Connecting Generations Through Philanthropy

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Most wealth holders agree that passing on their values is at least as important as passing on their valuables. In one study, members of the greatest generation and boomer generation were asked to rank the following sources of family wealth in order of importance:

1. Family history, traditions, life stories, shared values
2. Instructions and wishes to be fulfilled
3. Personal possessions of emotional value
4. Financial assets

Both generations overwhelmingly agreed that financial assets were the least important.

Why then, do most estate planners focus on the distribution of financial assets and gloss over the intangible facets of wealth? The obvious answer is that sheltering assets and passing them on to heirs is an easier task than wading into the brackish waters of family dynamics. Many wealth holders who believe their heirs are ill-prepared to receive a large inheritance craft sophisticated estate plans that effectively control the amount, timing and manner in which assets are to be distributed after they're gone. Despite the best intentions of advisor and client, too many of these plans fail miserably, fracturing family units beyond repair. A study of 3,250 affluent families found that over 70 percent of estates came unglued after transition.Less than three percent of the failures were the result of improper tax, legal or financial planning. The main culprits were a breakdown of communication and trust within the family unit, and heirs' lack of preparedness for the inheritance. The proverb, "shirtsleeves to shirtsleeves in three generations" is perpetuated.

Advisors for Philanthropic Impact (API) members believe that philanthropy, well done, prepares families for transfers of wealth by building a foundation of communication, trust, and recognition of shared values. When relatives look beyond themselves, find their passions and reach consensus, both the family as well as their financial plans stand to benefit. The philanthropic process bestows experience and practice for the day when much bigger family decisions must be made.

Last spring, API members taught an innovative 10-week philanthropy course to high school students at The Benjamin School and Oxbridge Academy. For many students, this "Main Street Philanthropy" course was their

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Both Lori and Allegra are board members of Advisors for Philanthropic Impact, Inc. and, along with Maite Arnedo of Goldman Sachs, lead API's youth philanthropy initiative.

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first window into some of our community's toughest – and often invisible—challenges. Many students recognized the influence of older relatives' life experiences on their own core values. Working together, they each emerged with a stronger sense of self and immense gratitude for their own place in the world. Kristine True, a parent of a Benjamin student observed, "The conversation my son, JT, and I had the day his philanthropy group visited the charities they selected to help, was one of the best and at the same time most heart wrenching conversations we have ever had. He told me that his experiences that day made him realize how much he took for granted. … He was deeply moved by the experience."

One of the most exciting outcomes of the course was the way in which students engaged multiple generations in their learning. After just a few weeks of the course, students deepened connections with each other and their families. Antonio Rodriguez, a student at The Benjamin School, noted, "Almost all of us lead very busy lives, especially parents. Being able to discuss community impact with my parents and family not only allowed me to share valuable time with them, but also to discuss and reflect on matters that concern us. It felt refreshing to feel a passion for lessons learned in school and to share that passion with loved ones."

API will continue to plant the seeds of philanthropy in the rising generation this year by expanding the philanthropic program within Palm Beach County high schools. Recognizing a tremendous opportunity to engage the students' parents and grandparents in conversations around giving, Michael L. Kohner, President of API, observed, "The implementation of a successful multigenerational program led by API advisors would be an amazing sequel. It was truly inspiring at the Main Street Philanthropy program kick-off session to hear several parents ask if we would be offering a similar program for them! This was further echoed at the end of the course, when we heard similar feedback from three different generations."

Many families struggle to find the time and topics to bridge generational differences and inspire truly meaningful conversation. Advisors are well positioned to engage clients' heirs through family philanthropy. A 2013 study conducted by U.S. Trust found that only one in ten high net worth individuals report that their advisors discuss involving future generations in giving; many advisors see this as an opportunity and express a desire to learn more about involving Millennials and Gen-Xers.

API is planning a workshop for families who want to plumb their own origin stories for shared values and shape philanthropic plans together. The workshop will utilize giving as a tool to achieve connection and understanding among different generations. We hope this program will provide an opportunity for advisors to reflect on the power of family communication as a crucial stepping-stone to successful estate planning.

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This is an excellent way to benefit yourself, your spouse or other family members. It combines substantial tax savings with the ability to pay income to you or your heirs for your lifetime or for a selected number of years, with the remaining assets going to a designated charity. Charitable remainder trusts are especially helpful for individuals who retire and would like to sell land or stock tax free and receive a generous income.

Donor Advised Funds

Many families find that a Donor Advised Fund is a simple and efficient way to help charities that they love while you are alive. You receive the income or estate tax deduction, and the opportunity is there to make distribution decisions later. Many families may use a Donor Advised Fund as an estate beneficiary so that they can allow their children or friends to continue supervising the gifts from their fund for years to come. Parents appreciate the way this type of fund encourages children to be involved in philanthropy.

There are many types of assets qualified to fund a planned gift, including IRA accounts, life insurance, real estate, securities, and cash. We always suggest consulting with your estate and tax professionals before making this important decision.

Create your plan. Because when you plan, your dreams, wishes and hopes will be fully realized.

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sion that is inherent in these situations, which may be reflected in their attitudes as they progress in life. If you find yourself in such a situation, try to remember that apologies after the fact probably will not erase the harm done by exposing your children to unhealthy bitterness and dissension within the family.

These thoughts were developed from over 35 years of experience in dealing with families who have come from varied backgrounds and levels of assets. Those who have been most successful in guiding their children to be financially responsible, whether they have much or little, are those who recognize that children can and should accept financial responsibility appropriate to their ages. From an early age the children should become a part of the discussion of planning and how they will earn and use money. Parents should model healthy behaviors about money and the role it plays in their lives, ever mindful that their children (and grandchildren) are following closely behind.