Morgan Stanley

INSIGHTS & OUTCOMES

VOLUME 7

START

It is with great pleasure that we introduce the latest edition of Insights & Outcomes, our signature publication from Morgan Stanley Family Office Resources.

Insights & Outcomes is designed to inspire and inform, offering a sophisticated blend of in-depth analyses and actionable strategies from industry leaders and specialists, principally from within Family Office Resources but drawing on the broader resources of Morgan Stanley as well.

In this issue, we explore ideas generated from family conversations and experiences, including developing a business post-sale plan, opportunities in alternative investments, strategic lending, technology for your family office, navigating the luxury jewelry market and key philanthropic strategies. We hope these articles resonate with you, providing both relevance and inspiration.

Family Office Resources is an extension of your Financial Advisory team to help you address the complex and multifaceted challenges of managing wealth in all its modes—financial capital, human and family capital, and social capital. Collectively, our specialists offer deep and broad experience across the entire spectrum of wealth management disciplines—from estate planning, family governance and philanthropy to wealth education, lifestyle advisory and our newest offering, health and wellness education. Additionally, our single family office advisory practice assists families that have a single family office or are looking to establish one.

Our goal is to provide you with an essential guide to navigating and enhancing family legacy in a dynamic global landscape. We encourage you to explore this edition and hope it will spark a conversation with your family and your Morgan Stanley Financial Advisor.

DAVID BOKMAN
Head of Family Office Resources
Morgan Stanley

GLENN KURLANDER
Head of Family Governance
and Wealth Education
Editor of Insights & Outcomes
Morgan Stanley

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Head of Art Resources
Team (ART)
Morgan Stanley

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Lifestyle Advisory Specialist
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Philanthropic Advisor
Morgan Stanley

ELLEN POHLY
Philanthropic Advisor
Morgan Stanley

MARK JANSEN
Family Office Resources Generalist
Morgan Stanley

new beginnings

PREPARING FOR LIFE AFTER

selling your business

THE EMOTIONAL WHIRLWIND OF A MAJOR MILESTONE

Selling a business is a chance to realize your hard work and success in a new, tangible way. Still, stepping away from your brainchild or life's work can spark complicated emotions, like grief or the loss of identity or purpose. Some business owners have even expressed that it feels like they have been set adrift.

"As a physician, I have witnessed countless patients experience grief from the loss of anything that brought them pride and joy," says Dr. Kim Henderson, head of Wealth Management Health and Wellness Education at Morgan Stanley. "A business that you create, perfect and ultimately sell may trigger feelings of grief. And during grief, you may experience denial, anger, bargaining, depression and, eventually, acceptance. These emotions represent the normal stages of grief as explained through the well-documented Kübler-Ross model. It is important to take your time to process and engage your social and wellness networks to support you through this journey as you embark on a new chapter in your life."

By processing these challenging feelings, transitioning from your role as a business owner can open doors, freeing up your time and energy for new pursuits and ways of living. By taking time to prepare for the transition and reflecting on your goals for the next chapter, you can face this pivotal phase with the excitement and pride it deserves.

START PREPARING BY LOOKING AHEAD

Dr. Daniel Lerner, psychologist and founder of Strategic Family Solution, LLC, believes underlying values play a significant role in the success of your emotional journey. "In my experience shepherding entrepreneurs through this process, I have found that quality of life and mental health after the sale is highly correlated to who you were and what you valued while building your business," says Lerner. "One former client, who at age 39 sold his software company for almost half a billion dollars, enjoys spending more time with family, lifelong friends and meaningful charitable pursuits. All three of which were already priorities that were complementary to his entrepreneurial activities."

The process of selling your business can be hectic and all-consuming. In fact, the pace often seems to accelerate as you get closer to the actual sale, leaving little or no time for anything else. But it is important to try to take the time to reflect before the sale (or early in the process) about the changes it may cause as well as your wishes for the transition and goals for the future.

Prepare for how long the transition will take. For some transactions, it can be a matter of weeks, while others may involve a transition that lasts months or even years. If you plan to stay on, it is important to use the time before a sale to chart your future involvement and set your own expectations, as well as those of your team.

Consider how you would like to spend your time and energy after the sale. Try to lay a framework for the activities you would like to pursue after the transaction. Consider researching philanthropic opportunities, mentoring programs, passion projects or even new entrepreneurial ventures.

You need not obsess over every detail or look too deeply into the crystal ball. After all, you want to enjoy your newfound free time and explore opportunities. But even a little planning can help mitigate sudden feelings of uncertainty for you, your family and your organization.

SHIFTING YOUR SOCIAL NETWORK

For many business owners, running a company is a labor of love; they spend large parts of their lives entrenched with colleagues, solving problems and celebrating wins. Employees, clients and board members often become lifelong friends, which can pose a challenge during a transition: Now that the relationship is shifting, how can you stay connected? Will you draw boundaries about discussing matters related to the business? Assessing the social impact of your transition from the business—and having preemptive conversations—can help you move forward and approach new opportunities without uncomfortable or time-consuming entanglements.

You may also want to consider how new or existing networks can help you start pursuing your post-transition goals such as volunteer opportunities, mentorship and new business ventures.

It is also important to consider the social network within your own home. Selling a business can affect your relationship with a spouse and children—typically for the better. You can take that vacation you've been putting off and spend more time with the children or grandchildren. But be cognizant that you may be spending more time in their social networks, so it is important to discuss expectations and boundaries.

Finally, be mindful that selling a business may change the tenor of your conversation with family members. Naturally, this may bring up questions

about the transfer of wealth and estate planning considerations, so be prepared to discuss the impact of the sale on those important topics.

The good news is that successful entrepreneurs bring an invaluable tool set to these transitions and discussions. Being inquisitive, resourceful and determined can lead you to the organizations and people that will support this new phase of your life.

PLANNING FOR YOUR NEW FINANCIAL PICTURE

With a transaction of this magnitude, you and your family may have an entirely new financial paradigm and level of wealth. Careful pre-transaction estate planning can create a secure future for your family. For those who wish to transfer substantial wealth to descendants, thoughtful pre-transaction planning may reveal significant opportunities to do so with favorable gift tax results. It can also establish and fund significant charitable vehicles for future philanthropy. Before the sale, you may want to establish a target annual spending amount, including expenses that were previously covered by the business.

You will also need to consider—and discuss with your Financial Advisor—how this liquidity event affects your investment strategy. With a significant amount of assets identified as long-term or legacy assets, a large portion of your portfolio might consist of alternative investments. Alternatives often have a low correlation with traditional markets, spreading your risk. Of course, due diligence and understanding of these alternatives are key. Your financial planning may also require considerations for tax efficiency that align with a new set of goals.

Even for those who do not wish to transfer substantial wealth to family or make substantial charitable gifts, the increased liquidity that results from a business sale may provide opportunities for meaningful gifts, whether to family members or philanthropic causes. Assets can be used to fund the purchase of a new home or college tuition for children and grandchildren, for example. New assets can also enable you to establish a philanthropic vision—or supercharge an existing one.

As your focus and needs change, it is important to reengage your Financial Advisor so they can adapt your plan to your new reality and goals.

Steps To Take as You Begin Your New Journey:

1. Look at your support networks and consider how they might evolve after the sale.
2. Seek out additional peer groups that hold gatherings and discuss topics of interest to you.
3. Find someone you can meet with monthly to offer support or be a sounding board through and after the sale. This could be a business coach, mentor, therapist or friend.
4. Develop short-term goals for after the sale.
5. Plan to give yourself extra time to relax and rejuvenate after the sale as you embark on your next chapter.

