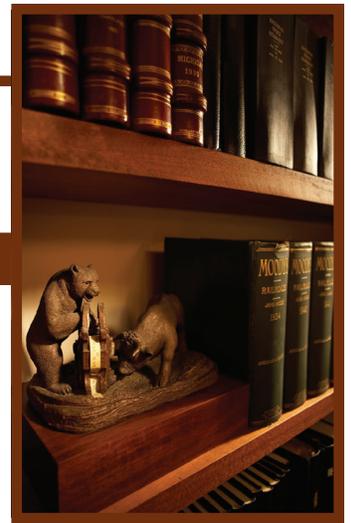


# *The* INVESTMENT LETTER

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## “Disinherit” Your Kids

**W**e approach the generational transfer of wealth in a unique way. Rather than waiting for one generation to pass, we like to start when all parties are still of sound mind and body. We’ve found this approach is good for both generations and typically results in better outcomes, longer lasting wealth and greater client satisfaction.

One of the most challenging aspects of managing money for families is the generational transfer of wealth. Aside from the obvious challenges of having to tread lightly following someone’s passing there are numerous other pitfalls that must be avoided if this is to be done successfully.

The actual transfer of assets from one family member to another is usually the easy part – the real challenge starts when working with the next generation to preserve, protect and grow those assets for them, and ultimately, their children and heirs.

It is in this step where you typically encounter the first signs of roadblocks. Heirs usually have different thoughts about money than one another, and almost universally think about it differently than their benefactors. Additionally, for many this is ‘found’ money and therefore treated and spent differently than ‘earned’ money. It is for these reasons and others that we’ve developed a different and, we believe, better approach to protecting, preserving and growing wealth for multiple generations of families.

Passing familial wealth from one generation to another, in the form of gifting, can be attractive from a tax and estate planning perspective – the details of which we won’t get into here. Our method of gradual inheritance over time also generates substantial benefits for the recipients.

Gifting some money earlier allows any mistakes that the recipient is likely to make (overspending, poor investment choices, etc.) to be made with smaller amounts, hopefully taking away valuable lessons about money when the stakes are higher.

Additionally early inheritance allows heirs to familiarize themselves with investing and working with an advisor, not insignificant experiences considering for some these are their first such discussions. We take great pride and care in educating our clients about investing and money management.

Planning ahead also allows the giver to identify special circumstances that may be beneficial to the long-term financial well being of the recipient. For example, heirs, as most people do, usually have their own challenges, both financial and non-financial, that may require monies to be held in trust or otherwise protected so that it is not at risk for immediate and indiscriminate spending or in some cases outright theft by con-artists or even someone close to them.

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Planning ahead provides the opportunity for the creation of trusts, where necessary. Trusts allow money to be segregated and protected from the other assets of the heir. This is particularly valuable for heirs who may otherwise choose to (or be forced to) debit from the account. One example would be an heir who is going through a divorce; a trust can protect those assets from having to be split in the marriage dissolution. Another example is a spendthrift trust, which can be used to ensure inherited money lasts for the benefit of the heir who may otherwise spend it capriciously.

According to some studies up to 65% of familial wealth is lost by the second generation and 90% is gone by the third generation.<sup>1</sup> A large portion of this wealth is frittered away due to lack of education and guidance with regard to money. When you take lack of sophistication about money management and couple it with the simultaneous influx of cash you have the potential for negative outcomes.

Having a plan to gift smaller amounts to heirs, while you can keep an eye on them, allows heirs to make financial mistakes with a relatively modest budget. This also allows adjustments to the plan to be made should someone who seems to be good with money prove otherwise.

With proper planning the chances of successfully transitioning familial wealth past the second or third generation greatly increases. We work with you to help bridge the gap, educating and working with heirs to plan for their inheritance ahead of time and helping them work through questions or problems they may have.

Don't allow your heirs to be left without direction or guidance. Help them while you can and provide the oversight they need with regard to money matters. We've done it for

many families over our 85+ years and can help provide that same smooth, seamless transition for yours.

Anyone can inherit money, but doing so with a good plan in place allows inherited money to be used prudently and enjoyed for the benefit of family members for many generations to come. ■

<sup>1</sup><http://www.newsmax.com/Finance/StreetTalk/family-wealth-heir-children/2014/06/25/id/579236/>

## INVESTMENT COUNSEL NEWS

### *Inside the Office*



*We are evaluating Y-Charts, a financial research platform, as a new and additional source of data to better manage your portfolios.*

### *Outside the Office*



*Dorothy and her family recently completed a charity walk to raise funds for epilepsy in honor of her granddaughter Abby. Abby's team won awards for having the 3rd largest team and the 3rd highest fund-raising total – congratulations Dorothy and family!*