foundational place to start when evaluating your risk management plan, particularly as your balance sheet has grown more complex and evolved over time.

» High-net-worth individuals face insurance considerations that extend beyond basic life insurance and property insurance coverage, including greater liability exposure, complex asset ownership, business interests, larger liquidity needs, and the need to preserve wealth across generations, often requiring alignment across their broader estate and financial planning goals.

» Your Commerce Trust private wealth management team can help assess whether your existing insurance coverage fits your current needs, objectives, and balance sheet, including whether you may be under- or over-insured and whether your policies are competitive in today's marketplace. Periodic review of your insurance needs, particularly when major life events happen, can provide assurance that your coverage is adequate.

> ***For high-net-worth individuals, as wealth grows, the scale and complexity of risk often expand alongside it.***

If you purchased your original insurance policies years ago when you were starting out, before you accumulated significant assets or were at the early stages of building your business, your coverage may no longer reflect your current circumstances. Significant career moves, expanding businesses, the acquisition of additional assets such as multiple real estate properties, increased reputational exposure, and shifting legacy goals can introduce new or additional risks that your current insurance policies may not adequately cover.

When insurance coverage does not keep pace with a family's evolving circumstances, the impact is often felt most clearly by spouses, heirs, and business partners who may find themselves left with inadequate financial resources to sustain their now larger and more complex needs.

As wealth grows, insurance planning becomes less about basic protection and more about keeping coverage aligned with life changes or business needs. Periodically taking time to revisit insurance coverage in the context of your broader financial picture and long-term goals can help ensure potential personal and business risks are addressed thoughtfully, rather than reactively during a period of stress or transition. For many high-net-worth individuals, this review often begins by evaluating foundational coverage areas, such as life insurance, long-term care insurance, and umbrella coverage.

REEVALUATING THE INTENDED USE FOR YOUR LIFE INSURANCE PROCEEDS

Life insurance can serve several important purposes for high-net-worth individuals. Life insurance is typically purchased so the death benefit or proceeds can replace lost income and help a surviving spouse and children pay for necessary living expenses and sustain their lifestyle, including housing, education, medical, and other personal expenses. Some policies may also include riders, extra features you can add to a policy, that allow the policy owner to access a portion of the policy benefits to fund potential long-term care expenses. Or the payout at death may provide liquidity to cover estate taxes that may be owed, potentially preserving more wealth for beneficiaries.

If you find that your current policies no longer fit your financial and estate planning objectives, you may want to explore adjusting your level of coverage or repurposing an existing policy to better support your needs. Increasing your coverage can also create additional liquidity to pay off debts, balance inheritances among heirs, or support charitable bequests. As such, it may be helpful to periodically review your life insurance coverage in the context of your full balance sheet, cash flow, estate plan, and long-term objectives.

LIFE INSURANCE PROCEEDS CAN HELP PAY FOR ESTATE TAXES

Beyond providing liquidity for familial obligations or expenses, life insurance has long been a cornerstone of estate tax planning. Proceeds from a life insurance policy can provide funds needed to pay estate taxes, helping to preserve investments or illiquid assets for inheritance, such as a family business or real estate that might otherwise need to be sold to satisfy tax obligations. Married couples may also consider a survivorship life insurance policy, which pays out after the last living spouse passes away, timing the benefit to coincide with potential estate tax obligations.

If properly structured by an experienced estate planning attorney, an irrevocable life insurance trust (ILIT) can help remove policy proceeds from your taxable estate while supporting efficient use of the federal lifetime estate and gift tax exemption. In addition, an ILIT typically allows you to structure distributions of the proceeds from the trust to provide beneficiaries with a steady stream of income over time rather than a one-time payout.

USING LIFE INSURANCE TO SUPPORT BUSINESS SUCCESSION AND CONTINUITY FOR SURVIVING OWNERS

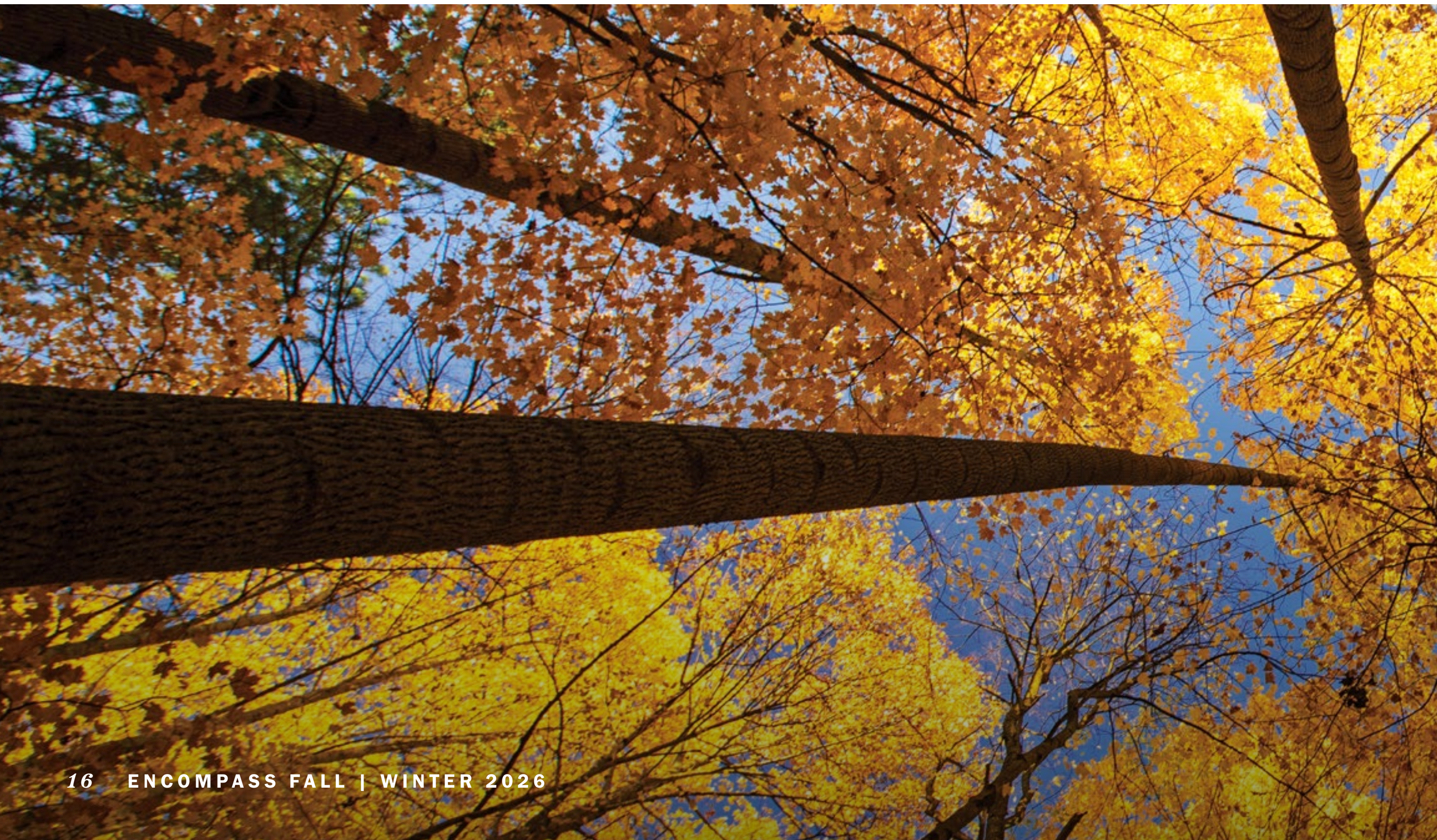
For some business owners, life insurance can play a vital role in succession planning for a closely held business by providing the capital needed to enter a buy-sell agreement. In the case of a buy-sell agreement, either the co-owners may hold life insurance policies on one another, often referred to as a cross-purchase agreement, or the business itself may own the policies.

When one of the business owners dies, the life insurance proceeds can be used to buy out the deceased owner's share, allowing the remaining owners to retain control through the transition. When the business owns the policy, the company typically uses the proceeds to redeem the deceased owner's shares, reducing the total shares outstanding and increasing the ownership percentage of the remaining owners.

Business owners may also use key person insurance to help protect the business from the financial impact of losing a key executive or founder. In these arrangements, the business usually owns the policy and pays the premiums. If the insured individual dies, the policy pays a benefit to the business, providing financial support during a period of transition and funds that can help stabilize operations or offset potential revenue loss.

LONG-TERM CARE INSURANCE CAN HELP PRESERVE ASSETS FOR LEGACY GOALS

Long-term care insurance is designed to help cover the cost of extended care when age, illness, or injury makes it difficult to live independently. Care may be provided in your home, an assisted living facility, or a skilled nursing setting. Benefits are typically triggered when an individual is unable to perform a certain number of activities of daily living, such



as bathing, dressing, moving around safely and independently, or when cognitive impairment is present.

Some high-net-worth individuals may not consider obtaining long-term care insurance because they have sufficient assets to pay for future care. However, for families with substantial assets where affordability is not an issue, using long-term care insurance to pay for extended care expenses could potentially be a more efficient way to manage liquidity.

Doing so may help avoid liquidating assets from your investment portfolio, selling other assets at inopportune times, or redirecting funds to pay for long-term care that were intended for your next generation family members' inheritance or your philanthropic beneficiaries. Long-term care insurance can help preserve assets you intended for estate planning purposes, rather than being used as a financial necessity before you pass away.

Life insurance with a long-term care rider, also known as a hybrid or linked-benefit policy, may help cover long-term expenses while also offering a death benefit to beneficiaries. When linked with life insurance or an annuity, unused benefits may pass to beneficiaries if long-term care is not needed, which could address concerns about paying premiums for coverage that may go unused. If long-term care benefits are used, the policy's cash value or annuity contract value is typically accessed first, reducing the available death benefit or remaining annuity contract value dollar for dollar. If care needs extend beyond the policy's cash value or the value of the annuity, the long-term care rider may provide additional benefits up to the policy's limits. If long-term care is never needed or only partially used, any remaining death benefit or annuity contract value may pass to beneficiaries.

