

Wealth Planning **Update**

Are you prepared?

Children and grandchildren need to get ready for their roles as inheritors.



For many high net worth families, amassing wealth may be the easier part.

Passing down the knowledge and tools necessary for a successful wealth transition, that's where things get difficult. Wealth creators can be busy with their businesses and community obligations and neglect this important step or, more commonly, simply don't know how best to start.

As an inheritor, this can leave you in an awkward position, not knowing what's expected of you, what role you should play and how you should prepare. It's an all too common situation. According to the survey, *Preparing heirs: five steps to a successful transition of family wealth and values*, by Williams & Preisser, a quarter of heirs feel unprepared for their roles.

Empower yourself with knowledge and skills to help yourself and the wealth creator make the best decisions for themselves and your family's legacy.

An inheritance is a challenge

Do your parents like your taste in music? Do they have the same views on community involvement? Parents and children have different opinions on many things and an inheritance may be one of them. When we work with families of wealth, we see four main challenges:

① **Sense of entitlement.**

Parents may worry that wealth will undermine their children's ambition and financial responsibility. They want to ensure that inheritors will be good stewards of the wealth. As a result, they may want to parse out your inheritance only after you hit certain milestones such as a college graduation or a certain income threshold which demonstrate ambition and values. You, on the other hand, may feel that an inheritance should come with no strings attached.

② **Heirs' differing needs.**

Parents generally hope to treat their children equally or fairly. However, within each family there are bound to be differing capabilities and needs. It can lead parents to consider providing for inheritors differently. For example, you might have a sibling with a chronic illness or you may have a sibling earning a smaller salary because they chose to be an artist or teacher or work for a not-for-profit.

These differences may lead your parents to consider providing a bigger inheritance to your sibling to ensure lifetime support and an equal comfort. Unless you understand the reasoning, you might take offense about your smaller share.

③ **Grandchildren.**

Your parents might struggle with how to divide their estate equitably if you and your siblings have a different number of children. Often grandparents seek to treat all grandchildren equally, but this could mean one sibling's family receives a larger share if they have more children. Again, it is important to understand the philosophy here to avoid strife.

④ Lump sum or extended distribution.

Parents may worry about leaving lump sum payments if their children haven't achieved a certain level of maturity. They can also be concerned about protecting inheritance from creditors or ex-spouses. For this reason parents often consider trusts to protect your inheritance for your benefit.

The key to tackling these challenges is open communication, giving parents an opportunity to explain their intentions and allowing you to understand your parent's intentions as well as to have the time to learn the skills you need to become a responsible and prepared inheritor.

Tell me a story—the tale of the family values, vision and mission

Everyone loves to talk about themselves, especially people who've lived exciting lives and built successful businesses and careers. While your parents may be reticent to open up about their estate plan, how much they have and how much they intend to leave you, chances are they will relish the chance to tell their story.

Storytelling sessions aren't about dollars and cents—that part comes later. Instead, it's a chance to learn about your family's unique journey so that you can appreciate the values, vision and mission that led to the creation of the wealth as well as where you fit in.

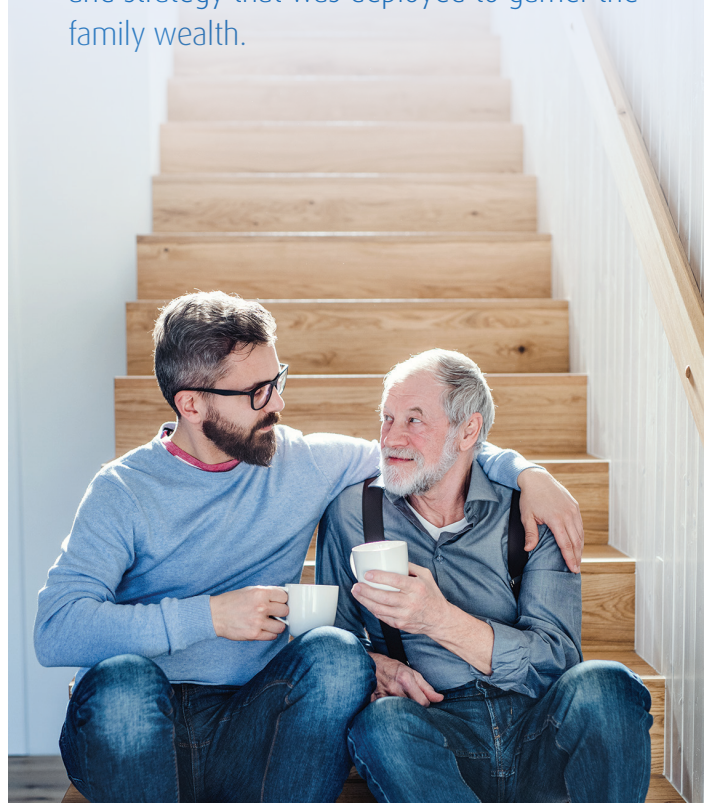
Remember that each generation and each person has a preferred communication style. To glean as much as possible from your parents' storytelling, make sure you're communicating in their preferred style. Skip the Tweets if your parents place a premium on face-to-face communication. On the other hand, your parents might prefer to write you a letter or a short memoir detailing their life.

