

TALKING WEALTH

FINANCIAL PLANNING: INCORPORATING CHARITABLE GIVING

What's the most tax-efficient and administratively easy way to incorporate a meaningful inheritance to your children with your desire to support charities that you care about?

It's imperative that your financial advisor have a comprehensive knowledge of your family's current financial picture, as well as an in-depth understanding of your values and goals. Your advisor can help your family build a comprehensive plan for both your lifetime and for your estate, ensuring that

the plans remain interconnected through different life scenarios. It's also important to coordinate with your CPA, attorney and other advisors to ensure that all parties are working toward the same plan in an optimal and coordinated manner.



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Even more critically, advisors must work directly with families, whether they be together at home or connected virtually, to deeply explore their family legacy goals, often involving multiple generations. It's important to share your financial picture—both in its current dimensions and the struggles it took for you to achieve them—with your beneficiaries.

According to a study published by the Williams Group wealth consultancy, 70 percent of all family wealth was gone by the second generation, and 90 percent of it was gone by the third. A lack of communication between generations was cited as one of the key reasons that wealth tends to disappear over the decades.

The way to avoid this is to make sure that heirs know where their wealth came from and what their responsibilities will be. Many older people worry that informing younger generations about the size of their estates will make them lazy or untrustworthy. On the contrary, we've found that confidence and knowledge makes heirs better stewards of family legacies. If they know how they're expected to use their inheritance, they're much more likely to live up to those standards.

Based on those multigenerational discussions, your advisor can help you evaluate various options in executing your philanthropic goals—including donor-advised funds, charitable trusts and private foundations.

These meetings can help educate future generations on both broad financial topics and family legacy values.

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For those individuals who are fortunate to still have their parents, it's essential that they understand the potential impact an inheritance may have on their own plans. This is also a good time to ensure that parents' estate documents, such as wills, revocable trusts and powers of attorney, are up to date and will best meet their family's needs.

While it's essential to have your estate documents in order, recent tax law changes impacting IRA and other retirement plan distributions have created new planning needs and offer the opportunity for increased tax efficiency, especially in regard to charitable gifts. Since these assets pass by way of beneficiary designation (rather than in accordance with your will), it's critical to review all beneficiary designations regularly and ensure that they're part of a coordinated plan.

While 2020 has proved its hardships, it will also be remembered as a time of family connectivity. Consider this as a unique opportunity to optimize planning strategies and meet your family's goals—now and into the future.