Evaluating long-term care coverage and life insurance is most effective when done in the

context of your full balance sheet and goals for your wealth. Taking a broader view can help determine how much coverage makes sense, what type of policy best fits your objectives, and how to balance premium costs with the amount of protection you want in place.

ALIGNING PROPERTY INSURANCE WITH THE SCALE AND COMPLEXITY OF YOUR REAL ESTATE HOLDINGS

For high-net-worth individuals, property insurance can help safeguard high-value residences, investment properties, and income-producing properties against major property damage, natural disasters, or other catastrophic events. Underinsuring a property can create significant financial exposure if a major loss occurs.

As your primary residence increases in value and if your real estate holdings expand to include vacation homes, rental properties, or residences in higher-risk geographic areas, the structure and adequacy of property coverage becomes more important. It is important to ensure your property insurance reflects the scale of your holdings and fully accounts for the reconstruction costs of a custom-built home, extensive property improvements, or valuable collections, or a potential loss of rental income if an income-producing property becomes uninhabitable after a covered event.

In recent years, the property insurance market has become more selective, with carriers adjusting underwriting standards and increasing premiums. In some cases, carriers have even stopped offering property insurance in certain high-risk areas due to natural disasters, regulatory requirements, and rising construction costs. Because property insurance forms the foundation of broader liability protection, ensuring that coverage limits and policy structures are appropriate, or that you are positioned to self-insure your property, is an important part of proactive financial planning.

UMBRELLA INSURANCE CAN HELP ADDRESS GROWING PERSONAL LIABILITY EXPOSURE

Umbrella insurance provides an additional layer of liability protection beyond the limits of underlying policies, such as homeowners, auto, or recreational vehicle insurance, helping protect you from paying high out-of-pocket costs if your primary insurance policy limits are exhausted. For high-net-worth individuals, umbrella coverage often plays an increasingly important role as wealth increases and personal, professional, and asset-related risks expand beyond standard policy limits.

When determining the appropriate amount of umbrella liability coverage, be aware that as net worth increases, higher levels of coverage may not be offered through standard insurance carriers and may require working with specialized insurance carriers for the level of coverage you need. When considering how much umbrella coverage to carry, it is common, but not always applicable, to carry umbrella liability coverage equal to your net worth, with higher limits often appropriate as assets and liability exposure grow.

Umbrella coverage can help protect against a wide range of liability risks, including personal injury claims that exceed existing homeowners or auto policy limits, injuries occurring on owned rental properties, and accidents involving boats, recreational vehicles, or other assets that may not be fully covered elsewhere. For some individuals, umbrella policies may also provide protection against claims related to libel, slander, or defamation, which may become more relevant for those with a public-facing role, leadership position, or online presence. These risks are not always obvious and are less predictable.

For example, a guest injured while attending a gathering at your home, a tenant injured during a renovation at your rental property, or a dispute arising from a social media post perceived as reputation-damaging can all result in claims that exceed standard liability limits.

If you are a business owner, liability exposure may be reduced by structuring your business as a liability-limiting entity, such as a limited liability company (LLC), S corporation, or C corporation, rather than operating the business as a sole proprietorship or general partnership. Structuring business ownership through these entities may not necessarily eliminate liability in all circumstances, including cases of negligence or other wrongful conduct.

Evaluating umbrella coverage encourages a broader view of personal liability, helping ensure that accumulated wealth is not unnecessarily exposed to claims that could exceed standard coverage limits. Just as with your standard policies, regularly checking liability limits and the scope of your coverage with your private wealth management team can help confirm that liability protection reflects the scale, complexity, and risk profile associated with your current assets and activities.

WORK WITH A PRIVATE WEALTH TEAM THAT TAKES A HOLISTIC APPROACH TO RISK MANAGEMENT AND INSURANCE PLANNING

Insurance planning can play a meaningful role in protecting your family and your broader wealth plan. Effective insurance planning can help provide for loved ones, support coverage decisions that preserve cash flow and liquidity, and limit the likelihood that unplanned expenses reduce the value of the estate and legacy you intend to pass to the next generation and your philanthropic beneficiaries. For high-net-worth individuals with significant and complex assets, particularly if you are a business owner or own

a significant share in a closely held business, aligning insurance decisions with your broader objectives often requires a coordinated wealth team that understands your full financial picture and can reevaluate coverage as your circumstances, priorities, and risks evolve over time.

At Commerce Trust, our private wealth management teams are comprised of specialists in financial and estate planning, tax management[1], and investment strategy, who work together to help you manage risk thoughtfully. Whether your focus is preserving family wealth, supporting a business transition, or maintaining flexibility and liquidity as plans change, our team can help you understand how different insurance strategies may fit within your overall plan.

Contact Commerce Trust today to learn more about how our comprehensive approach to wealth can help align insurance planning with your broader financial and legacy goals.[2]

[1]Commerce Trust does not provide tax advice to customers unless engaged to do so.
[2]Commerce Trust does not sell insurance products and does not receive commissions from insurance carriers.

How Insurance Premium Financing Can Help Enhance Liquidity Without Tying Up Capital

Insurance premium financing is a financial strategy that allows individuals to finance the cost of a high-net-worth life insurance policy by taking out a loan to pay the premium over time rather than making premium payments entirely out of pocket. The policyowner works with a lender to finance the premium payments and pays interest on the borrowed premiums.

Interest payments are typically made monthly, though some arrangements allow interest to accrue. Depending on the terms of the financing arrangement, the loan may be set up to pay a single annual premium with the intention to increase the commitment each year to pay additional premiums, multiple years of premiums, or a portion of the total premium, and can generally be tailored to your liquidity needs and broader wealth plan.

For high-net-worth individuals, one potential benefit of insurance premium financing is the ability to manage capital more efficiently and support the efficient transfer of wealth. By financing premium payments, you may be able to keep assets deployed in areas where they have historically created value, such as investments or business growth, helping you preserve liquidity and avoid disrupting a long-term investment strategy to pay premiums out of pocket. Work with your legal, tax, and insurance advisors to ensure your financing arrangement is suitable for your needs as insurance premium financing involves market, interest rate, and other risks.

At The Private Bank at Commerce Trust, a dedicated team of experienced insurance premium financing specialists who understand the intricacies of this strategy, focuses on assisting high-net-worth individuals in acquiring the life insurance they need while maintaining access to their capital and liquidity.

Protection gains strength when business and personal wealth are considered together

When Your Business Is Part of Your Wealth Plan

AUTHORED BY

BRIAN HUMES, CPA
Managing Director
Commerce Family Office
St. Louis, Commerce Trust

JOAN B. HUMES, CPA
Director of Tax Strategy
and Planning
Commerce Trust

DIANE M. STEINKAMP
Privately Held Investment Manager
Commerce Trust

ROBERT E. WHITNEY, JR., CFP®
Senior Financial Planner
Commerce Trust

Consider these planning conversations

» For high-net-worth business owners, the operational demands of building and running a company often take precedence in terms of time and financial investment. Yet long-term financial outcomes for you and your family likely depend on a thoughtful understanding of how your business and family assets may be intertwined and what that means for your financial future.

» Proactive, holistic planning may help support your personal liquidity and can support your family priorities, reduce concentration risk, and help coordinate tax planning and the use of a trust can be carefully orchestrated to help facilitate a smooth balance between business and personal assets until you approach the time when you transfer ownership to the next generation or exit from the business.

» Your private wealth management team at Commerce Trust can help align your family's broader financial capital strategies, facilitate family discussions around ownership and succession planning, and serve as your corporate trustee when your business assets are held in trust, to support the legacy you envision for your family and the business.

For many high-net-worth business owners, the business you have built and grown may be the most significant asset on your personal balance sheet. The inherent risk of owning a business, no matter what size, often means a great portion of your net worth and your capital has gradually become tied up over the years in a significant yet illiquid asset whose ongoing success is subject to the risks of a privately owned business.

As a result, key questions about personal liquidity and cash flow, wealth concentration, tax liabilities, and estate planning may not be fully incorporated into your broader wealth plan. Coordinated planning to diversify your asset base can help reduce excess concentration of capital in the business. As retirement, succession, or estate planning decisions draw near, these issues become more immediate. Practical guidance from financial planning professionals who understand how business and personal wealth considerations intersect could help you make more informed decisions about the wealth you could realize from your business as your most significant asset, both today and for your legacy.

EVALUATING YOUR CASH FLOW AND LIQUIDITY NEEDS WHEN THE BUSINESS HAS BECOME BOTH THE ENGINE OF INCOME AND THE STORE OF WEALTH

High-net-worth business owners often need to actively manage cash flow when substantial net worth may not equal liquidity if much of your wealth is locked in illiquid assets, such as business ownership interests or business real estate assets, and your family is dependent on steady company performance as a source of consistent income. A realistic understanding of the income you draw from your business, alongside any other income streams, will help inform how much is truly available to support personal expenses that require consistent cash, such as debt or loan payments, insurance premiums, personal or investment tax liabilities, healthcare needs, tuition for school-aged children, and travel, along with your general lifestyle and spending needs.

If income from the business is uneven or cyclical, being able to absorb those fluctuations can require an additional layer of planning to help manage risks to your personal financial security. Gaining clarity around your personal cash flow needs not only supports covering short-term expenses but can also inform how much income you may want to take from the business and how to strategically time such draws to pursue other financial priorities, such as philanthropic objectives or financial support for family members.

DIVERSIFICATION OF YOUR FAMILY'S CAPITAL OVER TIME

For many high-net-worth business owners, the company represents a concentrated position of assets within their overall net worth. Many business owners did not plan for their wealth to be concentrated this way. Rather, concentration likely developed gradually, over time. Oftentimes, as the business grows, profits are reinvested or excess cash stays inside the company. Personal savings may have taken a back seat to support the expansion of the business. Retirement planning may have been deferred while you focused on the day-to-day running and operations of the business.

