

Keeping it in the *family*

The importance of intergenerational wealth planning





Thoughtful planning today can prevent headaches and heartaches tomorrow.

Your guide to intergenerational wealth planning

Imagine a future where your family's wealth is seamlessly passed down, securing financial stability for generations. Intergenerational wealth planning is the key to help make this vision a reality.

This guide will uncover why intergenerational wealth planning is vital, explore the options at your disposal, outline the steps to prepare, highlight potential challenges, and reveal how financial advisers can be your greatest allies in this journey.

Planning ahead is not just about money – it's about helping to secure your family's future and preserving your legacy.

Understanding intergenerational wealth planning

Intergenerational wealth planning involves creating strategies to transfer wealth efficiently and effectively across generations. This process not only aims to preserve family wealth but also aims to align it with the family's values and goals. Effective intergenerational wealth planning can help mitigate potential conflicts and makes sure that the wealth is used in a manner that benefits all members.

Key components

To achieve successful intergenerational wealth planning, several key components must be considered:

- **Asset management:** Managing and transferring assets in a way that maximises their value.
- **Cashflow analysis:** Calculating your assets, income, and expenditure throughout the years so that you don't run out of funds.
- **Tax planning:** Minimising tax liabilities through strategic planning.
- **Legal considerations:** Complying with legal requirements and protecting assets from potential legal challenges.
- **Family dynamics:** Addressing family dynamics and potential conflicts to facilitate a smooth transfer of wealth.

Why intergenerational wealth planning matters

The landscape of wealth is changing dramatically. With an ageing population and increasing wealth accumulation, the need for effective intergenerational wealth planning has never been greater. The 'great wealth transfer' will see trillions of pounds moving to younger generations over the next few decades. This shift highlights the importance of having a robust plan in place to avoid potential pitfalls and protect your family's financial future.

Why should you care?

Understanding the importance of intergenerational wealth planning can help you make informed decisions about your wealth transfer strategy:

- **Maximise your legacy:** Confirm that your hard-earned wealth benefits your loved ones and supports causes you care about.
- **Avoid pitfalls:** Prevent potential conflicts and financial missteps that can arise from unplanned wealth transfers.
- **Stay ahead of changes:** Be prepared for economic factors like inflation, interest rates, and market volatility that can affect the value of your assets.

Why plan early for transferring wealth

Intergenerational wealth planning is essential for various groups, each with unique needs and benefits.

Who needs intergenerational wealth planning?

Many can benefit from intergenerational wealth planning:

- **Families:** Ensuring financial security for children and grandchildren. Families often aim to provide opportunities and security for future generations, ensuring their loved ones are well taken care of.
- **Business owners:** Preserving the legacy and continuity of family businesses. Business owners need to plan for the future of their enterprises, ensuring smooth transitions and continued success.
- **High-net-worth individuals:** Minimising taxes and safeguarding wealth. High-net-worth individuals often face complex financial situations that require strategic planning to reduce tax liabilities and protect assets.



Understanding the broader context can help you make informed decisions about your wealth transfer strategy and ensure that your family's financial future is secure.

Benefits of intergenerational wealth planning

Intergenerational wealth planning can offer several key advantages:



Financial security

Securing financial stability throughout your life, and for future generations, by providing a safety net that helps support goals and maintains your standard of living.



Tax efficiency

Reducing tax liabilities and maximising the estate's value through strategic planning and taking advantage of tax reliefs and exemptions.



Legacy preservation

Maintaining family values and heritage, ensuring your legacy is carried forward in a way that reflects your wishes and principles.



Conflict mitigation

Minimising potential family conflicts and disputes over assets with clear and well-structured plans.

Intergenerational wealth planning goes beyond financial considerations – it's about securing your future, protecting your family, and preserving your legacy.



Transferring wealth

Transferring wealth involves careful planning and strategic actions to make sure that your wishes are carried out effectively.

Estate planning essentials

Organising your assets and liabilities to make certain that your wishes are carried out after you pass away. This includes creating a will, setting up trusts, and making arrangements for the distribution of your estate.

Key steps in estate planning

To certify that your estate plan is comprehensive and effective, consider the following steps:

- **Inventory of assets:** Create a comprehensive list of all assets, including property, investments, and personal belongings.
- **Creating a will:** Draft a will that outlines how your assets should be distributed. This legal document ensures your wishes are followed and can help prevent disputes among beneficiaries.
- **Beneficiary designations:** Ensure that beneficiary designations on accounts and policies are up to date. This includes reviewing life insurance policies, retirement accounts, and other financial instruments.
- **Regular reviews:** Regularly review and update your estate plan to reflect changes in your circumstances and the law. This ensures your plan remains relevant and effective.
- **Setting up trusts, if applicable:** Establish trusts to manage and protect assets. Trusts can provide control over how and when your assets are distributed, offering benefits such as tax efficiency and protection from creditors. A financial adviser can help you decide if this is right for your circumstances.

Planning for Inheritance Tax

Inheritance Tax (IHT) planning is crucial for reducing tax liabilities and ensuring your estate is passed on efficiently.

- **Gifts and gifting:** Transfer wealth during your lifetime to reduce the taxable estate. Gifting assets to family members can be an effective way to reduce the size of your estate and minimise IHT.
- **Life insurance policies:** Cover potential Inheritance Tax liabilities. Life insurance can provide a source of funds to cover IHT, ensuring that your beneficiaries receive the full value of your estate.
- **Trusts:** Protect assets and reduce IHT. Trusts can be used to manage and protect assets so that they are passed on according to your wishes while potentially reducing tax liabilities.

Investing tax-efficiently

Investing in tax-efficient vehicles can help grow your wealth while reducing tax liabilities.

