# Executive INSIGHTS 2024

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# KEY TAKEAWAYS

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## ADDICTIVE LEADERSHIP: Unleashing Your Full Potential

Using principles and personal life lessons, as well as drawing from information from his book *Great Leaders Live Like Drug Addicts: How to Lead Like Your Life Depends on It*, Michael Brody-Waite's presentation emphasized the importance of resilience in leadership. He draws parallels between the behaviors of great leaders and those of recovering drug addicts, highlighting three core principles:

### The Three Principles of Rehab

***Practice Rigorous Authenticity -***
Leaders should be genuine and transparent, embracing their true selves without hiding behind masks.

***Surrender the Outcome -***
Instead of obsessing over results, leaders should focus on the process and what they can control.

***Do Uncomfortable Work -***
Growth and success often come from stepping out of comfort zones and tackling challenging tasks.

### The Cost of Saying Yes

The presentation underscores the high cost of overcommitment. Leaders often say yes to low-value tasks, unrealistic expectations, and suboptimal meetings, which can lead to inefficiency and burnout.

**Brody-Waite provides statistics to illustrate this point:**

**60%**
*of employees*
struggle to complete their to-dos.

**50 Days**
*per year*
are spent on low-value work.

**45%**
*of meetings*
serve no clear purpose.

### The Addiction Analogy

Brody-Waite used his personal experience as a recovering drug addict to draw powerful analogies. He explains that just as addicts must confront their fears and behaviors to recover, leaders must also face their own fears and habits to unlock their full potential.

#### *Identifying and addressing fears*

What will others think? What could happen to me? Confronting these fears head-on will help identify critical stress and pain points, as well as how to address and face them with confidence and vulnerability.

#### *Accepting the possibility of change*

Embracing the discomfort of change can lead to significant personal and professional growth. Intentional change management can lead to better agility both personally and professionally.

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## Practical Steps for Leaders

**The presentation offers practical steps for leaders to implement these principles:**

### *Say No*

Leaders should practice saying no to low-value tasks and unrealistic expectations. Attendees at the presentation put this to practice by completing worksheets and participating in Q&A regarding what activities should receive a "no" in their work.

### *Group Coaching*

Engaging in group coaching sessions to identify and work on personal and professional challenges, similar to what Brody-Waite offers through his program for leaders.

### *Interactive Sessions*

Participating in interactive sessions to foster psychological safety and deep connections within teams. Such interactive sessions provide safe places for vulnerability as well as accountability.

Saying **YES** When You Should Say **NO**

**90%**

## The Power of Simple but Not Easy

Brody-Waite emphasizes that profound changes often come from simple behaviors that are not easy to implement. Examples include eating healthy, working out and managing finances. He encourages leaders to embrace these simple yet challenging behaviors to achieve lasting change. Making consistent small changes every day can lead to foundational habits that provide long-term benefits.

**Michael Brody-Waite**
CEO, Addictive Leadership

## Conclusion

Michael Brody-Waite's presentation is a compelling call to action for leaders to adopt the principles of rigorous authenticity, surrendering outcomes and doing uncomfortable work. By confronting their fears and making intentional changes, leaders can unlock their full potential and lead their teams more effectively. This approach not only enhances individual performance but also fosters a culture of resilience and authenticity within organizations.

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## Building Economic Resilience During Uncertain Times

Lara Rhame, Chief U.S. Economist at FS Investments, presented an engaging outlook on the Q4 economic environment, unpacking critical dynamics shaping the economy and financial markets. Below are the key takeaways from her session:

## **The Economy:** Current State and Outlook

### *Steady GDP Growth Amid Uncertainty*

- Consensus projects real GDP growth of 2.6 percent in 2024, driven by economic optimism, though risks remain.
- The economy is performing robustly, with varied sector contributions supporting growth.

### *Labor Market Dynamics*

- While hiring is slowing, layoffs remain minimal, reflecting a two-speed job market.
- The unemployment rate exhibits asymmetric trends, with more gradual declines during recovery phases.

### *Easing Inflation*

- Both headline and core inflation rates are easing, offering the Federal Reserve an opportunity to recalibrate monetary policy.
- The shift in inflation trends underscores significant deviations from pre-COVID norms.

## Market Insights

### Monetary Policy and Interest Rates

Markets anticipate the Federal Reserve will ***cut rates*** in 2024, but uncertainty persists regarding the pace and magnitude of these adjustments.

