BNY MELLON
WEALTH MANAGEMENT

The Value of Advice

Over our years of experience working with successful institutions and individuals, we have identified five practices that support long-term financial success by focusing on what matters across market cycles.

At BNY Mellon Wealth Management, we believe that many in our industry have underestimated the impact of two gradual but significant developments over the past two decades. The first is the shift in retirement benefits from company-provided pension plans to employee-funded savings plans, which has made individuals primarily responsible for their own financial futures. The second is the synchronized aging of the population in the world's largest economies (Europe, China, Japan and the United States), which we believe will lead to incrementally lower economic growth and market returns in the future. Taken together, these two developments have profound implications for successful wealth management.

Historically, investors have focused on the concept of "alpha" — the excess return above an investment benchmark that can be earned by the careful selection of securities. But as families expand their wealth and their financial affairs become more complex, beating the market becomes a much smaller factor in the success of their overall wealth management plan. The new “alpha” must be a broader measure of success related to a range of financial planning disciplines.

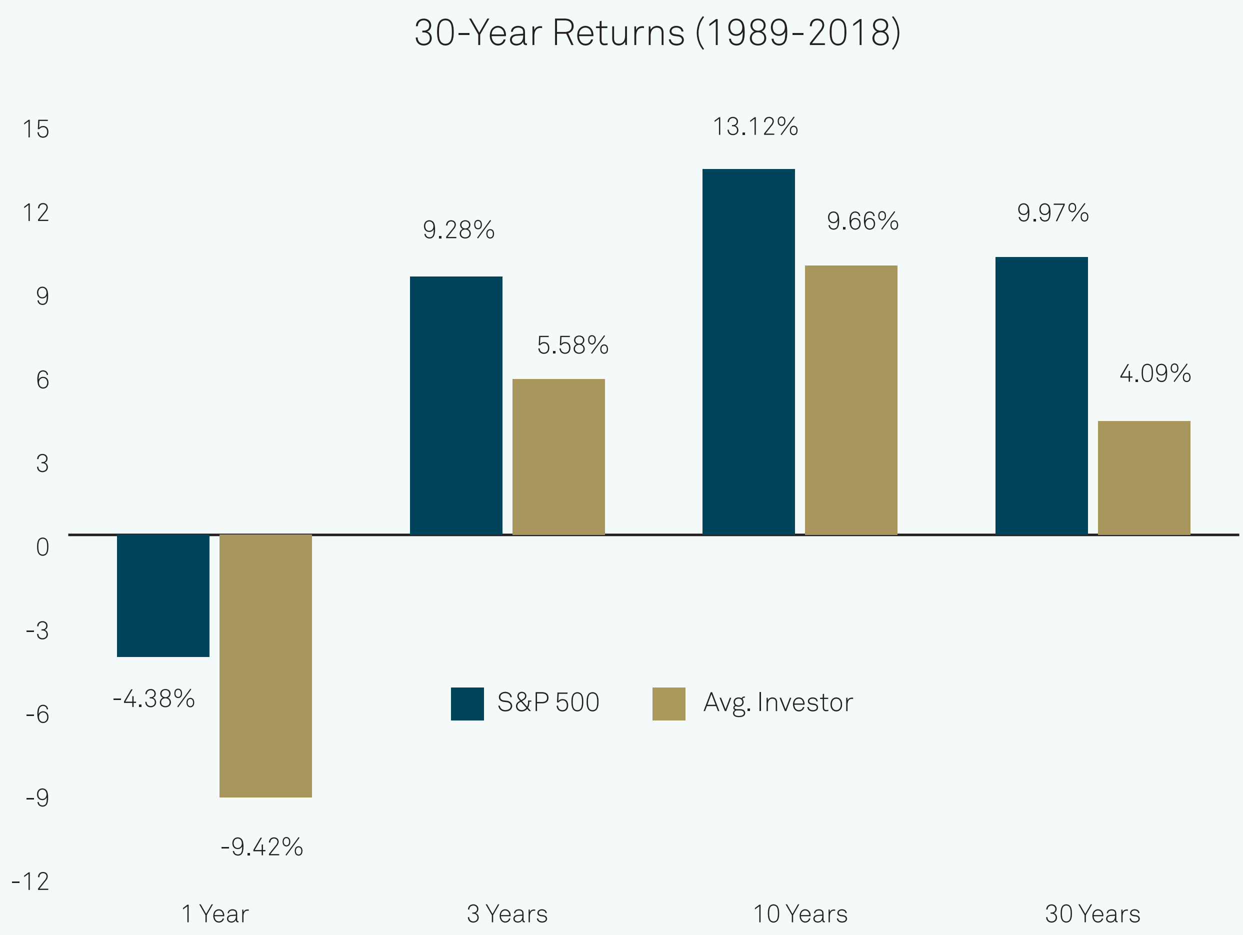
Drawing from our years of experience working with successful institutions and individuals, we have developed five practices to help our clients achieve long-term financial success: investing to maximize compounding; borrowing strategically; spending dynamically; managing taxes; and protecting legacy. This framework is designed to help clients sustain wealth over the next decade and beyond. We call it "Active Wealth."

