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THE MILLER FAMILY FINANCIAL PHILOSOPHY

Purpose

Once our Family Financial Philosophy is written, we desire to use the FFP as a personal guide for our estate planning decisions and as a guide for our professional advisors.

We also want to share this document with our children so that they may fully understand and accept the decisions we have made and why.

From the estate planning process we expect it to clarify our financial resources and goals, make sure the business survives, get Bill to slow down a bit and make sure Deborah will be financially secure if something happens to Bill.

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LEGACY BIOGRAPHY

The Miller family biography is best described as an intricately woven tapestry that is a result of the people who have touched our lives in the past, present and, just as surely, the future. So much of who we are today comes from a blending of experiences, circumstances and opportunities that we have encountered.

At the time we are creating this document, Bill is 64 years old and Deborah is 62 years old. We have three wonderful children; Sandy 28, Bill Jr., and Beth 21, who are bright, caring and talented people. Sandy and Bill are active in the family business and Beth is completing her undergraduate education and learning what it means to come of age. We are extremely proud of our children, who they are becoming and the accomplishments of their young lives. We hope to continue to support them emotionally, spiritually and financially, as we deem appropriate with our remaining years.

We cannot reflect on who we are today, without acknowledging some of the people and events of our past. Our parents were born near the turn of the century and lived through some very interesting times, both good and bad. Collectively, they each handed down a strong set of values regarding their personal lives and how to deal with financial matters. In those days, it was not so much what was “taught” but what was “caught” as they demonstrated their values in how they lived.

Bill’s parents are Gene Miller and Betty Miller. Bill’s father was a farmer as was his father and grandfather. Upon emigrating from Bavaria, Germany the family settled in Collinsville, Illinois. Gene Miller has worked the same land that has been in the Miller family since 1874. Gene has never paid for anything on credit; his was a “cash only” economy. If they could not afford it, they went without. Gene and Betty still live on the land that has supported Gene’s family for over 100 years.

Betty was the oldest of 10 children and as such never really had time to play. Betty was mother and caretaker of the home and although she was not part of a farming family herself, learned to adjust to life on the farm. As farmers, they were not a well-to-do family, but even so, they never went without the basic life essentials. Most of their “free” time was centered around the church in town that provided both a spiritual as well as a social center.

Debbie’s parents are Hugo Wendell and Alice (Hanford) Wendell. Deborah’s father was an electrician for the main power company in nearby Trenton, Illinois. His work was enough to provide adequately for their family of 5. Even so, they still knew when the big rainstorms came and downed power lines, there would be overtime work for Dad and that meant extra money at the end of the month. Alice is a loving wife and nurturing mother for her three daughters.

Bill’s older brother, Charlie, operates the farm today with his wife, Margaret, and their three sons. Although farming has become a challenge, Charley is committed to working the family land. Each year, it becomes more difficult to make ends meet, as the government supports the large conglomerates over family farmers. Regardless of Charlie’s efforts, it is inevitable that they will be forced to sell some of the family land as mortgages on the farm have risen beyond sanity levels. A few more bad years and they could lose the entire farm. We have great admiration for Charlie and his tenacity in maintaining the family heritage.

After Bill graduated from high school, he worked on the farm for a few years; however, it was clear that he was not cut out for farming and dreamed of starting his own business. Bill worked diligently on the farm, but looked for opportunities around every corner. Just after Bill’s 19th birthday, his hard work paid off. A relative of a close friend had an opening for a young apprentice in his manufacturing company. Bill packed his bags and followed his dream. Today, the name of that company is Miller Manufacturing Co.

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LEGACY BIOGRAPHY (CONTINUED)

We met two years later (Debbie and Bill). Bill moved up in the company and was now assistant manager of the warehouse at the young age of 21. His hard work was paying off. Even though we didn't meet until our early adulthood, our lives seem to run on a parallel course. We attended the same type of church, grew up in small towns, and lived within simple means. As our courtship progressed, we later married. We have always shared a common set of values and motivations for work and family. We never sought out to be "wealthy," we simply employed the strong work ethic that was demonstrated by our parents. We did have a sense of perhaps providing more for our family than we had as children, but it was always in terms of security (not worrying about where the money would come from) not a specific dollar amount.

