

# Managing Generational Wealth

## C H E C K L I S T



### Why does wealth seem to disappear within three generations?

Several reasons include:

- Mismanagement of wealth leading to an inheritance tax burden
- A growing family
- Spendthrifts
- Lack of financial education for those who are receiving the inheritance

If you have concerns about assets being passed down, please view our checklist and determine where you stand.



### DO YOU PARTICIPATE IN EFFECTIVE GIFTING?

Using the annual gift exclusion and lifetime exemption is an effective strategy for passing on wealth to beneficiaries without being subject to significant tax responsibilities. Should any of their gifts happen to exceed the gift exclusion limit, the amount in excess goes toward the lifetime exclusion amount.<sup>1</sup>

### ARE YOU FAMILIAR WITH HOW TRUSTS WORK TO PRESERVE GENERATIONAL WEALTH?

Trusts are legal entities that preserve wealth and allow the issuer of the trust to distribute the wealth as they see fit. They mitigate the risk of beneficiaries losing assets through lawsuits, divorce, or unexpected occurrences, and trusts also provide certain tax incentives. They can help you avoid probate, provide for a disabled beneficiary, establish a spousal trust, and other benefits.

## ARE YOU TEACHING FINANCIAL SKILLS TO THE CHILDREN WHO WILL INHERIT YOUR WEALTH?

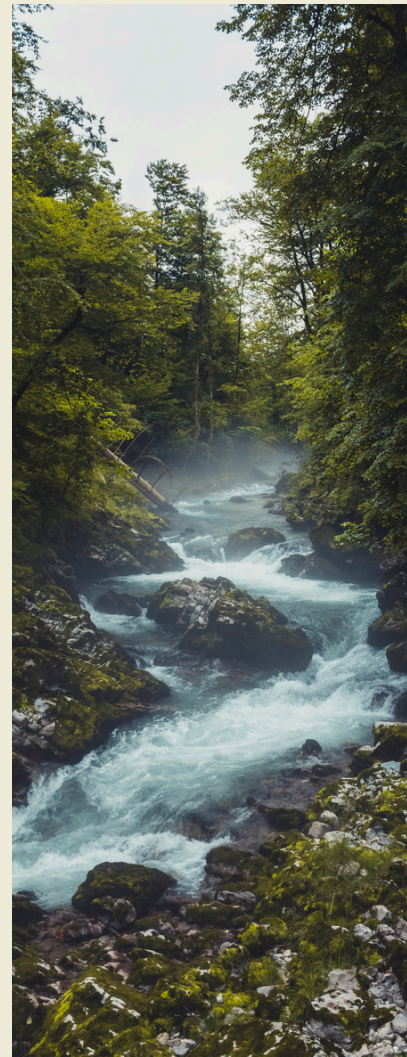
It is critical to teach children the value of saving and how to invest. This can help to preserve the wealth they will one day inherit. Parents can educate their children and grandchildren on investing in financial instruments like stocks, bonds, CDs, annuities, and real estate interests. They can walk them through preparing a budget, provide them with financial literacy books, and even consider granting them a small sum of money to practice money management (while the parents monitors their progress).



## DO YOU KNOW HOW TAXES AFFECT GENERATIONAL WEALTH AS IT IS PASSED DOWN?

Depending on the amount of assets distributed to beneficiaries, and the manner in which they are passed down, the act of giving may trigger a gift tax. There are several methods of giving that can help to lessen the tax burden including:

- Annual gifting
- Lifetime gift exclusion
- Charitable giving
- Taking capital losses to offset capital gains
- Deduct medical expenses that exceed 7.5% of your adjusted gross income
- Tax credits can be more beneficial than tax deductions as they lower your tax bill as opposed to reducing your taxable income <sup>2</sup>





## DO YOUR BENEFICIARIES UNDERSTAND THE VALUE OF COMPOUNDING WEALTH?

The earlier they begin investing money, the more beneficial the compounding interest will work on their behalf. The idea is long-term growth. To take full advantage of compounding wealth you have to be patient. A few common ways of investing where your interest compounds over time include:

- Dividend stocks
- High-yield savings accounts
- Bonds and bond funds
- Certificates of deposit (CDs)
- Real estate investment trusts (REITs)
- Simple interest annuities



## IS THERE A FAMILY MEMBER YOU WANT TO HELP WITH EDUCATION EXPENSES?

A popular way to transfer wealth is by paying for a family member or friend's education. With this strategy, the tuition is paid directly to the institution, which permits the giver to be exempt from gift taxes. Money used for books, room and board, and other educational expenses is not tax exempt.

If the preservation of wealth over multiple generations is a plan that you are interested in exploring, consider consulting a financial professional who can help you design a strategy to pursue your financial goals.

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### Footnotes

<sup>1</sup> [IRS bumps up estate-tax exclusion to \\$12.92 million for 2023 \(cnbc.com\)](#).

<sup>2</sup> 9 Best Ways to Lower Your Taxes - Experian

### Important Disclosures

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial professional prior to investing.

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