CLOSING YOUR DOORS OPENS OTHERS

Perhaps most challenging of all, selling your business requires you to separate your personal identity from the business you have worked hard to build. “Many entrepreneurs who build successful businesses do so by prioritizing work over family and other endeavors that require meaningful allocations of time, creativity and emotional energy. As such, your self-identity, status and goals are inextricably related to your company and industry,” says Lerner.

While this change can certainly be unnerving and create a crisis of identity, it can also be breathtakingly liberating. Do not underestimate this opportunity to find new meaning and opportunities in your personal and professional lives. Try to reflect on the people you most enjoy spending time with and the values they demonstrate. Are there activities and opportunities, perhaps a hobby or organization, that can bring you closer to others who share those values?

Often opportunities exist closer to home. Something as simple as an annual family retreat can be a useful way to not only spend more time with family you were not always able to see during your busy periods but also to speak openly with them about how your lives may change after the sale.

Whatever the next chapter looks like, do not forget to find moments to celebrate your success and reflect on the exciting opportunities and possibilities that lie ahead. ■

Larry Fitzgerald Jr.

TAKES PURPOSE, PASSION AND LEADERSHIP BEYOND THE GRIDIRON

SANDRA L. RICHARDS
Head of Global Sports & Entertainment
and Segment Sales & Engagement
Morgan Stanley

The former 17-year NFL wide receiver and Arizona Cardinals legend, entrepreneur, investor and philanthropist shares lessons on navigating change and identifying key opportunities that balance both values and impact in business, charity and life.

While Larry Fitzgerald Jr. may be best known for his achievements on the football field as a renowned NFL wide receiver for the Arizona Cardinals, he is also a passionate investor, entrepreneur, philanthropist and advocate for financial education. He is most proud of his work off the field, which is rooted in his values, curiosity, commitment to education, philanthropy and investments in companies enriching people's lives and helping underserved communities.

Larry stewards the Larry Fitzgerald Foundation, which promotes education and programs in underserved communities while providing support and resources for those affected by breast cancer. With respect to investing with impact, Larry's investment arm, Larry Fitzgerald Enterprises, aims to help cultivate and accelerate growth and impact for companies focused on sustainability, technology and lifestyle.

With over 160 companies in his investment portfolio, and several corporate board seats, Larry shared some of his insights on how entrepreneurs, investors, executives and philanthropists can pursue and enact innovative ideas that balance both their values and desired results—and how each can be essential to one's business philosophy and life's work.

Q: What did you learn during your transition from playing professional football to becoming a full-time entrepreneur and investor?

A: Early in my NFL career, I attended an NBA game where I met a senior executive from a top firm in New York. We clicked instantly and from that evening began building a strong relationship and communicating regularly. Learning of my interests, he asked if I would be interested in interning with his company during my offseason. I was apprehensive initially but ultimately decided to pursue it and enrolled in the program alongside other interns that year. While only 24 years old at that time, with no finance experience, I knew that preparing for life after football was essential, and the earlier I began, the better positioned I would be for the inevitable transition.

There were times during my internship, especially at the onset, when I felt overwhelmed or uncomfortable, but the experience gave me extreme confidence. I brought a unique set of experiences, insights and perspectives to the firm and value to the program, my fellow interns and executive leadership. In retrospect, this became a great lens into how I would approach my role in business. And as I learned and familiarized myself with finance, I began to implement my learnings from this internship to formulate a tract for myself in business that has served me well ever since.

To this day,
I surround myself with people who make me better, who push me, who are receptive and open-minded, who share my passion and purpose for the things I care about and/or that are shaping our world.

It was apparent that I needed to expand my approach to business; namely, by cultivating relationships with businesspeople. I became more intentional about building relationships with mentors, with those I admired, and, most important, with people I respected and shared common values, goals and ambitions with.

To this day, I surround myself with people who make me better, who push me, who are receptive and open-minded, who share my passion and purpose for the things I care about and/or that are shaping our world, both today and in the future. In turn, I seek to mentor and engage people whom I can add value to or provide guidance to. This is critical to my outlook and philosophy now as an active and committed businessperson, philanthropist and mentor to the next generation of leaders.

Q: How do you identify innovative companies that move the needle?

A: I enjoy learning what makes people tick and asking questions to evaluate founders and companies. With sports, for example, consumers yearn for the best fan experience, whether they watch from the stands, at home, at a restaurant or streaming from their smartphones. That user experience, especially today as we have witnessed, goes beyond the casual viewing experience. Consumers want interaction and data related to the games they are watching that gets integrated into the platforms they view games on, to feel more engaged in every element of the sport and game at hand. In this instance, I would delve deeper into who and which companies can address and achieve this most effectively, efficiently and optimally as it relates to a business moving the needle and revolutionizing an experience that is in high demand for a vast and highly engaged, loyal audience right now.

I am currently on the board of directors for Infinite Athlete, a company leveraging AI and machine learning to merge sports, video and data into interactive experiences around live events. For a football game, Infinite Athlete technology could allow users to unlock unique interactive opportunities, or their fantasy football scores on the screen while they watch a live game. Infinite Athlete and related solutions are not only enhancing the viewing experience for fans and consumers globally, but also changing the way people consume live content.

Q: What—or who—inspired you to use your platform to make a difference in the world?

A: My mother spent much of her free time helping people affected by HIV/AIDS and breast cancer. She would work to get these individuals the resources and access they needed to help them try to prolong their lives and/or beat their prognoses. My mother was an exemplary figure, for me and others, as she set the standard for me at an early age. She constantly focused on making people's lives better. She dedicated her life to that purpose.

My family and our counterparts did not necessarily have much money to donate to these causes when I was growing up, but my mother would always instill in me the value of one's time. She would say, "You only have 24 hours in a day. How you choose to use these 24 hours is what makes you unique."

Q: How can others leverage their public profiles and influence to make an impact?

A: It is important to grasp that when you have the spotlight, you should embrace it and maximize it for the greater good. And during this period, there is no better time to be visible and align with important causes and initiatives—such as that of a charitable foundation that you are passionate about and have an authentic connection to—than when you have a platform that transcends the typical reach and impact. This is when you can leverage your platform to bring the most influence to a worthy cause that may save lives and/or change them for the better, and raise the most visibility, donations and support for those organizations.

Whatever the cause may be—and there are many that can help change the world for the better and provide opportunities, access and

exposure—your role can be immense and have a lasting impact that can span a lifetime and beyond.

Q: You also serve on corporate boards, including Dick's Sporting Goods. How have you used your board presence to make an impact?

A: Joining and serving on corporate boards has been my honor and a transformational experience, especially with Dick's Sporting Goods. There are myriad opportunities to support Dick's employees and the communities in which they serve. For example, the board of directors facilitates various impactful programs, such as those that help employees go back to school for their degrees or comprehensive funding of youth sports. This is something we are in constant discussion about, and we implement such initiatives as part of our mandate and ethos.

It is a privilege to be involved with those decisions with Dick's and other companies in the boardroom because these conversations and decisions can make a positive impact on millions of people. This is a position that I do not, and will not ever, take for granted.

Q: How have you been able to invest your time and wealth on a more personal level?

A: As a youth, I struggled academically and had occasional behavioral issues. I was eventually diagnosed with ADHD, and one of my academic counselors had me try something unconventional to help me deal with my condition: chess. From there, I became obsessed. Chess is a great game to teach us all how to slow down and think more analytically, methodically and strategically. The game helped me build mental fortitude and learn how to navigate complex situations that applied to my work on the football field during my career in the NFL for many years, and to the business endeavors with which I am engaged now, as well as in my day-to-day life.

