Passing the Lessons of Life to your Children and Grandchildren

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I am privileged every day to meet with amazing and accomplished estate planning clients who share stories of sacrifice, savings and giving back. Many also express similar thoughts regarding the next generation not learning the same lessons they had to. While financial advisors and attorneys cannot replace the knowledge and knowhow that parents provide to their children, professionals can be helpful in working with parents to set up an estate plan that helps teach the concepts of budgeting, saving and giving back. Also, the estate planning process forces parents to address the topics many would rather avoid: whether a child, grandchild or other loved one can truly handle the funds they may inherit and will they be good stewards with the funds in their own right.

Those clients who take the estate planning process to heart will provide opportunities to children and grandchildren to invest on their own by gifting funds to them to set up their own Roth IRAs, Charitable Donor Advised Funds and similar vehicles that expose them to the importance of saving and investing for the long-term. Also, through the planning process, every client must come to grips with whether a child and/or grandchild is able to handle the funds being handed down to them and whether they will invest so the assets continue to grow for generations to come. Some clients then realize that a child may likely not be disciplined enough to save and instead will use the funds to pay off debt, buy new material items, or live beyond their means. If a client comes to this realization, they can plan for that child, through attorneys and financial advisors, and have funds set aside in long-term investment vehicles such as trusts. Some clients shy away from the idea of a trust due to the cost; however, when we discuss the alternative of the funds passing to a child who will simply squander it, the cost of setting up and administering the trust clearly outweighs the simplicity of having a child receive the funds outright and spend it on their wants, or even their bad habits (gambling, drugs, etc.). A trust can be a great way for a child to be educated by a trustee (who likely may be a trusted friend or relative with the ability to demonstrate to a child how to invest) on how to budget and who can introduce a child to the appropriate professional advisors (accountant, lawyer, financial advisor) who can also help him or her prudently invest the funds. I have found that when clients have taken the time to introduce their children to their financial advisor, the child is more likely to keep assets with that advisor rather than simply spending it all. Part of this may be a way of honoring a parent's allegiance to their advisor, but also partly because the child is already familiar with the advisor and feel comfortable working one-on-one him or her.

Take the time now to set up a strategy to preserve your wealth which includes having your children meet your estate planning team and expose to them to what you have learned.