Over those first few years, things were really tough. Bill worked long hours and was exhausted when he came home each night. Even though he was moving up in the company, he was barely bringing home enough to get by. Somehow, we made it through and even saved a little money. We were so frugal. Many times I (Debbie) would cook one meal on Sunday and then serve leftovers for the rest of the week. We made every dollar count – sometimes twice.

Over time Bill progressed in the company. The owner, Sam Fredrickson, was a kind but hard man. He pushed Bill at every chance. Sam was really more of a mentor than a boss. He treated Bill like his own son. He always expected Bill to do twice as much as everyone else. As it turned out, Sam was grooming his successor. In 1970, after having Bill work in virtually every position in the company, including bathroom duty twice a week, Sam made Bill a partner. The plan was for Bill to take over when Sam retired.

Four years later, Sam retired and sold the business to Bill. That same year, Sandy was born on February 3, 1974. Bill Jr. was born two years later on March 1, 1976. From that point until forward, the children have been Debbie's focus. Building a family, and holding everyone and everything together.

Having our own business and starting a family were very rewarding. Bill had accomplished his dream by age 41 and we had two wonderful children. Little did we know, the struggles were just beginning. Over the next several years, the economy took a negative turn and international competition was taking business away left and right. There were many nights that we argued about finances and worried how we would get by. The pressure was unbearable. In 1981, things turned around. This was the year Beth was born; July 4, 1981. She marked our own special independence day.

By the end of 1981, we had finally paid off Sam under the purchase agreement and Bill made some dramatic changes in the business. This is the year we changed the company name to Miller Manufacturing Co. It really felt like our company. Bill made a number of changes in the product line and manufacturing process. In fact, Bill developed a manufacturing process that is still the industry standard today. There were still plenty of ups and downs to follow; however, they were much smaller.

As the children grew older, we took every opportunity to reinforce three values; hard work, education and family. Each of the children worked in the business from the day they were old enough to push a mop. They did not always enjoy it, but they learned a valuable lesson. Nothing in life comes for free. Each of our children has been given the opportunity to attend the best schools. Bill Jr. graduated from Cornell with honors in business and Sandy from Stanford with high honors and a dual major in business and finance. Beth is currently enrolled at University of California Berkley. She is studying art and is very talented.

We have always tried to teach our children the value of money and have purposely not showered them with gifts. We have attempted to provide them with certain "experiences" that would enrich their understanding of the world and expose them to a variety of educational opportunities. As our children have grown older, Debbie, in particular, has had more time to become very involved as a community volunteer. Helping others is an extension of the values instilled in us by our ancestors and something we feel in current society is sadly absent. Because of that, we intend to act very intentionally to direct a legacy to our children and any future grandchildren.

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LEGACY BIOGRAPHY *(CONTINUED)*

In recent years, Bill has taken great pride in Sandy and Bill Jr.'s decision to join the business. Nevertheless, we have always told the children to follow their dreams; just like we have done. We will always love them and support their decisions. We want them to cut their own path in the world and not be forced to follow in anyone's tracks.

We are enjoying great physical health, which enables us to get the most out of our leisure time and leaves us no excuse to become idle as we prepare for retirement. We are looking forward to grandchildren and hope to spend our remaining years focused on family. We are very grateful for the place we now find ourselves and want to use our mission statement as a tribute to those who helped guide and shape our lives and a guide to those who follow. We love and respect you all.

SOURCES OF WEALTH

Our wealth has come primarily from building and growing our family business, combined with good decision-making and personal initiative. Through our personal efforts we have been able to accumulate significant financial resources. However, because these resources have always been tied up in the business, we have never felt wealthy. We have been blessed by God with the opportunity to accumulate significant financial resources. It is our responsibility to use these assets to fulfill the Lord's work, recognizing He has empowered us to do so.

RESPONSIBILITIES AND OBLIGATIONS

With regard to our wealth, our main responsibility is to each other, to secure our own financial independence and preserve our ability to maintain our desired lifestyle. Above all else, we want to be sure that we have set aside sufficient assets to assure our future financial security.

Our second responsibility is to our children. We have provided them with the best education possible and will continue to nurture their development as financially responsible and mature adults. While we are alive, we will seek opportunities to solidify their knowledge and ability regarding fiscal stewardship.