I still try to play three to five games of chess daily, and I am also an early investor in Chess.com. It is immensely fulfilling to play a small part in helping to grow and expand the game while helping to introduce it to young people who may struggle with the same or similar issues that I did growing up. I believe chess can be a significant mechanism to help young people in the same way that it helped me.

Q: How are you making inclusivity a key factor in your venture investing strategy?

A: One example that I will use is my involvement in everyone's favorite phenomenon: pickleball!

I started playing pickleball around 2015, but truly became enthralled by it during the COVID-19 pandemic. What I love about the game is that, to play, you do not have to have any experience, initial knowledge, athleticism or mobility. Unlike golf or tennis, pickleball does not require many dedicated hours of learning and practice before you can excel.

Simply take four people and they can learn the rules of the game and start playing in less than 10 minutes.

My point is, for one of my several investments, such as pickleball, I sought to invest in something that I love and can relate to, but also in an entity that promotes activity, health and fitness, friendly competition and inclusivity. Pickleball epitomizes these elements, especially the kind of inclusivity that spans all ages and backgrounds. Plus, at the time of my investment, it was a sport in its infancy that I saw immense potential in for the reasons I outlined.

Today, I am the proud owner of a professional Pickleball team: the AZ Drive.

Witnessing the growth and expansion of the game, nationally and globally, and seeing the increasing involvement from people of all ages, races and backgrounds playing a new game they truly enjoy, with a common goal, is an example of something that I am truly passionate about and committed to, and what I want to be part of: bringing our community together and bringing joy and health to people's lives for the better. ■

Alternative INVESTMENTS

SIX THEMES TO WATCH

For decades, established family offices and sophisticated investors have looked to alternative asset classes to help deliver differentiated returns while providing diversification and protection against inflation and volatility.

While those qualities persist, the alternatives space is undergoing rapid transformation.

Today, infrastructure investments are increasingly nontraditional, with many involving the flow of data and delivery of digital services. There is also a significant uptick[1] in renewable energy projects, particularly across solar and wind technologies.

DANIEL MACCARRONE
Head of Family Office Investments
Morgan Stanley Wealth Management

Among ultra-wealthy investors, alternative investments are hardly a secret

Even with their familiarity, established investors are seeking greater understanding of the disruptive themes within alternatives, especially in sectors and asset classes where they lack in-house expertise. Meanwhile, investors who are new to the space are eager to strategically shape their allocations for the first time.

Whether you're just starting out or are well traveled in your alternatives journey, the alternatives asset class is so innovative and fluid that it requires regular exploration and education. Explore these six themes to help make informed decisions across the spectrum of opportunities.

1. HIGHER FOR LONGER RATES INVITE OPPORTUNITY

Many corporate and real estate borrowers have become used to strain in this environment, and the bad news is that high rates, increased borrowing costs and a wall of debt maturities are expected to continue.

Yet there are opportunities in a slowing economy for credit managers who know where to look. Managers who act as capital solutions providers for stressed borrowers can be well positioned to take advantage of that slowdown.

With this in mind, we favor private credit funds that have the flexibility to take advantage of stress within the corporate and real estate debt sectors. They can act as problem solvers and opportunistic buyers of credit in an environment where traditional bank lending will continue to be constrained.

2. PRIVATE LENDING: AN EQUITY AND INCOME ALTERNATIVE

In the banking sector, credit remains tight, and regulatory changes are expected to continue that constriction.

In this environment, we believe private lenders are well positioned to continue delivering attractive income to investors, with the potential to outperform the broadly syndicated loan market in a higher interest rate environment. What is more, private asset-based and real estate lending strategies may provide stable cash flows, backed by diversified pools of hard and financial assets.

A significant trend to consider: Private direct lending and real estate debt are increasingly accessible through evergreen funds that accept investments on a monthly basis and typically provide limited quarterly liquidity. Compared to illiquid, closed-end drawdown funds, evergreen funds have become more attractive to both large and small investors.

3. THE SECONDARY MARKET: A ONE-STOP SHOP FOR VALUE AND LIQUIDITY

The private secondary market, which has grown significantly in recent years, allows investors to buy and sell an existing interest or asset from primary investors. For example, a primary private equity fund may purchase a stake in a private company and then sell that interest to a secondary buyer.

The alternatives space is ever evolving, transforming as the types of investments and sectors within it undergo disruption.

Public-market volatility and a relatively sluggish pace of private-deal exit activity have created a favorable environment for secondaries. This setup is providing opportunities to both the investors who commit capital, known as limited partners (LPs), and the private equity funds' general partners, who pick and manage the investments. LPs may lean on the secondary market to rebalance their exposures to different investments, and general partners (GPs) may use secondaries to help restructure their funds. On this score, investors should look for managers who have strong underwriting expertise and a range of deal experience that can potentially drive purchase price discounts based on complexity and speed of execution.

4. PRIVATE INFRASTRUCTURE: A PLAYING FIELD FOR SECULAR AND CYCLICAL TRENDS

Savvy managers and investors are capitalizing on emerging trends in private infrastructure, like the energy transition and continued growth of data centers, to position portfolios for both growth and defensiveness. They see indications that decarbonization and digitalization will be multi-decade areas of focus, and they are deploying investments in private infrastructure with long-term tailwinds.

These types of investments that take advantage of growth opportunities can act as both a diversifier with stable cash flows and an inflation hedge.

5. HEALTH CARE HAT TRICK OF GROWTH, DIVERSIFICATION AND DEFENSIVENESS

Innovation is the bedrock of health care. Today, biological and technological advances are transforming not only drugs but also business models. These trends fit neatly into many alternatives strategies.

Within private equity, investors may consider managers who focus on buying and building service-oriented businesses. Likewise, late-stage companies, i.e., companies that have passed the growth stages and are financially stable, can potentially generate compelling risk-adjusted returns.

6. SEEK ALPHA OPPORTUNITIES IN RANGE-BOUND EQUITY MARKETS

The reality investors face is one with higher-for-longer interest rates and historically high market multiples, which makes it exceedingly difficult for equity markets to repeat the bull runs of recent years.

In this environment, certain hedge fund strategies may be well positioned to capitalize on higher dispersion and generate alpha regardless of overall market direction.

This includes relative value and call-writing option overlay strategies.

As a whole, macro investing can serve as a valuable tool in improving the overall risk-and-return profile of a given portfolio due to positive returns on average and its low correlation with stocks and bonds.

CAPTURING OPPORTUNITY IN ALTERNATIVES

The alternatives space is ever evolving, transforming as the types of investments and sectors within it undergo disruption. While this shifting landscape certainly keeps investors on their toes (and encourages opportunity for continued exploration and education), it also generates a continuous stream of opportunities for curious, savvy investors.

As with any investment, investors considering alternative strategies should always thoroughly evaluate each potential investment for alignment with their return, risk, income and liquidity needs.

To learn more about how you may be able to incorporate alternative investments into your portfolio, contact your Morgan Stanley Financial Advisor. ■

While this shifting landscape certainly keeps investors on their toes (and encourages opportunity for continued exploration and education), it also generates a continuous stream of opportunities for curious, savvy investors.

1. Renewable power's growth is being turbocharged as countries seek to strengthen energy security -News -IEA

EXERCISING YOUR CASH FLOW OPTIONS:

Reasons To Consider Strategic Lending

ILEANA MUSA
Head of Sales
Morgan Stanley
Private Bank

EDWARD A. ONOFRIO
National Sales Director
of Special Teams
Morgan Stanley
Private Bank

For many global families with significant wealth, managing complex lifestyle needs and financial opportunities can be a juggling act. A family, for example, may want to purchase an investment or residential property while at the same time making a sizable business or financial investment, or fund a substantial family transfer.

