Legacy Planning: What kind of perks do your kids get from being *your* kids ?

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Different jobs get different perks: The US Airways pilot gets to fly for free. The Indianapolis Colts Marketing Manager gets to cheer "Go Blue" for free. Lutheran Hospital cardiologists, well, hope they never have to get anything from their colleagues, be it for free or for fee.

Our vocation, wealth management, sort of falls into that last category—the less-than-exciting perks. Our staff don't fly for free, wear blue for free or go under the knife for free, but the interesting thing is that the collateral education perks we get from our daily practice of wealth management probably buys us the equivalent of all those plane tickets, Peyton tickets, and ticker tickets combined.

"I'll bet you had your 529 plan set up the day Jr. was born"

When each of our children were born friends ribbed us about whether we've already signed them up for a 529 plan, mapping their yellow brick road right to their graduation ceremony at our alma mater, Purdue.

Sort of, but not really. They recognize that as soon as a child is born, wise parents will start what's called "Legacy Planning," which simply means planning now for the eventual transfer of our wealth to the next generation. We'd certainly love for our children to someday don the Black and Gold, but we're not all that fond of the 529 plans.

Why? It's not because they don't work. The plans offer a proven course to wealth preservation and growth and, in fact, we help our clients craft these plans when they naturally fit within their unique circumstances, values and needs.

The reason we are not fond of 529 plans has nothing to do with *financial* risk, but rather the *human* risk. We have no intention of paying for any of our children's higher education**.** That's not sinister, miserly, or otherwise less than parental, but simply borrowed—nay, outright plagiarized—from the sagely affluent who have been there, done that, and paradoxically warn us how to make sure our children are raised with an independent work ethic while at the same time darkening the door of our office to get counsel on how they can save their adult children from financial over dependence.

Legacy Planning

In every discovery meeting—actually, a series of meetings totaling about 20 hours of interviews to determine a client's financial health—we ask this favorite financial question: "To what level do you want to financially intervene in your children's lives?" Some clients bristle at the question but they ultimately get the gist of the exercise, which is to understand Legacy Planning.

There are three basic strategies for Legacy Planning. First, of course, you can just give them the money right now. This makes a big assumption about their maturity. If you're convinced that they are truly ready for this level of responsibility, then consider yourself among the fortunate. Congratulations.

The second is a Trust, that upon passing transfers the family wealth in incremental pay outs, culminating with the balance at a later age, usually around 35, when the child is hopefully responsible enough. This strategy is usually for the younger wealth owner—typically somebody in his 40s or 50s.

The third scenario is a Trust, in which the trust's principal pays interest to children typically for the rest of their lives. These types of trusts can also extend all the way to the grandchildren, great-grandchildren and beyond. For those who are not fond of passing their wealth to diluted offspring, one can simply have the trust's principal balance go to some charity or the local Community Foundation upon the passing of their last child or grandchild.

Unfortunately, the second and third scenarios are the most frequent variety that wealth managers and financial planners see. After founding, building and expanding a successful business over the course of 25 or 30 years, Mr. and Mrs. Entrepreneur earnestly wish that they had provided less for the children in order to, ironically, bless them more.

Choose your vocation, choose your perks

On the other hand, it is a joy to see families come to us for Legacy Planning for grown children who are earning their own living, preparing for their own futures, and don't need a dime that mom and dad are preparing to pass down. These are children who bought their own clothes, earned all or some of their educations, live within their means, and use credit in all the ways that lenders wish they wouldn't.

Our hope and prayer is that the perk our little ones inherit as members of the Hefty family is simply a strong, fiercely independent work ethic. If they can download this Hefty perk, they won't need airfare perks, Colts perks or free apples to stave off all those Lutheran cardiologists.

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