

HERITAGE INSTITUTE

## Transforming Philanthropy: The Future of Gift Planning

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## Agenda

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- Issues and gaps in traditional planning
- The key elements for Sustaining Family Wealth & Unity Across Generations (that have worked for centuries)

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## The Big Issue . . .

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Traditional planning fails to keep families and their fortunes together for three or more generations 90% of the time.

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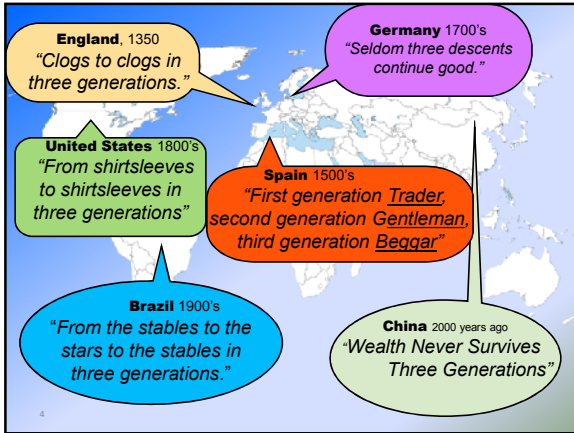
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**Lessons from history –**  
Geography  
Cultures - Economies  
Governments - Tax Structures

**Don't Matter.**

**Families rarely keep their money and families together for more than three generations.**

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**The Gaps**

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# Perception vs. Reality:

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## “What do you think will get you?” (FOX 2/2009)

Top Risks Identified by Family Offices, 2009

Q: What are the three most critical risks facing your family in 2009?  
n=37

Risk Category	Percentage of Family Office Executives
Investment Strategy Risks	32%
Economy and Financial Markets	25%
Financial Constraints	18%
Family Dynamics/Family Relationships	7%
Other	15%

Source: Family Office Exchange Research

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## Williams & Preissers Study “What got you?”

- 60% - Lack of Communication and Trust
- 25% - Unprepared Heirs
- 3% - Failures in Financial Planning, Taxes or Investments
- 12% - Everything else

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Another huge gap exists between what is **known** about wealth transfer,

and what is **done**.

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**What We Know**  
the studies on issues related to wealth transfer years ago done by:

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**What Is Known**

**Successful families share common characteristics**

- They foster good communication & trust
- Have shared vision
- Meet regularly
- Promote a balanced view of "wealth"
- Keep business and family separate
- Know the roles necessary to be successful
- Inspire family members to participate in the family
- Actively train and mentor each generation
- Facilitate the genuine transfer of leadership
- Have ongoing family governance

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**What Is Known**  
*What Clients want to pass and receive...*

The family story and life lessons!



77% for both "Baby Boomers" and their parents ("Elders")



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**What Is Known**  
*What Clients want to pass and receive...*

**For "Baby Boomers"**  
it was 10X more important to pass or receive the family story and life lessons than financial assets or real estate.



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**What is Done**

Typically, you work with your financial and estate planning advisors to:

- clarify your desired lifestyle;
- create financial plan and investment portfolio that prepares and protects your assets based on that desired lifestyle, and creates cash flow through your life expectancy to achieve those tangible goals; and
- determine who gets your stuff when you die, with the maximum tax savings and minimum administrative costs (with or without trust controls to protect your heirs from themselves)

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To fill the gap and build a strong foundation that can support the inheritances, we must act on what we know and expand what we do.

Successful Wealth Transfer

Financial Planning      Estate Planning

Heritage Planning  
The Heritage Process

Heritage Planning gives families the tools they need to replicate what successful families have done for centuries.

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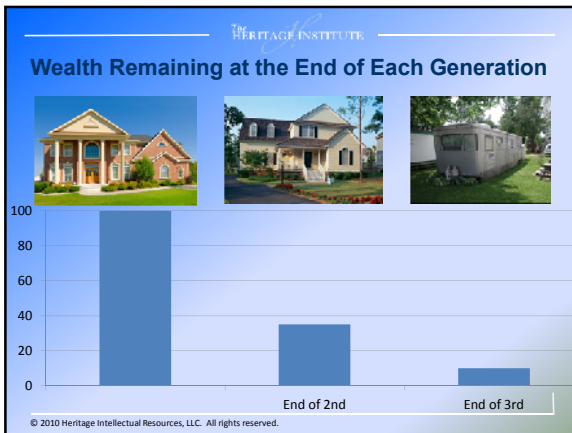
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## Why?