The comprehensive support we provide around these practices and the proprietary technology we utilize can empower our clients to stay focused on what is important so they can confidently navigate what is to come. And we know that it works — in fact, consistently following our advice has the potential to increase wealth accumulation by up to 5.2% on an annualized basis.*

INVEST Maximize Long-Term Compounding

According to the 2019 DALBAR Quantitative Analysis of Investor Behavior, poor decision-making has caused the average investor to underperform the S&P 500 by approximately 5.9% over the last 30 years.1 These poor decisions typically involve buying or selling at the wrong time and are largely the result of misunderstandings, misconceptions and overreactions. Investors who do not fully understand the relationship between risk and return, or who fail to maintain a long-term perspective in the face of short-term challenges, are more likely to underperform their benchmarks.

Exhibit 1: The Average Investor Consistently Underperforms the Market

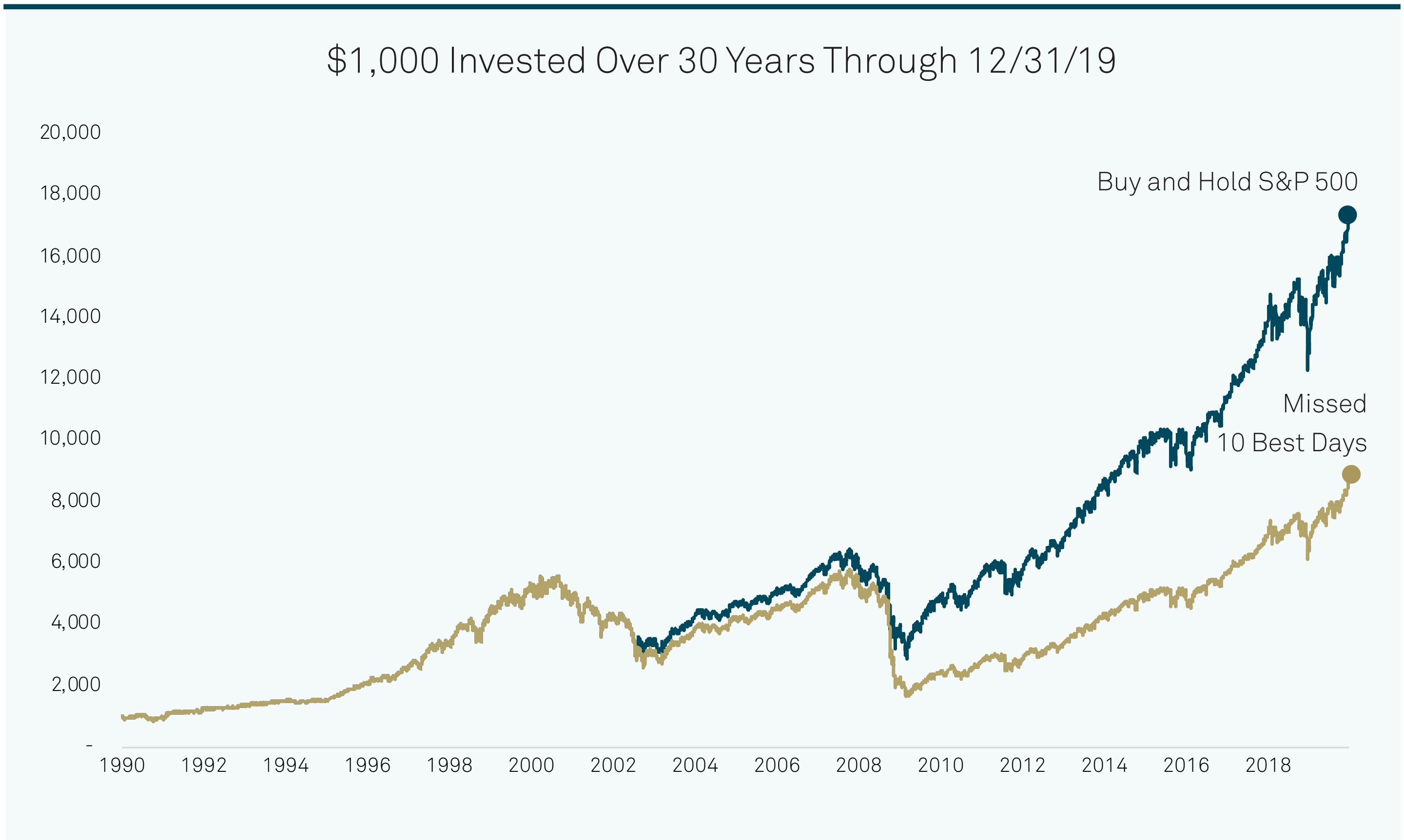


Source – Dalbar 2019 Summary of Returns, period ending 12/31/8.

When faced with volatility or a steep decline in market value, many investors feel compelled to sell assets in the hope of stemming their losses. But in reality, being out of the market for even a short time can significantly reduce the long-term value of a portfolio. For example, an investor who missed out on the 10 best trading days of the S&P 500 between 1989 and 2018 would have lost about 2.5% in annualized returns and about 865% in cumulative returns.

[1] "Quantitative Analysis of Investor Behavior, 2019," DALBAR, Inc. www.dalbar.com

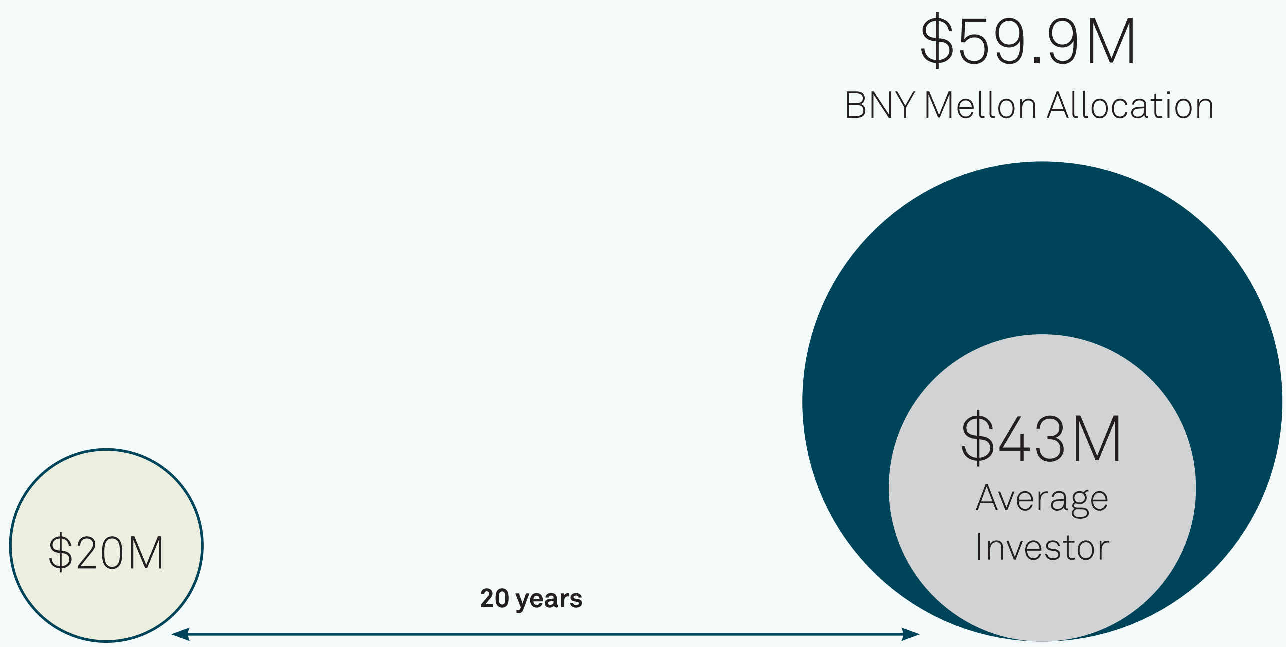
Exhibit 2: Missing the 10 Best Trading Days Would Have Led to a Loss of More Than 2%, Annualized



Building generational wealth requires discipline. At BNY Mellon Wealth Management, we work with clients to develop customized investment plans that help them stay invested so they can maximize the long-term, compounding growth of their assets.

