



## Wealth Planning Report

# Transferring Both Values and Wealth to Heirs

Many families have thought about how to best transfer their wealth to heirs, hopefully far in the future. Unfortunately, many parents and grandparents with significant assets often don't spend nearly enough time making a serious effort to pass along, while they are alive, the *values* that enabled them to build, grow and maintain all that wealth.

A resulting "values vacuum" usually leads to big problems when heirs actually inherit large sums.

- All too often, heirs simply blow through an inheritance.
- Children may lose motivation to work or develop the life skills necessary to overcome adversity.
- Sudden wealth causes some newly rich heirs to act badly, believing normal rules don't apply to them.

That's why it's vital to understand how important your values are when it comes to your wealth. The right values provide children a sense of purpose. The good news: There are numerous ways to connect the two for your kids so they can see the "why" behind the decisions with family money. Here's one way to get started.

### Clarify your values

The first step, if you haven't already, is to clarify your own values and attitudes toward wealth and success—and which values you purposely want to instill most in your family members. After all, if you haven't clarified the values that drive your own purpose in terms of working, spending, saving, investing, being charitable with institutions important to you, you can't pass those values on to family members effectively, if at all.

To that end, define the beliefs that you'd like to see your heirs adopt. Adhere to them when making financial decisions related to their lives and yours. You can think

through this process yourself or work closely with a trusted advisor. Family patriarchs and matriarchs with strong religious or spiritual beliefs tend to land on a few key values they want shared by their heirs.

- *Self-reliance*—the ability to become independent and "stand on your own two feet"
- *Motivation*—the drive to work hard to achieve and create their own opportunities
- *Education*—an appreciation of the true value and benefits of higher learning
- *Analytical thinking*—the ability to skillfully navigate challenges and work through problems
- *Fiscal prudence*—know how to live within their means, make wise financial decisions and purposely grow their own wealth over time
- *Philanthropy*—concerned about helping those people and groups truly needing support

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

### COMMUNICATION AND ACTION

The biggest task is to being a series of conversations with family members on money and values. You need to communicate clearly your beliefs and hopes. Share the values you most care about, and explain why you believe those values are important to your heirs' good in life.

This is not a single, one-and-done talk. Instead, regular conversations over many years as your heirs grow and mature are necessary. Basic dialogues with a young child may be about the importance of wise spending balanced with saving for some goal, might progress into more

advanced financial discussions with older children about college funding, investing and insurance.

The upshot: Start early, work out a plan to periodically communicate, maybe tied in with family events, to help them develop a sense of financial responsibility and purposeful motivation.

**Important:** Talking about wealth and values doesn't necessarily mean revealing details about your net worth or their potential inheritance. Educating on good stewardship can be done without sharing actual numbers.

## Putting words into action

All that said, if you want your kids to share your values related to wealth, 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 follow-up discussions.

**2. Involve kids in select financial decisions.** Give kids real-life experiences with to see how money choices and values interact. Ask younger kids for their input, based on a set travel budget, about where the family should go for a vacation. Get older children involved in choosing charities or causes the family should

consider. Adult children could be involved in investing some of the family wealth—and learn from mistakes.

**3. Demonstrate the power of saving and compounding.** As early as possible, set up a bank account or piggy bank for your kids. When they get money, have them set some aside toward future goals or purchases, maybe matching their deposits. 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, pay for education or start a business. 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 can tell your children you want them to care about helping others or being “smart” with their money—but do they see you that in your own life?

Communicating your values about wealth, success and purpose to your children will not avoid negative outcomes—or assure them great success. But in our experience, heirs who understand how and why their parents and grandparents view such matters tend to be more driven to make their own way in the world and to be better stewards of the wealth they receive.

This is an executive summary of our wealth management ebook. For a complimentary copy of our complete report, please [contact us](#).



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Paul founded Professional Financial Strategies, Inc. in 1993 as one of the first fiduciary planning firms that specializes in retirement and wealth management for affluent and aspiring families. Paul is a personal chief financial officer acting in best interest of clients. He brings together a proven process and a network of specialists for making informed decisions for structured strategies, securing income, mitigating taxes, protecting assets, and preserving wealth for family and purposeful causes.

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