Our third responsibility is to respect the intrinsic value and memory of our ancestors, our heritage and our past. Although we inherited little in material assets from our parents, we are indebted to them for the grounding they provided us in the form of positive values, sound ethics, the worth of personal initiative and hard work, and for their efforts to instill in us a strong sense of self-worth. All of these attributes are more valuable to us than money.

Finally we feel a responsibility to our employees for contributing to our ability to grow and maintain a thriving business. Without their support, there would be no business. They have been critical to our success.

PRIMARY PLANNING GOALS

Our primary motivation in planning our estate is to maintain our present lifestyle and preserve our financial independence. Above all else we want to be sure that planning decisions enhance our financial independence. To that end, we intend to favor strategies that preserve our control over and access to financial resources. At the same time we would like to develop a plan that allows us to achieve our family legacy goal and direct all excess resources to worthy organizations. In achieving these three objectives, we want to make every effort to minimize the adverse impact of taxes.

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Among the five choices provided that might influence us to create or revise our current estate plan, having better understanding about our current financial status ranks first; having better understanding about the future needs of our family ranks second; having better understanding about tax-effective estate planning options ranks third; having better understanding about the tax benefits of giving to charitable or philanthropic organizations ranks fourth; having better understanding about what we would like to accomplish with our financial resources ranks fifth.

If we had the wealth to do so we would not have to worry about income and to take care of our family, we would make sure the children are financially secure, we would like to travel and buy a vacation house and we would help many organizations in the community.

FAMILY PHILOSOPHY

At this time in our lives we view the following list of values as essential elements of a caring society;

- (1) ethical values, such as honesty, justice, fairness;
- (2) public values, such as good citizenship, community involvement, government service;
- (3) spiritual values, such as inner spirituality and meditation, faith, religious commitments;
- (4) work values, such as effort, punctuality, competence, professional achievement;
- (5) cultural values, such as music, visual arts, travel;
- (6) relational values, such as family, friends, work associates;
- (7) philanthropic values, such as contributions of time and money to care for others are of greatest importance to us.

When it comes to transferring the important values to our children, we believe it is important to actively discuss the importance of specific financial values, demonstrate values by how we lead our daily life, establish a family mission statement, involve children in charitable giving and volunteering, become involved as a family in a spiritual community and involve children in the family business.

Wealth provides opportunities and creates options. Among those we consider to be most important are (1) the freedom to control all aspects of our life, (2) power and influence in society, (3) the ability to help others, (4) personal and/or family financial security, (5) the ability to start, manage, control or invest in business, (6) the time to pursue personal spiritual development, (7) the ability to help create breakthroughs for the benefit of society, and (7) to see more of the world.

As we impart our philosophy regarding financial stewardship to children and other heirs, we hope they will appreciate the importance of (1) focus on long-term growth, (2) minimizing the impact of taxes, (3) limiting investment to things that we understand, (4) avoiding deals that appear too good to be true, (5) living within one's means, (6) strategic debt management, (7) freedom from debt and focus on investments in a closely held business.

We would like to use our wealth in such a way that it contributes to the growth of self-esteem, confidence and sense of self-worth in our children. We also would like for them to learn the importance of personal initiative and hard work. To facilitate this process we believe our children should be informed of their potential inheritance until they reach age 30 and have demonstrated a level of financial maturity. However, we intend to begin today by more openly discussing financial matters as a family.

With regard to future grandchildren, we are primarily concerned with providing for our children; however, if sufficient assets were available, we would consider leaving a portion of our estate directly to grandchildren. At the same time, we want to be sure that whatever we do supports our children's wishes for our future grandchildren.

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FINANCIAL INDEPENDENCE

Our current definition of financial independence is \$7,847,366 (net present values). In establishing this goal we feel comfortable with \$175,000 of annual after-tax income increasing at 3% each year. This adjustment will help offset the impact of inflation. In estimating the resources required to support this income stream, we are comfortable with an after-tax investment assumption of 5%. Based on this definition, we need \$4,222,366 of cash resources to support our desired lifestyle.

In addition to our desired life income, we would like to maintain specific assets valued at \$2,125,000. These specific assets refer to those things we presently own and intend to keep in the future, such as, our primary residence, a second home, personal property, antiques, and on these assets for providing either liquidity or income.

