WITHUM IMPACT
SERVING YOU. SERVING THE COMMUNITY.

PERSONAL PHILANTHROPY:
FAMILY FOUNDATIONS

Inside This Issue
GIVING BACK. HOW TO START YOUR OWN FOUNDATION
GIFTING WITH PURPOSE
7 HABITS TO HELP KEEP YOU CYBER SECURE
Welcome to the inaugural issue of Impact. We are excited to share this publication with our very special friends and clients who live by the philosophy which Bill Gates’ famous quote so aptly describes. Whether as an individual, family or corporate entity, the importance of philanthropy and making a positive impact within our communities to help those in need cannot be understated. At Withum, volunteerism and community outreach is an integral part of our Firm’s culture. We are confident you share in this same mindset.

Our vision for each edition of Impact is to highlight individuals and families who have demonstrated inspiring efforts in their communities, as well as provide insights to help you manage your assets in order to achieve your financial and philanthropic goals.

In this issue, we spotlight our client’s personal story of how a family member’s drug addiction became the impetus behind their continued fight against the nation’s opioid epidemic. You’ll also find a high school student’s research findings on autism shared in our column dedicated to the Millennial and Gen Z audience. Finally, we share a few select articles speaking to the establishment of your own foundation, and how to keep your personal data safe and secure.

We hope you find the stories and information found within these pages to be uplifting and informative. If you have feedback to share on any of the content, please email your comments to me at bhagaman@withum.com. Your opinion is very valuable to us.

Sincerely,

William R. Hagaman, Jr.
Managing Partner & CEO
PERSONAL PHILANTHROPY: FAMILY FOUNDATIONS

A private foundation is an excellent tool if you have any charitable intent and yet at the same time a desire to create a perpetual legacy for your children and future generations to come.

Creating a family foundation during your lifetime can reward you and your family in many ways. Some of the reasons why are as follows:

- Your family may feel more unity when involved in the foundation’s activities and experience more meaningful family interaction and an increase in family pride;
- Your family may enjoy new rewarding acquaintances (giving creates social opportunities);
- Your family may feel more security as its influence and impact on others is increased;
- When your family is known for making gifts, the community approaches you and educates you as to their needs and the solutions that are being offered for those needs;
- Foundations allow your family to join and enjoy the benefits that come from grantmaking affinity groups;
- When your family is researching an organization (to whom you are considering making gifts), they often allow you to see inside their organizations in ways not generally available to outsiders;
- Foundations make the expense of charitable giving tax deductible: expenses such as trips for grant research, foundation facilities or family gatherings to discuss gifts;
- Foundations protect the assets from taxation, personal creditors, spendthrift heirs and your children’s potential divorcing spouse;
- Foundations allow you to create for yourself, your children, and others, salary-paying positions of prestige (board directorships or executive officer positions);
- The deductibility limits to a private foundation are subject to lower limitations than if you were to make donations to a public charity.

Effective January 1, 2018, you may contribute cash to a public charity and deduct an amount equal to as much as 60% of your adjusted gross income (AGI). However, when you contribute cash to a private foundation, your deductible amount may not exceed 30% of your AGI.

Donating appreciated property, such as stocks, bonds or real estate, allows you to receive a deduction for the fair market value of the property without paying tax on the appreciation. If you contribute appreciated property to a public charity, then you may deduct an amount equal to as much as 30% of your AGI. However, when you contribute appreciated property to a private foundation, your deductible amount may not exceed 20% of your AGI.

Due to the closely held nature of private foundations and the potential for abuse, there are certain limitations and requirements imposed on private foundations which include:

- Restrictions on self-dealing with substantial contributors and other disqualified persons;
- Mandatory distributions of at least 5% of its assets for charitable purposes;
- Limits on holdings in private businesses;
- Provisions that investments must not jeopardize the carrying out of exempt purposes;
- Provisions to assure that expenditures further exempt purposes;
- Maintenance of accurate accounting records including information of contributions from donors / to donors;
- Annual reporting of activity to the IRS and state agencies, which are open for public inspection;
- Net investment income is subject to a 1-2% excise tax;

Creating a family foundation is a long-term philanthropic commitment that can prove a rewarding experience for you and your family for generations to come.

SPOTLIGHT ON TIGGER FOUNDATION — FAMILIES MAKING AN IMPACT

The Tigger House Foundation was founded in 2013 by Lisa, Rick and Alex Stavola, in honor of Rick Stavola Jr., (“Tigger”) who lost his battle with addiction at 25 years old. The Stavola family, along with Christian Peter (Tigger’s sponsor), have courageously decided to take a stand to fight the opiate and heroin epidemic by providing treatment, education, outreach, and hope to those who are serious about recovery.

