EVERYDAY WEALTH, EVERYDAY INSIGHTS

NAVIGATING RELATIONSHIPS AND THE TRANSFER OF WEALTH

This information regarding estate planning is for educational and informational purposes and should not be construed as tax or legal advice.

Over the next two decades, financial experts predict that Americans will transfer an estimated $84 trillion in assets, with nearly $73 trillion of it passing down to their heirs.[1] This massive movement of money is expected to be the largest shift of accumulated wealth in history.

If you intend to leave money and assets to family members or other beneficiaries in the future, now is the time to start the discussion. Doing so early and establishing a sound estate planning strategy can help you distribute your funds more efficiently, while considering potential tax consequences and the delays that your loved ones could otherwise experience. Estate planning conversations are also important for laying out advance health care directives, so it's critical to address these issues sooner rather than later while the decisions are still yours to make.

In the Everyday Wealth in America 2022 Report: The Intersection of Life and Money[2], Edelman Financial Engines explored the attitudes and emotions people have around key financial matters, such as generational wealth and estate planning. The research, which examined both the general population as well as a target group of moderately affluent individuals, found that neglecting vital discussions today may result in greater challenges down the road. It also concluded that those who are willing to communicate early and often about important money issues are more likely to maintain healthier relationships with their family members.

This brief includes key findings from the report along with insights from Edelman Financial Engines wealth planners on navigating estate planning and wealth transfer conversations.

“An inheritance can be a blessing, a curse, or both at the same time. Before you decide whether to leave an inheritance, consider how your children, grandchildren, or other beneficiaries will handle this windfall. Are they capable of making good financial decisions? Are they responsible? Are they in a rocky marriage? Do you want them to be able to have complete decision-making powers once you are gone, or do you want to be sure that your money is used in a certain way?”

ISABEL BARROW

PLANNER
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1. Cerulli Anticipates $84 Trillion in Wealth Transfers Through 2045, Cerulli Associates Press Release, January 20, 2022.

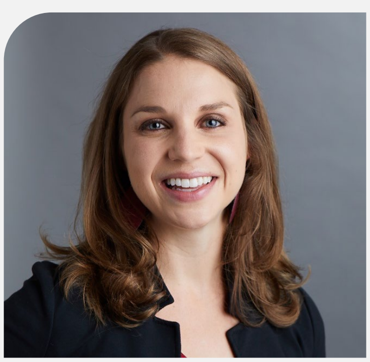
2. *The Everyday Wealth in America* research was conducted for Edelman Financial Engines by Greenwald Research. Information was gathered through an online survey of 2,011 Americans who were at least 30 years old, from Aug. 30 to Sept. 7, 2022. The total sample included an oversample of 1,003 “affluent” respondents between the ages of 45-70, with household assets between $500K-$3M, and currently working with a financial professional or open to doing so. Data was weighted to correct for the affluent oversample and was also weighted by household assets, age, gender, race, and education to reflect the broader national population. If randomly conducted, the survey would have a margin of error (at the 95% confidence level) of plus or minus 2 percentage points.

PARENTS PREACH FINANCIAL INDEPENDENCE, BUT A SIGNIFICANT NUMBER STEP IN TO HELP THEIR CHILDREN OUT

Money movement between parents and grown children is not limited to the formal estate planning process. It often occurs during the transition years to adulthood, as parents provide a wide range of assistance such as helping with rent, student loan payments, a car purchase, a mortgage, and other living expenses. How families approach these financial decisions is often influenced by the parents' own upbringing and experiences. According to the study, respondents who received monetary support from their parents were almost **three times** as likely to help their kids, too. And even though most parents agree with the idea that grown children should be financially independent, a considerable number are stepping in to lend a hand:

- **85%** of all parents emphasize the value of financial autonomy with their kids, but **40%** with adult children admit they are still supporting them in some capacity.
- Even more affluent parents **(93%)** put an emphasis on financial independence, and yet a greater number **(50%)** stated they provide support.