However, at some point, a heavily concentrated position in your business can create substantial risk exposure to your family's wealth. For some owners, implementing a plan to gradually diversify a portion of capital out of the business and into other assets in a measured fashion

over time can help balance your concentration risk. Otherwise, your family's personal financial security depends heavily on the success or difficulties of the business and the impact on your long-term personal wealth plan if there are unexpected business disruptions that may be magnified.

A balanced allocation that includes other sources of income and more accessible assets can promote both short-term financial stability and longer-term financial security without requiring changes to how you want to operate the business.

HIGH-NET-WORTH BUSINESS OWNERS FACE A UNIQUE WEB OF TAX ISSUES

The interrelated nature of both business and personal assets for a high-net-worth business owner extends to tax issues. High-net-worth business owners may need to navigate a complex web of intertwined tax issues where a decision in one area, such as how your business entity is structured, directly impacts personal income, estate, and state tax liabilities.

How you legally organize your business entity dictates the company's tax treatment and how deferred or realized gains to extract wealth often need to be treated from a personal income tax

perspective. Each type of structure, such as an S corporation (S corp), a C corporation (C corp), a limited liability company (LLC), or a partnership, brings a different tax framework. Business owners will want to take a holistic view of their tax planning strategies to help minimize tax liability across both business and personal levels.

Your compensation plan and how you might take distributions from the business affect your income tax bracket and wealth flexibility. In addition, your situation might allow for advanced retirement planning strategies that complement the general retirement accounts you may have, to help lower your current taxable income while growing your retirement or legacy wealth.

A growing business is often an appreciating asset with respect to tax liabilities, so while the business builds wealth for the owner, it simultaneously expands potential tax liabilities, particularly at the intersection of income and estate taxes. Various trust and gifting strategies, including the use of the federal estate and gift tax exemption, could allow you to transfer business interests or business value to heirs today to potentially reduce your future estate tax liability.

And for an owner whose company transacts business in multiple states, there are additional tax planning complexities related to adherence to multiple state tax rules.

The complexity of these and other tax decisions for high-net-worth business owners lies in their interdependence. How to best structure your business assets, your compensation, your estate plan, and take advantage of available tax deductions and exclusions to protect the business and the wealth you have grown requires a strategic tax plan.

THE FIDUCIARY ADVANTAGE OF USING A TRUST TO HOLD BUSINESS INTERESTS

Holding your business or business interests in trust, rather than owning your business personally, may provide estate and tax planning benefits. Trusts can play an important role in integrating business assets into an estate plan, guiding how business ownership is transferred or how proceeds from a business exit are managed over time.

The trust document can include specific provisions addressing how the business should be managed, who may participate in business decisions, and how income or ownership is treated during a transition period. Assets properly titled in the name of a trust generally avoid probate, which can help reduce delays, administrative costs, and potential business disruptions during a transfer of ownership.

If a liquidity event occurs, using a trust can help guide how proceeds are used for beneficiaries in accordance with the owner's wishes, whether to specify that distributions begin when a beneficiary has reached a certain age, to support specific expenses for the beneficiary, such as health and education costs, or to preserve assets for future generations. By formalizing how these intentions are executed within a trust document, owners can provide for how their legacy planning goals are funded with the proceeds from exiting the business.

A corporate trustee can serve as a neutral party with fiduciary responsibility for carrying out the terms of the trust and administering the business interest in trust according to the business owner or trust grantor's stated intentions. A corporate trustee's responsibilities may include governance and monitoring of privately held assets in the trust with a focus on preserving value, acting in the best interests of beneficiaries, and communicating related findings and decisions to the grantor and beneficiaries.

A corporate trustee can provide long-term consistency when it comes to these administration responsibilities, particularly of benefit when family dynamics or future uncertainties are involved, as the corporate trustee is obligated to adhere to the terms of the trust document to carry out the grantor's intentions in an impartial manner.

A revocable trust allows the grantor, while living and still competent, the right to make modifications to the trust document, thereby retaining a degree of control over the assets held within the trust. Because those assets remain part of the grantor's taxable estate, the assets may receive a step-up in cost basis at the grantor's death, which can reduce capital gains taxes if the assets are later sold. However, since the business remains part of the owner's taxable estate, the assets will be included in determining the owner's estate tax liability.

Irrevocable trusts are often considered when estate tax planning is a priority. Transferring business interests to an irrevocable trust can help shift future appreciation outside of the taxable estate, effectively locking in today's value of the business for transfer tax purposes if properly structured. When using an irrevocable trust for estate tax planning, careful structuring of the trust document is important, as once an irrevocable trust is established, unlike with a revocable trust, the grantor's ability to modify the trust document is generally limited and the grantor typically relinquishes a degree of control over the trust assets.

Working with a qualified estate planning attorney to establish the appropriate type of trust, aligned with the overall estate and tax objectives of your family's wealth plan, can help guide how transferred interests serve your legacy goals and that the intended estate tax benefits are preserved.

KEY FINANCIAL AND RETIREMENT PLANNING DECISIONS REQUIRE A CLEAR VALUATION OF THE BUSINESS

A well-structured retirement plan typically begins years before you actually transition ownership of your company. The manner in which you exit the business can significantly influence retirement outcomes. Without a clear understanding of the value that could be realized from the sale or transfer of the business, unrealistic assumptions that either overestimate or underestimate the value of your company create implications for planning and could inadvertently impact sensitive family dynamics regarding an eventual transition plan.

Admittedly, it can be difficult for a business owner to separate the emotional significance of a business from its actual market value. For many business owners, the company is their life's work and is intertwined with their personal sense of purpose and family legacy, sometimes making it difficult to objectively evaluate the value of the company.

If a sale or ownership buyout is anticipated, overestimating potential proceeds, whether received in a lump sum or over time through an installment structure, could create a significant gap in how your retirement lifestyle will be funded. External factors beyond your control, such as a shift in industry demand or industry consolidation over time, may also potentially impact the value of your business in a negative manner when it comes time to exit or sell. And while you are actively running the company, decisions around how much to draw from or reinvest in the business may not be fully informed. Such overestimation scenarios could ultimately result in you not being able to realize the liquidity out of your business that you were expecting.

Underestimating the value of your company has its own planning implications. Underestimating the value of your company could result in unexpected tax liabilities that have not been adequately funded, whether those be income or capital gains taxes now, or for considering strategies to reduce potential estate taxes by diverting or shifting the value of the business away from your personal estate before the sale closes. If the cash you realize after exiting the business is significantly more than you expected, you may also find there are unexpected funds to boost your post-retirement liquidity or add to your legacy.

Many owners feel a strong sense of responsibility to the business and may choose to remain actively involved for longer than initially planned. While that commitment is often a reflection of dedication, in some cases, it can affect succession readiness or the company's perceived market value to an outside buyer if too much responsibility remains concentrated in one individual. For sound contingency planning, as well as for your transition plan leading up to your retirement or exit, it is important to have a succession plan to gradually delegate key responsibilities or make strategic hires to strengthen the leadership team and help reduce the risk that the company's continued success appears overly dependent on your personal involvement, which could severely impact the value of your business in transition.

With a clear understanding of the value of your business, you may be better positioned to contemplate and plan how your finances should be managed gradually leading up to exiting the business and when your retirement or exit occurs. The more time you have to plan, the more proactive you and your wealth team can be at effectively aligning your lifestyle and legacy goals with strategies for tax efficiency at retirement or exit. Considerations for how your family's capital is deployed when you shift from a mix of active business assets and personal assets to a state where your company wealth has been realized and absorbed into your broader wealth plan present a different set of circumstances.

ESTATE AND LEGACY PLANNING CONSIDERATIONS FOR BUSINESS OWNERS

Clear communication around your intentions for the business when planning an eventual transfer or exit is an essential part of estate and legacy planning. Engaging in exit planning early and discussing your direction with family members and co-owners or investors, if applicable, can help set expectations with those close to you and increase the likelihood that your intended outcome for the business is carried out as planned.

If you intend to transfer the ownership and operation of the business to your children, you may consider formalizing plans for the transition through family governance documents or structured family discussions to create a shared understanding, align expectations, and prepare children for taking on the responsibilities of the business. Family governance mechanisms can also be effective in fostering engagement in certain business matters across generations, including those who may have their own primary career or business interests outside of the family business.

Having a compensation committee in place with the right balance of independence, who can review compensation plans for working family members, can be useful in matters of fairness and to maintain stability when there are family dynamics or when retaining non-family executives could be a concern.

If company stock is held in trust for children to inherit, yet there are children who are not active in the day-to-day business operations of the company, nor do they intend to be in the future, it may make sense to consider whether a dividend policy or other approach could help provide a financial benefit to those children, rather than leaving them solely with an ownership interest that may be illiquid for their circumstances. These are the types of thoughtful estate planning discussions with your children that can foster a positive family dynamic if there is open communication among the family and adequate time to put the right plan in place.

A comprehensive estate plan should also address how surviving family members will be supported financially and what you intend for the business after your passing. Without coordinated planning, your family's liquidity needs and important decisions pertaining to the business may be left unresolved during an already difficult time.

WHERE BUSINESS OWNERSHIP INTERSECTS WITH PERSONAL PURPOSE

Aligning your business plans with your family's broader wealth and legacy goals often involves holistic planning across multiple financial disciplines. Your business is too significant an asset to approach in isolation. Without a clear understanding of the interrelated nature of your business and personal wealth, important planning decisions such as the company's ownership structure, tax strategies, succession and exit planning, and how a trust can protect and facilitate intergenerational transfer, may be made without a complete picture.

