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COMPREHENSIVE FIDUCIARY ADVICE



FLASH REPORT

TRANSFERRING VALUES—NOT JUST WEALTH— TO YOUR HEIRS

Many of us have thought about how to best transfer our wealth to our heirs someday. Unfortunately, we see that parents and grandparents with significant assets often don't spend enough time on passing along the values that helped them build, grow and maintain that wealth.

The resulting "values vacuum" can potentially cause some big problems when heirs inherit large sums.

Too often, heirs blow through an inheritance.

Children might become complacent, and might never develop the life skills needed to overcome adversity and generate their own success.

Wealth can even cause some heirs to believe that rules don't apply to them and they shouldn't be held accountable for their bad actions.

That's why it's vital to understand the importance of your values when it comes to your wealth and sense of purpose in life. The good news: There are numerous ways to show your kids the connection between the two so they see the "why" behind decisions made with the family money. Here's how to get started.

CLARIFY YOUR VALUES

The first step to take, if you haven't already, is to get clear on your own values and attitudes toward wealth and success—and which of those values you most want to instill in your family members. After all, if you don't know the values that drive your own behavior in terms of spending, saving, working, investing, being charitable and the like, you can't very well pass those values on to others effectively.

To that end, define the beliefs that you'd like to see heirs adopt and adhere to when making financial decisions in their lives. You can think through this process yourself or work with a trusted advisor to brainstorm ideas. In general, family patriarchs and matriarchs tend to land on a few key values they want to see shared by their heirs.

- **Self-reliance**—the ability to financially "stand on your own two feet"
- **Education**—an appreciation of the value of higher learning
- **Critical thinking**—the ability to navigate through challenges
- **Fiscal prudence**—the knowledge of how to live within their means, make smart financial decisions and grow their wealth over time
- **Motivation**—the drive to work hard to achieve what they most want out of life
- **Philanthropy**—an interest in helping others who need support

Although these are common values, your own list may look somewhat—or very—different. That's okay. The key is to get clear in your own mind which values you want to pass on.

COMMUNICATION AND ACTION

One of your biggest jobs is to have conversations with family members on the subject of money and values so you can begin to instill your beliefs and hopes. Communicate the values you care about, and explain why you see those values as so important to heirs' realizing a good life.

This cannot be a single, one-and-done talk. Instead, have ongoing conversations over many years as your heirs grow and mature. Basic dialogues with a young child about, say, the importance of balancing wise spending with consistent saving might progress into more advanced discussions with adult children about investment strategies, joint accounts with spouses and college funding.

The upshot: Start early, then consistently communicate over time, to help them develop a sense of financial responsibility and motivation to achieve.

Important: Talking about wealth and values doesn't automatically mean you need to reveal your net worth or how much money an heir may one day inherit. You can discuss the importance of being a good steward of wealth without diving into the actual numbers.

PUTTING WORDS INTO ACTION

All that said, if you want your kids to share your wealth-related values, you've got to walk your talk. Here are some ways to do that at various stages of their lives.

1. **Create a formal family values statement together.** Write up a document spelling out the values you agree on as a family—adding to it over time based on new discussions.
2. **Involve kids in select financial decisions.** Give kids real-life experiences with how money, choices and values interact. Ask younger kids for their input about where the family should go for a vacation based on a set travel budget. Get older children involved in choosing charities or causes the family should consider. Bring adult children into the process of how to invest family wealth.
3. **Demonstrate the power of saving and compounding.** As early as possible, set up a bank account or even a piggy bank for your kids. When they get money, have them set some aside toward future goals or purchases. And consider matching their deposits, as an employer might do with a 401(k). Kids will quickly see that saved money can mean more money.
4. **Create a family bank.** Some affluent families establish informal family "banks" for lending money to their adult children who need funds to buy a home, start a business or pay for some other major life expense. Rather than simply handing money over, the family patriarch or matriarch can act more like a bank that is loaning money to the child—thus creating a more real-world experience.
5. **Live your values "out loud."** You may tell your children you want them to care about helping others in need or being "smart" with their money—but do they see you actively doing so in your own life?

Communicating your values about wealth, success and purpose to your children won't guarantee that they will avoid negative outcomes—or become the world's greatest CEOs. But in our experience, heirs who understand how their parents and grandparents view such issues tend to be more driven to make their way in the world and be better stewards of assets they receive.

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