We would also like to maintain special purpose funds with a combined value of \$1,500,000. These funds are designed to supplement our lifestyle. These cash resources are not required to support life income, but rather they are designated to offset unexpected contingencies and should not be considered in evaluating our ability to maintain our financial independence.

In order to be confident that we have retained sufficient resources for the future, we would like to inflate our definition of financial independence by a factor of 110%. In other words, our goal is to be more than financially independent. These additional funds will enhance our long-term financial security by 10%. With the addition of the security fund, our definition of financial independence increases to \$8,632,103. This is our financial independence goal.

Based on our financial independence goal, we have available planning resources of approximately \$2,178,414. These planning resources are available for accomplishing our family legacy and social capital legacy objectives. With that in mind, we are comfortable relinquishing ownership as long as we maintain control and retain access to our financial independence goal of \$8,632,103.

With regard to ownership or control of our assets, we are comfortable relinquishing ownership as long as we maintain control and retain access to sufficient income to maintain our financial independence.

FAMILY LEGACY

We believe our children do possess the necessary skills to manage wealth, and we feel comfortable they will manage their wealth effectively. At the same time we would like to explore various methods for increasing the general investment knowledge of the entire family. In this way we can grow as a family and learn from each other's successes and failures.

As a general principal we believe parents should leave a large enough inheritance so that their children could do anything they want, but would still have to be productive. Unlike our own parents, who were unable to leave us a significant inheritance, we want to give our children the advantage money provides. We believe our children will take what we give them and be motivated to grow and preserve it.

We prefer to transfer some assets today, but will wait to transfer the largest portion of our estate at our death. Our goal in this case depends entirely on what is possible. As our advisory team outlines the possibilities for what we can accomplish, we would be willing to do more as long as our financial security is not compromised.

We believe each child should receive an inheritance that reflects individual needs and circumstances. Although we love our children equally, we want to be sure that our estate plan reflects fundamental differences that exist among our heirs. Their current financial resources, their interests and their goals are all unique. Each should receive a unique inheritance that reflects these differences. With that in mind, we feel that a share of business should be transferred to Sandy and Bill Jr. This goal is

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based on their respective decisions to pursue the business as a career. As Beth is still completing her education at this time, she has not yet established a career path. Therefore, leaving her a share of the business would be premature at this time. Should Beth elect to join her siblings in the future, we would certainly provide her the same opportunity they have received. In the mean time, we will establish an equalization fund to assure Beth is financially secure in whatever career she elects to pursue.

With the preceding statements in mind we have established our family legacy goal as set forth below. As our children are still evolving as individuals we reserve the right to adjust this goal as circumstances dictate.

Under the present circumstances, we realize that approximately 44% of our \$13,650,000 net assets will be lost to estate tax, leaving 56% of our total estate for our children to share. Although we are not happy to see our estate reduced by tax, we are confident that a family legacy in the 76% range will be adequate to provide our children with a sufficient financial supplement to achieve their highest goals, dreams and desires. At the present time, we feel a family legacy of \$10,416,620 would be sufficient for this purpose.

In providing an inheritance to our children, we have identified three specific pools of capital. First, in the event of our death, we want to be sure that each of our three children have access to \$75,000 annual income in order to manage their financial affairs for 10 years. We would like to adjust this annual income for 3% inflation each year. Rather than pay the income over time, our goal is that sufficient assets be transferred outright to each child in order to sustain this income goal. Based on an after-tax investment assumption of 5%, each child should receive approximately \$688,873 for this purpose.

In addition to supplemental income, we would like to leave our children sufficient resources to acquire specific assets that we feel are required to maintain a quality lifestyle. First, we would like to provide each of our three children with \$250,000 funds to acquire a primary residence. Above all else, we believe it is important that our children have a comfortable and secure place to live. We would also like to provide Sandy and Bill Jr. an opportunity to share in the ownership of the business. They should each receive business ownership of 25% or \$2,500,000.

In addition to the income supplement and specific assets outlined above, we would like to establish certain special funds. First, we would like to establish a \$100,000 education fund for each of our children. Although we will continue to pay for an encourage continued education while we are living, we want this fund to serve as a constant reminder to our children that education is fundamental to human development. We hope they never stop learning.