We begin by identifying a client's key objectives, then use this information to design an asset allocation aimed at supporting specific lifestyle needs and wealth-transfer goals. Once an allocation is established, we work to enhance after-tax returns by locating particular asset classes in the most appropriate, tax-efficient accounts. We also regularly rebalance assets, harvesting gains and losses while keeping the overall allocation aligned with client goals. The result is an allocation that is optimized to deliver substantial growth relative to what the average investor is likely to achieve.

Exhibit 3: Our Allocation is Optimized to Deliver Substantial Growth



For illustrative purposes only. Does not represent actual client results. The Average Investor Value of $43m is derived by growing a $20m portfolio by 3.9% per year for 20 years. 3.9% is the average return experienced by mutual fund investors, as calculated by Dalbar in their 2019 report. Dalbar and BNY Mellon performance figures are net of underlying manager fees and applicable fund fees. Investors may pay additional account level fees for advisory or other services provided, which is not reflected in these figures. Utilizing rebalancing, asset allocation, asset location, objective driven investing and staying invested a portfolio could grow to $59.5m vs the average investor at $43m.

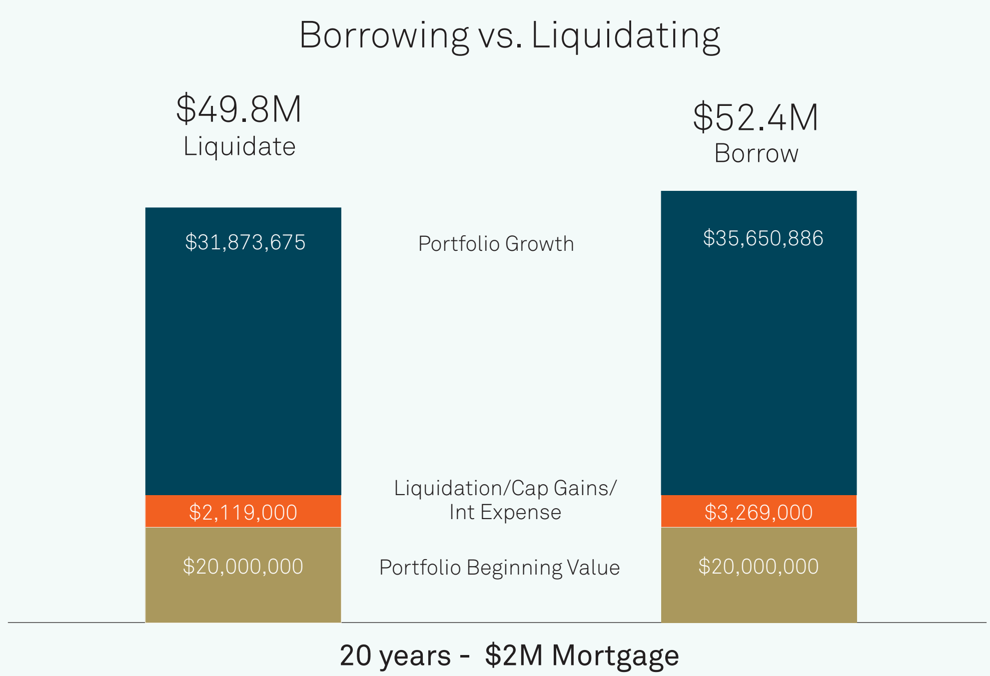
At each point in this process, we seek to maximize the growth potential of the portfolio while mitigating risk and managing return expectations. Using these techniques, we are able to provide up to 1.7% in additional alpha on an annualized basis.*

BORROW Add Value Through Strategic Borrowing

Strategic borrowing can be a valuable tool for long-term investors seeking to take advantage of short-term opportunities without hindering their ability to achieve their long-term goals.

In a low interest rate environment, borrowing funds to pay for large purchases or to cover short-term spending or investment needs can be more advantageous than liquidating assets. For example, consider a scenario in which an individual with a $20 million investment portfolio needs $2 million to purchase a new home. By taking out a mortgage, this individual can avoid liquidating invested assets, defer taxes and further benefit from compounding growth by staying in the market.