When business and investment needs or tax deadlines present limited windows of opportunity, time may be of the essence. The challenge of accomplishing the family's goals may be further compounded when liquidity is in short supply.

While the challenge of accomplishing multiple goals in the face of both a ticking clock and constrained liquidity may seem daunting, in fact, there are some surprisingly straightforward ways for wealthy global families to manage the many liquidity scenarios that can emerge at a moment's notice.

Strategic lending in the form of a securities-based lending (SBL) strategy is an extremely powerful item in the liquidity tool set. This method allows families to use various forms of collateral across their investments and holdings to finance the family's needs as they evolve. Think of it as a natural extension and expansion of wealth that preserves and complements long-term investments rather than tapping into them (and potentially suffering the growth and tax consequences of divestment) to serve short-term liquidity needs.

For those reasons, strategic lending has become a key planning tactic for ultra high net worth families, allowing them to take advantage of fleeting opportunities with greater enhanced flexibility.

THE BENEFITS OF STRATEGIC LENDING

The advantages of an SBL strategy are worth considering from several angles, not the least of which is the potential benefit of deferring or avoiding capital gains taxes by borrowing funds rather than selling assets.

As an additional tax benefit, in some cases, depending on the use of the loan proceeds, interest from the loans can be a tax-deductible expense.

The income tax benefit of strategic lending can be further compounded in the gift tax arena. For example, consider the case of a parent who wants to help a child buy a house or start a business. Here is how. As already noted, a strategic loan provides the liquidity necessary to help the child without the necessity of selling assets and paying capital gains. But if the parent then makes a loan to the child to fund the house purchase or start the business, if properly structured, the intra-family loan should not be treated as a gift for gift tax purposes. Of course, you must consult your legal or tax advisor to learn more.

Strategic-based lending is a highly customizable means of supporting an overall wealth management strategy, taking into account an individual's wealth, financial situation and portfolio structure. Here are some additional scenarios where an SBL strategy can play a meaningful role.

LIQUIDITY FOR BUSINESS OWNERS

Managing liquidity needs for a business requires foresight and flexibility. A securities-based loan can be a smart way to fund business-related expenses or even refinance higher-interest, business-related debt.

In some cases, a third-party pledgor may play a supporting role by pledging collateral for a loan—while someone else, i.e., the business, is a borrower. Additionally, the SBL strategy has significantly less documentation requirements than a traditional business loan.

NONTRADITIONAL FINANCING FOR COMMERCIAL REAL ESTATE INVESTORS

Sometimes, when a broader business growth strategy becomes necessary in the context of a commercial real estate endeavor, it is possible to establish a liquidity solution to purchase the asset using securities, the underlying property or other illiquid assets as collateral.

Leveraging the wealth management relationship in this way can enable the borrower to purchase an asset that traditional banks might not be willing to finance. As such, this avenue can provide quick access to liquidity to facilitate an expedited transaction that may support profitability.

ESTATE PROTECTION VIA LIFE INSURANCE FINANCING

Life insurance often plays an important role in the estate plans of ultra-wealthy individuals, and using the proceeds from a securities-based loan to fund a high-value insurance policy may be a powerful way to integrate the benefits of insurance planning into the overarching plan.

AN EXPANDED PHILANTHROPIC VISION

Strategic borrowing can enhance your philanthropic goals by funding program-related initiatives (PRIs). PRIs are a type of investment that charitable entities make to advance their philanthropic goals, but unlike an ordinary grant, when a charitable organization makes a PRI, it typically expects to be repaid and to receive a return on its investment, which it then can use to fund additional philanthropic endeavors.

The direct approach involves pledging your eligible securities to establish a loan and providing the loan's proceeds to the charitable organization. An indirect approach would involve acting as a qualified third-party pledgor by pledging eligible securities to collateralize a loan on behalf of the charitable organization. This gives the charitable organization greater operational flexibility, allowing them to decide to use future cash flow to repay the loan or to use cash flow for other projects while continuing to carry the debt.

ACCESS TO EXECUTIVE COMPENSATION

Let us take the example of a company executive whose compensation might come in the form of restricted company stock. Through a careful navigation of Rule 144, it may be possible to use these shares as collateral for a securities-based lending event—without an outright sale. That is because, even though Rule 144 restrictions can be onerous, using an SBL strategy may be a prudent, low-risk workaround for accessing needed capital in a timely way.

A HOLISTIC STRATEGY IS KEY

In conclusion, taking a less traditional approach to lending can allow wealthy individuals and global families to fund lifestyle needs, as well as business and philanthropic goals. Having a strategic view of liquidity and cash-flow management by evaluating both sides of your balance sheet can uncover opportunities that work best for your needs now and as they evolve with your family. ■

Perspectives
in Philanthropy

Is Trust-Based Philanthropy THE ANSWER?

MARTY DUTCH
Senior Philanthropic Advisor
Morgan Stanley

CRAIG STYLES
Senior Philanthropic Advisor
Morgan Stanley

Philanthropy is a different experience for every donor. For some, it is a deeply personal process that allows them to donate their time and wealth more intimately to a smaller set of causes. For others, it is a broader gateway to discovering emerging issues and having an impact across multiple areas.

Whatever the inspiration, there are different approaches you can take to support the causes you care about. The more traditional known methods of evidence- and relationship-based philanthropy involve closer partnership between donors and nonprofits. One different approach to this is trust-based philanthropy, which grew in popularity during the pandemic among high-profile donors like Mackenzie Scott. It gives organizations greater decision-making independence when allocating charitable dollars.

It is important to remember there is no one-size-fits-all approach to grant-making. Many donors will adopt elements of these three strategies at the same time, depending on their goals, preexisting commitments and relationship with an organization.

As you craft and evolve your approach to philanthropy, take a closer look at these established methods to see how incorporating

aspects of each can make sure your preferences for giving are aligned with the impact you seek to create.

EVIDENCE-BASED

Traditionally, many philanthropists have favored an evidence-based approach to giving. This approach typically begins with funders trying to solve a specific problem. They will invite nonprofits to apply for funding that meets certain criteria, and funding approval is based on an agreement between the funder and the nonprofit. From there, a grant agreement outlines expectations and reports that share progress with the funders.

Data-driven grant-making empowers grant-makers and government entities alike to measure the impact of their initiatives while facilitating collaboration within philanthropic organizations and between grant-makers and state and local governments. In most cases, each year the grant report is reviewed and approved to continue the work.

HIGH-LEVEL STEPS FOR EVIDENCE-BASED PHILANTHROPY

- Invite nonprofit to fill out letter of interest (LOI).
- Extensive grant application if invited.
- Formal presentation or site visit.
- Specific project identified for the grant.
- Draw up grant agreement outlining expectations and outcomes, and single-year or multiyear grant.
- Grant report expected at end of grant cycle.
- Potential to share data and outcomes with other funders.

RELATIONSHIP-BASED

Many philanthropists incorporate relationship-based giving into their approach, which creates a dynamic between grantor and grantee that is less transactional and more grounded in partnership.

Relationship-based giving is founded on the principle that grantor and grantee play an equally important role in effecting positive impact in a particular issue area. Donors incorporating this approach into their giving typically meet with prospective grantees to better understand their mission and their needs. Grants are rooted in a mutual understanding of how best to allocate funding based on a nonprofit's needs.

