

EXECUTIVE SUMMARY

Unique Assets: An Often-Overlooked Strategy for Ultra-High-Net-Worth Clients

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KEY TAKEAWAYS

- Hard-to-value alternative assets represent a significant opportunity for wealth managers.
- Among hard-to-value assets, oil and gas, and mineral assets present several unique characteristics.
- Tax optimization is a key strategy for oil and gas, and mineral assets.
- Uncovering suspended and escheated funds is a key value proposition of SS&C's MineralWare solution.
- Applying wealth management to ownership of these assets enhances the value in other ways.
- Technology facilitates effective management of ownership and costs associated with operating wells.
- Activities undertaken in management of these assets span a variety of aspects of ownership.
- SS&C Innovest brings together a team of experts to effectively manage these assets.

in association with



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OVERVIEW

Managing the wealth of ultra-high-net-worth clients is a promising growth area for advisors. Understanding the value of unique asset classes offers an opportunity for advisors who have shied away from these assets in the past.

SS&C Innovest offers both services and technology solutions to help advisors manage and maximize non-traditional assets such as oil, gas, and minerals. These assets feature unique characteristics, present opportunities for tax optimization, and are ripe for technology disruption to unlock value.

CONTEXT

Experts from SS&C Innovest shared insights into the promising area of hard-to-value assets.

KEY TAKEAWAYS

Hard-to-value alternative assets represent a significant opportunity for wealth managers.

While most advisors are focused on the massive (\$84 trillion) generational wealth transfer that is underway, less widely appreciated is that 43% of this wealth is in hard-to-value assets like oil and gas and real estate. Alternative assets are expected to grow significantly in the coming years.

The vast majority of wealthy parents believe the next generation will need support to manage their inheritances. As assets transition from Boomers to their descendants, the opportunity is ripe for advisors to overcome any aversion to hard-to-value assets.

“I want to emphasize the great demand for support that’s coming from these new asset owners.”

Pete O’Brien, SS&C Innovest

Among hard-to-value assets, oil and gas, and mineral assets present several unique characteristics.

Oil and gas is a tricky but lucrative asset: it is illiquid with no active market. It shares similarities to real estate, but is distinct. A key feature is the monthly revenue stream. Oil and gas assets involve leases, and the operator sends a monthly check to the owner. These assets are not optimized for quick turnaround; they are meant to be held.

“Their value is in holding the asset.”

Taylor Franklin, SS&C Innovest

A common form of ownership is royalty interest, where the owner has no payments for the monthly costs of the operations of the well and simply receives payments, making the asset low- or no-cost to maintain. Moreover, ad valorem taxes are only imposed on producing assets; i.e., only producing wells.

In contrast, a traditional real estate asset is taxed on its assessed fair market value, which is de minimis for a non-producing oil and gas asset. Real estate properties also incur costs for repairs and maintenance.

Tax optimization is a key strategy for oil and gas, and mineral assets.

Many advisors work with clients on tax optimization of oil and gas and mineral assets by following several strategies.

- **Tax depletion is conceptually similar to depreciation.** The IRS treats oil and gas similar to mining: when oil and gas is pulled from the ground, it is no longer available to be extracted in the future, in contrast to traditional assets. Oil that is refined into gas, sold to consumers, and used for vehicles is no longer available to be produced from the asset. Tax depletion recognizes this favorably.
- **Third parties can advise on strategies and protest tax valuation.** Partnering with knowledgeable third parties can pay off in creative ways to reevaluate the

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value of these assets and lower the value with the county tax appraiser.

Uncovering suspended and escheated funds is a key value proposition of SS&C's MineralWare solution.

The steady royalty checks, "mailbox money," have been a key feature of oil and gas rights for generations, but there was limited ability to ensure accuracy. SS&C's MineralWare software applies technology to the management of hard-to-value assets and can ensure proper payments and track ownership deeds across generations.

To ensure that an asset holder is properly paid, suspended and escheated funds come into play. When the revenue of a producing asset is not actually going to the rightful ownership stakes, it may be placed into suspended and escheated fund accounts.

MineralWare makes it simpler to track and monitor assets, with advanced mapping technology that includes the wells on the lands owned. It enables the cross-referencing of that information with payments received to uncover inaccuracies. When discrepancies are uncovered, the wealth manager can assist in gathering documents and presenting them to the payor or operator.

Over the last decade MineralWare clients have recovered at least \$4-5 million in suspended funds.

"We are essentially a software to help those that own and manage these kinds of oil and gas assets to bring it to the 21st century, to essentially apply technology to make the management of these hard-to-value assets a little bit easier."

Sam Katigan, SS&C Innovest

Applying wealth management to ownership of these assets enhances the value in other ways.

Advisors' value proposition to clients is realized in multiple ways in assisting in understanding and capturing the value from these unique assets.

Value proposition of advisors for these assets	
Discover assets	When owners die and leave assets to a trust, oil and gas assets are not always properly titled to the trust. This can persist undiscovered for years, and there can be successor trustees and successor trusts, until at some point someone realizes there was an asset years ago.
Reevaluate ownership to properly track and report revenue and expenses	There is no uniform means of tracking mineral interests as units of land, or in the property descriptions of deeds or leases. Individual wells are sub-assets within the described metes and bounds. Often these interests are not tracked in the most efficient manner that reflects the actual operations on the ground, so wealth management can help trustees organize the assets to optimize that tracking.
Distributions and divestiture	When a trust eventually terminates, the assets are divested to the final beneficiary. Advisors can assist by liaising with law firms, trustees, and beneficiaries to identify the assets, and can draft and record deeds to ensure the trust agreement is followed accurately.

Technology facilitates effective management of ownership and costs associated with operating wells.