Exhibit 4: Liquidating Assets Can Undermine Portfolio Principal



Portfolio Growth Rate, 5.25% is for illustrative purposes only; cumulative return of 178.25%
Costs include mortgage interest, principal and amortization payments and capital gains. A mortgage rate of 2.875% 10/1 ARM is for illustrative purpose only, is not guaranteed, and is subject to change. Estimated taxes are for illustrative purpose only. Capital gains are assumed to be the same for each scenario despite the growth rate used due to tax loss harvesting, rebalancing and portfolio allocation changes. This analysis is not intended to supply tax or legal advice, and no one should make any decisions based upon this information without consulting one's tax and legal advisor.

After 20 years, the portfolio of an investor who liquidated assets and paid for a new home in cash would be roughly $2.6 million smaller than the portfolio of an investor who opted to borrow those funds instead.

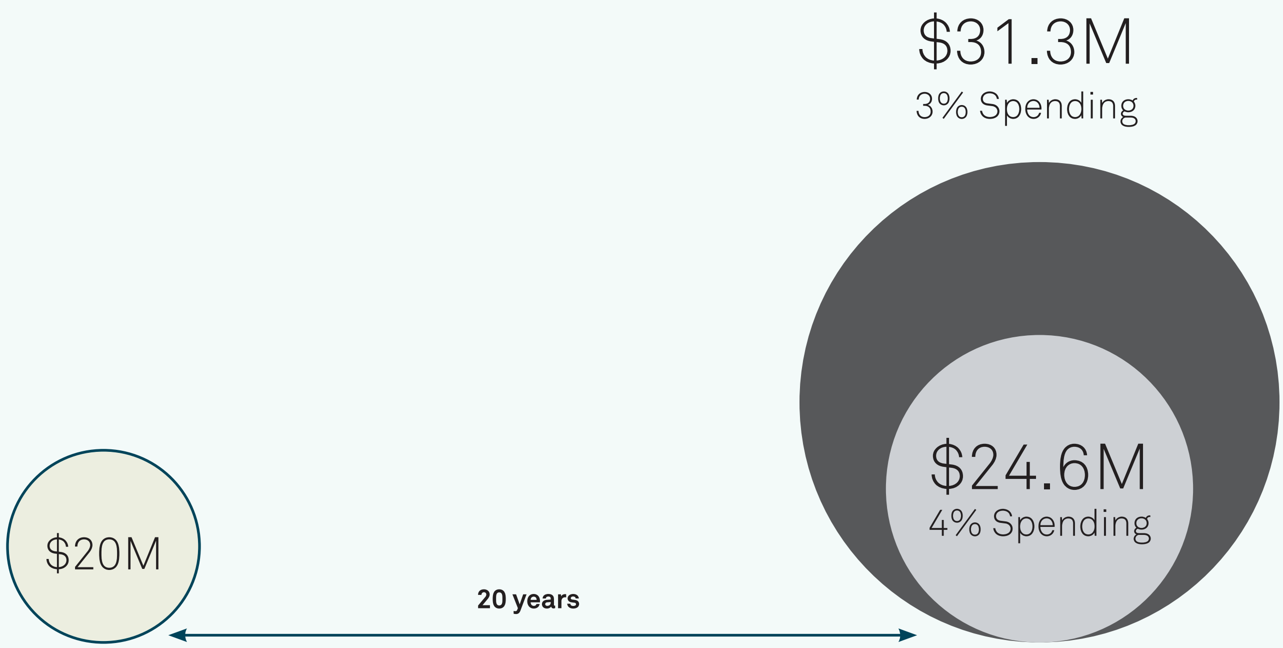
Interest rates are cyclical, and we encourage clients to take advantage of cyclical lows through the strategic use of leverage. We take a comprehensive approach when determining whether strategic borrowing is right for our clients. In addition to examining their assets and short- and long-term liabilities, we strive to understand who they are: What are their personal and family circumstances? How do their values, obligations and aspirations influence their long-term financial goals? What is their sensitivity to risk and what are their liquidity needs? Answering these questions allows us to devise a customized financing strategy that is aligned to their objectives and helps maintain growth in their portfolio.

We've found that by utilizing mortgages and investment credit lines to capitalize on opportunities without undermining portfolio principal, we are able to add up to 0.35% in additional wealth on an annualized basis.*

SPEND Create a Dynamic Spending Strategy

Small changes in spending can have a significant impact on wealth. Consider the effect of a 1% reduction in spending for a family with a $20 million portfolio. Assuming annual portfolio growth of 5.25%, on average, and a 4% annual spending rate, the portfolio's value will grow to $24.6 million after two decades. Reducing the spending rate to 3% over that same period would significantly increase the family's wealth, resulting in a $31.3 million portfolio.

