6 Steps Ensuring Great Transference of Wealth

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The saying, “You never see a hearse pulling a u-Haul” aptly illustrates that everything we have is just “borrowed” and will someday either be thrown out as junk or given to someone else. That reality proves we are just “stewards” or managers of “borrowed stuff.”

Estate planning often views the transference of the “borrower stuff” in light of saving taxes and passing on resources upon one’s death. It focuses on the donor and is built around retaining control. A better option is wealth transfer where one considers now who the next “steward” is and how they are currently being trained as a manager to handle the assets. The focus is on the beneficiary; it’s not waiting until death to set things in motion, but proactively acting now to ensure good stewardship. Acknowledging the trillions of dollars that will transfer from one generation to another in the coming years only accentuates the need of prudent wealth transfer over traditional estate planning.

This type of wealth transfer takes place through a sequential 6 step decision-making process.

#1 The Transfer Decision – To Whom?
When you pass away, money can either go to the government, charities or people you love; consciously minimize giving to the first one! And never pass wealth onto children without first passing on wisdom. Then answer these questions: To whom will the wealth get transfer? What is the worst thing that can happen if I transfer wealth to them? How serious is it? How likely is it to occur?

#2 The Treatment Decision – How Much?
This doesn’t automatically mean you give equal amounts to offspring, because while you love your children equally, you treat them uniquely. If you were able to peer into the beneficiaries’ lives 5, 10 or 20 years from now, how might the inheritance affect each one? Would you be pleased with your decision to treat each of them equally/the way you have?

#3 The Timing Decision – When?
Time your transfer of assets to maximize their use. Giving to charities and to your children may be best accomplished while you are living as the benefits include reduction in taxes and ability to observe how the money is used. After death you have no choice but to give the wealth away. But here and now is when real decisions can be made for you to best steward your wealth.

#4 The Title Decision – What?
To avoid sibling rivalry, find out what is important to each heir and make appropriate provisions. And realize that sometime people care more about things than about money, items including jewelry, heirlooms and vehicles.

#5 The Tools and Techniques Decision – How?

This step should only occur after the previous 4 decisions are made. Then you can start drafting your wills, trusts and other legal instruments as it often then becomes clear what tools and techniques need to be used to accomplish your objectives. But try to keep the estate matters as simple as possible (the KISS principle). And don't use a trust because there is a lack of trust; if an heir doesn't have wisdom to manage assets, a trust won't fix the problem.

#6 The Talk Decision – Communicating the Why, Who, How Much, When, What and How

There will always be the talk: either around the coffin or the coffee table – you decide! Avoid creating a gap between heirs' expectations and reality. So communicate to them what you have decided and how it will be accomplished. Using a family conference to do this creates an opportunity for increased understanding on the wealth transfer process and can, among other things, promote family harmony, educate future generations on your values, priorities and strategies and allow for formal transfer of stewardship. These family meetings should then become a regular ongoing occurrence.

Sources:

- Kingdom Advisors' material (https://kingdomadvisors.com/)
- Ron Blue with Jeremy White, ***Splitting Heirs – Giving Your Money and Things to Your Children Without Ruining Their Lives,*** (Chicago: Northfield Publishing, 2004)