



## **The Great Wealth Transfer: Are Your Children Ready for Your Wealth?**

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***An estate plan can transfer wealth, but it cannot prepare the next generation to manage it responsibly. Turn beneficiaries into capable financial stewards before the wealth transfer occurs.***

If you have spent decades building significant wealth, you have probably spent considerable time thinking about how to protect it, grow it and eventually pass it on to your children. You may have developed a sophisticated estate plan, established trusts, reviewed beneficiary designations and worked with your advisors on potential tax consequences.

But there is another question that is often overlooked:

### **Are your children prepared to receive it?**

The transfer of wealth is about much more than determining who gets what. For high-net-worth families, it is also about preparing the next generation to responsibly manage, preserve and build upon what previous generations created.

An estate plan can transfer wealth: **It cannot transfer experience or judgment.**

### **Preparing the Next Generation**

Consider a family that has accumulated \$30 million over several decades. The parents may have spent a lifetime learning how to invest, manage risk, navigate market cycles and make difficult financial decisions. Their children may be highly successful in their own careers, but that doesn't necessarily mean they have experience managing wealth on that scale. Suddenly, they may be responsible for concentrated stock positions, private investments, real estate, trusts, business interests and significant charitable commitments. That can be a substantial responsibility.

This is why I believe preparing heirs should be viewed as an important part of the wealth-transfer process, not something that happens after the estate plan is complete.

### **Have You Talked to Your Children About Your Wealth?**

For many families, this is one of the most difficult parts of wealth planning. Parents may worry that discussing their wealth will create unrealistic expectations or diminish their children's motivation. Others aren't sure how much information to share. Those concerns are understandable, but avoiding the conversation entirely can create problems of its own.

A child who has never discussed the family's wealth may eventually find themselves responsible for assets they don't fully understand. They may not know why certain assets are held in trust, how the family's investment strategy was developed or who to turn to for advice.

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The conversation doesn't need to happen all at once. As children mature, discussions can gradually evolve from basic financial responsibility to investing, philanthropy, family values and eventually the family's broader financial picture. The goal isn't necessarily to disclose every detail of the family's balance sheet; it is to provide context and preparation.

### **From Beneficiary to Steward**

One distinction I believe is particularly important is the difference between being a beneficiary and being a steward. A beneficiary receives wealth, whereas a steward takes responsibility for it. That doesn't mean the next generation shouldn't enjoy the benefits of their inheritance. Wealth can provide tremendous opportunities, from financial security, education, entrepreneurship, philanthropy and the freedom to pursue meaningful goals. But significant wealth also comes with responsibilities.

What should remain invested? What should be given to charity? How much should be spent? How should investment risk be managed? What should eventually be passed on to the next generation? These are decisions that require judgment. The earlier children are exposed to those conversations, the better prepared they may be when the responsibility ultimately becomes theirs.

### **What Does Your Wealth Mean to Your Family?**

Another important question is one that often receives less attention than taxes and estate structures. What do you want your wealth to accomplish? Every family is different.

For some, wealth is primarily about financial security. For others, it is about creating opportunities for education, entrepreneurship or philanthropy. Some families want to preserve a business or family property. Others want future generations to have complete freedom to chart their own path. When children understand not only **what** they may inherit but also **why** the family accumulated and structured its wealth in a particular way, they are better positioned to make thoughtful decisions themselves.

### **Equal Doesn't Always Mean Fair**

Another difficult issue is how wealth should ultimately be divided among children. Equal treatment may be appropriate for many families. But children often have very different financial circumstances. One may have accumulated significant wealth independently. Another may have chosen a career that provides less financial compensation and security. One may be involved in the family business while another has no interest in participating.

The important thing is to think through these issues while everyone is healthy and able to participate in the conversation. Difficult conversations today can help prevent misunderstandings later.

### **The Right Structure Matters**

For substantial estates, how assets are transferred can be just as important as how much is transferred. Trusts can provide flexibility, asset protection and continued oversight. They can also help families address

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the different circumstances of individual beneficiaries. The appropriate structure will depend on the family and the beneficiary. Factors may include age, financial maturity, marital circumstances, creditor exposure, investment experience and the size and nature of the inheritance.

The choice of trustee is also important. A trustee may be responsible for overseeing significant assets and interpreting the family's intentions for many years. Choosing the right person or institution deserves as much consideration as the trust structure itself.

### Bring the Next Generation into the Family's Advisory Team

High-net-worth families often have a team of professionals helping manage their financial affairs: wealth advisors, estate attorneys, CPAs, insurance professionals and others. The next generation should eventually know who these people are. They don't need to become experts in tax or estate planning, but they should understand the family's financial structure, know why certain decisions have been made and, importantly, know who to call when questions arise. Ideally, those relationships are established before they are needed. That can make the eventual transition much smoother.

### Five Actionable Items to Consider

Every family is different, but I believe there are five important steps to consider when preparing for a significant wealth transfer:

- 1. Start the conversation early.** Financial education should begin well before an inheritance.
- 2. Teach financial responsibility.** Give children opportunities to make financial decisions and learn from them.
- 3. Discuss the family's values.** Help the next generation understand what the family's wealth represents and what you hope it will accomplish.
- 4. Coordinate the planning.** Estate, tax, investment, insurance and charitable strategies should work together.
- 5. Introduce the next generation to your advisors.** Building these relationships early can provide valuable continuity when responsibility eventually changes hands.

### The Goal Is More Than Transferring Wealth

For families who have spent decades building significant wealth, the objective of wealth transfer is rarely limited to minimizing taxes or maximizing the assets passed to heirs. The broader goal is to create a lasting legacy, which requires thoughtful estate planning, tax planning and investment management. But it also requires communication, preparation and trust among family members.

### Wealth can be transferred in a moment. Stewardship takes years to develop.

The most successful wealth-transfer plan is therefore one that prepares both the **assets and the people** who



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will ultimately inherit them because ultimately, your legacy isn't defined solely by what you leave your children. It is also defined by how well you prepare them to carry it forward. ■

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