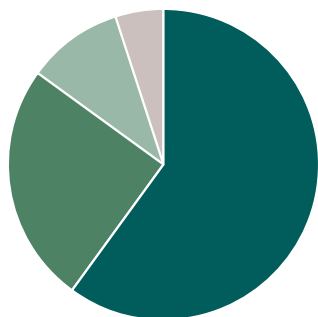




FORGET ESTATE PLANNING DOCUMENTS, I WANT TO PLAN A LEGACY!

Did you know 70% of wealth transfers fail by the third generation? Another way to think of this is the family goes from shirtsleeves to shirtsleeves in three generations. The first generation rolls up their shirtsleeves and works hard to create wealth to be transferred to their children. But, by the time the grandchildren inherit the wealth, they are back to struggling and rolling up their shirtsleeves to make ends meet. What a terrible thought! All your hard work and sacrifice can disappear within three generations. Many financial planners and attorneys spend their time selecting investments and drafting estate planning documents that minimize taxes or control how the money is used after their client passes. But if 70% of those transitions fail, is that the right approach? Why do 70% of wealth transfers fail? The results might surprise you.

A great book called *Bridging Generations* summarized the results of a study of 2,500 families. The authors work together in a company called The Williams Group. They wrote this book after 20 years of coaching families. The authors' goal was to determine the factors that caused wealth transfer failures and show the reader how to prevent them. Here is what they identified as the reasons wealth transfers fail:



- Trust & Communication Breakdown 60%
- Failure to Prepare Heirs 25%
- No Family Mission 10%
- All Other Causes 5%

A silver lining in the research is the largest reason transitions fail can be remedied: a breakdown of communication and trust. *Bridging Generations* lays out some great advice on how to repair any trust or communication issues. The starting point is a 10 question quiz. Each family member should answer the questions anonymously. If you would like to see the quiz questions, click here ([Wealth Transition Quiz](#)). The purpose of the quiz is to reveal where there are any trust or communication issues. Once the issues are identified it is easier to address them as a family.

After you work through any issues as a group it's not a bad idea to meet with your heirs one-on-one. The meetings can help identify trust and communication issues. The heir can describe what they see as your legacy and describe what their hopes and dreams are. You can also assess their strengths and determine how they can fit into the family dynamic. You can see that these conversations aren't about how the heir needs to improve their financial skills, but is focused on how to get them on board with the purpose of the wealth, your legacy. The results of the research show communication and trust can prevent behavior that otherwise would have caused the wealth transfer to fail.



You may not know what your legacy is, so a good place to start is to identify what values your family holds. The Williams Group recommends a free Life Values Inventory. The inventory is comprised of 42 values and you rate whether they influence your decision making. It should take approximately 5 minutes to complete. The exercise might be a good jumping off point. As the family leader you are trying to identify what is important to you and the family. Reviewing these results together will help you bond as a family as well as create the beginnings of a family mission statement. Not having a family mission statement is one of the factors The Williams Group identified that causes wealth transfer failure. While the research shows that only 10% of the wealth transfer failures stem from not having a family mission statement, one could argue the process of creating a family mission statement will help the family to create trust and foster communication. Breakdown of trust and communication is the primary factor for failure. Think of it as killing two birds with one stone.

After creating a family mission statement, the Williams Group suggests you define each term. This helps clarify the mission statement in the family's mind as well as providing a road map for your wealth transfer team. The clearer your objective the easier it is for your attorney to draft appropriate documents and your wealth advisor to select investment vehicles. Turns out we've been doing estate planning backwards. Focus on legacy first, then draft documents to match. Research shows trust and communication will help prevent wealth transfer failure. Many people don't want their grandchildren to struggle to build wealth like they did. Instead they want them to thrive and improve the world because of their wealth creation efforts. Focus on a family that has purpose outside of money as you create your legacy.

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