Donors also have the opportunity to extend more than financial support. They may offer their time as a volunteer or board member, or contribute their

skills in areas such as marketing, branding or legal acumen. The focus on dialogue and mutual understanding often translates into streamlined impact reporting as the donor is in regular contact with the nonprofit and aware of its progress through the relationship they have formed with their grantee.

HIGH-LEVEL STEPS FOR RELATIONSHIP-BASED PHILANTHROPY

- Meeting with the nonprofit to listen and learn about needs.
- Identify project or overall work to fund.
- Identify the best way to leverage support (time, talent, network, treasure).
- Identify the best way to fund (single-year or multiyear grant).
- Become part of the organization's support system (committee, board, advisory).
- Simplified grant report used as check-in to validate more funding.

TRUST-BASED

Trust-based philanthropy exploded during the pandemic. Organizations were in survival mode and needed funders to trust their judgment to save organizations. It was a monumental shift for the industry, and many donors continue their funding with few or no guardrails.

The approach provides unrestricted funds and empowers nonprofits to make their own decisions. Funders recognize the importance of nonprofits' ability to budget and therefore offer multiyear grants and request reports that are either simplified or nonexistent.

Funders may be focused on listening and learning while trusting those closest to the issues to offer solutions. Many funders offer their contacts and connections as nonfinancial resources in pursuit of greater impact. At its core, it is a partnership model between funders, nonprofit organizations and the community that acknowledges all stakeholders.

HIGH-LEVEL STEPS FOR TRUST-BASED PHILANTHROPY:

- Identify nonprofit.
- Meet with leadership to learn about the problem they are trying to solve and their approach to solving the problem.
- Validate viability (landscape study, review 990, site visit, Guide Star).
- Identify the best way to fund outcomes (single-year or multiyear grant).
- Send check for general operating expenses.

TAKING ACTION

Philanthropic trends have continuously evolved and will keep doing so. Reflecting on these three approaches, it is easy to see how each can offer valuable components to guide charitable work and lasting change—whether through deep research, strong donor-nonprofit relationships or autonomy for those closest to the issues at hand.

Increasingly, philanthropists find the ideal approach to be trust-based giving that appreciates the importance of data, research and reporting as well as an understanding of the inner workings of nonprofits through relationships with grantee leadership. No matter the route you choose, taking the time to consider your options and the unique needs of the organization or work you are supporting can help guide an approach that most benefits everyone involved. ■

> Many philanthropists incorporate relationship-based giving into their approach, which creates a dynamic between grantor and grantee that is less transactional and more grounded in partnership.

LET THEM LEAD THE WAY

Empowering the Next Generation of Changemakers

ANDREA JENKINS
Assistant Vice President,
Philanthropy Platforms
Morgan Stanley

ELLEN POHLY
Assistant Vice President,
Philanthropy Management
Morgan Stanley

It is estimated that over

$84 trillion

in wealth will be transferred from Baby Boomers to their heirs by 2045.[1] With their deep pool of resources and outlook of generosity, NextGens are poised to make a significant and lasting difference to the face of charitable giving.

In the past few years, the world of philanthropy has witnessed the emergence of a powerful force shaping the future of giving and civic engagement.

"NextGen philanthropists," typically millennials and Gen Zers poised to inherit significant amounts of wealth, have been catalyzed by the COVID-19 pandemic and dramatic social upheaval that followed. Disturbed by record inequality, spikes in gun violence and substance abuse, and the uncertain future of our planet, younger members of ultra-wealthy families are looking beyond the checkbook to create an immediate and lasting impact.

Their presence is notable. On social media and in the public sphere, NextGen philanthropists are wielding their voice and influence to garner attention and fuel action. And when it comes to grant-making, they tend to favor direct gifts to organizations. (rather than directing funds to the family foundation) and more handson involvement.

For nonprofits, this enterprising approach has brought a welcome urgency and engagement with a broader array of causes. Many current philanthropists and family members, however, are apprehensive in the face of the next generation's enthusiasm. What is the best way to promote a child's individualism while maintaining the family's philanthropic vision? How can you balance their need for exploration and discovery with concerns about legacy and financial risk?

The most balanced philanthropic families are creating an open pathway for collaboration: bold new ideas and methods from one direction, and wisdom and experience from the other.

Here is how the next generation of changemakers is evolving the face of charitable giving, and how your family can find the right balance in multigenerational collaboration.

The Times They Are A-Changin'

DIGITAL SPACES

Young philanthropists' fresh perspective on the current socioeconomic and environmental backdrop brings with it a heightened sense of urgency. Millennials and Gen Zers have endured a great deal of economic turbulence, observed an increasingly divisive political landscape, and are concerned about the future of the planet.

Be bold, nurture curiosity and let go. Encourage this next generation of wealth holders to nurture a sense of boldness and urgency. Give your children the ability to have adventures, explore, to figure out for themselves what drives them. This is what leads to philanthropic passions and a sense of self-worth that goes beyond the money.

RENA GREIFINGER
Managing Director of Maverick Collective

While it is not unique to America, it feels like a time of fierce gridlock in our country. It often seems like it is much easier to get people to tear something down rather than come together and build. That is where we have seen Legacy succeed; we are all about what one can do during these times. We bring together young people who are untainted by the "way things have always been done" and approach problems critically and creatively. We help build leaders who go on to address the real challenges of today and tomorrow. When we say that young people are the most powerful agents for social change, it is rooted in that belief.

SETH MAXWELL
Founder & CEO of Legacy Youth Leadership

According to a 2021 global study, 45% of young people aged 16 to 25 reported the effect of climate anxiety on their daily lives, and many more feel relentless pressure to fix the planet—and fast.[2] Gen Z activists rely on their mastery of digital spaces to address this urgency.

The advent of remote organizing, crowdfunding and social media hashtag movements has transformed youth activism from grassroots to "glocal."[3] Platforms like Twitter, Instagram and TikTok are at the epicenter of local and global exchanges, where viral videos amass millions of views and mobilize like-minded peers. NextGen philanthropists multiply the impact of their smaller donations through crowdfunding sites like GoFundMe, Kickstarter and Patreon—rather than giving anonymously, social causes become an intrinsic expression of personal values and identity. Hashtag movements like #MarchForOurLives ignite transnational calls to action that democratize activism and create communities that are eager to make an immediate impact.

BETTER TOGETHER

With 82% active in philanthropy, the next generation views wealth as an immense privilege.[4] For this reason, young people have recognized the importance of fostering collaboration and forming partnerships with nonprofit organizations that are closest to the problem. Philanthropists of preceding generations have been comfortable taking the lead role in determining solutions to alleviate societal ills and dole out capital accordingly. NextGens tend to adopt a more trust-based philanthropy approach. They see nonprofits as the true experts in problem-solving for their communities and entrust their leadership to allocate resources where they are needed most.

In this new model, the voices of organizations "doing the work" are magnified. Effective collaboration also means joining forces with other funders to amplify impact. NextGen has abandoned the siloed "yours and mine" philanthropy of yesteryear—they understand that co-funding with their peers means co-validating the work of the organizations they support.

A HOLISTIC APPROACH

In the same manner that they champion collaboration, NextGen philanthropists are aligning all primary forms of capital—human and financial—with the stewardship of their mission-related work. Why invest in a company whose projects cause soil pollution when your mission is to support the growth of regenerative agriculture collectives? By rejecting the compartmentalization of capital, NextGen philanthropists are able to more effectively identify when their financial investments are at risk of undermining their social purpose.

There is also a willingness to embrace nontraditional forms of investing that integrate financial and philanthropic approaches. More than 40% of millennials report engaging in impact investing,[5] seeking out investments that help achieve certain social and environmental benefits while generating financial returns.