- It is NOT due to a of lack of traditional financial and estate planning...
- It is due to transferring **MONEY** rather than **WEALTH**, and not having a solid foundation to support the inheritance that is being given and received.

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## The Obvious Question...

What do the successful 10% do differently?

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## To Be Successful ...

Families must create a culture of communication and trust within the family, and prepare each generation for both the financial and emotional inheritances they will receive.

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Pass both the **financial** and **emotional** inheritances ...



... and build the **FOUNDATION** that supports both.

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#3  
Genuine Leadership  
Transfer

#2  
Plentiful & Meaningful  
Pre-Inheritance  
Experiences

#1  
Effective  
Inter-Generational  
Communication

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The Elements of Heritage Planning



SUSTAINING FAMILY WEALTH & UNITY  
ACROSS GENERATIONS

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◆ ELEMENT ◆

FOSTER STRONG AND EFFECTIVE  
COMMUNICATION, AND BUILD TRUST  
BETWEEN GENERATIONS

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◆ ELEMENT ◆  
DEVELOP, MAINTAIN AND REGULARLY RE-VISIT YOUR VISION FOR THE PRESENT & THE FUTURE

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◆ ELEMENT ◆  
SUCCESSFUL FAMILIES MEET REGULARLY

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◆ ELEMENT ◆  
PROMOTE A BALANCED DEFINITION OF THE MEANING OF "WEALTH"

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**Wealth Is Not Just Financial**

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***What do you value most in life?***

- Family
- Health
- Friends/Relationships
- Money
- Values
- Faith or Spiritual Beliefs
- Skills
- Experiences
- Reputation
- Causes

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◆ ELEMENT ◆

KEEP THE FAMILY BUSINESS (INCLUDING INVESTMENTS) SEPARATE FROM THE BUSINESS OF BEING A FAMILY

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◆ ELEMENT ◆

IDENTIFY THE 'ROLES' NECESSARY FOR THE FAMILY TO BE SUCCESSFUL (NON-FINANCIALLY AS WELL AS FINANCIALLY)

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◆ ELEMENT ◆

INSPIRE INDIVIDUAL FAMILY MEMBERS TO PARTICIPATE FOR THEIR OWN REASONS

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**What it takes to engage G2  
(and G3, G4, G5, ...)**

The 2 Questions They Will Ask Themselves:

*1. Is it worth it?*

*2. Can I do it?*

From: *Influencer*  
by Patterson, Grenny, Maxfield, McMillan & Switzler (2008)

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◆ ELEMENT ◆

TRAIN AND MENTOR EACH GENERATION

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◆ ELEMENT ◆  
  
FACILITATE THE GENUINE  
TRANSFER OF LEADERSHIP FROM  
GENERATION TO GENERATION

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◆ ELEMENT ◆  
  
REQUIRE TRUE COLLABORATION  
BETWEEN YOUR PROFESSIONAL ADVISORS

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◆ ELEMENT ◆  
  
CREATE MECHANISMS FOR  
ONGOING FAMILY GOVERNANCE

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◆ ELEMENT ◆

DO IT NOW

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**Connecting the Dots:**

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What would it mean to you and  
Your family if you could prepare  
Your children and grandchildren  
and keep your family together  
for multiple generations?

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***Heritage Planning creates EFFECTIVE  
multi-generational planning that fills the gaps***

- It allows families to replicate what the successful 10% have done for centuries;
- It provides the tools and skills necessary to create a culture of communication and trust in your family, and prepares each generation of both the financial and emotional inheritances they will receive, which eliminates 85% of the reasons why families have failed;
- It allows you to pass and receive the inheritances that are most important to you.

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*Financial and estate planning*  
help you pass  
what you **own** to future generations.

*Heritage Planning*  
helps you pass  
who you **are** to future generations.

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## Next Steps

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