At Commerce Trust, your private wealth management team is comprised of specialists who can proactively plan for your family's liquidity needs, your business and personal tax situation, advise on business succession and exit planning, as well as how your business could be held in trust to help protect and grow the company as an asset for an eventual sale or intergenerational transfer. We can serve as corporate trustee to maintain continuity and reinforce your control over the business, while guiding delicate family discussions related to ownership and succession. Your Commerce Trust team will work to orchestrate these elements into a cohesive strategy tailored to support both your business objectives and secure your personal legacy.

Contact Commerce Trust today to learn more about how our holistic, team-based approach can help build a comprehensive wealth plan tailored to the unique circumstances of a high-net-worth business owner.

Comprehensive Exit Planning for High-Net-Worth Business Owners

AUTHORED BY

JOAN B. HUMES, CPA
Director of Tax Strategy and Planning
Commerce Trust

DIANE M. STEINKAMP
Privately Held Investment Manager
Commerce Trust

ROBERT E. WHITNEY, JR., CFP®
Senior Financial Planner
Commerce Trust

Consider these planning conversations

» Proactive planning for the eventual transition and exit from your business is critical to achieving the personal wealth goals you have for yourself and your family, protecting the value of what you have built, and making informed decisions for what comes next.

» For high-net-worth business owners, determining an appropriate exit strategy for you should be considered through a holistic lens that considers the implications for your personal liquidity, tax liabilities, family dynamics, and estate and legacy planning goals.

» At Commerce Trust, our in-house, dedicated privately held business and exit planning specialists will work as part of your private wealth management team to bring an interdisciplinary approach to assisting you with exit planning.

> ***When your business is a significant source of personal and family wealth, preparing to transition the business when you decide to exit means more than just a liquidity event. It is a defining moment for your legacy.***

For high-net-worth business owners, the process of exiting your business is not only strategically complex but can also be deeply personal. For many owners, the business represents years of devotion and effort and may be closely tied to one's personal and family identity. Careful introspection of your wealth goals in the context of an eventual transition is helpful, as a thoughtful approach to the decision-making process around planning for your exit cannot be overstated.

Strategic exit planning begins well in advance of when you actually plan to exit the business. From a risk management perspective, having an exit plan in place at all times is important in the event that unexpected health or family circumstances call for you to exit earlier than planned, even if you are years from retirement. Having adequate time to think through your goals, make decisions, and put the necessary components of your plan in place will help ensure a smooth transition.

Keep in mind that an exit plan can be revisited and modified over time as circumstances change and as the value of the business grows. Waiting until an exit becomes imminent or urgent may limit your options. Viewed holistically, exit planning is more effectively approached as a multi-year strategic process that aligns with the goals of your broader wealth plan rather than as a single event.

NAVIGATING FAMILY SUCCESSION AND BUSINESS SALE

A foundational decision in exit planning is whether the business should remain family-owned following your transition or whether you will consider transferring or selling your ownership to existing partners, employees, or an outside buyer. For many business owners, the company represents not only a major financial asset but also an important part of the family's legacy, which can make succession decisions and the resulting family dynamics particularly complex.

Exit planning inevitably raises sensitive questions about who is prepared to lead the business after your departure. When family members play active roles in the business today, their future responsibilities and ownership interests also become important considerations. Determining your intentions for future ownership, documenting succession preferences, and communicating your decisions proactively with family members can help establish expectations and reduce the potential for misunderstandings before your transition approaches.

PLAN FOR YOUR LIFESTYLE, INCOME, AND CASH FLOW NEEDS AFTER YOU EXIT THE BUSINESS

As you evaluate your exit options, consider your personal post-exit liquidity needs. Many business owners rely on the business as their primary source of income, and a significant portion of their personal spending may be supported by income generated from the company. If this is the case, having a plan for replacing your regular paycheck and supporting your day-to-day cash flow needs after the transition will be essential, in addition to planning for how to cover personal expenses that may currently be paid or subsidized through the business. Items such as insurance premiums, health insurance coverage, payments for auto loans, and other benefits tied to the business will need to be covered either through your sale proceeds or personally once the transition occurs.

If you are selling the business and receive a one-time payment of proceeds from selling, without ongoing cash flow from the business, it will be essential to evaluate whether those assets or other assets can sustainably support your future long-term spending. In contrast, an installment sale is an exit strategy where the seller receives payment over time. The financial, tax, and other risk considerations will be different depending upon the strategy you choose. Understanding how your income may change under different exit scenarios can help support sufficient cash flow after your exit or in retirement.

PLAN TO DIVERSIFY YOUR NET WORTH OVER TIME

If your business represents the largest asset on your personal balance sheet, much of your net worth may be concentrated in your company and your ownership interest. Having likely reinvested a significant portion of company earnings back into the business for growth over time, you may find you possess limited personal liquidity outside the business. In such a situation, your exit plan may include provisions to gradually diversify your wealth in the years leading up to the transition by building assets outside the business to help improve personal financial flexibility and reduce your reliance on a concentrated source of value. Careful review of your investment portfolio's asset allocation strategy alongside these shifts in your wealth plan over time can help support alignment with your long-term investment and income goals.

UNDERSTAND HOW DIFFERENT EXIT STRATEGIES WILL SHAPE YOUR TAX EXPOSURE

The structure of a business transition can significantly influence the tax implications of the transaction. For example, tax treatment can depend on whether a transaction is structured as a stock sale or an asset sale, and how the purchase price is allocated among assets such as goodwill, contracts, or equipment. These decisions can affect whether proceeds are treated as ordinary income or capital gains, making tax strategies an important consideration when planning a business exit. Tax treatment will also differ depending on whether the seller receives the entire proceeds from the sale at once versus a strategy that involves payments to the seller over time, such as an installment sale or earn-out. Such an exit may change the nature of your tax liability, defer, or spread out the timing of your tax liability over time, but each strategy should be considered holistically in light of the full set of risks to consider.

A large influx of liquid assets may also increase the size of your taxable estate, which can be an important consideration for individuals

approaching the federal estate tax threshold. Because tax outcomes vary widely depending on deal structure and individual circumstances, working with experienced tax advisors early in the process can help ensure the transaction is structured in a thoughtful and tax-efficient manner.

CONNECT YOUR BUSINESS TRANSITION TO YOUR ESTATE AND LEGACY PLANNING GOALS

Before or during a business transition, it may be helpful to revisit how the business fits within your broader estate plan. After exiting the business, the composition of family wealth may shift from a privately held business as the primary source of family wealth and ongoing income to liquid financial assets that need to sustain your lifestyle in retirement as well as your long-term estate and legacy goals for your family. Reviewing trusts, gifting strategies, and other estate planning documents can help support the transfer of assets in a way that reflects your intentions for wealth transfer across generations. Your exit event may also be an opportunity to consider how proceeds from the sale could be used to support family members, philanthropic priorities, or other legacy goals that extend beyond the business itself.

CONSIDER WHICH EXIT STRATEGY BEST SUPPORTS YOUR FAMILY'S WEALTH GOALS

Once you have determined your goals for exiting the business, the next step is evaluating which exit strategy best supports your unique circumstances and objectives. Each strategy carries different potential outcomes for the future of the company, family dynamics, paths to liquidity, as well as tax and estate planning implications.

For inside exit strategies, such as an intergenerational transfer, sale to existing partners, or a management buyout, certain legal documentation can help establish a clear structure for transferring your business interests. For example, a buy-sell agreement or a governing document for the company may outline when an ownership interest can be transferred, who has the right to buy it, how the business will be valued, and how the purchase will be funded. Periodic review of your exit plans can help these agreements remain aligned with the company's current circumstances.

INTERGENERATIONAL TRANSFER KEEPS THE BUSINESS IN THE FAMILY

Deciding to transfer both ownership and leadership of your company to a member of the next generation may be one of the most important family decisions you will make, as the decision will not only shape your personal legacy but also have a lasting impact on the legacy of your family. Whether this is the first transition to the next generation or the company has been in the family for multiple generations, it is important to determine not only whether this exit strategy is the right fit for you and your family but also how it will be managed.

A successful intergenerational transfer requires that next-generation family members be capable and prepared to serve in leadership roles and able to fulfill the responsibilities that accompany family ownership. Your transition may require a deliberate plan to prepare family successors to lead the company. Sometimes, this includes ensuring your appointed successor is supported by a strong leadership team with the right complementary experience to fill key management roles critical for a smooth transition.

It is also important to think about how the transfer will be structured. Depending on the company's current ownership structure and your financial goals, ownership may be transferred through a direct sale or gifting, potentially involving the use of trusts or a combination of these approaches. A sale to the next generation may provide liquidity for the exiting owner. In some cases, this may be structured as an installment sale, allowing the purchasing family member to make payments over time rather than securing full financing upfront.

Alternatively, gifting strategies may be used to shift ownership gradually while carefully managing gift and estate tax exposure and maintaining compliance with the company's governing documents. Trusts can also play a role in transferring business interests while addressing broader estate planning objectives. For example, trusts may help provide structure to an ownership transition through long-term governance parameters or conditions around distributions to beneficiaries. The method you choose for the transfer of your business interests may depend on your liquidity needs, tax considerations, and vision for the business and your family.

Finally, family dynamics deserve particularly careful attention with any intergenerational transfer. Tension may arise around the equitable treatment of children. For children and other family members who may remain involved in the business, the question of their ongoing role in the company will also be important to address. And if some children are actively working in the business while others are not, tools such as dividend policies, trust structures, or other estate equalization strategies may help balance inheritances among heirs. Approaching the transition with preparation and guidance from an objective third party who can help you navigate sensitive conversations may be beneficial to preserve both family relationships and the long-term stability of the business.

SELLING THE BUSINESS TO EXISTING PARTNERS

For businesses with multiple owners, selling your ownership stake to existing partners can provide a structured exit path that allows ownership to remain within the established leadership group. Because these partners are likely already involved in governance and decision-making at the highest level, the transition may be more straightforward than introducing a new external buyer.