We would also like to establish a \$100,000 emergency fund for each of our three children. This fund is intended to remove the sting from unexpected financial challenges they may encounter in life. We would also like to establish a \$1,000,000 emergency fund for Bill parents Gene and Betty Miller. We feel blessed to be in a financial position that allows us to protect their future in the event we are not here to do so personally. They have enriched our lives greatly.

Finally, we would like to establish a \$1,000,000 equalization fund for our daughter Beth. This is to assure that Beth is free to pursue her own path in life and does not feel a necessity to join her brother and sister in the business for the sake of securing her inheritance. We have purposely elected to make the fund of lesser value than the business share to be received by Sandy and Bill. This is intended to reflect the risk associated with the business, which is an asset that requires much nourishment to generate income.

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SOCIAL CAPITAL LEGACY

We are very satisfied with our level of charitable involvement and the resulting impact we have had on the community. In addition to Deborah's many volunteer positions, we have many numerous donations. At the same time, William's success in growing the business has created numerous jobs for members of the community thereby increasing the communities overall well being.

Deborah has been active with charitable organizations over the past several years and plans to increase her level of involvement in the future. Until recently, the business has absorbed most of William's time. Therefore, he has had little involvement with charitable organizations. As time permits in the future, William would consider becoming involved, if the 'right' organization asked for his involvement.

We are attracted to the idea of a personal or family foundation. We are attracted to the idea of a family foundation. We think a private family foundation would enhance the process of family philanthropy by creating an entity in which all family members can play an important decision making role. In addition, it would create a permanent reminder for the community of our gratitude for its support.

Regarding the concept of family or 'shared' philanthropy, we would love our family to be involved with us in our charitable activity. As such, we would be excited if our children elected to work together in a single family foundation along with us. At the same time, we want our children to have the freedom to establish their own foundations and make individual decisions regarding philanthropy should they prefer.

In considering our charitable priorities, the community ranks first; our business family (employees) ranks second; education ranks third; religion or spiritual endeavors ranks fourth; and human services ranks fifth among the four that are most important to us.

We prefer to make some charitable contributions during our lifetime, so that we may enjoy watching the impact of our philanthropy; however our most significant charitable contributions will take place through our estate plan, so that we are able to adequately assure our financial independence.

With the preceding in mind, we presently have resources of \$10,810,517 available to support our financial independence. Therefore, after subtracting our Financial Independence Goal of \$8,632,103, we have available planning resources of \$2,178,414.

We understand that a portion of our wealth – our social capital – must be allocated between taxes and gifts. Generally speaking, we would rather make gifts than pay taxes. Therefore, we prefer to allocate 0% (\$0) of our social capital legacy to tax and 100% (\$3,233,380) to our designated charitable organizations.

The amount of resources that we have available for social capital depends on three factors; (1) total available resources (currently \$13,650,000), (2) our Financial Independence Goal (currently \$8,632,103), and (3) our Family Legacy Goal (currently \$10,416,620). Based on these factors we have \$3,233,380 of resources available for social capital for distribution through our estate. Therefore, we would only consider increasing our Social Capital Legacy Goal to the extent that (1) total resources increase, (2) our Financial Independence Goal decreases, or (3) our Family Legacy Goal decreases.

If we were to give away our \$3,233,380 of available social capital this year, we would allocate it in the following manner:

- (1) The Women's Shelter 5% or \$161,669 - To endow our annual support
- (2) The Community Church 5% or \$161,669 - To endow our annual support
- (3) The Boys & Girls Club 5% or \$161,669 - To endow our annual support
- (4) Family Foundation 40% or \$1,293,352 - As a tool for family growth and development
- (5) Employee Gratitude Fund 40% or \$1,293,352 - In recognition of their contribution to our happiness
- (6) Community Foundation 5% or \$161,669 - To support education initiative in the community

Regarding recognition for our philanthropic contributions, we prefer a simple thank you letter and perhaps a published listing.

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ACKNOWLEDGEMENT

This document accurately reflects our desires and intentions with respect to our philosophy regarding wealth. We reserve the right to change this document in the future. We expect that our advisors will rely on this document in the preparation and development of a plan that will fulfill our stated mission.

William Miller _____

Date _____

Deborah Miller _____

Date _____

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