

The 3rd Component *of* Successful Multi-Generational Planning

by

Lori M. Coonen, CFP,[®] HDP[™]

The
**HERITAGE
INSTITUTE**[®]
est. 2003
We train trusted professionals



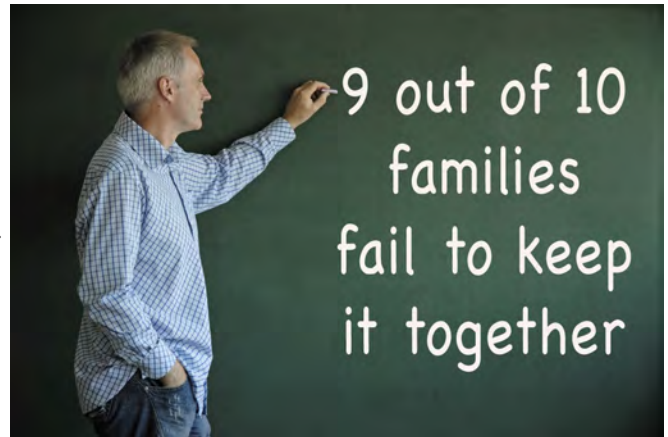
The 3rd Component of Successful Multi-Generational Planning

by

Lori M. Coonen, CFP®, HDP™

For as long as humans have possessed physical money and property, the processes by which most people have planned for their families' futures have utilized two traditional planning components; financial planning and estate planning. Unfortunately, pretty much since the dawn of time, nine out of ten families who completed their planning that way ended up losing just about everything their plans were supposed to protect. To be exact, in 70% of families where wealth has been created in generation one, both the assets and the family unity are demolished by the end of generation two. By the end of the third generation, 90% of families see both their unity and their assets disappear.

Sadly, the fact that the majority of inheritance plans have failed since the great pyramids of Egypt were newly built has been the accepted norm among by the public and professional advisors alike. Two thousand years ago a Chinese scholar penned the adage: "*Fu bu guo san dai,*" or "*Wealth never survives three generations.*" In thirteenth century England they said, "*Clogs to clogs in three genera-tions,*" and in nineteenth century America the expressions became, "*From shirtsleeves to shirtsleeves in three generations.*" Adam Smith (of 'specialization and division of labor' fame) summed it up in his book, *The Wealth of Nations*, over 200 years ago. "*Riches,*" he said "*in spite of the most violent regulations of law to prevent their dissipation, very seldom remain long in the same family.*"



9 out of 10 plans fail. They always have.

For most of recorded history, financial and legal professionals have attempted to address the 90% failure rate by applying bandages to the problems that they believed were responsible for the collapse of multi-generational family wealth and unity. They looked at things like divorce, poor financial planning, substance addiction, irresponsible spending by heirs, and even bad luck. There is no doubt that there is direct correlation between those troubles and the chaos that can tear families apart. But until recently, the planning world wasn't looking outside the box for solutions.

Rod Zeeb, the CEO and founder of The Heritage Institute, was not satisfied with the '90% will fail' status quo. He was passionate about helping his own clients get through what he dubbed to be a new kind of Midas Curse. As he began to research the topic, two things became clear: first, the extraordinary rate of planning failure was not an urban legend or a product of too many folk sayings. It was all too real, and it had been a staple of all societies in all countries since before the days of the Roman Empire. His second conclusion was the most significant product of his research, and in time it would help to bring about one of the most significant shifts to ever take place in the planning world. The biggest reason that advisors hadn't been able to stem the tide of destruc-tion ripping apart their clients' families, he concluded, was this: researchers, advisors and others were looking at the phenomena of multi-generational family collapse from the wrong perspective. The most important question wasn't why 90% of families failed. It was this:

If 90% of families fail at the task of keeping their family unity and their family assets together for more than two generations, what do the successful 10% do differently?



That question turned the whole debate about multi-generational family failure on its head. For context, think of his revelation this way: if you want to improve your golf swing, does it make more sense to study the difficulties other golfers are having, or, should you study how the best golfers in the world set up and follow through on their swings, and then emulate their style?