This approach may work best when one owner is ready to exit while remaining partners continue operating the business. If partners are similar in age or plan to retire around the same time, coordinating a buyout may be more difficult. When partners exit simultaneously, there may not be a remaining owner who is willing or able to buy out another owner's interest.

In many privately held businesses, a sale to existing partners is governed by a buy-sell agreement, which may be incorporated into a broader partnership or operating agreement. A buy-sell agreement outlines what happens to an owner's interest in the event of retirement, disability, death, or other triggering events. The agreement typically establishes who may purchase the interest, how the ownership stake will be valued, and how the transaction will be funded.

Funding mechanisms are an important component of executing a sale to existing partners. Buyouts are often supported by life or disability insurance policies designed to provide liquidity to the remaining partners when a triggering event occurs. Ensuring that insurance coverage amounts reflect the company's current value is critical. Otherwise, remaining partners may face a shortfall at the time of transition. A buy-sell agreement that was drafted years earlier may no longer align with the company's present value, capital structure, or ownership objectives. Regular review of your buy-sell agreement can help ensure the agreement remains a practical roadmap for your ownership transition.

TRANSITIONING OWNERSHIP THROUGH A MANAGEMENT BUYOUT

For business owners who do not intend to transfer their ownership to family members or existing ownership partners, a management buyout where key managers purchase the business from the exiting owner may be appropriate when the company has a capable and committed management team, and the

owner's priority is maintaining continuity rather than seeking the highest possible sale price from an outside buyer. Because the managers are currently running the company's operations and engaged in client relationships, this approach can help preserve stability for the company and its employees during and after the transition. A management buyout can be particularly attractive if preserving company culture and protecting long-standing employee relationships are also central objectives.

Unlike a third-party sale, management teams may not have immediate access to the capital needed to purchase the business outright. If so, transactions may be structured with installment payments over time, seller financing, or performance-based earn-outs tied to future company results. In these arrangements, the exiting owner does not receive full liquidity at closing and instead relies on the company's continued performance and the purchasing managers' ability to meet the agreed-upon payment terms. Because a portion of the proceeds may be contingent on future performance outcomes, pursuing these strategies requires appropriate independent legal advice and assistance to ensure that terms in the agreement specifically address all aspects essential to protecting the seller's interests.

In some cases, the owner may remain involved in the business for a defined period under a consulting or transitional services agreement. The owner's continued involvement can support continuity by helping preserve key relationships, transition institutional knowledge, and keep the business positioned to meet performance targets. The success of a management buyout, much like with an intergenerational transfer, depends on preparation well in advance of the transaction.

Recapitalization Can Be a Valuable Exit Planning Tool

A recapitalization is a change to a company's capital structure, often involving adjustments to the mix of debt and equity on the company's balance sheet. In the context of exit planning, recapitalization may be used as a step to help facilitate the transition of business ownership, whether that be an intergenerational transfer, management buyout, sale to existing partners, or third-party sale.

For high-net-worth business owners, recapitalization may help create liquidity and provide a way for certain owners to exit while others remain involved in the business. For example, a company may issue different classes of ownership interests such as voting and non-voting shares. Existing equity may be restructured. Or the company may take on new debt to create liquidity to buy out the exiting owner while allowing the remaining owners to retain control of the company. In short, recapitalization can help adjust a company's balance sheet to better facilitate a future ownership transition.

USING AN EMPLOYEE STOCK OWNERSHIP PROGRAM (ESOP) AS AN EXIT STRATEGY

An ESOP is a qualified retirement plan that acquires ownership in a company on behalf of its employees. As an exit strategy, an ESOP can enable business owners to sell some or all of their ownership to an ESOP trust while potentially achieving liquidity, allowing employees to share in the success through retirement benefits tied to company stock, while preserving the company's legacy and benefiting from certain tax advantages.

The ESOP trust purchases the owner's shares typically either with company cash or funds borrowed for that purpose. In a leveraged ESOP, the ESOP trust borrows money from a bank, the seller, or both to purchase the owner's shares. The company subsequently makes tax-deductible contributions to the ESOP trust over time to repay the loan.

Using an ESOP can also offer certain tax advantages for the exiting business owner, depending on how the company is structured. For example, with a C corporation, a selling shareholder may be able to defer capital gains taxes from the sale of company stock to an ESOP trust by reinvesting proceeds in qualified securities, which can be particularly attractive for owners with significant unrealized appreciation. Some companies may benefit from tax-deductible contributions used to fund the transaction. Given the particularly complex rules and ongoing regulatory oversight and administration required for this strategy, owners typically work closely with tax, legal, and financial advisors to determine if an ESOP is appropriate.

SELLING TO A THIRD PARTY IN A WAY THAT MAXIMIZES MARKET VALUE AND LIQUIDITY

A sale to a third party, whether to a strategic buyer or a financial buyer, such as a private equity firm, may be attractive if a primary goal is to secure a strong sale price and complete the transaction efficiently, with proceeds paid at closing or through an installment structure. A third-party sale may be appropriate when there is no clear family or internal successor to take over, or when the owner's priority is achieving the highest possible valuation and selling price for the business. A sale to a third party can also offer potential for the company to grow significantly.

Strategic buyers are operating companies that acquire businesses to strengthen their competitive position or realize operational synergies. Financial buyers, such as private equity firms, acquire businesses as investments, seeking to enhance enterprise value over time before pursuing a future exit. While strategic buyers may offer higher valuations in some situations, financial buyers may provide opportunities for owners to retain an ownership interest and participate in the company's future growth.

Because the valuation of the business drives the price a buyer is willing to pay, understanding the current valuation of your business is particularly important in a third-party sale. Sophisticated potential buyers will not only evaluate current earnings but also the durability of revenue, the strength of the management team, and even the degree to which the business depends on the previous owner's ongoing presence in the business. When operational authority or key client relationships rely heavily on the owner's personal involvement, such a level of dependence on the owner can materially affect the perceived value of the business.

Preparing the business for sale may involve changes such as building out the leadership team, delegating responsibilities, and institutionalizing operational processes well in advance of a transition. Ultimately, a company's market value is determined by what a qualified buyer is willing to pay, making buyer demand and competitive positioning critical factors in the outcome of a sale.

For owners who are prepared to relinquish control and can accept that buyer interest and market conditions may influence the final outcome, a third-party sale can provide significant liquidity and financial flexibility, and if the acquirer is an investor, may even allow the owner to participate in future appreciation when the investor ultimately exits the business. Achieving a favorable result often depends on realistic valuation expectations and thoughtful positioning of the business.

SPECIALIZED, INTEGRATED WEALTH GUIDANCE TO HELP YOU NAVIGATE THIS CRITICAL TRANSITION

No matter which exit strategy you pursue, it is important to consider how the transition will impact your broader financial picture. Thoughtful planning before, during, and after an exit can help you transition the wealth created through your business into a comprehensive strategy that supports your family, reflects your priorities, and is aligned with your long-term financial objectives.

Exiting a business is often a multi-year journey rather than a single event. For many business owners, a successful exit represents the culmination of years of focus and effort, and a transition that carries both financial and personal significance for the legacy you have built. Whether the transition involves family members, internal stakeholders, or an outside buyer, thoughtful exit planning requires early preparation. Even if a plan evolves or changes over time, having a clear exit framework in place at all times can help ensure the outcome reflects your priorities rather than being inadvertently shaped by circumstances alone.

At Commerce Trust, our private wealth management team works with business owner clients to approach exit planning in the context of all facets of your family's wealth goals, including impacts to your tax situation, wealth transfer, trust administration, investment strategy, and banking needs. Our privately held business and exit planning specialists can help you obtain a high-level business valuation, assess your exit readiness, and evaluate your business attractiveness through the lens of a future buyer. Our team will collaborate closely with your attorneys, your accountant, investment banker, and other advisors to align transition outcomes with your overall wealth strategy.

Contact Commerce Trust today to learn how our team can help you secure your legacy by developing a thoughtful exit strategy integrated with your personal wealth plan, positioning your business transition to support your family's long-term objectives.

A transition carries legacy forward when the next generation understands its purpose

The Conversations That Shape a Legacy

AUTHORED BY

RICHARD ENGLISH
Managing Director
Commerce Family Office
Kansas City, Commerce Trust

BRIAN HUMES, CPA
Managing Director
Commerce Family Office
St. Louis, Commerce Trust

GUY HOCKERMAN, CPA, CFP®
Senior Financial Planning Manager
Commerce Trust

Consider these planning conversations

» Preparing the next generation begins by sharing the values, aspirations, and purpose that give family wealth its meaning.

» Children and grandchildren develop financial judgment through experience, participation, and ongoing dialogue, not a single conversation.

» Trusts, philanthropy, family businesses, and family meetings can become opportunities to cultivate stewardship across generations.

» Long-term family continuity is strengthened when parents, adult children, and trusted advisors engage in purposeful conversations over time.

The first conversation about family wealth shapes far more than financial understanding. It begins preparing the next generation to become thoughtful stewards of a family's values, aspiration, and enduring legacy.

For families preparing to pass their wealth to future generations, one conversation often carries lasting importance. It is the conversation that begins preparing the next generation to understand the purpose of family wealth and the stewardship it requires.

While every family's circumstances are different, parents often share a common aspiration. They seek to help their children find fulfillment and flourish by developing the judgment, independence, and character to use wealth responsibly while building independent lives defined by intention, contribution, and fulfillment.

Preparing adult children to continue the family legacy extends beyond explaining financial assets or estate plans. It begins by connecting the values they have observed throughout their lives with the financial leadership they may soon assume.

As families prepare for one of the largest intergenerational transfers of wealth in history, conversations about preparing future generations have taken on renewed importance. Every family approaches these conversations differently. Some are preparing future business owners while others are preparing trustees, philanthropists, or beneficiaries who will steward family wealth across generations. The appropriate approach depends upon each family's goals, relationships, and vision for the future.

