INTEGRATED WEALTH MANAGEMENT
FORWARD THINKERS

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# Fanning the flame of the family wealth: Now that your affairs are in order, what about the children's

If you have adult children, chances are they are in conversation with someone about money. They are participating in their company's benefits packages, investing in the stock market and possibly talking to someone about life insurance. Who are they speaking with? What is the quality of the conversations and the decisions? How will their actions affect the family wealth once they hold the reigns? What if they aren't having conversations at all?

Think of the family wealth as if it were a business. To remain viable as an entity, the planning must be both strategic and multi-layered. The next generation of management needs to be groomed in advance of the change in leadership. They must be stimulated to make decisions in their own realm so they learn how to make the kinds of decisions you might hope for when they hold the reigns to your realm.

For example, when parents documents are drafted, they typically grant powers of appointment and direct ownership of assets to the kids. However, the children don't necessarily have their own foundational documents in place, such as a Will and A/B Marital Trust . If the child gets divorced or dies prematurely, unless otherwise specified, those powers remain in place. The result is that the careful work the parents have done may be completely undone. Coordination between generations is critical to success.

**Dual opportunities knocking**

The first is for education. We tend to assume that a thirty year old is a bit young for estate planning. However, addressing financial and estate issues now offers a valuable practice period with you present to observe and coach the process .

Consider the wisdom they your children will gain through developing a Will or an effective long-range financial plan. You can stimulate conversation around planning and decision making. The next time they're approached with a financial or insurance opportunity, they will be more likely to come to you for advice and brainstorming.

The second opportunity is for protection. Let's assume they will have a taxable net worth at their death. If they buy life insurance today, it should be placed in an insurance trust outside of their taxable estate. If they're married, their separate and joint property should be appropriately allocated. In the July issue of this newsletter, we will address how adult children should protect the family wealth in their estate documents..

HIPAA consent forms are another crucial document for young adults. Without these forms in place, if a child age eighteen 18 or older has a medical emergency, the doctors may not be allowed to communicate with the parents.

To help you getting started on this multi-generational financial planning, here are some questions to ask yourself and your advisors:

- What planning should the children do currently, now that my plans are in place?
- How can the children be guided to learn about financial and estate planning?
- For each of the realms I have addressed in planning, what could the children be doing (consider charitable, estate, investment, risk management insurance and retirement planning?)?

In order to give these issues due focus, consider engaging your advisory team in a separate, formal financial planning arrangement with a defined scope.

As always, please feel free to call us with questions regarding this or other planning topics.

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