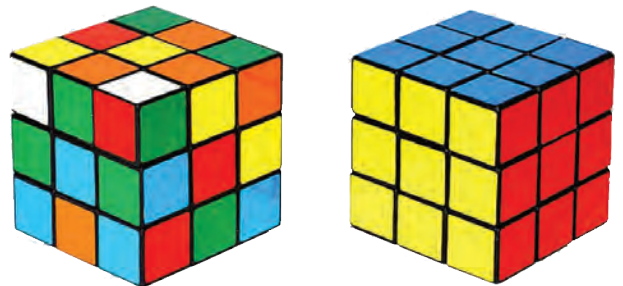
Zeeb was convinced that the answer to helping families to transfer the things that mattered most to them (money being only part of that equation) from one generation to the next had been right there in the plain sight of the professional and academic world pretty much forever. His objective from the outset of what was to become a two-decade journey was now crystal clear: first, he wanted to discover what the successful 10% do differently than the 90% who fail, and second, he wanted to develop practical solutions that could help families overcome the 90% failure rate and go on to thrive for generations.

Heritage Design—the 3rd Component of Planning-is born

The most significant finding that came out of Zeeb's research was this: the reason that the 10% succeed from one generation to the next was not a reflection or result of their financial or estate planning. Most professionals deliver good planning to their clients, and they always have. Instead, the difference between the 90% of families who fail and the 10% who successfully keep their family unity and their assets together for multiple generations is that successful families add a 3rd 'component' to the traditional disciplines of financial and estate planning. That component is known today as Heritage Design. It is a process by which the successful 10% consciously, rigorously, and continuously prepare their family for both kinds of inheritances they will receive. That's right: two kinds of inheritance, not one. They are equally important, and, when applied in a proper balance, the combination of the two provide the best insurance a family can have against the ravages of the 90% rule.

Two kinds of inheritance?

The truth is that we receive and pass on two kinds of inheritances, not one. The first, the financial inheritance, is the one with which we are most familiar. It is the one that most people think of almost exclusively when they think about their planning, and it is the inheritance around which professional advisors have built their practices for centuries. However, we know from academic research, studies, and hands-on advisor experience across disciplines as disparate as finance and psychology that there is a second, even more important inheritance that each of us will also receive and pass on. That is our familial inheritance, which is the sum total of the values, stories, life lessons, and traditions that we gain from our families.



A study by the Allianz insurance company found that leaving a legacy (which is another description for the familial inheritance) was far more important to people than leaving a financial inheritance. In fact, 86% of both "baby boomers" and 74% of elders rated "values and life lessons" as the most important familial inheritance they could receive or leave. Just 10% of boomers said that financial assets or real estate were important as an inheritance. And, another study done in 2019 by Wells Fargo Bank, found that 90% of adult children of millionaires cherish family values over wealth. The Allianz study also concluded that money is a 'minor' component of legacy to parents and their heirs. "*Many people wrongly assume that the most important issue among families is money and wealth transfer -- it's not,*" said Ken Dychtwald, a gerontologist and survey designer. "*What we found was the memories, the stories, the values were ten times more important to people than the money.*"



Despite the emerging evidence, most professional advisors still approach planning from an almost purely financial perspective. They seldom go beyond questions like, “What is your net worth?” “How much money do you want to pass on to your children?” and, “How should we plan to minimize your estate taxes?” To be sure, those questions are important in the context of the entire universe of planning services your unique situation may require. They will always be important. But they do not complete the picture. While they will help you to pass what you own (the financial side) to your inheritors, they will not help to pass who you are (the familial side) to your heirs. If we have learned anything from decades of experience and studies, it is that planning for the future of your money is not the same as planning for the future of your family. In the experience of most advisors, when their clients define personal success in the context of what they want for their children and grand-children, money is just about the last thing they mention.

Where Heritage Design Fits

Until the 1980s, nearly all estate planning was done with Wills. (Which by the way, had not changed substantially in form or purpose since the year 1540, when King Henry VIII of England codified estate planning and inheritance custom into the system that would be used for nearly 400 years!) Trusts were generally believed to be applicable only to very large and complicated estates.

When the National Network of Estate Planning Attorneys was formed in the 80s, their goal was to ‘Change how America Plans’ by using Living Trusts and avoiding probates in even the most modest estates. When Rod Zeeb joined that group there were less than ninety members. Within ten years, the Network had grown to over 1,500 members, and Living Trusts were becoming the norm in almost all estate plans.

