



## OLD NORTH STATE TRUST, LLC

### **Preparing Children for the Eventual Transfer of Wealth**

For many generations, it was taboo to speak about money in front of others, especially children. Children were supposed to be “seen” and not “heard” in the company of family and friends. Times have changed and so has the attitude in regards to how involved children are in family decisions. Most of us center our whole universe around our children, so it is only natural that we should educate them on the expectations and responsibilities involved with family wealth.

It should be noted that preparing children for wealth transfer goes beyond having a sophisticated will, financial, or estate plan. Estate plans, although extremely important, are usually merely the mechanism used to transfer ownership of assets to heirs. The wealth transfer goal should include guiding principles to assist heirs to maintain and grow their inheritances. Statistically, heirs lose the family wealth by the third generation and only thirty percent (30%) of family businesses make it to the second generation. Family financial goals, visions, and values are obviously not being transferred to the next generations.

It is never too young to begin wealth education with your children. The first time children learn to manage money is usually through an allowance. Once the amount is established for an allowance, talk about the goals that have been discussed and practice these skills with their allowance. They will learn how to save their money, budget it for things they may want, or give a portion to charity.

The next step in the process of educating your children is to have a family meeting where all participants would be invited. This would be the opportunity to be completely open and honest and to discuss your family values. After defining your family values, develop a Family Mission Statement with input from all the family members that would be affected by the family wealth. The suggested age for the youngest child to become involved in the family discussions would be between the ages of ten to twelve.

There are three important goals to consider when discussing financial education with your children.

1. To help your children to lead a purposeful and fulfilling life
2. To give them the tools and skills to be knowledgeable
3. To help them practice and become involved in the family's 100+ year plan

All parents want their children to be set for life once they are no longer able to financially care for them. However, we need to caution them on how to lead a purposeful satisfying life. To tell your children that they will never have to worry about money is setting them up to be uneducated about finances and potentially lazy. We want them to avoid the pitfalls that could come in the future in the way of manipulation from unwanted sources, which could be future spouses, friends that want to help, and business opportunists wanting to gamble with their inheritance. If your children are educated early, they will be able to weed through and know who is looking out for their best interest. It is always good to surround yourself with trusted advisors.

Once the family mission statement has been established, then it is time to develop the financial expectations for your children to realistically uphold, depending on their ages. These goals could range from how to talk about money, saving and investing money, what a budget is used for (short term and long term), and how to protect your financial investment. Again, special emphasis should always be placed on your specific family values.

Preparing children for the eventual transfer of wealth should be a continuous endeavor. If you follow these steps, hopefully, they will become financially secure and pass the education on to their family one day.

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