Teach Your Children Well

PASSING THE TORCH

Parents and other older relatives might question how to best engage with NextGen philanthropists. When millennials and Gen Zers inherit preexisting philanthropic and investment portfolios, it is important that their parents are willing to acknowledge, collaborate and adjust to changes intended to maximize positive outcomes.

Regardless of where these young people are in their giving journey, adults in their lives can serve as sounding boards, support systems, advisors and guides while also providing them with the autonomy and agency to make their own impact on the world.

If you are working with a burgeoning philanthropist, be sure to listen. Have an open dialogue and welcome an evolving conversation and new approaches. Share your experiences and interests without imposing your own giving priorities. These kinds of conversations often serve as learning exercises; common threads between generations may emerge and a shared history can be better appreciated.

Be open to supporting the NextGen in their innovative approaches to societal challenges and the idea of moving beyond checkbook philanthropy. Look for volunteer opportunities as a family, understand that advocacy might be an attractive alternative or complement to your current work as a family, and embrace new practices, such as trust-based philanthropy.

With today's socioeconomic and environmental climate and the impending wealth transfer, NextGen philanthropists are poised to drive meaningful change. While their philanthropy may have a different look and feel than that of generations before, adults can and should empower this new group of changemakers as they look to innovative methods to use their wealth to make an impact on the world. ■

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Accelerating **INNOVATION TO IMPROVE** Health Globally

MARK VEICH
Vice President of Philanthropy, Deerfield Management
Executive Director, Deerfield Foundation
President, Advancium Health Network

Q. What is the mission of Deerfield Foundation and what are a few examples of the programs you support?

A. Deerfield Foundation is a New York City-based not-for-profit organization, affiliated with Deerfield Management, whose mission is to strive to improve health, accelerate innovation and promote human equity. Since its inception in 2007, Deerfield Foundation has formed numerous partnerships and invested in the advancement of children's health, from clinics in the South Bronx to a tech-enabled, nonprofit mental health marketplace, to the discovery, development and delivery of safe, effective and affordable treatments to neglected populations.

Q. Can you share how and why Deerfield Foundation decided to launch Advancium Health Network?

A. From the lived experience and learnings of the COVID-19 pandemic, we recognized that a highly linked, more diverse community of health care innovators and providers is foundational to tackling health disparities, expanding treatment options, and finding cures, especially for rare diseases. To accomplish this, we created Advancium Health Network as an independent public charity focused on advancing human equity and accelerating innovation to improve health for people globally. Advancium's approach is two-fold:

1. Move forward projects in areas of compelling need but questionable commercial viability.
2. Educate populations to engage diverse thought leadership in health care and investment.

Our network is built to bring together people from academic medical centers, research universities, health care companies, startups, financial institutions, government and nonprofit organizations to cure disease and improve health outcomes throughout the world.

Q. What are you most excited about for the future of Deerfield Foundation and Advancium Health Network?

A. We are excited to have recently completed the final buildout phase of Cure Innovation Labs, which is a 27,000 square-foot New York City incubator dedicated to advancing innovative early-stage, life science-focused companies. Cure Innovation Lab residents—targeting post-seed and pre-Series A/early-stage growth companies—will benefit from access to world-class resources, the Cure network, and from working with like-minded, brilliant people who are committed to solving some of our most pressing health issues. In addition to providing access to Cure Innovation Lab's facilities, we are seeking to mentor and train underrepresented populations within life sciences, assist with finding finances and forming relationships with venture investment groups, provide access to business services, match company leaders with experienced entrepreneurs and advisors in specialty areas, and guide lab residents on recruitment of qualified employees.

PAVING THE WAY for Multigenerational Philanthropy

NICK DURST
President, The Harry and Jesse Forever Fund

Q. How does your family discuss social impact? Was it always your vision to engage in family philanthropy?

A. It was always our mission to give back in a philanthropic capacity, but in prior years, this was done on a more individualized basis. Each family member carved out their own niche, focusing on their own efforts and interest areas. Family members might mention certain issues wherein they are focusing their attention, or even pitch ideas to other family members to offer additional financial support. But we never had a formal mandate to identify causes and processes for social impact as a greater family unit.

Formalizing our family's vision for social impact was made clearer through the establishment of our Donor Advised Fund (DAF). Through that process, we learned a lot more about one another's interests and visions of the future, and were able to throw our collective weight behind causes that are universally important to our family.

Q. What do you enjoy most about practicing philanthropy as a family?

A. While we are still early in this process, my family has a great appetite for doing this work. We are eager to roll up our sleeves and evaluate causes and opportunities for impact as they arise.

It has been rewarding to have conversations about personal topics against the backdrop of philanthropy. While we all have different viewpoints and interests, the process of identifying universal causes important to all of us has been an invaluable opportunity to learn about family members while still addressing actions that can make the world a better place.

When you work with your family, you have a certain sense of accountability not only to the cause but to fellow family members who are doing the work.

Q. What is one piece of advice you would give to another NextGen philanthropist or social entrepreneur?

A. It can be intimidating; the generation above you has been practicing philanthropy in a certain way. In many cases, this generation is the economic feasibility of the entire organization. However, in terms of the mandate for social impact, a top-down architecture from the preceding generation will only hinder engagement. As someone who is a member of the younger generation, I think it is crucial to encourage the older generation to listen to your siblings and cousins, and the generation below them. If a family member does not feel heard, you will find that this will manifest in their level of engagement and enthusiasm.

SINGLE SOURCE OF TRUTH

Why Integrating Technology Is Critical for Successful Family Offices

STEPHANIE CROMBIE
Head of Client Management
Morgan Stanley Family Office

MARIELLE RAVOSA
Client Management COO
Morgan Stanley Family Office

Where can we find updates on our different investments and assets? Where can we find the details on all of our entities and accounts?

For family offices and wealthy families with assets and investments spanning providers (and often the world), these seemingly simple questions can be anything but straightforward.

Information is often stored across spreadsheets, physical documents, emails, flash drives and more, turning the foundational task of updating family members and stakeholders into a complicated process that often leads to dead ends. Additionally, the capability to make fully informed decisions can be hampered by the lack of a central source to oversee a full investment portfolio. And with a variety of methods of storage comes well-founded concerns about data integrity and security. According to recent survey, 83% of family offices said cybersecurity and data breaches are their biggest operational risks.[1]

With critical information seeming to live everywhere and nowhere at the same time, many family offices have leveraged third-party tools to consolidate data. This may initially appear to be a manageable, cost-effective solution, but it can introduce further complexities. Having a "single source of truth" to capture assets and investments can help families make thoughtful and informed decisions about financial and generational planning, lifestyle, trusts and estates.

For family offices and families looking to centralize and safeguard their information, these principles can help you discover the right approach and tool set to meet your data management needs.

AN OVERSATURATED, UNDERSERVED MARKET

A key challenge for families in finding the right accounting and reporting technology is the market itself: historically, it has been oversaturated with technology that was simply not built for family offices. Many accounting systems were created for general use. Similarly, the solutions offered by most financial technology ("fintech") companies solve singular problems, or introduce complexity with a lack of integration with other platforms.

While these low-cost solutions can be initially appealing and licensed with good intentions, family offices pay the price in the time and energy needed to reconcile information across platforms. They often end up relying on manual data aggregation to extract the insights they need. This then leads to the added financial burden and effort of hiring and retaining administrative staff to support their operations and technology management across platforms.

