

Transferring Wealth From One Generation To The Next



The older we grow, the more we start to think about what plans we have for our money. Conversations could also centre around whether we have money to make plans for and if it is enough for our future goals.

The reality is many young people hardly ever think about retirement savings. Most of them depend on the inheritance that they expect to receive from their families if that luxury even exists. It is mostly the oldies that think along those lines, and most times they do so when it is a little bit too late to start planning. Below, we discuss the transfer of wealth from one generation to the other.

Inheritance or wealth transfer is an unpopular topic for some families because they don't see the importance, and they find money talk uncomfortable. This poses a problem because most young people who are dependent on inheritance have little-to-no knowledge of the various factors that are considered upon distributing inheritance. A lot of factors come into play like tax deductions, fees, costs of winding up the estate, and the amount of time it takes to wind up the estate. When taken into consideration, all these factors could see the beneficiary having way less than they had expected compared to what is available.

One may also ask themselves if solely depending on inheritance would even be a good idea, to begin with. According to research, most young people who solely depend on inheritance find themselves becoming much lazier to save from their own pockets. They also do not take make wise decisions when it comes to managing this wealth, mostly because of a lack of sufficient and appropriate financial knowledge and advice. Factors like, the rising cost of living and an increasingly debt-centred world are not taken into consideration.

When transferring wealth from one generation to another, it is of paramount importance that donors and beneficiaries discuss how the inheritance will be distributed. The different factors mentioned above that affect one's inheritance should also be discussed to avoid being blind-sided, and poor planning. When a person is expecting to receive an inheritance, it would be a great advantage for them to seek knowledge on how to manage this wealth wisely so that they do not find themselves having depleted their money.

We often see that when a testator dies, the following generation usually does not continue with the same advisor. This is mainly because there are no conversations around financial planning between parents and children. Parents often do not find it necessary, and children usually think it's none of their business. But this is where we all go wrong. Financial planning should be talked about in the household and every member must be included or at least made aware of the financial situation. See when this is done it encourages making informed and wise decisions when it comes to managing finances and it builds a healthy financial environment.

We often see that transfer of wealth from one generation to the next is something the super-wealthy do very well, by using family trusts and having detailed last will and testaments. However, for those who do not do very well, introducing the financial advisor to the family would be a great advantage because it creates a long relationship of trust and those receiving the inheritance would not have to look further for a financial advisor when the testator dies. Creating a relationship of trust between a client and an advisor is very important after all.

The other advantage of having such a relationship is that advisors will be able to figure out the attitudes of the younger generation towards financial planning and how best they could adjust their methods of giving advice given their specific changes such as liquidity needs, return objectives, and/or constraints. Also, an example could be analysing how most people in this generation are moving towards technology, like using WhatsApp, Zoom, Microsoft Teams, and Skype as a means of communicating and adapting to such changes.

To ensure that the coming generations are more responsible when it comes to managing their wealth and the wealth they inherited from previous generations, having conversations around financial planning in households would be greatly beneficial. Furthermore, creating a culture of building a relationship of trust with your financial advisor would greatly result in the proper administration of your wealth or inheritance.