Exhibit 5: Increasing Spending by 1% Can Reduce Wealth by 21% Over 20 Years



For illustrative purposes only. Does not represent actual client results.
Growth of $20M at 5.25% for 20 years.

Institutions, such as defined benefit plans and non-profit endowments, preserve their assets by setting a clear spending target that is flexible enough to respond to changing circumstances. We believe that this institutional approach can be useful for individuals and encourage our clients to adopt these proven practices in their own spending plans.

We will work with our clients to assess the sustainability of their current spending and the impact of potential changes. Our powerful proprietary forecasting tools provide a clear picture of how spending decisions can affect wealth over time. These tools also allow us to demonstrate what a client's future wealth might look like in different scenarios, facilitating informed decision-making.

These insights help us develop dynamic spending plans that address lifestyle needs, respond to market conditions and sustain wealth across multiple generations. In contrast to a static spending strategy in which the spending rate grows with inflation each year, the spending rate of a dynamic spending strategy is adjusted as circumstances change, protecting portfolio principal during market downturns.

This allows for greater compounding and makes the portfolio less reliant on market returns. We found that by reducing spending after a year in which a portfolio declined by more than 3% and increasing spending in any other year, we were able to add up to 0.8% in additional wealth, annualized, over the 1999 to 2018 time period.*

Exhibit 6: A Dynamic Spending Strategy Allows for Greater Compounding

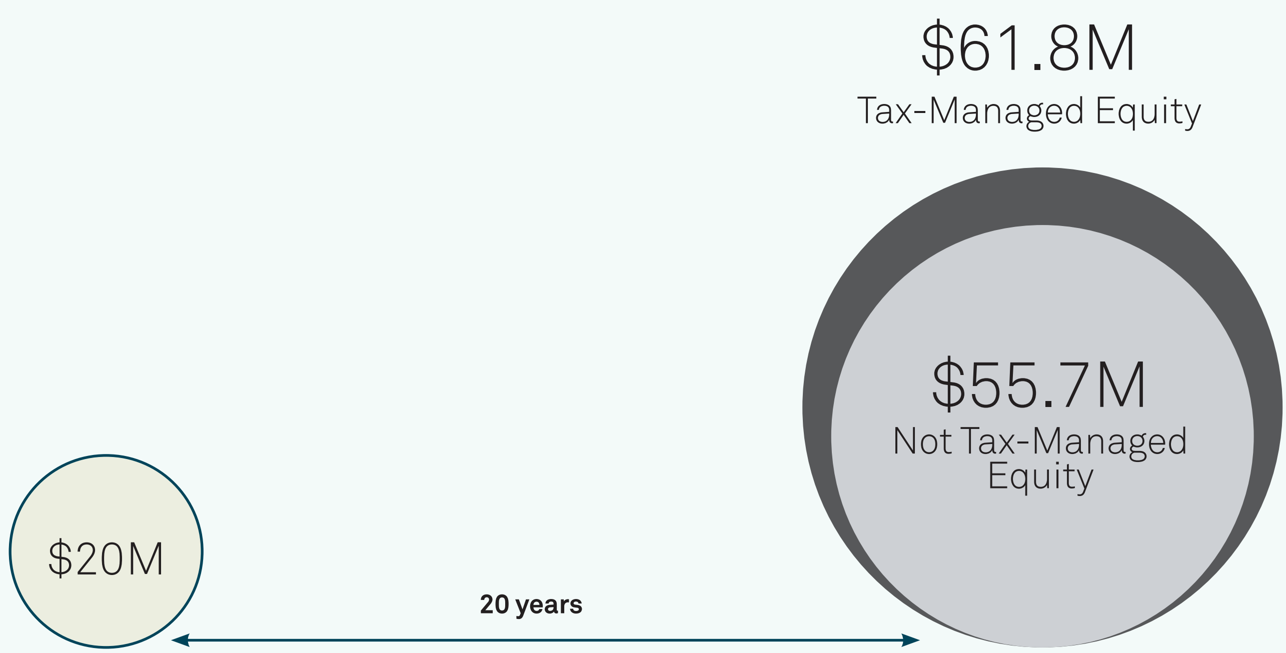
Based on a 60/40 market portfolio using historical returns of MSCI ACWI and S&P Intermediate Muni

MANAGE Maximize Wealth Through Tax-Efficient Investing

An important part of maximizing wealth in the coming decade will be managing and mitigating the cost of taxes. Federal, state and local taxes on income, estates, capital gains, and property can have a detrimental effect on a portfolio. Paying attention to after-tax returns and implementing tax-efficient investment strategies will be essential to ensuring that clients are able to keep more of their wealth.