HESITANCE TO ADOPT CHANGE

While "band-aid" fintech and accounting solutions that do not fully address family offices' needs present difficulties, committing to a new technology and operating model can feel like a big change. Families may be overwhelmed by the abundance of providers to choose from or be hesitant to sign on to a new process or system if they are concerned about the security of an external platform, losing full data ownership and control, or disrupting the status quo.

However, exploring holistic solutions can empower family offices to focus on the insights and features that matter most to them. With a customized and carefully assembled platform, family office personnel can access tools to help streamline processes, gain portfolio insights and make more informed decisions. Technology can enhance their roles and effectiveness, allowing them to take on more strategic and proactive work to maximize impact.

OPTING FOR BETTER DATA MANAGEMENT

As families and family offices consider secure, scalable and comprehensive technology and service model options, there are several considerations to keep in mind to help them choose the approach that best aligns with their needs.

Unified Foundation
Look for a sole unified system capable of intaking data from external custodians and providers to deliver a "single source of truth." A complete, clear picture of the portfolio is critical.

Scalability
Ensure that technology is substantive and built for scale. Many providers believe that administrative challenges revolve around data visualization. However, enhancing this does not solve the root issue of timely, accurate and complete data. Solutions should be automated and scalable to capture new data accurately.

Robust Service Model
Look for providers who offer both technology and an integrated service model to provide family office operating leverage. Having a service team to operate and maintain administrative technology is powerful as it ensures that family offices are not left to navigate sophisticated platforms on their own. Families no longer need to bear the burden of licensing and operating technology. This approach empowers family office personnel to focus on value-additive functions while leveraging the expertise of a team to enhance capabilities and best utilize the technology. We believe a full-service model delivers true alpha.

Additionally, service teams often have a "finger on the pulse" of the industry and a potent concentration of information. They can be nimble and proactive in partnering with family offices to design and deliver proactive, industry-leading administrative solutions.

FIT-FOR-PURPOSE AND FIT-FOR-FUTURE TECHNOLOGY

Customizations and Flexibility
Every family office is different. Look for a malleable system capable of drilling down to the most granular details (e.g., entities, family members, asset classes, geographies) and able to roll up to the highest levels for insightful, tailored analysis.

AI Enhancements
Increasing advances in artificial intelligence may accelerate the efficiencies and impact of technology. There are opportunities for integration with a plethora of AI-driven tools, including data aggregation, document collection and data extraction, portfolio management, trend analysis, and regulatory compliance.

Security, Privacy and Confidentiality
Security is a key focus of family offices. Ensure that technology leverages fulsome data security protocols and sound cybersecurity practices.

UNIFIED DATA CAN GUIDE GENERATIONS TO COME
Designing a holistic administrative family office solution is rarely a one-size-fits-all process. Taking the time to assess the technology, staff and infrastructure needed for an institutional standard of data integrity can open the door to a vastly more streamlined, secure approach to data management and aggregation.

Going back to the basics of ensuring sound data and achieving that "single source of truth" will pave the way for more informed, actionable insights to guide generations to come. ■

1. 2024 RSM Family Office Operational Excellence report.

ALL THAT GLITTERS

NAVIGATING VALUE IN DIAMOND JEWELRY

FERDOUSI ISLAM
Head of Art Resources Team (ART)
Morgan Stanley

EMMA CUNNINGHAM
Lifestyle Advisory Specialist
Morgan Stanley

Ancient Greeks and Romans believed diamonds were the tears of gods or splinters that had broken from falling stars.[1] For millennia, diamonds have mesmerized and enchanted, and they continue to inspire modern jewelry today.

But in a dazzling marketplace with seemingly endless options, how do you shop for long-term value? Whether you are seeking to commemorate a special occasion or milestone, or simply for the love of the piece, consider the following guidelines for purchasing fine diamond jewelry at retail or at auction.

RETAIL BEST PRACTICES

1. EVALUATE VALUE

For jewelry that you or your loved ones can cherish for years to come, it is crucial to know and trust your merchants, who can help ensure lasting value.

"The value of a gemstone is based on beauty, rarity and durability—and diamonds hit it out of the park on all three," says Peter Schneirla, president of P.C. Schneirla, Inc. and former executive vice president at Tiffany & Co. "Diamonds may not be the rarest of gemstones, but there are particular qualities that contribute to their value."

Most buyers are likely to know the four C's of diamonds: carat, clarity, color and cut. Of course, the number of carats in a diamond contributes heavily to its worth, but buyers should not assume that a diamond with double the number of carats will simply be double the value. Rather, a 3-carat diamond is more difficult to source than a 1.5-carat diamond, hence likely to have a much higher price tag.

In recent years, the diamond market has seen an influx in representation from laboratory-grown, or man-made, diamonds. While these have the same optical, physical and chemical properties, the ease of creating them makes them less rare, and therefore less valuable, than natural diamonds.[2]

2. CONSIDER CHARACTER

Unique features or customizations can add value and help distinguish a diamond or piece of jewelry. While clarity is typically prized, a "flawed" diamond need not be dismissed. Stones with slight imperfections can be more desirable as buyers may be able to find larger stones at a lower price than perfectly clear diamonds.

Beauty is also in the eye of the beholder when it comes to shape. Not to be confused with cut, which refers to the way the diamond reflects light, some shapes are scarcer than others. For example, round and emerald-shaped diamonds are more difficult to acquire, which can add to their value.

The value of a gemstone is based on beauty, rarity and durability—and diamonds hit it out of the park on all three. Diamonds may not be the rarest of gemstones, but there are particular qualities that contribute to their value.

PETER SCHNEIRLA
PRESIDENT OF P.C. SCHNEIRLA, INC.

Even when shopping for something as classic as a diamond, there is opportunity to get a little creative. "Fancy" (i.e., colored) diamonds are available in an array of colors, tones and saturations, some more rare than others. Fancy diamonds have become increasingly popular, such that other aspects of valuing diamonds, like cut and clarity, generally hold far less significance with the colored variety.

Trends across the wider jewelry landscape are shaping tastes as well. Some designers are incorporating personalization, including special engravings that can only be seen with a loupe, a small magnifying glass used by jewelers, to add to the heirloom quality of their pieces. At the same time, the move toward "quiet luxury" continues to drive demand—and value—for understated pieces that are impeccably crafted.

3. UNDERSTAND BRAND

As platforms such as online dealers proliferate, one may question how much consideration should be given to brand names when purchasing a diamond. If you include unbranded pieces in your search, you may find a greater variety of options. Prices at name-branded jewelers also tend to be higher.

If you are selling on the secondary market, however, the importance of the brand often increases. "There are many people who will not buy something on the secondary market if it is not branded," Schneirla says. That is because the brand gives consumers confidence that certain standards are being followed and the piece is properly authenticated. To this end, consider brands to which you are drawn and research the resale value of their jewelry. Keep in mind that while you may be accustomed to going to your dealer or merchant for their most distinctive pieces, many dealers may be bringing their most exquisite creations straight to auction. "Auction has become the playground for wealthy individuals," notes Schneirla. It feels more exclusive for the buyer to acquire a piece at auction compared to buying it directly from the dealer—not only have they procured a piece of value, but they feel as though they've won.

THE ALLURE OF THE AUCTION AND BEST PRACTICES

Fine jewelry auctions offer an excellent—and sustainable—means for diamond jewelry. In addition to the previous considerations, you can further optimize your auction practice when building your jewelry collection.

