

7 Steps to Leave a **FINANCIAL LEGACY**



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**WISER WEALTH
MANAGEMENT**

7 Steps to Leave a Financial Legacy

Many of us want to be a part of something that lasts longer than us. It's this drive to leave a legacy that gives us purpose each morning when we wake up, to think beyond the present and beyond ourselves.

Leaving a financial legacy does not happen by accident, it takes planning. With over two decades of working with families on legacy planning, we have identified seven common steps to help you get started.



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1 DESIGN YOUR LEGACY

There is an old saying, “shirtsleeves to shirtsleeves in three generations,” meaning that the wealth gained in the first generation, which started with nothing, will be lost by the third generation. To prevent this from happening, author and estate planning attorney, James Hughes Jr. in his book “Family Wealth – Keep it in the Family,” says that to keep family wealth over three generations, families must create a social compact amongst its members. This Social Compact must be renewed each generation. Ultimately, in order to preserve and grow wealth, a Social Compact has three components: Human, Intellectual and Financial.

Design your family Social Compact to encourage members to be productive and goal driven. The idea is not to just preserve the family wealth, but also to continue to grow it. In creating a Social Compact, the family is laying out its mission to help each member pursue individual happiness, find dignity in work to achieve that happiness, and emphasize getting the highest education achievable. You also want to tell your family story to pass on family history and the pride of belonging to this history. What is your family’s purpose, vision, and values? Be bold in setting your family’s mission, as it could be a key to a multigenerational legacy.



2 ASSEMBLE THE RIGHT TEAM

Good, professional advice can be hard to find, we know! Financial advisors tend to get lumped into one category but that is not how the industry actually works. Fiduciary financial planners can help you implement your legacy mission and while many advisors may talk a good game, many are really just looking to sell you products. They do not get compensated to help you meet your financial goals, but instead most of them get paid on commission to sell insurance and mutual funds. Ultimately, you need a fiduciary, fee-only advisor with a strong supporting team to quarterback your legacy plan. This team will include a CPA, business and estate planning attorneys, and vetted insurance professionals working in your best interest.



3 BUILD A FINANCIAL PLAN AND PORTFOLIO MANAGEMENT STRATEGY

Once your team is built, use their resources to create a financial plan to meet the objectives of your legacy plan. Defining your goals is always important in the financial planning process. This financial plan will ultimately lead to your family's optimal and diversified investment portfolio including but not limited to stock, bonds, and real estate. An in-depth financial plan will also include a life insurance strategy, property casualty insurance review, estate planning review, education planning and address business planning.



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ESTATE PLANNING: PREPARE ASSETS FOR THE NEXT GENERATION

Estate planning is the preparation of passing assets from one generation to the next as tax efficiently as possible but can also shape family governance and business succession planning. As assets increase, the strategy of using trusts and family limited partnerships makes the process more complicated but necessary. When transferring businesses, the process becomes more complex as well. This is where the knowledge of a legal professional comes into play. Even if you are not passing a business on, or even millions of dollars, a Will is the basic need for every family. While you are living, you should also have a power of attorney and a medical directive.



5 FINANCIAL EDUCATION

The best way for future generations to keep growing a financial legacy, is for them to be financially literate. The process can start very young, and it will set your family up for success for years to come. Ultimately, before college graduation, a family member should understand the responsibilities of managing financial resources and how money works. As a young adult, they should become well versed in the family legacy planning and living out the family covenant.



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PHILANTHROPIC LEGACY

Giving to charity is usually considered for tax deduction reasons. Besides having tax benefits, it has also been found to relieve stress and lower blood pressure. In legacy planning, improving the lives of the community can be as much a part of the family mission as passing on wealth.

An easy way to pass on the spirit of giving to others and supporting your community is for your family to see you giving back. Many famous family names are associated with giving and have lasted decades beyond the first generation. How is your family helping its community with time and resources?



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PRESERVE AND PROTECT YOUR FINANCIAL LEGACY

An often-overlooked part of legacy planning is protecting your wealth. Should you be liable for an accident or a disaster strike, you need to have the right insurance in place to protect your wealth. Reviewing your auto and home policies every few years is a must, but also you should have an umbrella policy to cover your liability over and beyond your auto and home limits. For business owners, a comprehensive review should be done on the business every few years to make sure all reasonable liability is covered. Setting up LLCs to own rental properties and other corporate structure strategies are examples of how to protect wealth. A financial advisor can help quarterback this conversation with the right attorney.

For some, you do not have a financial legacy to pass on yet, but something as simple as teaching good financial habits, demonstrating a great work ethic and volunteering time can help the next generation thrive versus just survive. For those with size-able estates, some objective planning can help you can change the lives of future generations; a story worth telling.



WHAT'S NEXT?

If you have questions about these seven steps to leave a financial legacy, or if you'd like to schedule a complimentary consultation with one of our financial advisors, please contact us.



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