Falling inflation has pushed real rates higher, creating a more complex policy environment.

### Housing Market Paradox

High-interest rates are keeping housing supply constrained, driving up rents. Conversely, if rates fall, housing prices could surge, complicating affordability.

### Debt and Deficit Challenges

Government deficits are escalating, with interest payments surpassing defense spending for the first time.

Debt service costs as a percentage of GDP are expected to rise, highlighting fiscal sustainability concerns.

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## Navigating Investment Strategies

### Role of Alternative Investments

Diversified strategies in ***private credit, private equity and real assets*** can provide stability amidst economic and market uncertainties.

These alternative asset classes offer opportunities for enhanced returns in a volatile environment.

### Portfolio Adjustments

A portfolio **sea change** is underway, with correlations between stocks and bonds becoming positive after decades of negative correlation.

Investors may need to rethink traditional diversification approaches.

## Broader Implications for Markets

### The Stock Market vs. The Economy

Top publicly traded firms dominate market capitalization, but their performance is increasingly decoupled from broader economic realities.

The **S&P 500's international exposure** further disconnects it from domestic economic trends.

### Policy and Political Impacts

With the recent U.S. elections, market volatility is expected to increase.

The Federal Reserve's dual mandates of employment and price stability remain a contentious balancing act.

**Lara Rhame**
Chief US Economist,
FS Investments

## Conclusion

Lara Rhame's presentation illuminated the intricate interplay between economic trends, monetary policy, and market behavior. Her insights stressed the importance of adaptability in investment strategies as we navigate a landscape shaped by shifting fundamentals, fiscal constraints, and evolving market dynamics.

Investors are advised to maintain a balanced approach, leveraging alternative assets and staying attuned to changes in inflation, policy and global economic conditions.

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## Driving Transformation:
## Effective Change Advocacy in Your Organization

Scott Spohn, Chief Operating Officer of Windham Brannon, provided an insightful session on **building organizational change** capability revolving around understanding the dynamics of change and equipping leaders with tools to drive sustainable transformation.

## The Foundation of Change Capability

### Change is Inevitable

Quoting John F. Kennedy, the session emphasized that adaptability is crucial for staying relevant in an ever-evolving world.

### Senior Leaders' Role

Leadership is pivotal in driving change, not merely by setting goals but by actively shaping the path and environment.

## The Two Truths and One Big Lie of Change

### TRUTH #1
Growth Requires Leaders to Drive Change

- Leaders must embrace tasks outside their comfort zone, facilitating conversations and tackling challenges head-on.
- Avoid "off-strategy" initiatives and focus on mission-critical objectives.
- Unaddressed difficult conversations cost organizations significantly, as per Atana research.

### TRUTH #2
Resistance to Change is Natural

- Resistance is a biological response rooted in uncertainty, as explained by Dr. Helena Boschi.
- This resistance is often exacerbated by fear of failure and judgment, especially in group settings.

### THE BIG LIE

- Simply acknowledging the need for change equates to agreement. True alignment happens in the actions following such statements.

## Strategies for Clearing the Path

Leaders can foster a change-friendly environment by focusing on these areas:

### Acknowledge

Prioritize and focus on what truly matters, accepting that not everything can be achieved at once.

### Control Capacity

Use the 80/20 rule to prioritize impactful initiatives and defer less critical ones.

### Align

Establish and adhere to a clear framework to reduce resistance and maintain focus.

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## Building the Momentum


**All-In**
2.5%
Team members who have the resources and desire to try new things, even if they fail.

**Curious**
13.5%
Team members selective about which initiatives they support. They are considered the “one to check in with” for new information and reduce others’ uncertainty about adopting something new.

**Engaged**
34%
Individuals who take their time before adopting a new idea. They are willing to embrace new things if they understand how it fits with their work and how they are evaluated.

**Well, Ok**
34%
Adopt in reaction to peer pressure, emerging norms, or economic necessity. Most of the uncertainty around an idea must be resolved or mandated before they adopt it.

**If I Have To…**
16%
In reality, these are the individuals that will not adapt to any type of change unless it is forced upon them – and in many cases may ultimately choose to avoid the change all together. No level of convincing our education, no matter how compelling will convince them to change.

Note: Adapted from Rogers Technology Adoption Curve

## Effective change requires deliberate action

### Tweak the Environment

Adjust settings to make desired behaviors easier.