1. BUY WHAT YOU LIKE, WITH INTENTION

Auctions provide an unrivaled variety of options, from coveted vintage to contemporary pieces to the uncommon or special. Some illustrious ateliers, such as JAR, produce a very limited number of pieces every year, making them highly sought-after and potentially unattainable outside of the auction market.[3]

Setting objectives for your auction purchases can further guide the direction of your collection. For example, you may wish to focus on a specific era or type of diamond jewelry to seek out, such as Art Deco or brooches.

2. DO YOUR HOMEWORK, ASK THE EXPERTS

For the best experience when auction-shopping, try to inspect first-hand. When you are an experienced collector, lighting, scale, heaviness, condition and markings can affect your final decision. Budding collectors may wish to purchase a jeweler's loupe (10x magnification) and train their eye by examining pieces.[4] In-person examination will also facilitate ready guidance from auction house specialists on a particular piece or an established jewelry house.

In recent years, the diamond market has seen an influx in representation from laboratory-grown, or man-made, diamonds.

Take note of provenance, as well. The history of jewelry can add to your own, making for unique heirlooms. You also may want to request a condition report from the auction house, which will detail minor repairs and major alterations. Expect significant diamonds to come with recent certification from a trusted independent source, such as the Gemological Institute of America (GIA). This certification will include a full description of the diamond, including color, weight, measurements, quality of the stone, cutting style, known treatments and, importantly, origin. While traceability is not always feasible, origin is a critical step to understand social impact and responsible mining. Reputable certification supports the Kimberley Process and precedent regulation and controls.

3. GO FOR QUALITY AND THE LONG GAME

Building your jewelry collection does not end with the acquisition. Keep in mind how your different pieces may need to be cared for to ensure their longevity. Organic stones, such as pearls, may be more sensitive to hard surfaces and harsh chemicals, but even diamonds can be affected by certain cleaning agents if exposed. When in doubt, consult professionals about the care required to keep your pieces glowing for generations.

From the amulets of Egyptian pharaohs to sought-after contemporary ateliers, diamond jewelry captures our collective culture and craft in a uniquely precious way. As you grow and care for your collection, do not forget to savor the beauty, the artistry and the experience. ■

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Contact your Morgan Stanley Financial Advisor or visit morganstanley.com/pwm for more information and exclusive insights.

About Our Contributors

DAVID BOKMAN
Managing Director
Head of Family Office Resources

David Bokman develops and expands firmwide resources to help Financial Advisors deliver comprehensive wealth management to ultra high net worth families. David's diverse background includes experience as an estate planning partner with a prominent law firm and executive positions in the wealth management industry with both RIA and brokerage firms.

STEPHANIE CROMBIE
Executive Director
Head of Client Management
Morgan Stanley Family Office

Stephanie Crombie leads a team dedicated to working with significant and sophisticated family office client relationships, focused on the delivery of the firm's comprehensive capabilities and services. Stephanie has engaged with many of Morgan Stanley's largest family office relationships and has experience in understanding their unique needs and navigating the Firm to best serve them.

EMMA CUNNINGHAM
Assistant Vice President
Lifestyle Advisory Specialist

Emma Cunningham helps clients enhance their lives through Morgan Stanley's Signature Access Lifestyle Advisory platform. Specifically, she works with clients to acquire tangible assets, such as jewelry, on the retail market. Emma also has experience insuring valuables and collections from her time with the firm's insurance platform.

MARTY DUTCH
Executive Director
Senior Philanthropic Advisor

Based in Southern California, Marty Dutch is responsible for providing customized philanthropic advisory services to ultra high net worth individuals, families and family offices, as well as nonprofit, foundation and corporate clients. Marty brings more than 20 years of experience in legacy planning; philanthropic consulting; corporate philanthropy; and nonprofit strategic planning, governance and board development to the team.

FERDOUSI ISLAM
Executive Director
Head of Art Resources (ART)

In addition to her expertise in risk management and art lending at Morgan Stanley, Ferdousi Islam has held both art specialist and business management roles at Sotheby's and Christie's. She speaks on undervalued art histories and on art as an asset, as Head of the Art Resources Team (ART) at Morgan Stanley.

MARK JANSEN
Executive Director
Family Office Resources Generalist

Mark Jansen provides specialized expertise to Financial Advisors and their ultra high net worth clients across a broad range of family wealth management issues, including family governance and wealth education, strategic estate and financial planning, philanthropy management and lifestyle advisory. Mark has over 30 years of experience advising wealthy families, business owners and their children.

ANDREA JENKINS
Assistant Vice President
Philanthropic Advisor

Andrea Jenkins covers projects, initiatives and client advisory in an intermediary seat between Philanthropy Management and Family Office Resources Field Engagement verticals. Notably, she leads business development initiatives, impact measurement, platform growth and NextGen donor cohorts for the Firm's ultra high net worth clients.

GLENN KURLANDER
Managing Director
Head of Family Governance and
Wealth Education

Glenn Kurlander has helped ultra high net worth clients address matters of family governance, complex estate planning and wealth education for over 35 years. Glenn has written in leading professional journals and has lectured extensively on family governance, managing family conflict, the dynamics of family wealth and family offices.

DANIEL MACCARRONE
Managing Director
Head of Family Office Investments

Daniel Maccarrone is a Managing Director and Head of Family Office Investments at Morgan Stanley Wealth Management. Previously, he was Co-Head of the Global Investment Manager Analysis (GIMA) team at Morgan Stanley Wealth Management, where he led the evaluation and manager selection of alternative and traditional investment strategies.

ILEANA MUSA
Managing Director
Head of Sales
Morgan Stanley Private Bank

Ileana Musa leads a large-scale sales organization of Private Bankers, Lenders and Product Specialists who partner strategically with Financial Advisors to advise clients on both sides of the balance sheet. Prior to this, she served as Co-Head of Morgan Stanley's International Wealth Management business.

EDWARD A. ONOFRIO
Managing Director
National Sales Director of Specialist Teams
Morgan Stanley Private Bank

Edward (Ed) Onofrio is the National Sales Director of Specialist Teams where he leads the ultra high net worth and cash management segments, as well as the Private Wealth segment, for the Private Banking Group National Sales team. Ed has over 30 years of experience in the financial services.

ELLEN POHLY
Assistant Vice President
Philanthropic Advisor

Ellen Pohly works within the Philanthropy Platforms team to develop strategic philanthropic offerings for ultra high net worth clients. Prior to this role, Ellen spent nearly a decade, after earning her law degree, working in the international NGO space and in corporate philanthropy for two Fortune 100 financial services firms.

MARIELLE RAVOSA
Vice President
Client Management COO
Morgan Stanley Family Office

Marielle Ravosa is responsible for delivering an extensive range of solutions to address the needs of significant and sophisticated family office client relationships. Marielle supports many of Morgan Stanley's largest ultra high net worth families.

SANDRA L. RICHARDS
Managing Director
Head of Global Sports & Entertainment
and Segment Sales & Engagement

Sandra Richards is Head of Global Sports & Entertainment and Segment Sales & Engagement in Wealth Management, leading the firm's efforts in serving the unique wealth planning needs of professional athletes and entertainers, and also working to promote cultural diversity and engagement.

CRAIG STYLES
Vice President
Senior Philanthropic Advisor

Craig Styles is responsible for developing customized philanthropic strategies for individual and institutional clients. Craig assists clients in creating philanthropic mission statements, identifying charitable organizations aligned with their mission, researching nonprofit grantees, and integrating next-generation family members into a family's philanthropy strategy.

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JULIA YUE
Managing Director
Head of Ultra High Net Worth Business Development
Morgan Stanley Private Wealth Management

MICHELLE BELL
Executive Director
Ultra High Net Worth Business Development
Morgan Stanley Private Wealth Management

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