Tigger House Foundation (THF) encourages those wanting help to seek treatment and be able to lead healthy lives in long-term recovery by removing barriers to recovery and eliminating the stigma association with addiction.

THF is currently funding recovery specialists and addiction counselors in the Emergency Departments (ED) of Monmouth Medical Center and Riverview Medical Center, both in New Jersey. The use of recovery specialists in the ED is a critical component of treatment and helps to engage patients who voluntarily seek assistance with their opiate use disorder. Peers provide navigation and advocacy for patients helping to foster both early and long-term recovery.

Since the launch of the Tigger Addiction Recovery Program in March 2017, our recovery specialist were deployed 134 times to patients who are moving to the next level of care at a rate of 96%!

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Due to the success of this program, New Jersey will launch the addition of recovery support services and linkages to substance abuse disorder treatment for individuals with opioid use within 11 hospitals by July 2018.

THF has also partnered with health care providers to support education lectures, school seminars and in homes, presenting to approximately 600 attendees. The foundation continues to build and implement new programs to help educate the community and raise awareness. The Christian Peter Mentoring program is designed to help employers and their managers address addiction in the workplace.

Tigger House Foundation (THF) is now dedicating their time and funds to build a Long Term Comprehensive Wellness and Recovery Facility. This facility will set a new standard of care for those seeking long term sobriety and getting their life back. Their goal is to empower the recovering students in our community - educating and improving their self-confidence, decision-making skills, and interpersonal relationships.

Please join Tigger house Foundation and donate now at www.tiggerhouse.org/donate
With the ever changing technologies of today, data breaches and cybersecurity are at the forefront of our minds, and rightfully so. The number of successful cyberattacks in the U.S. has grown 144% in the past four years. Attacks are happening daily, with 62% targeting small to midsized businesses.

Have you taken steps to protect your digital life? If you answered no, you’re at risk of losing a lot should a breach or attack happen. So what are some habits that can help you become cyber secure?

#1 Always use complex passwords

Sure, you’ve heard this before – make your passwords complex and use a different one for every website and application. The longer and more complex the password, the more difficult it is to hack. Choose something that is easy to remember, like your favorite song lyric, or a sentence, so that you won’t easily forget it.

Interested in testing how secure your passwords really are? Go to howsecureismypassword.net and test it out! But wait, don’t test your actual password. Use one that is of a similar length and nature. Giving your actual password out to a third party website, even just to test its strength... not a good idea!

#2 Two is always better than one

When it comes to securing your online data, setting up 2 factor authentication (2FA) is one of the most effective steps you can take. While most of the websites these days allow you to use 2FA, it does not come enabled by default. Whether it is your Gmail account or your bank account, the OTP (one time password) you receive via text message creates another layer of security that goes a long way in preventing unauthorized access.

#3 Avoid public Wifi

Public Wi-Fi is great. You can sign on while on the go – from the coffee shop, hotel or airport. But, using unsecured, public Wi-Fi comes with risk. Hackers can act as the “middle man” between you and the connection point, seeing all traffic and files you’re sharing. To prevent this, avoid using public Wifi if you can. In cases where you need to use public Wifi, there are steps to stay secure:

- Always use VPN connection when possible.
- Avoid accessing sensitive websites like banks.
- Always choose the connection type as “public”.

This will turn off network file sharing.

#4 Alexa, are you secure?

With the invasion of smart devices like Amazon Echo, Google Home or Apple Home pod into our living rooms, we now have to strike a balance between convenience and privacy/security. Be it Alexa or Siri, for the technology to work, it requires the device to listen to the conversations and process data locally, and sometimes remotely in the cloud. This creates a bigger attack surface that hackers can now exploit to get access to your life. Avoiding use of such devices is definitely a more secure choice. However, if you just can’t live without Alexa’s or Siri’s assistance, then it is prudent to take additional measures to secure their use by configuring the security of the device and related account to better protect you.

#5 Think before you click

Don’t fall for a “phishing attack”. Never click a link or open an attachment that you did not expect to receive. Scams today look very convincing, coming in the form of voicemails, eFaxes, invoices, social media, ADP theme, or from the IRS. If you’re not expecting something or have to think twice about the contents, don’t open it. If you have to, it may be a good idea to do so on your phone instead of your laptop, as chances are that the malware (which are usually designed to work on windowed) may not work on iOS.

#6 Patch your way to security

Did you know that the majority of attacks rely on un-patched operating system vulnerabilities? Protecting your computers against such attacks and making them secure is as simple as turning on “auto updates” for your computers operating system. If you use Microsoft Windows, this can be done by choosing to “automate installation” of all “important updates”.

