

Planning Through the Generations

Overview: Multigenerational planning involves the transfer of wealth, but it also extends to intangible concepts such as family values and legacy wishes.

Conversations about multigenerational planning begin with the first generation. The success of an estate plan can depend on whether the details of that plan have been properly communicated to family members. Therefore, it is helpful to be educated on how the estate plan works, proper steps to take and how wealth will be transferred to following generations.

Three main questions help establish a framework for subsequent discussions:

- 1) What are the goals and objectives for the estate?
- 2) How is the estate plan designed to serve the family?
- 3) Does the original estate plan match the current financial situation?

Transferring Wealth to the Next Generations

Once you are comfortable with how the estate plan functions, talking to the second generation (in most cases, your children) is an appropriate next step. The tendency might be to focus on issues that are strictly financial in nature, not on preparing them for their impending responsibilities. An estate plan is likely to fail if family members are unprepared or communications break down within the family unit.

The following questions can be useful when thinking about how to start a conversation:

- Are you comfortable sharing details of your estate plan with your family? Are you comfortable sharing information with the spouses or partners of your children?
- Have your children been informed that a plan is prepared? Have they read it?
- Do they know your advisor and attorney?

Family members should be aware of the responsibilities of wealth and the impact it has on the family. A wealth transfer is more likely to be successful when there is a plan in place to prepare them for future responsibilities.

When estate planning extends beyond children to the next generation, it often involves providing for future education costs. For grandparents who wish to provide financial support for their grandchildren's education expenses, generation skipping can be a useful tool.

Strategies to Help Prepare the Next Generations

If you hesitate to involve the next generations because of their inexperience with money, the following can be starting points:

Inexperience with handling money and managing budgets

- Include family members in the management of assets before a wealth transfer occurs.
- Give family members the opportunity to read all estate plan documents and ask questions about their contents to gain a better understanding of what will occur with the transfer of wealth.

Concerns about overemphasis on material possessions

- Invite younger children to become involved in philanthropic activities by making monetary donations and volunteering their time.

Concerns that spending will lead to overspending

- Set different distribution start dates for each individual instead of using a generic age.

Calling a Family Meeting

When the entire family participates in important decisions, others in the family will begin to recognize that family unity is something to be valued. This requires that the family communicate regularly with a majority of conversations being productive and positive.

The benefit of family meetings is to discuss how the estate plan works as well as bringing the generations together. All family members can be informed about how they will be affected and what the plan will look like when triggered. Family meetings can also help set the expectations of values and ethics, spending, charitable giving, and planning for future generations that are to be carried on throughout the family legacy. A family meeting also opens up a dialogue if there is a need to create a separate trust for children or grandchildren to protect the family wealth from potential problems.

Advisor Support Roles

As family needs dictate, an advisor can be there to offer assistance, support and expertise by:

- Reviewing the current estate plan to ensure it matches your defined multigenerational planning goals and objectives
- Working with your attorney to relay how your goals and objectives should be incorporated into the estate plan
- Establishing a relationship with your children to act as a resource as they experience life events such as purchasing a new home or motor vehicle, and planning for their children's education
- Preparing for or facilitating family meetings
- Addressing goals that require charitable gift planning, such as gifting an overall percentage of the estate to charity or gifting a future lump sum, which can be included in the estate plan with tools such as donor advised funds, charitable remainder trusts and gifting of appreciated securities

Conclusion

The primary purpose of planning is to efficiently transfer family wealth. As a sometimes unexpected benefit, openly discussing goals and objectives can also strengthen relationships throughout the entire family.

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