### Build Habits

Encourage routines that support change, making new behaviors automatic and less effortful.

### Rally the Herd

Foster collaboration, use positive role models, and leverage a Change Activation Network to spread momentum.

Note: Adapted from the Book Switch, by Chip and Dan Heath

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The **Change Activation Network**—comprising teachers, leaders, and feedback sources—plays a vital role in educating and guiding the organization, providing real-time feedback for continuous improvement and developing future leaders to sustain the change journey.

### Teachers

Frontline leaders who teach and guide other members through change processes, while also acting as communication touchpoints. They provide credibility with their understanding, perspective and proximity.

### Source

Feedback sources can help provide transparent, real-time feedback to shape the path forward.

### Leaders

Select members for your change activation network that are viewed as emerging next generation leaders. Their involvement will give them the opportunity to test the leadership aspiration, develop leadership skills and create informal networks.

## Cultural Imprint and Leadership Cadence

To reinforce change:

Hold leaders accountable for engagement before results.

Establish intentional cultural practices that embed advocacy for change within the organization’s DNA.

## Conclusion

Spohn concluded with an empowering message for leaders to “change the lens” through which they view challenges, stressing that patience and persistence in embracing change will pay off.

1. Accept the truths and lies about change.
2. Actively shape the path for their teams.
3. Maintain focus to build lasting organizational capability.

This session provided a comprehensive roadmap for leaders to navigate the complexities of change, ensuring not just survival but growth in a dynamic business environment.

**Scott Spohn**
COO, Windham Brannon

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## **Wealth Preservation:** Building a Resilient Legacy

In his presentation, *Building a Resilient Legacy*, Robert Balentine, Partner and Chairman of Balentine, offered profound insights into the critical elements of shaping an enduring family legacy that goes beyond mere wealth. Drawing from his book, *First Generation Wealth: Three Guiding Principles for Long-Lasting Wealth and an Enduring Family Legacy*, Balentine emphasized that building a legacy requires intention, foresight and empathy. Below are the key takeaways from the session, supported by principles from the book.

### Why Legacy is More Than Wealth

A common misconception among entrepreneurs and wealth creators is equating legacy solely with financial assets. Balentine emphasized:

True legacy is holistic, encompassing values, relationships and purpose.

Focusing solely on wealth risks creating generational tension and diluting the meaning of legacy.

This idea aligns with the book's guiding philosophy that "more than assets are required to shape and sustain a legacy across multiple generations."

### Three Principles for an Enduring Family Legacy

The session centered on three principles from *First Generation Wealth* that are pivotal to crafting a meaningful and lasting legacy:

#### *Don't Mistake Wealth for Legacy*

- Entrepreneurs often intertwine their personal identity with their financial achievements, creating challenges when trying to balance business and family life.
- Balentine stressed that separating financial success from personal and familial values is essential to avoid tensions that weaken both spheres.

#### *Distinguish Between Your Business and Family's Business*

- The responsibilities of managing a business should be distinct from nurturing the family.
- Clear communication and role clarity are critical to ensuring that entrepreneurial ambition doesn't overshadow family relationships.
- "It takes foresight, clear communication, and most of all empathy to prepare the next generation for carrying on the family legacy," Balentine noted.

#### *See the World Through the Next Generation's Eyes*

- Empathy and foresight are essential to empowering the next generation.
- Preparing heirs for leadership requires understanding their perspectives and engaging them in the values and vision of the legacy.

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## The Broader Perspective on Resilient Legacies

Balentine's presentation highlighted the need to shape a family's legacy with intentionality, focusing on these dimensions:

### Values Over Valuables

Family traditions, shared purpose and ethical principles form the cornerstone of resilience.

### Open Communication

Addressing family goals and potential conflicts openly prevents misunderstandings and fosters unity.

### Foresight and Adaptability

Planning for challenges, from economic shifts to generational differences, ensures the legacy can endure changing circumstances.

## Key Actions to Build a Resilient Legacy

The presentation concluded with actionable steps for entrepreneurs and wealth creators:

### Define the Family's Purpose

Identify and articulate the broader mission that unites the family beyond financial interests.

### Engage the Next Generation

Empower future leaders by involving them early in legacy planning and decision-making.

### Focus on Education and Empathy

Equip heirs with the skills, knowledge, and emotional readiness to uphold the family's vision.