The most effective conversations rarely begin with financial figures. They begin by helping children understand the family's values, the role wealth has played in creating opportunity, and the responsibilities that accompany significant resources. Over time, family discussions can help establish the perspective and confidence that prepare future generations to make sound financial decisions aligned with the family's long-term aspirations.

FAMILY PHILOSOPHY BEGINS FIRST

Every family has a philosophy about wealth. For some, it is expressed through dialogue and shared experiences. For others, it is demonstrated through everyday decisions, expectations around work, charitable giving, or the stewardship of a family business. By the time children reach adulthood, they likely have already formed impressions about wealth through the decisions, priorities, and behaviors they observed within the family.

Because of this, an important conversation often takes place before parents initiate a more intentional discussion about the family's wealth, estate plan, or future inheritance. It begins with the fundamental question of how you envision family wealth shaping the opportunities available to future generations.

WHAT ROLE SHOULD OUR WEALTH PLAY IN SUPPORTING OUR FAMILY'S VISION FOR THE FUTURE?

For many parents and grandparents, the answer reaches beyond financial success. They intend to raise children who value fulfilling work, contribute to something larger than themselves, exercise sound judgment, and approach opportunity with gratitude. Some aspire to prepare future business leaders. Others hope to cultivate thoughtful philanthropists, capable trustees, or responsible stewards who will one day guide family wealth with wisdom and purpose.

Establishing that philosophy creates consistency. Children observe how parents define success, make financial decisions, respond to challenges, and demonstrate generosity. Those observations often become more influential than formal lessons. A family's philosophy carries its greatest influence when it is reflected consistently in everyday life.

This reflection also allows parents to align with one another. Even families that share the same long-term goals may bring different experiences and perspectives to questions surrounding lifestyle, philanthropy, family business, or preparing future generations. Reaching a shared understanding creates a foundation that guides future conversations as children mature and family circumstances evolve. It also prepares families for defining moments, including the sale of a business, a significant liquidity event, or the transition of family leadership.

Over time, an important distinction begins to emerge. Building wealth and preparing children to steward wealth are different endeavors. Years devoted to the consuming effort required to grow your business or build an executive career do not automatically produce a philosophy for helping the next generation understand the intended role of family wealth. Clearly defining your philosophy transforms future conversations from discussions about financial assets to conversations centered on purpose, stewardship, and legacy.

Working through these questions with your private wealth team as a trusted advisor can lead to meaningful discussions that help a family clarify priorities, align around shared aspirations, and establish a framework for conversations for years to come. With that foundation in place, children are introduced not simply to wealth, but to the philosophy that gives it meaning.

UNDERSTANDING BEFORE INHERITANCE

Parents and grandparents often ask when children should learn about the family's wealth. An equally important consideration is helping children develop the perspective to understand the meaning of wealth.

Understanding often develops through experiences that are appropriately scaled to each generation's stage of life and financial maturity. Earlier participation may include researching a charity for philanthropic support, researching a private equity opportunity for investment, managing a smaller trust, or becoming involved in aspects of the family's financial life that relate directly to their own circumstances. Gradual participation in the decision-making around these aspects can add further dimension to personal experience. These personal experiences allow children to ask questions, gain perspective, and build confidence before assuming greater responsibility. As understanding deepens, generational wealth is introduced within a context they have already begun to appreciate.

For adult children, the conversation may begin with their own financial circumstances, including retirement planning, investing, home ownership, or career decisions. From there, it can expand to include trusts, philanthropy, a family business, and the obligations they may assume within the family's broader wealth plan.

Family meetings can establish a valuable forum for these discussions. Meetings do not need to be highly structured or focused on financial details. Regular opportunities to join together to discuss family priorities, charitable interests, or long-term goals help create familiarity with the decisions that shape family wealth while encouraging curiosity and shared perspectives.

Trusted advisors can also become an important part of that educational journey. Individual meetings with the family's private wealth team can give children and grandchildren space to discuss their own financial goals, ask questions openly, and develop confidence apart from the influence of the larger family conversation. Often this begins with saving, investing, or retirement planning, and gradually expands as responsibilities increase.

There is no universal age or milestone for discussing life-changing wealth. Each family's circumstances, relationships, and goals are different. What matters most is that children have developed the judgment, context, and readiness to understand not only what they may one day inherit, but the vision it is intended to serve.

STEWARDSHIP THROUGH EXPERIENCE

As children assume greater responsibility, conversations about family wealth can naturally become more specific. By this stage, the objective is no longer simply to build understanding. It is to create opportunities for the next generation to participate thoughtfully in carrying forward the family legacy.

One of the first formative conversations about generational wealth often begins when an adult child is introduced to a trust established for that child, as the beneficiary. Rather than simply transferring wealth, a trust can provide a framework for discussing a family's values, long-term aspirations, and expectations, helping the next generation understand both the opportunities and obligations that accompany generational wealth.

The conversation naturally extends beyond assets to explore why the trust was created, the family's long-term goals, the responsibilities that accompany generational wealth, and the role intentional stewardship plays in preserving opportunities for future generations. Within that context, discussions about investments, distributions, fiduciary requirements, and long-term planning become part of a larger conversation about purpose rather than simply financial mechanics.

Families often create similar opportunities through philanthropy, family businesses, or investment discussions. Inviting children to research charitable organizations, participate in grantmaking decisions, learn how a business operates, or observe how long-term investment decisions are made allows financial stewardship to become an active experience rather than an abstract concept. These experiences also encourage children to consider how their own talents and interests might contribute to the family and the broader community.

Parents and grandparents often seek to ensure wealth expands opportunity without diminishing the fulfillment adult children derive from meaningful work, entrepreneurship, public service, or other purposeful pursuits. Those experiences cultivate judgment, accountability, resilience, and perspective, qualities that ultimately define stewardship far more than inherited wealth alone.

As families provide greater financial support, thoughtful structure and clear expectations help reinforce these lessons. Assistance with education, a home purchase, or other significant milestones can provide valuable opportunities while encouraging sound financial decision-making. The goal is not simply to provide resources, but to help each generation develop confidence and judgment to use those resources wisely. Careful planning also considers how financial support is introduced so that each opportunity strengthens independence, reinforces family values, and avoids unintended consequences that may influence future expectations.

Ultimately, stewardship develops through participation. Over time, a series of meaningful experiences, thoughtful conversations, and shared responsibilities helps prepare future generations to carry forward both the family's wealth and the values it is intended to support.

STEWARDSHIP ACROSS GENERATIONS

Preparing the next generation to steward family wealth is rarely accomplished through a single conversation. As children mature, families often revisit these discussions through changing life stages, new responsibilities, and defining moments. Conversations that begin with family values naturally expand to include trusts, philanthropy, business ownership, estate planning, and the long-term stewardship of a family's legacy.

Just as importantly, the next generation begins developing its own relationship with trusted advisors. Individual discussions allow adult children to discuss personal financial goals, ask questions openly, and gain confidence as they assume greater responsibility. Those relationships help create continuity across generations while providing an objective perspective that complements ongoing family dialogue.

Family conversations often become opportunities to strengthen relationships across generations. Family meetings, shared philanthropic decisions, and discussions surrounding significant financial milestones encourage participation, foster understanding, and reinforce the values that unite the family. As circumstances evolve, the meetings can evolve as well, helping each generation prepare for the responsibilities that lie ahead.

Ultimately, the measure of successful wealth transfer extends beyond the value of the assets themselves. It is reflected in the judgment, confidence, and sense of purpose each generation brings to the opportunities they inherit. When families prepare future stewards with the same care they have devoted to generating wealth, they create a legacy that can endure for generations.

WE HELP FAMILIES PREPARE FUTURE GENERATIONS WITH THE SAME CARE AND DISCIPLINE DEVOTED TO PRESERVING THEIR WEALTH

At Commerce Trust, we believe preparing future generations begins long before wealth changes hands. Through integrated guidance across dedicated specialists in financial planning, investment management, trust administration, estate planning, tax strategy, philanthropy, and privately held business advisory services, our private wealth management teams help families navigate the conversations that shape both financial decisions and family continuity. Whether facilitating family discussions, helping parents articulate a shared philosophy, or preparing adult children for the evolving financial responsibilities that accompany generational wealth, our role is to help families prepare confidently for the future while remaining aligned with the values that define your family. Because a lasting legacy is ultimately measured by the people entrusted to carry it forward.

More Than a Trust: Preparing the Next Generation for Wealth, Responsibility, and Stewardship

AUTHORED BY

RICHARD ENGLISH
Managing Director
Commerce Family Office
Kansas City, Commerce Trust

GUY HOCKERMAN, CPA, CFP®
Senior Financial Planning Manager
Commerce Trust

Consider these planning conversations

» Rather than simply transferring assets, a trust can provide a framework and serve as an educational tool for discussing family values, long-term goals, and expectations, helping the next generation understand both the opportunities and responsibilities that accompany generational wealth.

» Introducing the purpose of the trust, the roles of the trustee and beneficiaries, and the family's intentions over time can help frame trusts as a tool for engaging children about stewardship, family intentions, and purposeful wealth transfer, rather than simply as an inheritance vehicle.

» Beginning with simple explanations for children and young adults about the trust's participants and the concepts behind how a trust works can provide context and a common language for your family. Engaging your private wealth management team to assist with explaining trust concepts, as a neutral, professional advisor, can be helpful in equipping parents and caregivers for these foundational, family wealth conversations.

A trust can help preserve family wealth, provide long-term financial security, and support future life opportunities, while ensuring assets are managed according to the family's intentions. For many families, discussing the trust with children who are beneficiaries also becomes an opportunity to share the values and sense of responsibility parents and grandparents seek to instill alongside the wealth from one generation to the next.

THE BENEFITS OF DISCUSSING FAMILY WEALTH AND TRUSTS

As generational wealth continues to pass from one generation to the next, many families are asking an important question: How do we prepare children not only to inherit wealth, but also to understand the responsibility that comes with it? For many parents, introducing the concept of a trust becomes a natural starting point for broader conversations about stewardship, purpose, and family values.

