Multigenerational Planning
Important Conversations to Have about Money

Myth 1: My estate plan is just for me, so I do not need to tell anyone anything about it.

False. While how much you divulge is up to you, being open and honest with your loved ones can help alleviate misunderstandings that could arise after your passing. Sharing this information is especially helpful in three instances:

1. You have chosen to treat individuals in the same generation differently.
2. You have placed additional requirements or restrictions on how your money and property are to be used.
3. You have skipped an entire generation or group or individual that would typically inherit from you (spouse, children, or grandchildren).

Also, if you want your estate plan to benefit multiple generations (some of whom may not even be born yet), it can be helpful to have your loved ones understand what money and property they will have access to and your intentions regarding access for future generations. With a clear understanding of your wishes, your loved ones can take the lead in carrying out these wishes after your passing and make the right decisions about the family wealth that will continue your legacy.

Myth 2: The reason there is no money left at the end of the third generation is because of bad investments.

False. While this may seem like the likely answer, a study by The Williams Group, a family wealth coaching company, revealed that unprepared beneficiaries are one of the major reasons why much of a family's wealth is lost by the third generation, not bad investment strategies.[1] If you want to leave money for multiple generations, it is essential to prepare your beneficiaries. They need to understand what they are receiving and what the ultimate intention is for the money and property you are leaving. You can also prepare your beneficiaries by teaching them proper money management. Not everyone is born with financial competency, and this skill may need to be taught. If a beneficiary does not learn how to manage their money, it should not be a shock when they spend their inheritance in a short period of time.

Question 1: If I tell my family what my wishes are regarding my money and property at death, can I make changes?

Whom you tell about your estate plan does not impact your ability to change your mind. Rather, it is the type of plan you create that will determine the possibility and difficulty of changing that plan. You can amend a revocable living trust or a last will and testament at any time up until you are incapacitated (unable to make decisions for yourself) or you die. On the other hand, there are

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[1] The Williams Group, *Our History*, https://www.thewilliamsgroup.org/our-history.

irrevocable trusts that may be more complicated or problematic to modify in the event you change your mind.

Having an initial conversation with your family about your financial wishes can be nerve-wracking enough; meeting with them a second time to let them know you have changed your mind could be even more so, but it does not diminish the importance or the benefits of being open and honest with them. In general, we recommend that families hold an annual meeting to discuss the family wealth, just in case a change occurs, or if nothing more, to get together regularly and spend time together.

Question 2: If I leave money to my grandchildren and they know about it, will this disincentivize them to go out and work?

This is a common fear among clients. You have worked hard to build your wealth and you want your gift to be a blessing, not a curse that stunts the potential of future generations. The state's plan for your money and property would give it all outright to your heirs, without any restrictions, unless the person is a minor. However, when you create an estate plan, you get to set the rules. You can choose to include provisions in your plan that would incentivize certain behavior, such as requiring that a grandchild graduate from an accredited college or university, or be employed full-time by the same employer for over a year, in order to receive money. If a grandchild meets such a standard, it can serve as a good indication that your grandchild is well on their way to being a productive member of society.

Question 3: Is it better to treat loved ones fairly or equally?

The answer to this question will depend on your unique situation and may take some soul-searching on your part. For some clients, it is crucial that they treat everyone in the same generation (children or grandchildren) equally to avoid family conflict after the client is gone. If this was the client's parenting philosophy while raising their children, the client may consider it essential to ensure that each person receives equal access to the money and property after the client's death.

Other clients believe that because everyone is different, the money and property left to the generations should be used to make sure that everyone has the same access to opportunities and advantages in life. One child may make more money than a sibling, or one grandchild may have special needs while the other grandchildren do not. The client may determine that someone who has paved their own way and is successful in their own right does not need as much as someone who is financially struggling.

It is important to remember that there is no right or wrong answer to this question. By considering your values and the type of legacy you want to provide to future generations, the answer will make itself known to you. We have walked many clients through the many available options to help them answer this question and craft a plan that matches their values, and we would love to do that for you as well.