#7 Don’t fall for ‘free’ USB drives

Who doesn’t love free stuff! It is nearly impossible to go around a trade fair today without walking out with a bag full of “free” USB drives. While there is no harm in collecting them and handling them over to your kids as a toy, it might not be a very good idea to actually plug them in your home or work computer. If you don’t trust the source of the USB drive, don’t plug it in. These drives can very easily be used to carry and deliver a malware or virus onto your computer, allowing someone else access to your important information. In fact, this technique was used to perpetrate the “worst breach of U.S. military computers in history”. In 2008, a USB flash drive infected by a foreign intelligence agency was left in the parking lot of a Department of Defense facility at a base in the Middle East. This impacted the network of United States Central Command and it took 14 months to clean the network and the systems.

These seven simple habits can get you started on keeping you and your precious data protected. Don’t wait until you’ve already been breached, start taking the precautions today.
Kristen Sardis is a 17 year-old high school senior and co-Founder of Green Therapy Rx, a 501(c)(3) organization focusing on helping abused and special needs children using “green therapies.” She has been teaching autistic children how to swim for five years with the program and continues to increase awareness.

I first became involved with teaching autistic children how to swim after volunteering at my local YMCA. After noticing the sheer joy of the students completing their first solo lap, I realized despite their autism, their accomplishments were no less important than any other swim student. I was inspired to co-found Green Therapy Rx and have since committed to understanding how swimming can be great therapy for autistic children.

Green Therapy Rx promotes “green therapies” to help abused and special needs children by giving them a place to heal without judgment or fear. These therapies involve treatments which do not use medication or surgical methods to treat people with medical, physical or emotional needs. It relies solely on the remedies that nature provides including “relating to animals,” “exercise,” “music” and “farming.”

About 1% of the world population has autism spectrum disorder. Therapy of all types have a positive impact on so many lives, helping those faced with autism improve areas of function they are challenged with. Aquatic Therapy has been proven to be particularly beneficial for autistic children due to the soothing nature of water, the physical requirements of swimming and social nature creating personal interaction. Further, according to research, drowning is a leading cause of death of autistic children under the age of 14, accounting for 91%, making these swim classes crucial to their safety.

Teaching swimming lessons has allowed me to create a very accepting environment for autistic children. It is scientifically proven that physical activity releases endorphins and improves moods, decreasing stress and helping relax the muscles of my swimmers. By participating in the activity near and around other people, autistic children become increasingly comfortable with social situations and other people. This results in a self-confidence, positive mental attitude and increased eye contact.

Through spreading awareness of how every person can make a difference, by volunteering as instructors for special needs swim lessons or by simply spreading the word and donating money, many more children can be helped. There are many ways to make a difference in the world, and one of those ways starts with the children and members of your community.

For more information on how to donate or get involved, please visit www.greentherapyrx.com


Many people make charitable gifts every year. Cash is typically used because it is easy to write a check and it is the medium that comes to mind first. Charities likewise prefer gifts of cash because property may take time to liquidate and its value can fluctuate.

An often overlooked alternative is the gifting of appreciated stock. It serves two purposes. You get the full value of the stock as a deduction. Plus, you do not have to pay tax on the long term capital gain. From the charity’s perspective, gifts of appreciated stock which are publicly traded are equal to cash because the charity can sell them immediately upon receipt.

Let’s consider an example. Mr. Philanthropist is in the 45% income tax bracket and wants to make a gift to a charity of $100,000. He can use cash or appreciated stock he bought 5 years ago for $40,000. His long-term capital gains are taxed at 30%.

The Bottom Line. You increase the value of your deduction by 64% ($18,000/$27,000) by gifting appreciated stock.

It’s that simple.
Investors around the globe are more informed, interested and educated on environmental, social and governance issues (ESG). In this article we will discuss several social and governance issues that continue to make headlines as well as the impact of incorporating ESG criteria into portfolio construction considerations.

“All the Money in The World,” a December 2017 movie release about the kidnapping of 16-year-old John Paul Getty III became embroiled in controversy when reports surfaced that Mark Wahlberg earned 1500 times more than co-star and acclaimed actress Michelle Williams for recuts. Not all CEOs were in celebration mode. Disgraced Casino Mogul Steve Wynn, who recently resigned in the wake of multiple sexual misconduct claims, will not be receiving a penny of his $330 million severance package. That Board of Directors has an abundance of unanswered questions to address irrespective of the rescinded severance package. Publicly-traded companies need to remember how we vote as shareholders and which companies we decide to add or subtract from our portfolio reflects more than just their quarterly earnings releases. (Editors’ note: If you are a Netflix subscriber and interested in stories of brazen greed, abusive power and corruption, we recommend checking out “Dirty Money.” Episode one highlights corporate governance gone awry at Volkswagen (with the unraveling of lies and deceit causing the company’s stock price to decline from 250 Euros per share to under 100).)