The Network helped change the way America did its estate planning, which was a wonderful accomplishment. Even so, they still didn’t deal with how America plans. Today, with the increasing recognition of the importance of better relationships between advisor and client, and bolstered by numerous studies and practical experience validating the 90% inheritance failure rate, there is general agreement among professionals that there are three, not two, components required for successful planning.

The three components of successful multi-generational planning are distinct and separate in some ways, but when they are designed to work together, they can pave the road to family success for generations. Here is a summary description of each component:

Financial Planning

Prepares and protects your assets during your lifetime.

Estate Planning

Prepares your assets for your family.

Heritage Design

Prepares your family to receive their inheritance (which includes far more than just your assets).





A powerful question

You may have done a great job of financial and estate planning. But, have you prepared your family for the inheritances they will receive as a result of that planning? This easy-to-do thought exercise can help you envision an answer.

Please imagine that you could look fifty years into the future, and see your family gathered together in the living room. Then, ask yourself, “*what would I like to see happening there, and what would I like to hear them talking about?*”



Few people answer that they’d like to see their grandchildren focusing their lives only on making money. For many people, seeing things like family unity and individual family members living full, productive lives comes to mind. Describing what you wouldn’t want to see or hear is pretty easy, of course. No one wants to see family discord, or individuals who are bouncing from one personal crisis and failure to another.

Now, consider this question: how *far* will the financial and /or estate planning that you have done to date take your family towards the picture of family harmony, individual accomplishment, community involvement, etc., that you just envisioned when you look into the future?

“Most people (90%, according to the studies!) have made no such provision as part of their planning. Their financial and estate planning will pass money and assets to future generations, but not the tools, training or mentoring to effectively use those assets to live full, productive lives.”

Money is an extraordinarily powerful tool – that, like fire, can be a wonderful servant or a terrible master. Iron-ically, the better you are at financial and estate planning, the more important it is that you prepare your family for the inheritances (financial and emotional) that they will receive.

As the Allianz and Wells Fargo studies point out, this is the most important outcome that people want from their planning. It is also what has helped the ‘successful’ 10% maintain their family unity and their assets together across generations, including through war, depressions and every other kind of economic and political upheaval – including times so rough that today’s market and economy roller-coaster looks tame by comparison.

Write it down? That’s a great idea!

If you found this exercise useful and thought-provoking, we can assure you that if you take the time to write down your thoughts, the exercise will have an even greater impact on you today, and in the future. That goes for your family members, too. It can be fun to compare your vision of the future with theirs. If nothing else, it will almost certainly spark some lively conversations.



In the professional world

When it comes to completing your financial planning, there are different processes used by financial and investment advisors, CPAs, CFPs, and others to help determine which tools, strategies, products, and services can best prepare and protect your assets during your lifetime. Similarly, there are processes that those same advisors and estate planning attorneys use together that can help you to determine which estate planning tools and strategies can best prepare and pass your assets to your inheritors. To add the 3rd component of Heritage Design to the planning mix, trained and certified professional advisors use The Heritage Process.™ They help guide clients to identify, articulate, and pass on their values, stories and life lessons along with preparing the family to harmoniously make decisions and resolve upsets together. The objective of heritage design is simple: to prepare each member of the family to successfully receive, protect and grow their financial and familial inheritances.

A Final Note on Heritage Design and Your family

Familial inheritances are different for every person, and they are unique to every family. With Heritage Design, the advisor helps people to ‘discover,’ articulate and share the things that matters most to them, and then to use that information as the foundation for all of their financial and estate planning.

Heritage Design completes the picture that most people envision when they look into the future and answer the questions in the exercise above. Through Heritage Design, people can prepare their family to get together, play together, work together, and support one another so that each family member can have the opportunity to live a fulfilled life.

Heritage Design was developed to help families and individuals achieve their dreams today, and across generations. It has been experienced by families with estates ranging from a few hundred thousand to many billions of dollars, because the principles of heritage design have nothing to do with money. They apply to people at all income and asset levels.

When family comes first, all things are possible. When family is neglected, more than money withers and dies. Relationships do, too. Heritage Design helps to put family first– and keep it there.



www.theheritageinstitute.com
admin@theheritageinstitute.com