Owners of these assets fall into three common buckets:

- Individuals or trusts through generational wealth transfer
- Groups that set out to acquire these assets for their portfolio
- Nonprofits, such as universities and hospitals, that have received a gift

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An operator drilling a new well may invite investors to take a working interest ownership stake and assume costs associated with drilling the well. The venture shares the risks and costs, typically through joint interest billing (JIBs).

MineralWare facilitates tracking of JIBs to ensure that all venture participants pay their fair share based on their working interest ownership, which is especially helpful for recipients of working interest assets who may want to divest them, such as nonprofits seeking to de-risk their portfolio.

Activities undertaken in management of these assets span a variety of aspects of ownership.

The expertise applied to these assets by SS&C Innovest can take a number of forms.

- Lease negotiations are vital because mineral owners don't get paid unless oil is pumped out of the ground, and leases play an instrumental role. Expert service teams seek to facilitate negotiations to extract the value, but also protect the interests of the royalty owners they represent.

Innovest's experienced and dedicated service teams review leases with a rigorous checklist built on experience. These leases are often in operation until the well stops, so they need to last for decades.

"If we're getting in the way of the operator from producing the oil, then we're getting in our own way of receiving the revenue."

Taylor Franklin, SS&C Innovest

- Curing title defects, tracing from sovereignty to present day, is another key service. It is an ongoing process to ensure that all title is accurate, and curing is necessary whenever there is any error in the chain of title. This service often partners with title curative

attorneys, and can involve reprobating wills and modifying trusts.

- **Millions of mineral owners in the U.S. lack any standard way to automate revenue and address delinquent and missing payments.** Helping automate revenue and apply technology to ensure accuracy and identify inconsistencies is a valuable service desired by high-net-worth individuals, beneficiaries of generational wealth transfers, and aggregators acquiring large stakes. This service helps to resolve delinquent payment and address errors in title.

"Certain family members may not be getting equal shares. Mistakes like that happen. So being able to resolve those things on behalf of your clients is definitely something that is important."

Sam Katigan, SS&C Innovest

SS&C Innovest brings together a team of experts to effectively manage these assets.

The expertise and resources necessary vary with the complexity and number of states of the assets being tracked. Some typical managed service activities include landmen, lease analysts, and revenue and expense specialists.

The ability to apply a collection of tools and an array of experts, and to assess the asset holistically, is a valuable managed service. Innovest operates on a revenue-sharing fee structure with no hourly rates.

ADDITIONAL INFORMATION

To learn more, visit:

- [SS&C Innovest](#)
- [MineralWare](#)

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BIOGRAPHIES



Taylor Franklin

Oil and Gas Portfolio Manager, Unique Assets, SS&C Innovest

After graduating from Texas Christian University, Taylor served as a U.S. Navy Intelligence Officer for nine years, deploying with Strike Fighter Squadron One-Thirteen on the USS CARL VINSON during Operation Inherent Resolve. He later transitioned to law, earning his Juris Doctor from St. Mary's University, where he was an editor on the Law Journal. He specializes in oil and gas and estate planning, with experience as a title examiner and litigator. Currently, Taylor is a Mineral Manager and Trust Advisor at SS&C | Innovest, where he assists clients with oil and gas assets. In 2023, Taylor became a Registered Mineral Manager through the National Association of Royalty Owners.



Sam Katigan

Vice President, Unique Assets, SS&C Innovest

Sam L. Katigan serves as the Vice President of Unique Assets at SS&C Innovest, a division of SS&C Technologies. He launched his career as a land analyst with MineralWare, a leading unique asset management platform known for its comprehensive income management and streamlined reporting, forecasting, and analysis for minerals, royalties, and non-operated working interests. Since MineralWare's acquisition by SS&C Innovest in 2022, Sam has held various roles, enhancing his expertise in the unique assets rights and management sector. In his current position, he is responsible for overseeing the platform's development and its integration with SS&C Innovest's broader trust and private wealth solutions.

Sam earned his Finance degree from Texas Christian University (TCU).



Pete O'Brien, MBA

Senior Vice President, Unique Assets, SS&C Innovest

Pete O'Brien, MBA, serves as the Senior Vice President of Unique Assets for SS&C Innovest. With over a decade of expertise in the oil and gas sector, Pete has demonstrated a strong dedication to managing interests in minerals and royalties. His leadership has been instrumental in the growth and success of SS&C MineralWare, enabling the platform to serve a diverse clientele, including trust companies, financial institutions, universities, high-net-worth individuals, and mineral and royalty acquisition companies across the U.S.

Pete holds a Bachelor's Degree of Political Science from Santa Clara University and a Master of Business Administration from the Satish & Yasmin Gupta College of Business.



Susan Lipp

Editor in Chief, Trusts and Estates Magazine (Host)

Susan R. Lipp is editor in chief of Trusts & Estates magazine, the WealthManagement.com Journal for estate-planning professionals. She oversees both the print and online version of T & E, as well as the monthly e-newsletter articles.

Susan served in leadership positions at Vendome Group, LLC (formerly Brownstone Publishers, Inc.) with editorial responsibility for publications and newsletters. Following her tenure at Vendome Group, Susan joined Community Housing Improvement Program (CHIP) as General Counsel, where she was editor in chief of its monthly newsletter and implemented initiatives to educate members on legal requirements. Susan began her career at Rosenberg and Estis, P.C., a real estate law firm in New York City.

Susan holds a Bachelor of Arts in Sociology from Brandeis University. She received her Juris Doctor Law degree from Hofstra University School of Law, graduating with distinction and having served as Associate Editor of the Law Review. Susan is admitted to practice law in New York State and is a member of the New York State Bar Association.