Facebook has recently become an interesting study in social and governance matters following confirmation that personal data of users had been misappropriated. Legendary investor Warren Buffet also finds himself entangled, albeit from afar, in a different type of corporate scandal as the stench from one of his largest holdings, Wells Fargo, gets worse by the day. Investing requires trust, and trust can easily be fractured when proper controls and procedures are lacking. How companies respond from being reasserted from a “liked” to “unliked” category can have long-term implications for their future success.

As a fiduciary for our clients, we have opportunities and choices as to how and where we invest.

We believe investing goes beyond price-earnings ratios and dividend yields—statistics like these are easily observable. Analyzing Environmental, Social and Governance (ESG) factors offers a measurement system to capture trends that fundamental analysis might underestimate or miss. These factors include environmental stewardship, community impact, gender and pay inequalities, inefficient operations, short-term strategic thinking, and lack of diversity and opinion to name a few. Recent studies indicate firms with poor grades in these areas may be exposed to a higher probability of larger than normal drawdowns during times of market stress. On the other hand, high-ranking ESG firms have lower employee turnover, lower borrowing costs, solid financials, diversified board of directors, an above average shareholder and stakeholder focus while, not surprisingly, exhibiting lower stock price volatility. We find highly ranked ESG firms to be “high quality,” which is quantitatively confirmed by a typically higher than average return on equity (ROE).

ESG analysis is sometimes incorrectly characterized as Socially Responsible Investing (SRI). As a comparison, we would say ESG is an inclusionary, factor-driven methodology that aims to identify best-in-class companies in these areas and perhaps a more profitable way to invest. SRI is an exclusionary practice that focuses on an “ethical” (i.e. socially conscious, green, sustainable) investment universe and prohibits certain investments because of a past corporate misstep, accident or manufactured product/service (gun makers, sin stocks, big oil, weapons, fast food, etc.). Utilizing ESG criteria allows for greater choice and, when linked with fundamental analysis, can exploit inefficiencies in the market place that may be the result of a company’s previous mistake, shifting consumer preferences or an unrecognized improvement in a company’s culture. With that said, does investing in only top ranked ESG companies lead to superior absolute performance? While there are no definite findings on this, we would contend unbiased studies are inconclusive and investing in only top-ranked ESG companies does not necessarily lead to superior absolute performance. However, an overwhelming majority of studies/articles indicate an ESG overlay in the portfolio construction process does generate higher risk adjusted returns especially in “Dividend Oriented” and “Low Volatility” strategies. Higher risk adjusted returns provide a very desirable outcome: less risk for the same return—and it sustainable that would be an extremely important and undervalued investment. Remember, less downside volatility increases the likelihood investors stay the course and stay appropriately invested in accordance with their long-term plan.

We firmly believe our younger generation wants to make a difference and will. As these trends continue, we would not be surprised to see some type of premium awarded to top-ranked ESG companies. All of us are familiar with that satisfying feeling we get when we lend a helping hand, do the right thing or make a positive difference. As investment managers, we have the capability to invest in a manner that will give you some of that same feeling by aligning your portfolio(s) with your beliefs. Rewarding firms that “get it” and removing capital from those that don’t may, in addition to giving your portfolio purpose, enhance your risk adjusted performance—an additional welcomed outcome. Should you have a desire for your portfolio to place a greater emphasis on some of your personal beliefs and convictions, please reach out to us.

### AVERAGE ANNUALIZED TOTAL RETURN COMPARISON (for periods ended 3/31)

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<tr>
<th></th>
<th>ESG Index</th>
<th>Russell 3000</th>
<th>SP 500</th>
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<tbody>
<tr>
<td>1 Year</td>
<td>14.67%</td>
<td>13.88%</td>
<td>14.06%</td>
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<tr>
<td>3 Year</td>
<td>10.31%</td>
<td>10.22%</td>
<td>10.78%</td>
</tr>
<tr>
<td>5 Year</td>
<td>13.18%</td>
<td>13.17%</td>
<td>13.61%</td>
</tr>
<tr>
<td>7 Year</td>
<td>12.75%</td>
<td>12.31%</td>
<td>12.70%</td>
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<tr>
<td>10 Year</td>
<td>9.78%</td>
<td>9.24%</td>
<td>9.49%</td>
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The ESG Index results correspond to the performance of the MSCI KLD 450 Social Index Total Return Index. All results include dividends reinvested.

Source: BLOOMBERG

As should be apparent based on the above results, ESG is an inclusionary way of investing, but one where investors may not have to sacrifice returns to add purpose to their portfolio.
If you are interested in being a spotlight or would like to nominate an individual or organization in your community, please contact info@withum.com.