When it does come time for more formal wealth planning activity, a common goal for many parents is to leave a legacy that ensures family members can live comfortably while using the money as they choose. The study found that more than three quarters **(78%)** of parents who intend to bestow an inheritance prefer to let their children decide what to do with the assets rather than dictate the terms.



" I ask all my older clients if leaving a legacy to kids, grandkids, and perhaps even more generations of their family is a priority for them. If my client's financial plan allows for gifting during their lifetime without sacrificing any of their own goals, I ask them if they want to bless their family with money now versus leaving it to them after they are gone. This gets them thinking about how their kids could really use the funds now, and it also provides them great joy to witness their kids enjoying their generosity. "

CLAIRE MORK

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A FAMILY LEGACY CAN ALSO LEAD TO A FAMILY FEUD

It's no surprise that mixing money matters and family dynamics can stir up many complex emotions. According to the findings, **27%** of people confirmed that they've had fights with extended family over finances. Disagreements about inheritances can be especially contentious, wasting valuable time and resources trying to resolve the differences. In the worst situations, they can divide families and damage relationships. Getting ahead of these issues through proactive estate planning helps, yet many reported that they had not started the process.

According to the survey:

- Among parents, **85%** intend to leave an inheritance (**94%** for affluent parents).
- However, only **37%** said they have a plan to transfer their wealth.
- Around **20%** agreed their parent's inheritance has been a source of family conflict.
- Of those who had disagreements, nearly four in ten **(39%)** said it was about how the money was split while almost an equal amount **(38%)** said it was about who got to make the decisions.

When an inheritance is at stake, costly legal battles can ensue in the absence of clear instructions and planning. It's far more effective for parents to have these discussions with their families before they pass away, while there's an opportunity to provide guidance, mediate arguments, and explain the rationale behind certain decisions.

"Lead by example with how you communicate and address difficult conversations. If it's a message you should convey, make sure you deliver it. Financial planners can be a great resource in facilitating these discussions and identifying blind spots, but they shouldn't be used as a shield when you need to deliver difficult information to family members. If your kids see you avoiding difficult conversations, they are likely to model the same behavior."

BRIAN LESLIE

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EARLY COMMUNICATION CAN HELP ADDRESS THESE MATTERS BEFORE THEY TURN INTO FUTURE CHALLENGES

While it can be a sensitive and sometimes uncomfortable topic, having open and honest conversations with immediate and extended family members about the transfer of wealth is a critical part of the broader financial planning process. For many reasons, these discussions are neglected even though the benefits are well recognized. People who work with a financial professional confirmed that having objective, third party support can be very helpful in this situation to minimize conflict and make the most of the wealth passed down to them.

- **38%** of Americans reported that they wish they talked more to their family about finances and financial goals.
- **83%** said talking about finances helps resolve disagreements.
- **70%** of those working with a financial professional confirmed that a professional helps them address difficult and emotional topics related to finances with their families.

This guidance also applies to the estimated 15.2 million American adults[3] aged 55 and older who have no biological children. Like others, these individuals should create a plan early on that communicates clear instructions on who they want to involve as a beneficiary or decision maker over their estate, as well as any specific medical directives they have so there are no surprises in the future.

“Communicate while you can! This is incredibly helpful. I encourage this with all my clients when it comes to estate planning. Communicate while everyone is cognizant and eager to get things right. For this, leveraging an experienced third party can be very useful.”

JOHN MCCAFFERTY

PLANNER
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“If you pass away without a will, who will make financial decisions for you? Who will make health care decisions and financial decisions for you if you become incapacitated? It’s especially important for singles without children to ensure they have a plan for their estate and end-of-life expenses.”

ROSE NIANG

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3. Childless Older Americans: 2018, Current Population Reports August 31, 2021.

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Our unique approach to serving clients combines advanced investment methodology and proprietary technology with the attention of a dedicated personal financial planner. With this powerful fusion of high tech and high touch, we're able to deliver the personal planning support and financial confidence that everyone deserves.

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