

Wealth Planning **Update**

Preparing the next generation for wealth

Six conversations to have with your heirs



Over the next 30 to 40 years, \$30 trillion in financial and non-financial assets is expected to pass from the baby boomers—the wealthiest generation in U.S. history—to their heirs¹. How can you successfully transfer your wealth to future generations? In addition to creating a will and estate plan, you can take steps to make sure your heirs are equipped to manage wealth and to understand what your wishes are for the assets they receive. In short, you can position them to become good stewards of the money they inherit. Below are six conversation starters that can help you prepare children, grandchildren and others to receive an inheritance.

① Managing our family's money is a big responsibility.

You may have been taught that discussions about money are taboo or you may simply be uncomfortable discussing your children's inheritance with them. However, it's important that your children understand the time and effort that goes into managing the family's wealth. One way to pass on this knowledge is through regular family meetings designed specifically to talk about money as a family.

The sooner you start these conversations, the better. Begin when your children are young if you can, but know that it's never too late. Paying an allowance and opening a custodial bank account are two ways to start the conversation with younger children. Think about the values you were raised with and what values you want to pass on to your children. Then, communicate those values at appropriate times. For older children, your discussions can center on money management and investing.

Whenever you begin, make family meetings a regular event. Ongoing meetings give you a chance to explore topics in greater detail and allow time for questions.

The sooner you start these conversations, the better.

② Before you inherit wealth, you should have basic money skills.

To help ensure that your heirs make the most of the wealth you pass on, start by equipping them with basic money management skills. Instill in them your values around savings, spending, budgeting, investing and handling credit. If you don't feel equipped to teach your children these skills, explore classes at local libraries, books or other resources. Or, ask your financial professional or tax advisor for help. Here are some topics to consider:

- Saving and investing money
- Getting paid what you're worth
- Spending wisely
- Creating—and living within—an appropriate budget
- Using credit wisely

③ Wealth is meant to be shared.

If philanthropy is important to your family, sharing your charitable giving goals with your heirs can ensure they continue to use the money they inherit to positively impact others. Whether you set up a family foundation or choose individual charities to support, communicating your giving philosophy with your heirs can make it easier for them to continue your legacy.



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④ You may not each receive exactly the same amount of inheritance in the same form.

If you have multiple heirs, is there one who would like to continue in a family business but others who aren't involved? Do any of your children seem to feel "entitled" to the family wealth or fail to have a sense of responsibility when it comes to money? Communicate to all involved that you will do your best to equalize their inheritances but that you plan to take steps to make sure the assets are not squandered.

- Consider leaving less cash and other assets to children who will inherit part of the family business.
- Make special arrangements for spendthrift children or grandchildren, or those who struggle with substance abuse or other problems, including the use of trusts to manage how and when money is distributed over time.
- Consider gifting a portion of your money to children during your lifetime so they receive it gradually rather than in a lump sum.

⑤ Financial and tax advisors are important to financial planning.

One of the most valuable assets you can pass down to your heirs is a relationship with your financial professional and your tax advisor. As soon as your children or grandchildren reach working age, begin to include them in meetings with the people you trust to advise you on financial decision making. In this way, your heirs learn firsthand:

- How to express goals and concerns to financial professionals
- What you expect they will do for you
- What you don't expect them to do

Through these meetings, you can gradually begin to include your children in the decision-making process or allow them to take on responsibility for certain aspects of the family wealth while you are available to oversee.

⑥ Protect the family wealth; be careful who you trust.

Along with making introductions to your trusted advisors, you can warn your heirs to be mindful of trusting others with their money. There are likely to be people who know about the family's wealth and have "great" ideas for how to use it—perhaps even those close to the family. While some of those ideas might be worthwhile, many of them are likely to be futile. Help your children to understand that it's easier to lose money than to earn it back.


In summary, successful wealth transfer plans not only facilitate the transition of wealth but also equip heirs to manage their inheritance wisely. Using regular family meetings as the foundation, you can begin the process of sharing your knowledge, values and philosophies about money. In the end, your heirs will use the money as they want, but laying a strong foundation can help pave the way for them to use it wisely and to pass on your values to future generations.

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"Source: "Promises, problems on horizon as \$30T wealth transfer looms" CNBC. <https://www.cnbc.com/2017/02/16/promises-problems-on-horizon-as-30t-wealth-transfer-looms.html> Accessed 12/21/17

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