Also recall that different personality types have a preferred approach. For example, some family members may be very detail oriented whereas others may be more about the big picture and punchline. Taking into consideration personality preferences can also help to facilitate the best open communication.

As you talk, keep these things in mind:

- Be empathetic and respectful.
- Inquire about how your parents created their wealth.
- Ask about the challenges they encountered and how they overcame them.
- Find out about what they consider to be their greatest accomplishment (the answer may surprise you).
- Ask if they have any regrets.
- Listen more than you talk.
- Consider what is similar to your values, vision and mission and how they differ to best bridge what you have in common.

The key to engaging in family storytelling is that within the family story, are the values and strategy that was deployed to garner the family wealth.



The family blueprint

Once you understand the family story, you can move to the next phase. Work with your parents to help them more clearly articulate and document their vision, mission and values for the family, if not already done, as part of outlining the overall family blueprint.

A family blueprint can include a family tree, mission statement (family goals and objectives), family entity diagram, family balance sheet, income tax projections, cash flow projections and an outline of the estate disposition. It can be a guiding document for not only the values your family holds dear—but also how the assets, cash flow and estate disposition serve that purpose. It can also help you to see your roles and responsibilities within this family construct.

For example, if running a successful business is central to your family's values, the family blueprint helps to lay out the roles that family members can play.

Likewise, if one of your parents' value towards philanthropy is education funding, the family blueprint can help to instill the sense of generosity and gratitude in younger family members and counter the sense of entitlement your parents may worry about. The family blueprint can articulate what form that philanthropic intent will take. It allows the younger generation to learn about money management and due diligence in a supportive environment, under the watchful eye of a matriarch or patriarch.

A family blue print is an evolving document reflecting market conditions, changing family dynamics, life events and philanthropic focus. It will be revised time and again as things change but can be not only a benchmark for the family to be strategic in moving toward family goals and objectives, but also a means to educate family members regarding the wealth enterprise.

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The business at hand: the family meeting

With an understanding of your family's story, you are ready to delve deeper into conversations about wealth transfer. Use the structure of a family meeting to provide the space for that to occur. Family meetings can be an opportunity for information gathering and working together to resolve potential problems.

Some families have well established, open lines of communication. Their family meetings can be as simple as a hike in the woods or a Sunday brunch—pretty much any time they gather together. Other families prefer a more formal approach. They might want to set aside several times throughout the year to discuss family business.

Regardless of how your family conducts its meetings, make sure there's an agenda so nothing falls through the cracks and assign action items for each member to tackle before the next meeting. If your family is finding it difficult to get started, consider using a neutral third party to facilitate a family meeting.

As your family moves forward with the wealth transfer process, your parents can start assigning roles to different members based on their interests and skillsets. In general, there are four roles within a family's wealth transfer that can be filled by members of the next generation: beneficiary, trustee, steward and shareholder. Oftentimes, family members play one or more of these roles and should understand the different hats they might wear in playing each of these roles.

Final thoughts

In a perfect world, parents would have a well-thought out plan for wealth transfer, explain their intentions and help their heirs learn their roles and responsibilities. But life doesn't always unfold in an orderly way or provide such a roadmap. Sometimes, inheritors may need to step in to play a more active role so they can empower themselves to be educated, responsible and prepared.



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