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# LEGACY PLANNING: ARE YOUR HEIRS PREPARED?

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Successfully leaving wealth to heirs, a charity, or both is not an easy process. To many, it may seem like a simple matter of bequeathing accumulated assets to them. It is not that simple! If you're fortunate enough to have a substantial amount of assets to pass on, you have probably spent a lifetime building up those assets. You don't want them squandered when they are transferred either during your lifetime or after.

Here is a sobering statistic. According to the financial publication Kiplinger, studies have shown that family assets are lost from one generation to the next 70% of the time. Also, 90% of assets are gone by the third generation.

The reason for this loss of wealth is because a critical element of successful inheritance or gifting is often neglected, the receivers of wealth. All too often, the givers of wealth receive all of the focus.

Preparing heirs and thoroughly vetting charities for receiving an inheritance or gift can be just as important as investing wisely and drafting an estate plan.

If your goal is to leave your assets to your children, ask yourself these two questions. Do they possess the wisdom to handle the inheritance or gift? Do they have the needed advisors, financial planners, estate attorneys, tax attorneys, accountants, business consultants, etc., ready to advise and help manage the inheritance or gift?

If your goal is to leave your assets to a charity, then ask yourself this question. Does the charity have the needed tools in place to implement your wishes and multiply the gift?

If there is any concern about these questions' answers, you might want to consider a legacy plan with an emphasis on the recipients. Many families are turning to their financial advisors for help preparing the next generation for their inheritance. **Following are six recommendations of what you can do.**

1

## As uncomfortable as it is, you have to discuss the finances.

The subject of family finances is the big elephant in the room for most families. The patriarchs, in many cases, are uncomfortable discussing money around their children for numerous reasons. Older generations feel the subject is taboo and creates a sense of entitlement, even though their children are surrounded by wealth and opportunity. They don't understand that if the children are not adequately prepared to wisely take on the responsibility, the inheritance or charitable legacy could be jeopardized, similar to the fate of lottery winnings.

2

## Educate your heirs about finance.

Passing on wealth to heirs is a tremendous gift and opportunity. You can help assure that the gift goes undamaged by educating your heirs about money. While over your lifetime, you may have developed an astute understanding, even passion, for your family's finances, investments, taxes, and estate plan, don't assume your heirs have or share that same knowledge and passion.

You may feel you are doing your spouse and children a favor by keeping finances close to the vest, but if you don't pass on that knowledge along with your wealth, you may be putting your heirs in a precarious position. By properly educating your heirs to handle their inheritance, you help prevent them from making mistakes simply due to lack of knowledge.

Knowledge about money is not enough, though. While it is essential to pass on your financial knowledge, it is also necessary to transfer your values and ethics. Understanding the value of money can be a critical factor in how your heirs respect and spend their inheritance wisely.

If you want to help ensure that your estate lasts for multiple generations, proper education about the meaning and respect for money can be critical.

3

## Make sure your wishes and intentions are understood.

To better prepare your heirs for their inheritance, it is essential that they are entirely aware of and understand your wishes. Proper legacy planning removes surprises and misunderstandings. Leaving a legacy is not like the movies. We have all seen the disaster that ensues when after the patriarch passes away, the potential heirs gather around and wait for “reading of the will,” and then mayhem ensues. Your heirs do not have to know everything about your estate, but you should set expectations and clearly convey your wishes. However, the more information you share, the better prepared your heirs will be. Allowing your heirs to be involved in legacy planning while you are living can allow for the transfer of values, increase in financial knowledge, and unity in philanthropic goals.

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## Have a great team of professionals.

Chances are, you are already working with a group of professionals you trust, including financial planners, estate attorneys, tax attorneys, accountants, business consultants, trust attorneys, and more. Make sure your heirs know about them, how to contact them and have developed a relationship with them. We have found that it helps to have family meetings with your trusted financial team so your heirs can get to know them and understand the expertise and value they bring to you achieving your financial goals. They can also help you convey your wishes and intent, so you don’t have to take it all on yourself. Taking this preemptive step can help assure a smooth transfer of wealth and make it easier for your heirs.

5

## Understand a charity’s capabilities to handle a gift.

If philanthropy is part of your legacy, make sure you are getting advice from professionals who can vet your desired charitable recipient to ensure they have the tools to implement your wishes and maximize or even multiply your gift. You want to make sure you apply the best tax strategies, tools, and techniques for charitable giving so you can do the greatest good.

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## Prepare an estate organizer.

One of the most common issues heirs face when being left with an inheritance or even dealing with a patriarch's unexpected passing is locating and having access to all of the estate's vital information. To help ensure a smoother transfer of your estate, make sure you also pass on the location and access to all of your financial, insurance, legal, and contact information your heirs will need. An estate organizer can help with that. Here are some of the items that go in an organizer.

- All of your necessary personal information: contact information, including your full name, address, social security number, date of birth, passport number, driver's license number, etc.
- Key contact information for: all family members, employers, financial advisors, attorneys, accountants, physicians, insurance agents, service providers, etc.
- Location of essential documents such as: last will and testaments, trusts, power of attorney, life insurance policies, family partnerships or LLC, property deeds, birth certificates, military records, safety deposit box, etc.
- Investment information such as: accounts registration, account numbers, custodian/investment firms, etc.
- All logins and passwords for all accounts your heirs will need to access.

To summarize, proper legacy planning focuses on your heirs and charities' readiness to receive an inheritance or gift. We strongly encourage you to contact your financial advisor with help preparing a legacy plan.

If you do not have a financial advisor or don't believe that your current advisor specializes in legacy planning, please reach out to Pamela Martin at StrategIQ® Financial Group for a complimentary 30-minute introductory call to discuss this topic. You can reach her at 630-455-4700 ext. 210. You can also book an introductory call yourself by going to <https://www.sfgweb.com/schedule-call>. Or scan the QR code to the right for her contact information.

