



A Legacy of Wealth *and* Purpose

I like a good plan. More than that, and in the words of Colonel John “Hannibal” Smith of the A-Team, “I love it when a plan comes together.” Planning is one of the many reasons I became an estate planner.

Recently, I have found a new appreciation for estate plans that not only pass along a family’s hard-earned wealth, but also make room for understanding a family’s legacy: a family’s history, ideals, and values. Sixty percent of families waste their wealth by the end of the second generation, and 90 percent have little or nothing left of the money received from their grandparents. The goal of legacy-focused estate planning is to stop the wealth destruction cycle of “shirtsleeves to shirtsleeves in three generations.” This approach is based on a philosophical belief that if you love them, you should pass more to your descendants than just your assets.

In the words of Tim Voorhees, “The availability of money tends to undermine the pursuit of higher purpose.” If money becomes the focus, it is unlikely that the legacy creating it can be sustained. It’s like an architectural engineer who creates blueprints to build a bridge but does not share the design with the individuals needed to keep it strong for generations. These blueprints are your estate and financial plans coupled with your legacy. Together, they enable your family to not only enjoy the wealth you pass on, but to pursue its higher purpose.

A legacy is the collection of values, memories, morals, contributions, and achievements that make up who you are and what your family stands for. I like to think of it as passing along the family identity. Like a tapestry, it changes with the addition of each new thread, but it is bound together by an overarching theme that stands the test of time. Family history, values, and ideals are the plans that allow your family to take their inherited wealth and invest in a bright future.

*Your legacy is about more than
just your balance sheet*

If you have not created a plan that communicates your legacy, you are not alone. A 2011 survey by U.S. Trust noted that 52 percent of wealthy baby boomers who were parents had not fully disclosed their wealth to their children, while 15 percent had disclosed nothing about the family wealth. When asked why, 31 percent of respondents said they had just never thought about it.

I encourage you to carefully think about your family legacy and share it with your family and your wealth planning professionals. In the 2011 U.S. Trust survey, 84 percent of parents responded that their children would benefit from discussions with a financial professional, yet 60 percent had never introduced their children to their professional advisors. In today’s age of hyper electronic communication, face-to-face meetings still matter. Help your estate planning professionals understand your family dynamics by bringing the younger generation along.

Prepare your family to receive its inheritance. Don’t fall into the group of people who have never discussed legacy goals with their financial professionals either. If you have substantial wealth, you need a trusted group of professionals around you. Instead of relying on these professionals solely for investment, tax, or legal advice, rely on them to protect your wealth and your family by sharing your values on how your wealth was accumulated and how you hope to see it pass to future generations.

The best start for ensuring the younger generations are ready to adopt the family legacy as their own is to first provide the guidance needed for your children to manage their own financial affairs properly. As they build the skills and confidence needed to handle their own funds, they will be better prepared to someday handle yours and be ready to pass along the legacy to the next generation. It is natural for parents to be reluctant to share their plan with their children. Comfort to do so is increased when seeing your children acting responsibly with their own funds. Your children should be working with a financial advisor long before being called on to take a role in your estate plan.

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One of the worst things we see is family wealth being diminished by subsequent generations due to their lack of understanding the family story. Far too often as we settle estates I hear an adult beneficiary say, “That’s not how mom would have wanted it.” Unfortunately, what the child thinks mom wanted is often not what she specified in her estate planning documents. Open dialogue about family legacy goals can prevent this. The professionals at Trust Company would be honored to start the discussion to ensure your family’s legacy plan comes together. 📞



Jamie O'Shields
Asst. Vice President