



BUILDING GENERATIONAL WEALTH

SUMMARY

With foresight and planning, you can leave a legacy that transcends time and sets future generations on a path of financial wellness and success.

WHAT IS GENERATIONAL WEALTH?

Generational wealth refers to assets passed down from one generation to another. While having significant assets can definitely help, building wealth that spans generations is less about numbers and much more about a mindset you can pass down to your kids and grandkids. It starts with prudent stewardship of the money you already have, not necessarily the money you hope to bequeath to your heirs. Fortunately, you don't have to be an oil tycoon or a real estate magnate to bequeath impactful wealth to the generations that follow you.

INHERITANCES DON'T GUARANTEE GENERATIONAL WEALTH

Squandering an inheritance is a large hurdle to overcome—for those in America who inherit \$100,000 or more, 20% will spend it all within 2 years. In fact, according to U.S. Trust, it typically takes the average heir 19 days to buy a new car after receiving his or her inheritance. Spending down assets isn't only a problem for smaller estates, either. Seventy-eight percent of individuals with more than \$3 million in investable assets don't think the next generation is responsible enough to handle an inheritance, and they're not wrong: studies show that family assets are gone 90% of the time by the third generation.

Clearly, the amount of money inherited isn't the only factor when determining how many generations assets will span. It comes down to financial literacy, money values, and opportunities.

FINANCIAL LITERACY

When we think of financial literacy, balancing a checkbook or knowing how credit card debt works may come to mind. The importance of these skills cannot be overstated, but they become especially powerful when paired with soft financial skills, like knowing how to recognize and avoid temptation and whim buying, understanding how to set realistic priorities and goals, and feeling comfortable negotiating better outcomes for themselves.

When people are confident about and understand their finances, they're less likely to make rash decisions or ignore their financial status altogether, which makes the eventual assumption of their inheritance much easier to manage. Financial literacy can help your heir protect and extend the life of the legacy you leave for them, even imparting wisdom to the generations to come.

MONEY VALUES

Part of learning good financial stewardship is by example, while a lot of it is experiential: letting the next generation experience for themselves what it's like to receive, spend, earn, and donate money, and guiding them through best practices. Encourage your children and grandchildren to pursue experiences that teach them the same values and wisdom you learned that have brought and helped you maintain success, such as a strong work ethic, resourcefulness, perseverance, focus, and self-discipline. Being open with your finances—at least how you manage them if you're not comfortable revealing numbers—can go a long way toward teaching your heirs smart ways to handle money and greater respect for the effort it took to build your wealth. Imparting an attitude of gratitude can also help your heirs feel more stable and secure in their relationship with money. You can read about other ways you can encourage money mindfulness and financial literacy in the young people in your life [here](#) and [here](#).

OPPORTUNITIES

Generational wealth is not a one-size-fits-all proposition. In fact, half the fun is in determining what you want it to look like for your heirs. Sometimes wealth can be transferred prior to your passing, but not all forms of wealth involve giving your heirs hard cash directly. Consider, for example, the generational impact that paying for college may have on your kids and grandkids. This can free your heir up after college to focus on investing in the future rather than paying down education debt.

In another instance, perhaps your heir is interested in starting a business but doesn't have the capital to pull it off. You can offer them an "advance" of their inheritance by helping them with costs and even, if you have experience running a business yourself, consulting with them. If you're not comfortable giving the money outright, offering them a loan at an attractive interest rate may be an option (be sure to draw up a formal loan, however, as insufficient documentation and lack of interest can be challenged as a gift if the IRS gets involved). In this way you can invest in their company without giving up your right to the money while also potentially maximizing the impact of your legacy.

The options for lifetime gifts are endless but may require some planning, and it's always a good idea to communicate with your heirs to make sure you're both on the same page.

A FAMILY EFFORT

Building generational wealth is not up to a single person and his or her assets, but is instead the measure of a family's continued mindset for responsible stewardship. The best way you can pursue generational wealth is to equip your heirs with the education and attitude required to maximize and protect your legacy.

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—Written 6.22.2023.

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