**Robert Balentine**
Chairman, Balentine

## Conclusion: Building Legacies That Last

*Building a Resilient Legacy* and Balentine's book *First Generation Wealth* underscore a universal truth: enduring legacies are not built on wealth alone but on the strength of values, clear vision and family unity. Entrepreneurs, business owner and executive leaders are encouraged to reflect on these principles, ensuring that their financial success translates into a meaningful and lasting legacy for generations to come.

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# The New Tax Agenda:
## Impacts and Strategies After the Election

## Partisan Control and Budget Challenges

Barbara Coats, Tax Principal with Windham Brannon, began by discussing the current partisan control of the U.S. government and the challenges in passing a budget. With the government only funded through December 20, there is uncertainty about whether a full-year budget will be passed or if temporary measures will continue into 2025.

## Sources of Federal Tax Revenue

To help illustrate the primary sources of federal tax revenue in the United States, Coats presented the following based on information from the 2022 tax year:

*Individual Taxes*
**45%**

*Social Insurance Taxes*
**21%**

*Consumption Taxes*
**15%**

*Property Taxes*
**10%**

*Corporate Taxes*
**6%**

## Progressive Tax System

Coats explains the progressive nature of the U.S. tax system, where higher earners pay a larger share of their income in taxes. **Key statistics include**:

**Top 1 percent:** Average tax rate of 25.9 percent, contributing 45.8 percent of total income taxes.

**Bottom 50 percent:** Average tax rate of 3.3 percent, contributing 2.3 percent of total income taxes.

## Tax Cuts and Jobs Act (TCJA) Provisions

The presentation outlines the significant provisions of the TCJA that affect individuals and businesses:

**For Individuals:** Elimination of personal exemptions, nearly doubled standard deduction and changes to the child tax credit.

**For Businesses:** Reduction of corporate tax rates to 21 percent, introduction of the Section 199A deduction and elimination of the corporate alternative minimum tax.

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## Future Tax Policy Agendas

Coats contrasted the tax policy agendas of the Democratic and Republican parties. With Donald Trump as the current president-elect, it is now expected that the Republican agenda will be at the forefront of any potential tax policy updates or changes in 2025.

### Democratic Agenda

- Increase the top individual income tax rate from 37 percent to 39.6 percent.
- Tax long-term capital gains and qualified dividends at 28 percent for income over $1 million.
- Raise the corporate tax rate from 21 percent to 28 percent.
- Increase the child tax credit and introduce a $25,000 tax credit for first-time homebuyers.

### Republican Agenda

- Lower the corporate tax rate from 21 percent to 20 percent.
- Restore 100 percent bonus depreciation.
- Lower corporate tax rate on domestic production activities to 15 percent.
- Allow expensing of research and development tax costs.
- Limitations on deduction of business-interest expense – return to EBITDA based limit.
- Impose universal tariff on all imports of 20 percent.

## Wealth Tax and Estate Tax Changes

The presentation discussed the potential implementation of a wealth tax, targeting individuals with a net worth of at least $1 billion or an income of at least $100 million for three consecutive years. It also covers changes to the estate tax exemption, which is projected to decrease significantly if current provisions sunset.

## Practical Tax Strategies

Coats provided practical advice for taxpayers to prepare for upcoming changes:

### *Asset Purchases*

Consider making asset purchases by year-end to take advantage of 80 percent bonus depreciation.

### *Estate Planning*

Utilize the current estate/gift tax exemption of $13.61 million in 2024 and $13.99 million in 2025.

### *Gifting Strategies*

Continue to make annual exclusion gifts and use the unlimited estate/gift tax exclusion for tuition and medical care.

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## Long-Term Planning

Coats emphasized the importance of long-term tax planning, especially if deficit reduction becomes a priority.
**Strategies include:**

### Roth IRA Conversions

Remove assets from the tax system by making Roth IRA conversions.

### Social Security Benefits

Rethink payout strategies for Social Security benefits.

### Inherited IRAs

Plan withdrawals from inherited pre-tax IRAs, with required minimum distributions resuming in 2025.

**Barbara Coats**
Principal, Windham Brannon

## Conclusion

Barbara Coats' presentation provided a comprehensive overview of the current and future landscape of U.S. tax policy. By understanding the partisan dynamics, revenue sources and proposed changes, individuals and businesses can better navigate the evolving tax environment and make informed decisions to optimize their tax strategies in 2025 and beyond.

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