One way we employ tax-efficient investment practices is by using tax-managed equity portfolios to opportunistically realize gains and/or losses in client portfolios. Our process combines passive stock selection with active tax management. We continually monitor and rebalance portfolios based on client-specific factors such as their target benchmarks, risk tolerance and tax considerations. This allows us to construct a portfolio with minimal tracking error relative to the selected benchmark and greater flexibility than a true index fund

Exhibit 7: Tax-Efficient Investing Allows You to Keep More of Your Wealth



For illustrative purposes only. Does not represent actual client results. Based on a $20M equity portfolio, with the tax-managed equity portfolio generating an after-tax annual return of 5.8% and the non-tax managed portfolio generating an after tax annual return of 5.25%. 5.8% includes an expected value add of 0.55% based on the historical average delta between the gross after tax return of the Tax-Managed Equity S&P 500 Composite and the gross after tax return of the S&P 500 index.

We also make an effort to utilize fee-based investments only where they are most productive, in markets where active management and manager selection are proven to make a difference. This allows us to manage the overall fee of a client's portfolio and ensure that our allocations are optimized in the manner that best suits the client's long-term investment objectives.

Exhibit 8: We Utilize Fee-Based Investments Only Where They Are Most Productive

Asset Class	Median Fee + Tax Drag	% of Active Managers Beating Benchmark[1] Net of Taxes + Fees	Recommendation
U.S. Large Cap	191BPS	34%	Passive with Tax-Managed Overlay
U.S. Small Cap	269BPS	47%	Active + Passive with Tax-Managed Overlay
Int'l Large Cap	166BPS	43%	Active + Passive with Tax-Managed Overlay
EM Equity	192BPS	55%	Active
U.S. Inv Grade Credit	207BPS	67%	Active
EM Debt	248BPS	59%	Active
Global REITs	213BPS	44%	Active + Passive

Sources: BNY Mellon, eVestment, Morningstar Direct
1 On a Risk-Adjusted Basis Trailing 20 Years as of March 31, 2019
Note: Sortino Ratios calculated net of fees. Fees calculated as average fee available across all fee tiers. In the instance where a product does not disclose a standard fee schedule, the universe median fee was used. The Citigroup 3-Month T-Bill was used as the risk-free rate. The tax managed overlay is appropriate only for taxable clients.

Our tax-managed approach to investing provides our clients with up to 0.35% in additional wealth on an annualized basis.*

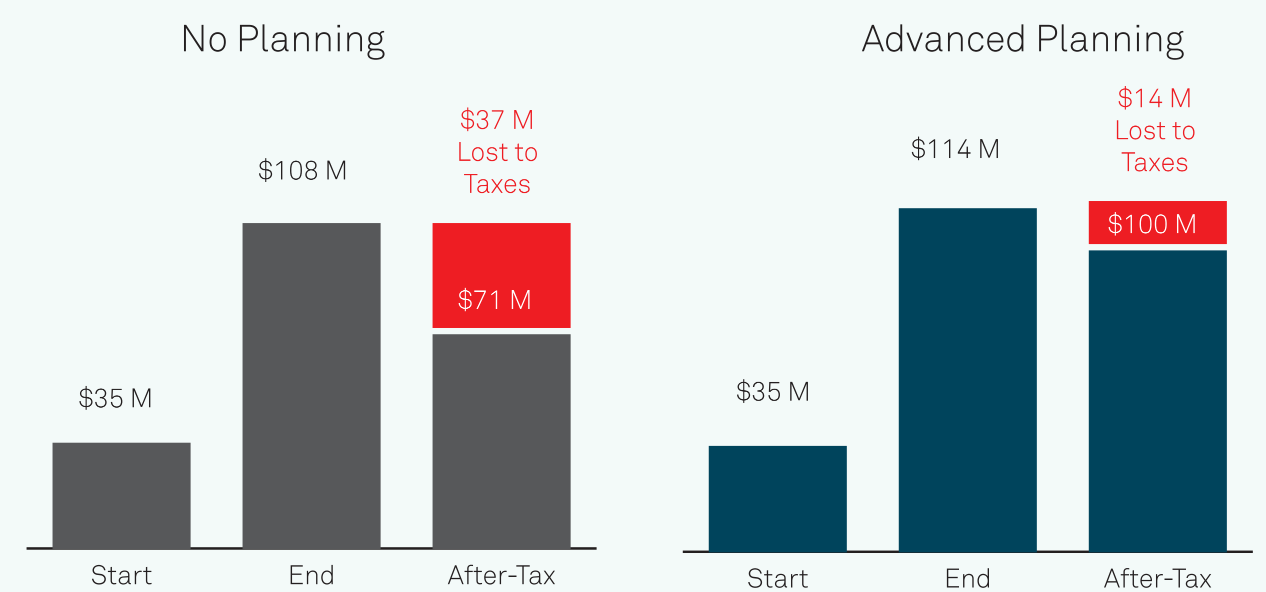
PROTECT Safeguarding What Is Most Important