Rather than waiting until children are adults, or until a trust becomes relevant, many families find value in beginning the conversation gradually. Introducing the concept of a trust can help demystify the family's estate plan and provide context for stewardship and the family's long-term vision. More importantly, sharing the purpose for which you created the trust for your children or grandchildren creates an opportunity to discuss the values behind the family's planning, from prudent financial decision-making to caring for future generations.

When discussing your family's trust and depending on your unique situation, consider explaining that the trust is intended to:

- Provide long-term financial security to help ensure assets are available throughout the child's lifetime rather than all at once.
- Preserve family wealth by helping to safeguard assets for future generations, promoting thoughtful stewardship of inherited wealth and financial resources.
- Support education and life milestones by funding education or vocational training, perhaps assisting with the purchase of a first, or more significant, home, providing capital to start or invest in a business, helping during significant life events or unexpected circumstances.
- Encourage disciplined financial management by allowing distributions over time or upon reaching certain milestones, giving beneficiaries the opportunity to develop financial experience before assuming greater control of assets.
- Provide continuity, particularly when working with a corporate trustee who will oversee investments and administrative responsibilities for the trust, which may be particularly helpful for when parents or grandparents are no longer able to manage the assets.
- Serve as a means through which the family's priorities regarding wealth and future generations are reflected, encouraging philanthropy, education, entrepreneurship, or other goals that are important to the family.

No two families have identical priorities, and no two trusts will be exactly alike. Trusts can be customized to reflect a family's unique circumstances, whether the objective is providing for future generations, protecting assets, supporting education, encouraging philanthropy, preparing heirs for financial responsibility, or preserving a lasting legacy.

Many parents want their children to understand the family's long-term estate planning without allowing future wealth to define a child's ambitions or shape their sense of purpose too early. The goal is not to focus on what children may someday receive, but to help them appreciate the values and intentions behind the family's wealth and estate planning. Beginning these conversations early can help establish shared expectations, reduce the likelihood of surprises or misunderstandings later, and prepare beneficiaries to work effectively with trustees and advisors.

WHEN IS THE RIGHT TIME TO BEGIN THE CONVERSATION

The right communication approach and timing to begin discussing trust matters with children will be unique to each family. The conversation rarely happens all at once. In general, many families choose to introduce the concept of a trust gradually, adding more detail as children demonstrate greater maturity, financial understanding, and readiness to participate in discussions about the family's legacy.

While many families choose to introduce children to the existence and purpose of a trust over time, the timing and extent of disclosure to beneficiaries are also governed by the trust document and applicable state law. In many cases, trustees have legal duties to provide certain information to beneficiaries once they reach a specified age or become entitled to distributions.

Although the legal requirements for notifying beneficiaries vary by state and by the terms of the trust, many families find value in beginning age-appropriate conversations well before formal disclosure may be required. The Uniform Trust Code (also known as the UTC) is a model law developed to provide states with a consistent framework for governing the creation, administration, and termination of trusts, as well as the rights and responsibilities of trustees and beneficiaries. Individual states may adopt all or part of the UTC and often modify its provisions, so trust laws can vary by jurisdiction.

Many states have adopted some version of the UTC. Because states often modify these provisions, families should work with their estate planning attorney and wealth advisors to understand the rules that apply to their trusts.

Even before details about the family trust are shared, children may gain personal financial experience through meetings with attorneys and advisors regarding their own financial situation, addressing planning, goal setting, and investment strategy within a separate trust that you, or perhaps they, created for their benefit. Perhaps a separate trust was created to receive and manage annual gifts from parents or grandparents, or wealth the child has accumulated through profession, business, or other pursuits. Such personal interactions can provide positive, incremental learnings upon which a child's understanding of the family's wealth can be built. A parent or parents may even serve as co-trustee of a child's own trust to help guide the child through decisions.

For some families, even adult children who have built successful and independent lives may not initially know the full extent of the family's wealth. Parents often choose to first explain the purpose of the trust and the responsibilities that accompany it, expanding those conversations over time as part of a broader discussion about the family's legacy.

EDUCATING CHILDREN ABOUT WHAT A TRUST IS AND THE KEY ROLES, IN PLAIN LANGUAGE

At its simplest, a trust is a legal arrangement that allows assets to be managed for the benefit of others according to the wishes of the person who created it. Instead of transferring assets outright, a trust establishes guidelines for how and when those assets may be used, helping ensure they are managed in a thoughtful and intentional way. Rather than focusing on the specific legal structure of a trust, families may find it more meaningful in early conversations to emphasize the purpose behind the planning and how it supports the family's long-term vision.

Parents may explain to younger children that a trust is simply a way to take care of money or other assets for the people they love. An explanation might include that the trust was created to help provide for the children and support their future, while protecting the assets over the long term. As children mature, those conversations can evolve to include the trust's broader purpose and long-term goals.

In addition, helping children understand the basic roles within a trust can help make an unfamiliar concept easier to understand:

» The grantor establishes the trust and determines how it should operate.

» The trustee, or trustees, are responsible for managing the trust and carrying out the grantor's instructions while acting in the best interests of the beneficiaries.

» The beneficiaries are the individuals, such as children or grandchildren, or charitable organizations the trust is intended to benefit.

It can be helpful to convey that a trustee is not simply in charge of the money. Rather, the trustee has a fiduciary responsibility, or a legal duty to act in the beneficiaries' best interests and to follow the terms of the trust document. Similarly, it may be helpful for your children to understand that being a beneficiary does not necessarily mean receiving unrestricted access to the assets. Instead, the trust is designed to provide support over time in a way that reflects your family's goals and intentions.

Explaining to a child that, as a beneficiary, they have an opportunity to learn about the family's financial wealth values and eventually understand how these resources can be managed through careful financial stewardship, can help to create the connection between the financial decisions that stem from the trust and the lasting family legacy. Explaining these distinct roles reinforces that a trust follows a carefully designed plan.

WHAT CHILDREN SHOULD UNDERSTAND ABOUT HOW THE TRUST OPERATES

Early on, children do not need to understand every legal or financial detail to appreciate the purpose of a trust. Instead, parents may focus early communication on conveying a few key ideas:

» A trust is intended to support the family's long-term goals.

» The trustee follows the instructions established by the grantor, written in the trust document, that explain how the assets should be managed and when or how distributions may be made.

» Trust assets are managed with care and are not simply distributed on demand. Trust assets such as investments, cash, real estate, business interests, or other assets are managed by the trustee for the beneficiaries' benefit.

» The trustee may make distributions to the beneficiaries for purposes outlined in the trust, such as education, health care, purchasing a home, or other needs, depending on the trust's terms. For some families, the grantor intentionally gives the trustee discretion over the timing and amount of distributions until beneficiaries reach a specified age or milestone.

» As beneficiaries mature, they may gradually learn more about the trust and the responsibilities associated with it.

Likewise, more complex aspects of trust planning, such as tax considerations and investment strategy, can be introduced gradually as children gain financial experience and move through different stages of life.

RESPONSIBILITIES THAT MAY COME WITH FUTURE STEWARDSHIP

When framed thoughtfully, discussions about a trust need not diminish ambition. Instead, they can reinforce that family wealth represents both opportunity and responsibility, and that personal achievement, sound judgment, and stewardship remain enduring family values. For certain families, a trust may be seen as a family governance tool and more than a financial instrument, creating a natural transition to discussing family meetings, financial education, philanthropy, and succession planning.

Parents often hope their children will pursue meaningful careers, develop financial independence, and build lives defined by purpose and contribution rather than by future inheritance. Meaningful conversations about a trust can reinforce these aspirations by emphasizing that being a trust beneficiary often involves more than receiving financial benefits. As children become adults, they may be called upon to make financial decisions with discipline, work collaboratively with trustees and advisors, and eventually assume greater responsibility for preserving family wealth.

Parents can frame the trust as one part of a broader family legacy, one that reflects not only financial success but also the values, purpose, and stewardship they hope to pass from one generation to the next.

TRUSTS ARE TAILORED TO EACH FAMILY'S GOALS

A trust is ultimately about more than transferring assets. It reflects a family's intentions for preserving wealth, supporting future generations, and passing along the values that shaped the family's success. By introducing these topics gradually and thoughtfully, parents can help children understand that the family's greatest legacy is not simply the wealth they may inherit, but the wisdom and responsibility to steward it well.

While every family's circumstances are unique, one principle remains consistent. Preparing heirs is an ongoing journey, not a single event. By combining deliberate planning with open communication, families can help the next generation understand not only how wealth will be transferred, but why it was preserved in the first place.

At Commerce Trust, your private wealth management team can serve as a trusted advisor, valuable partner, and neutral facilitator throughout the family journey, helping parents navigate complex decisions, facilitate meaningful conversations within the family, and prepare future generations to steward the family's legacy with confidence.

Contact Commerce Trust today to learn how thoughtful planning and meaningful family conversations can help prepare the next generation to carry your family's legacy forward.

Preparing Your Young Adult for Life's Next Chapter

AUTHORED BY

RICHARD ENGLISH
Managing Director
Commerce Family Office
Kansas City, Commerce Trust

GUY HOCKERMAN, CPA, CFP®
Senior Financial Planning Manager
Commerce Trust

Ideas to consider

» Adulthood brings new independence and new planning considerations. As children reach legal adulthood, it's a natural time to revisit how your family will navigate financial, educational, and medical decisions moving forward.

» Small planning steps today can help reduce uncertainty tomorrow. A handful of foundational legal documents can make it easier for trusted family members to provide support if the need ever arises.

» The conversation is just as important as the documents. Discussing expectations, responsibilities, and decision-making can help prepare young adults for greater independence while keeping families connected.

» Your wealth plan should evolve with your family. As children enter adulthood, reviewing these considerations with your Commerce Trust wealth team can help ensure they align with your family's broader goals and long-term vision.

