



JOHNSON FINANCIAL GROUP

THE BIGGER CONVERSATIONS®

Preparing Heirs:

The difference between giving and empowering

Many self-made families worry about the impact wealth will have on their adult children. Some worry the children will lose their motivation in life. Others fear discord among siblings inside or outside a family business. Historically, estate planning used legal structures and specific language embedded in trusts to put controls in place. Maybe if the kids don't receive the wealth until they're old enough to handle it, things will work out alright.

This presents two quandaries. First, people mature at different ages and everyone has their own life path. Distributing large sums of money at predetermined age points doesn't account for the individual needs and abilities of the recipients. Second, a mature heir doesn't equate to an heir who is prepared for the immense responsibilities of preserving and perpetuating the family wealth.

Developing a Family Mission Statement

Parents can work with an advisor to document their vision for the use of the family wealth during their lifetimes and after their passing. Then, they can bring the family together and communicate or revise the vision together.

A family does not have to disclose all financial details, or give up control of all the assets in order to begin this process. Kids can practice making decisions with \$10,000 not \$10 million. Also, in order for a family to remain healthy and productive for generations, each family member must be allowed to develop and live out their own life path. They can't be required to continue in the footsteps of the matriarch or patriarch. When adult children are empowered to discover their own dreams, money becomes an enhancement to those dreams as opposed to a destructive element in their lives.

Management vs. Ownership

A successful solution is to prepare heirs in advance of receipt. By providing mentorship and sample experiences, heirs can build necessary capabilities and parents can observe the progress. Self-made people know that while a manager runs a system, an owner drives vision. A prepared heir understands the opportunities and responsibilities that come with wealth ownership. This is what removes entitlement, negativity or irresponsibility and replaces it with empowerment and a desire to influence the positive use of the family wealth.

Mentorship can begin with sample projects. Common projects include putting a sum of money into a Family Bank. Adult children work together to identify an entity to hold the money, work with advisors to manage the money and work as a team to ensure its used in accordance with the family vision. Then the children report back to the parents regarding progress. Similar projects can be executed around philanthropy or education.

Ultimately, parents can observe growth in their children's self-confidence for being future wealth owners. Children may become more engaged in conversation around the opportunities and responsibilities of wealth. Parents may also observe different strengths in different children, thereby laying out the distinct and important role each can play in the preservation of the family wealth.

Successful people know that proactivity increases confidence and control over the results. Consider the incredible influence you can have over the future of the family and the family assets by modeling this kind of proactivity and preparedness for your heirs.

As always, please feel free to call with any questions regarding this or other important topics.

Rodger K. Johnson ChFC®, CLU®, MSFS®, CFP®, CAP® | **Tiffany Kirgan** CLU®, CFP®, CAP®

5041 Kinsey Drive Tyler, TX 75703 | T 903-581-2098 | F 903-581-5381

The Colonnade 15305 Dallas Parkway, Suite 1200, Addison, Texas 75001 | T 972-663-3948

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