The goal of creating sustainable, multigenerational wealth is to leave behind a legacy that supports the things an individual cares most about, such as family, values and favorite charitable causes. This requires a significant amount of planning, both financial and non-financial, to protect assets against any unintended consequences — including taxes, lawsuits, divorce, creditors, identity theft and fraud — that might threaten long-term goals.

We take the safety and security of your assets seriously. For more than 200 years, we've safeguarded the wealth of some of the most successful individuals and families around the world. We've invested in cutting-edge cybersecurity protections, using the strongest and most up-to-date encryption technology to safeguard your data against fraud. Our dedicated cybersecurity team actively monitors your accounts to block any unauthorized access. As one of the world's largest custodian banks, asset protection is at the core of what we do.

On the financial side, we combine sound investment management with strategic estate and tax planning to substantially increase after-tax wealth for our clients. For example, imagine a 55-year-old couple with a net worth of $35 million. By utilizing advanced planning techniques, such as irrevocable life insurance trusts, intentionally defective grantor trusts and grantor-retained annuity trusts, we can help this couple save $23 million in taxes over 20 years.[2]

Exhibit 9: Advanced Planning Techniques Provide Significant Tax Savings



20-Year Annualized Growth	
Growth in Total Wealth:	**5.8%**
Growth in After Tax Wealth:	**3.6%**

20-Year Annualized Growth	
Growth in Total Wealth:	**6.1%**
Growth in After Tax Wealth:	**5.4%**

Following our advice around protecting assets can add up to 2% in additional wealth on an annualized basis.*

[2] Assumes the following family situation: A married couple, age 55, in the highest federal tax brackets; not subject to state income tax; net worth of $35 million, $27 million in cash, $8 million in a private business venture that currently yields 8% and will be sold in 10 years for $14 million with a cost basis of zero.

Wealth Practice	Objective	Value Drivers	BNY Mellon Advice Alpha* (Up to)
INVEST	Maximize long-term compounding	• Rebalancing • Asset Allocation • Asset Location • Objective-Driven Investment • Staying Invested	1.70%
BORROW	Borrow for larger purchases, cover short-term spending or investment needs	• Returns • Cost to Borrow • Timeliness • Spread	0.35%
SPEND	Establish a flexible spending plan and avoid excess spending in down markets	• Control • Consideration • Measurement • Proactivity	0.80%
MANAGE	Minimize taxes and cost while increasing alpha to maximize wealth	• Flexibility • Applicable Taxes • Investment Product • Alpha Generation	0.35%
PROTECT	Transfer assets to heirs or enhance philanthropic interests	• Gift Timing • Investment Planning • Estate Tax Planning • Gifting Strategy	2.00%
	Potential Annualized BNY Mellon Advice Alpha		**5.20%**

Conclusion

Over our 200+ year history, we've seen times of prosperity, uncertainty and possibility. Our team of wealth management experts has the knowledge and experience necessary to guide our clients through all of it. Our ability to protect and grow wealth through customized advice has brought us the success we care about most: highly satisfied, loyal clients whose relationships with us span generations. Our specialist advisors will work closely with clients to ensure that the strategies we recommend are in tune with their lives and provide for the future they want for their family.

*Advice alpha is defined as the value of comprehensive wealth management that leads to better wealth accumulation and greater success of achieving financial goals and objectives over the life cycle of a clients' relationship. For further information about how BNY Mellon adds value, including an explanation of how the value we add is quantified, please see "Leading With Advice Overview and Active Wealth Value Proposition Discussion" (December, 2019), a copy of which is available at https://www.bnymellonwealth.com/assets/documents/lwa/leading_with_advice_overview.pdf or from your BNY Mellon Wealth Manager or relationship contact.

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