> ***As children enter adulthood, families often find themselves navigating a new balance between growing independence and continued support. While many young adults are ready to make more decisions on their own, there can still be situations in which parents are called upon to help. Having a few foundational documents in place can make those moments easier to navigate while respecting your child's independence.***

The transition can be more complex when a young adult has multiple accounts, different types of assets, or is the beneficiary of a trust. In those circumstances, thoughtful planning can be particularly valuable in helping families maintain continuity as a young adult assumes greater responsibility for managing financial and health matters. Once your child legally becomes an adult, financial institutions, advisors, and other organizations may not be able to share information or accept direction from parents on behalf of a child without the proper legal documents in place.

Planning Considerations as Your Child Enters Adulthood

Durable power of attorney

Allows a young adult to designate a trusted person to act on the young adult's behalf in certain financial and legal matters when needed.

Emergency contact information

Identifies the person or people a college or university should contact if an urgent situation involving a student arises.

Family Educational Rights and Privacy Act (FERPA) authorization

Allows a young adult to authorize a college or university to share certain educational information with designated individuals.

Durable power of attorney for health care

Allows a young adult to designate a trusted person to make health care decisions on the child's behalf if the child is unable to make or communicate health care decisions.

Health Insurance Portability and Accountability Act (HIPAA) authorization

Allows a young adult to authorize health care providers to share certain protected health information with designated individuals.

Advance directive, or living will

Allows an individual to express preferences regarding certain medical treatments if the individual is unable to communicate the individual's wishes.

A DURABLE POWER OF ATTORNEY CAN PROVIDE CONTINUITY WHEN NEEDED

As a child reaches legal adulthood, the nature of a parent's role begins to change. A young adult assumes greater responsibility for financial and legal decisions, while parents may still provide meaningful support and guidance. One means of providing that support is for a parent to act as a child's agent under a durable power of attorney.

In a durable power of attorney for financial matters, a young adult child can appoint a parent (or other trusted relative) as agent to handle financial and legal matters on the child's behalf. This can be very helpful if the child is unavailable or becomes incapacitated. Depending on how the document is drafted, the agent may be able to help with tasks such as signing documents, communicating with financial institutions, managing insurance or tax-related matters, or addressing other time-sensitive administrative needs.

For many families, the value of this planning extends beyond a serious illness or emergency. A young adult may be traveling, studying abroad, temporarily unavailable, or otherwise unable to address an important matter personally. Having appropriate authorization in place can provide continuity and help a trusted family member or other designated individual respond when circumstances require.

For families with more complex financial circumstances, these considerations may take on added importance. A young adult may have investment accounts, interests in trusts, real estate, or other financial matters that require attention from time to time. The appropriate scope of the agent's authority can depend on the individual's circumstances, making this an important topic to discuss with an estate planning attorney as a child prepares for adulthood.

PRACTICAL PLANNING FOR WHEN YOUR CHILD HEADS TO COLLEGE

Heading off to college is often one of the first times a young adult needs to manage certain aspects of life independently. Along with conversations about budgeting, personal responsibility, and family expectations, this can also be an appropriate time to review a few practical, administrative matters that may make it easier to support your student if the need arises. You may want to discuss who the school should contact in an urgent situation and with whom your student has authorized the university to share certain educational information.

Most colleges and universities ask students to designate an emergency contact before arriving on campus. While it may rarely be used, keeping this information current helps ensure the university knows whom to reach if a serious medical, safety, or other emergency occurs. It can also be a simple opportunity for families to discuss how they would want to communicate and support one another if an unexpected situation arises.

Another item families may choose to discuss is whether their student wants to complete a Family Educational Rights and Privacy Act (FERPA) authorization. A FERPA authorization allows a college or university to share certain educational information with individuals the student designates, typically parents, grandparents, or another trusted person. While many families may never need to rely on it, having the authorization in place can simplify communication if questions arise involving tuition, financial aid, registration, or other administrative matters. Completing the authorization does not diminish a student's independence. It simply provides flexibility should the need arise.

PLANNING FOR HEALTH CARE DECISIONS AS YOUR CHILD BECOMES AN ADULT

As children enter adulthood, parents often continue to play an important role in providing guidance and support, even as their children take greater responsibility for their own decisions. Health care is one area where a few thoughtful planning steps can help families navigate that transition and clarify how support can be provided if a health issue arises.

Once a child reaches legal adulthood, parents do not automatically have authority to make health care decisions or access protected health information on their child's behalf. Establishing appropriate health care documents can help a young adult designate trusted individuals to assist with medical decisions and communication when needed. These considerations can be particularly relevant before a child leaves home for college, begins traveling independently, or otherwise takes on greater responsibility for managing the child's own health care.

A durable power of attorney for health care allows a young adult child to designate a parent or other trusted relative to make and communicate health care decisions if the child is unable to do so. Having a person available to exercise this authority can be essential if the need arises.

A Health Insurance Portability and Accountability Act (HIPAA) privacy authorization serves a different purpose. Rather than giving someone authority to make health care decisions, it allows a young adult to authorize designated individuals to receive certain protected health information from health care providers. This can be essential for the person(s) designated in the durable power of attorney for health care in gathering the information needed to make important decisions.

An advance directive, sometimes referred to as a living will, allows an individual to express preferences regarding life-sustaining treatments in the event of a terminal condition. Although these conversations may feel premature when a child is just entering adulthood, discussing health care preferences can be a meaningful part of preparing for greater independence. More importantly, the conversation itself gives families an opportunity to understand one another's wishes and consider how they would want to approach difficult decisions.

Together, these documents can provide a framework for making and communicating health care decisions while giving young adults an opportunity to take ownership of their wishes. Putting these documents in place can provide family members with the peace of mind that comes from knowing that their wishes will be honored.

PLANNING WITH YOUR FAMILY'S FUTURE IN MIND

Preparing a young adult for greater independence often involves more than conversations about education, careers, and financial responsibility. It also includes establishing practical safeguards that allow families to navigate unexpected situations with greater clarity and confidence. While every family's circumstances are different, reviewing these planning considerations together can provide an opportunity for meaningful conversations about responsibility, decision-making, and the support systems that remain in place as children enter adulthood.

At Commerce Trust, we help families think through these transitions as part of a comprehensive wealth strategy. Working alongside your estate planning attorney and other advisors, we can help identify planning considerations that align with your family's goals, values, and long-term vision for future generations.

Commerce Trust contributors

Encompass by Commerce Trust reflects the combined perspectives of our private wealth management professionals, who collaborate as an integrated team of dedicated specialists to support your client relationship. Our articles are intended to support meaningful discussions with your private wealth management team in pursuit of planning strategies aligned with your family's unique wealth picture.

RICHARD ENGLISH

Managing Director
Commerce Family Office
Kansas City, Commerce Trust

Richard is the managing director of Commerce Family Office in Kansas City. In his role, Richard collaborates closely with clients on strategies for addressing challenges that can accompany significant wealth.

MICHAEL GRAHAM

Director - Insurance Premium Finance
Commerce Trust

Michael is the director of insurance premium finance at Commerce Trust. He works with clients to introduce and structure insurance premium financing options to meet their unique liquidity needs.

JOAN B. HUMES, CPA

Director of Tax Strategy
and Planning
Commerce Trust

Joan leads the dedicated team of in-house tax professionals at Commerce Trust to deliver comprehensive tax guidance to clients that is aligned with their financial goals. As an integrated part of the private wealth management team, tax strategies are tailored to a client's unique tax situation.

SCOTT LAPRESTA, CTFA

Director of Private Client Advisors
Commerce Trust

Scott is the director of private client advisors for Commerce Trust. He provides leadership and management of the Private Client Advisory group in St. Louis in addition to handling key client relationships.

GUY HOCKERMAN, CPA, CFP®
Senior Financial Planning Manager
Commerce Trust

Guy is a senior financial planning manager for Commerce Trust. He works as a member of the financial advisory services team, the dedicated financial planning practice within Commerce Trust.

BRIAN HUMES, CPA
Managing Director
Commerce Family Office
St. Louis, Commerce Trust

Brian is the managing director of Commerce Family Office in St. Louis. In that role, he collaborates closely with clients on strategies for addressing challenges that can accompany significant wealth.

DIANE M. STEINKAMP
Privately Held Investment Manager
Commerce Trust

Diane is the privately held investment manager for Commerce Trust, where she manages an in-house, dedicated team focused on providing specialized advice addressing complex assets such as privately held business ownership and other closely held investments, as well as strategic exit planning for business owners.

ROBERT E. WHITNEY, JR., CFP®
Senior Financial Planner
Commerce Trust

Rob is a senior financial planner for Commerce Trust. He is a member of the financial advisory services team, the dedicated financial planning practice within Commerce Trust.

Philosophy rooted in legacy

At Commerce Trust, we view wealth as a living continuum that spans generations and reflects life's purpose expressed through family, values, and contribution. Since 1906, helping clients preserve and extend their legacy across generations has been at the heart of our approach to private wealth management. Our clients benefit from the insights gained from our experience administering over $85 billion in total client assets through all market cycles.[1]

Because we recognize that your financial life is deeply interconnected, our wealth management philosophy is designed to consider all pieces of a client's wealth picture at once. This holistic perspective begins with careful listening and discernment to gain a deep understanding of your goals and what matters most to you and your family, and how those priorities can be integrated across wealth and estate planning, tax strategy, investment management, banking, philanthropic endeavors, and trust administration.

For clients with significant ownership in closely held business assets, our dedicated privately held investment advisors work as part of your wealth team to address succession and transition considerations, while integrating business interests strategically within your broader financial picture.

> *At Commerce Trust, we help clients bring their values to life through wealth management supported by intentional planning and long-term strategy. We view values as the essence of stewardship, and our values-based philosophy allows you to act with confidence, knowing your customized wealth plan is an expression of enduring belief, built to secure your legacy and sustain meaning across generations.*

[1]As of June 30, 2026

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