- **Business Relief:** Investments that qualify for relief from Inheritance Tax. Certain investments can qualify for Business Relief, reducing the amount of IHT payable on your estate.
- **ISAs:** Tax-efficient savings and investment accounts. Individual Savings Accounts (ISAs) offer tax advantages that can help grow your wealth more efficiently.

A well-thought-out estate plan provides the peace of mind that your wishes will be honoured.





Education is key

Preparing younger generations for wealth transfer is essential, especially if one generation has always managed the family's wealth. Educating them about financial management and the responsibilities that come with wealth is crucial for a smooth transition. This can include financial education, involving them in family financial discussions, and gradually introducing them to the management of family assets.

Strategies for educating younger generations

To facilitate a smooth transition of wealth, consider the following strategies:

- **Financial education:** Provide younger family members with knowledge to build their understanding of financial management. This can cover topics such as budgeting, investing, and managing debt.
- **Family meetings:** Hold regular family meetings to discuss financial matters and involve younger generations in decision-making. This fosters transparency and helps younger members understand the family's financial goals.
- **Mentorship:** Provide mentorship and guidance to younger family members to help them develop the skills needed to manage wealth. This can include one-on-one coaching and involving them in financial planning activities.
- **Gradual involvement:** Gradually introduce younger generations to the management of family assets, allowing them to take on increasing levels of responsibility over time. This helps them build confidence and competence in managing wealth.

Educating the next generation is an investment in your family's future.

The value of professional financial advice

Professional advice can greatly enhance the effectiveness of your intergenerational wealth planning.

The importance of advice in intergenerational wealth planning

A financial adviser can provide expert guidance on the complexities of intergenerational wealth planning, helping you navigate the legal, tax, and financial aspects to ensure your wealth is transferred efficiently. They can help you develop a comprehensive plan that addresses your unique needs and goals and provide ongoing support to ensure that your plan remains effective as your circumstances change.

Benefits of working with a financial adviser

Working with a financial adviser offers several benefits:

- **Expertise:** Access to specialised knowledge and expertise in financial planning and wealth management.
- **Personalised advice:** Tailored advice that takes into account your unique circumstances and goals.
- **Ongoing support:** Continuous support and guidance to ensure that your plan remains effective over time.
- **Confidence:** Knowing that your wealth transfer plan is well-structured and legally sound.



Professional advice can make a world of difference in ensuring your wealth transfer is smooth and effective.

How a financial adviser can help

A financial adviser can offer personalised strategies so that your wealth transfer is efficient and effective.



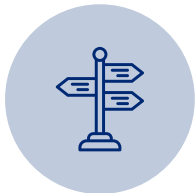
Personalised planning

Tailoring strategies to your unique situation. A financial adviser can help you develop a customised plan that takes into account your specific circumstances and goals.



Tax efficiency

Minimising tax liabilities through effective planning. They can help you identify opportunities to reduce your tax liabilities and maximise the value of your estate.



Legal guidance

Verifying compliance with legal requirements. A financial adviser can work with a legal professional to help you navigate the complex legal landscape of estate planning so that your plan is legally sound.



Family mediation

Facilitating discussions and decisions within the family. They can help facilitate discussions within your family so that everyone is on the same page and potential conflicts are addressed.



Case studies



Case study 1: Succession planning for the Smyth family business

The Smyth family owns a successful manufacturing business. Mr Smyth, the founder, wants to make sure that the business continues to thrive after he retires. He creates a succession plan that includes:

- **Training and mentorship:** Providing his children with the necessary training and mentorship to take over the business. This includes hands-on experience, leadership training, and involvement in key business decisions.
- **Tax planning:** Implementing strategies to minimise Inheritance Tax and protect the business's financial health. This involves consulting with tax professionals to explore options like Business Relief and other tax-efficient structures.
- **Setting up a trust:** To manage the business assets and ensure they are passed on to his children.

This comprehensive plan helps the Smyth family successfully transition the business to the next generation, preserving its legacy and ensuring its continued success.

A well-planned succession strategy can secure the longevity and success of a family business.



Case study 2: Estate planning for the Johnson family

Mrs Johnson has built significant wealth through investments and property. She wants her grandchildren to benefit from her estate while minimising tax liabilities. She creates a comprehensive plan that includes:

- **Gifting strategy:** Implementing a gifting strategy to reduce the size of her taxable estate. This includes making annual gifts to her grandchildren and contributing to tax-advantaged accounts, which helps lower the estate's overall tax burden.
- **Life insurance:** Purchasing life insurance to cover potential Inheritance Tax liabilities. This ensures that her beneficiaries receive the full value of her estate without the burden of significant tax payments.
- **Creating trusts:** To manage and protect her assets. These trusts are designed to provide for her grandchildren's education, healthcare, and other needs, ensuring they are well taken care of.

This thoughtful plan helps Mrs Johnson effectively reduce her estate's tax burden and makes sure that her grandchildren receive the maximum benefit from her wealth.

Strategic planning can help high-net-worth individuals protect their assets and provide for future generations.



Securing your family's legacy

Intergenerational wealth planning is a vital process for ensuring that your family's financial legacy is preserved and passed on smoothly to future generations. By understanding the importance of intergenerational wealth planning, exploring the various options available, and seeking professional advice, you can create a comprehensive plan that aligns with your family's values and goals. Whether it's through estate planning, tax-efficient investments, or educating the next generation, taking proactive steps today can help secure your family's financial future.

Strategic intergenerational wealth planning can help empower your family and protect your assets so that your legacy thrives for generations.

Take the first step towards securing your family's future. Reach out to our expert financial advisers for a complimentary, no-obligation consultation.

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