PARAMOUNT
WEALTH MANAGEMENT

THREE STRATEGIES FOR PRESERVING GENERATIONAL WEALTH

You have achieved a certain level of success and you understand that the privileges of significant wealth come with challenges in equal measure. Among those challenges is successfully passing your wealth and values on to the next generation.

Today, people are living longer than ever. Instead of planning for ten years of life after retirement, we strive for *decades* of a vibrant and active lifestyle. Although this is great news, it may change the way we use our assets prior to and throughout retirement.

We know the transfer of wealth amounts to so much more than a major estate planning obligation. We see it for what it is: an opportunity for your family to grow closer, stronger. An opportunity to share not only your wealth, but the values that have helped you build and sustain it through the years. An opportunity for open, honest communication, and for nurturing future-focused conversations with loved ones about business succession, charitable giving and diligent stewardship.

Read on to discover three strategies for maintaining generational wealth in your family, and learn the most important next steps for moving your own family in the right direction.

1.) Start the Conversation

Family wealth goes beyond planning solely for the founding couple's financial situation. When making these decisions, you need to consider the impact on future generations and the overall benefit of the multigenerational family.

The unfortunate truth is that most wealth does not last more than three generations. A failed wealth transfer can mean several things – a disappearance of the family's financial wealth, the dissipation of important memories and values, or intense discord among family members. Often times heirs are unprepared to understand the implications wealth has on the entire family's future and legacy.

Host family meetings to discuss topics relevant to family governance. In many families, discussions of money can be sensitive - but they are entirely necessary. Initiate get-togethers to discuss all areas pertaining to financial planning and legacy-building.

Conversation starters for these meetings include:

1. Recognizing and acknowledging the **importance of hard work and integrity** instead of a sense of entitlement
2. **Setting intentions** for your family wealth by developing a mission statement to know which values the family will promote
3. Potential business **transitions** or investment **opportunities**
4. **Health and mobility concerns** incorporated with future caregiving desires
5. **Estate and legacy** planning

A great way to start is by coming together to agree on a set of family values. This is what the Rockefeller family has done to successfully maintain a substantial level of wealth for seven generations. This is impressive, especially considering the age-old saying that wealth is usually made and lost in three.

The Rockefeller secret?

A system of values, traditions, and institutions that have helped the family stay together and preserve their wealth. They have been able to avoid these common reasons why most wealth transfers fail:
1. Lack of meaningful conversation
2. Little or no shared vision
3. Disregard for intangible assets
4. Erosion of trust and transparency
5. Attitude of entitlement, not gratitude

So, start the planning process by bringing the family together to develop its own **Ethical Will** - a code of ethics, shared values, and aligned vision - that can be passed from generation to generation much like a company would develop its culture and core beliefs. From there, move into **trust and charity planning**, to determine how wealth will be **passed on to heirs**. There are countless ways to approach the transfer of wealth depending on your family's unique desires, but with a foundation rooted in aligned values, you are already well on your way to building a strong and lasting legacy.

2.) Deploy Tax & Insurance Strategies

The executor has much to do to settle the estate of someone who passes. They are responsible for collecting all documents, gathering assets and having them valued, paying all debts, safely distributing the assets as well as filing a final income tax return.

For sizeable estates, the death tax alone can be quite a burden to pay especially if the bulk of assets are not liquid, such as a business or real estate property.

There are strategic ways to manage substantial estates which help protect you and your heirs from unnecessary taxes, lengthy probate processes and/or unexpected hassles. Some of the vehicles available to potentially minimize taxes and avoid probate include:

Irrevocable life insurance trusts (ILITs) – if titled properly, the proceeds are distributed free from estate and income taxes. ILITs are utilized to replace estate funds that are used to pay final expenses or to increase the size of an estate thereby helping replace lost family income. Because ILITs are structured as a trust, additional advantages include but are not limited to: creditor protection, privacy, probate avoidance and distributions for multiple generations.

Qualified personal residence trusts (QPRTs) - allows you to retitle your home into an irrevocable trust's name, thereby removing the value of the home from your estate. You retain rights to remain in the home for a set number of years. Removing the home from your estate helps reduce federal estate taxes.

Incentive trusts – instead of traditional trust distribution methods, the creator carefully constructs these distributions in a way that motivates positive actions (graduating from college or refraining from substance abuse) and instills family values.

Many successful families have been able to use their philanthropic intentions to create family unity. The development of a family mission statement can clarify how wealth will be distributed to causes outside the family. Allowing everyone to have a voice in this discussion promotes family unity.

The use of elevated philanthropic vehicles, if structured appropriately, can further the family goals while retaining benefits for the family:

1. Donor Advised Funds - allows the donor the ability to time deductions and take advantage of significant tax advantages while establishing a funding source for future charitable contributions.

2. Charitable Remainder Trusts – allows donors to give money to charity while providing a continuation of income to the family for a set number of years. After the specified period of time, the remainder of the trust is donated to the designated charity.

3. Charitable Lead Trusts – provides an income stream to a charity while ensuring the eventual return of trust property to the non-charitable beneficiary.

4. Private Foundation –a charitable vehicle for individuals who wish to make substantial donations while providing a lasting legacy in the family name. The founder's family can serve on the foundation's board, thereby instilling the founder's values and visions for sharing the family's wealth. An added bonus - the family can collect a reasonable salary for this service.

3.) Consider Risk Management

If you have a sizeable estate to protect or could be considered a target for lawsuits, layering your protection strategies may enhance your ability to thwart potential threats to your family's wealth.

Layering includes utilizing an **Umbrella Policy** along with your traditional home and auto liability coverages. An umbrella policy, often referred to as excess liability insurance, helps pay damages from a lawsuit that exceed the liability limits of your primary insurance. Additionally, umbrella policies are often reasonably priced.

The titling of various assets is the next layer. There are a variety of trusts and corporations that can be used to relinquish ownership but retain control of assets. Without ***ownership***, a litigation attorney would be less interested in attempting to ***pierce the veil*** to access your family assets. Titling needs to be coordinated with your estate plan, family mission statement, and can impact the family tax planning strategies.

The way you elect to manage and/or title your assets also falls into the risk management category, as the best asset management strategies are designed to both help preserve and protect by nature.

At Paramount Wealth Management, we are committed to helping you live your best life, reach your goals, and leave your legacy. We understand that wealth management isn’t just about money or the investments you make.

It is so much more.

It’s about planning for what really matters while navigating the transitions of life with fluidity and grace. It is aligning with a strategy to accumulate, distribute, and transfer wealth in a way that puts you, your family, and what you care about at the core.

Paramount Wealth Management acts as your personal CFO to expertly structure and manage the three core areas of wealth management:

1.) Enhance: We enhance your plan with the finest accumulation, distribution, and transfer strategies in the industry.

2.) Simplify: We consolidate and organize your finances in a way that makes sense, is easy to track, and leverages the best tools available.

3.) Preserve: We have expertise in risk management, diversification, and succession so you can be confident in your plan designed for wealth preservation and growth.

We specialize in the personalization of plans for:

- **Business owners** needing support in asset protection, cash management, insurance, financing, and succession planning,
- **Executives** needing corporate solutions such as share repurchase programs, corporate cash management, executive benefit platforms, and retirement programs, and
- **Legacy-focused families** looking to manage and preserve accumulated wealth.

If you're interested in getting the most out of your wealth, we are here for you.

Contact us today for a consultation.

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