



## **PRESERVING WEALTH ACROSS GENERATIONS**

Wealth's complexities merit reflection and thoughtful dialogue. Prepare yourself and your heirs for the great privilege and responsibility of financial stewardship.



**SUMMIT**  
FINANCIAL GROUP, LLC







## A wealth of opportunity

You've achieved a certain level of success, and you understand that the privileges of significant wealth come with challenges in equal measure. Among those challenges is successfully passing your wealth and values on to the next generation. It's not a challenge you'll face alone; \$30 trillion to \$41 trillion is expected to be passed from one generation to the next by 2048<sup>1</sup>. The problem? Without careful planning, almost 70% of heirs' money, assets and family harmony disappear after an estate transition<sup>2</sup>.

At Summit Financial, we know the transfer of wealth amounts to so much more than a major estate planning obligation. We see it for what it is: an opportunity for your family to grow closer, stronger. An opportunity to share not only your wealth, but the values that have helped you build and sustain it through the years. An opportunity for open, honest communication, and for nurturing future-focused conversations with loved ones about business succession, charitable giving and diligent stewardship.

A thoughtful approach and coordination with your financial advisor are needed as you move through this process. We can provide the support, tools and information you need to rise to the unique demands of wealth – for the good of your family and the causes you value most.

<sup>1</sup>Accenture <sup>2</sup>cegworldwide.com

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## Raising vital questions

From a place of reflection, dig deep and unearth the questions you want your legacy planning to answer, using the ones listed below as a starting point. Like many, you may discover you don't have all the answers. That's okay – your team of professionals can help you find what you're looking for.

What legacy would you like to leave and to whom? You should take into account non-financial topics such as your values, expectations, the roles your family members will play and more.



Is your family prepared to competently manage their inherited assets?



If something happened to you tomorrow, is your family comfortable enough with your financial details to assemble a snapshot of your assets?



Do you have all the necessary documents in place and do your family members know where to find them?



Have you introduced your spouse and children to your advisors, including your financial advisor, estate planning attorney and accountant?



Have you created a comprehensive business succession plan?



What are your philanthropic intentions?











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## Resolving complexities

Once you've thought through the preliminary questions, it's time to rely once again on your trusted team of advisors to ensure your estate and legacy plan comprehensively addresses the needs of your family – today and tomorrow. You and your advisor will likely discuss topics including wealth transfer, business succession, and comprehensive trust services strategies for maximizing the net value of your estate and protecting your wealth.

While you can never completely eliminate risk from your life, you can take steps to create a safety net for you and your family by employing thoughtful risk management. You and your advisor will discuss what could go wrong when you're trying to protect your family and your wealth, running hypotheticals to determine where you're assuming too much risk – and what risks you can transfer through an insurance policy, trust or other measure.

All this is a reminder that comprehensive estate planning is a dynamic process that requires adjustments and monitoring to keep up with shifting tax laws, emerging wealth strategies and your ever-changing circumstances.

View your estate plan as a living, breathing document, one that evolves as your life does.

## Requisite estate planning documents

Establishing these documents early on can simplify the process of detailing your philanthropic and financial values, who inherits what, and how you want to be remembered.

- ▶ Legal will
- ▶ Ethical will
- ▶ Revocable living trust
- ▶ Durable power of attorney for financial affairs
- ▶ Durable power of attorney for medical decisions
- ▶ Living will for quality of life decisions



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# Family wealth transfer

You've worked hard to successfully grow and preserve your wealth. Now you want to share it with family and favored beneficiaries. This process has its fair share of i's to dot and t's to cross. We know this well and are here to help you feel confident with the logistics of your wealth transfer, coordinating with your team of professionals to create a well-laid plan.

Considering the complexities affluence brings, nuanced strategies can aid in the wealth transfer process. For instance, if you're concerned a family member isn't prepared for or capable of handling significant wealth, an incentive trust can provide a certain level of comfort. If your priority is instead on minimizing estate or federal gift tax, an irrevocable life insurance trust or qualified personal residence trust can assist, depending on your needs. This list goes on, with opportunities at every turn to deepen your wealth transfer plan, as well as your confidence in it.

## Strategic wealth transfer opportunities

You and your advisor may want to consider which specialized strategies can help you strengthen your estate plan and potentially minimize taxes, such as:

**Irrevocable life insurance trusts (ILITs)** – Affluent individuals often find a good portion of their life insurance policy proceeds lost to taxes due to improper structuring. Proceeds from insurance policies held within an ILIT, however, are undiminished by estate taxes and all proceeds can be used to provide liquidity, guarantee inheritance or replace lost family income.

**Qualified personal residence trusts (QPRTs)** – QPRTs allow homeowners to transfer property and continue to live there for a specified number of years, while avoiding federal estate taxes and mitigating federal gift taxes. At the end of the term, the property passes outright to those named as remainder beneficiaries.

**Incentive trusts** – A form of conditional wealth transfer that can be useful for those with concerns that large inheritance distributions could harm family members' lives. Instead of using traditional trust distribution methods, trust creators carefully construct these distributions in a way that motivates positive actions – like graduating from college or refraining from substance use – and instills family values.





# Philanthropic vision

Your advisor can develop a strategy to help you fulfill your philanthropic and legacy-planning wishes, no matter the need or the complexity of the situation. Charitable remainder trusts and charitable lead trusts are two examples of specialized trusts that allow you to give generously while retaining a benefit for you or your heirs. They also provide tax advantages that can benefit your estate, as does a donor-advised fund, a de facto family foundation that helps your family establish a legacy of giving over time, while enjoying significant tax advantages.

Not all strategies will work for every family, so it's important to think through a vehicle's benefits as well as any potential drawbacks before making it a part of your estate.

## Elevated philanthropic vehicles

Specially structured philanthropic strategies could further your goals. You may want to consider:

**Donor-advised funds (DAFs)** – A DAF, in essence, gives the donor the right to advise on how their contribution will be distributed or invested. This fund enables donors to make substantial charitable gifts over time while benefiting from significant tax advantages.

**Charitable remainder trusts** – This tax-exempt, irrevocable trust allows donors to give money or property to charities, while continuing to receive income for life or a period of time up to 20 years. The donor grantor receives distributions annually, and the charities receive the remaining assets when the trust period ends.

**Charitable lead trusts** – Charitable lead trusts have both charitable and non-charitable beneficiaries, and provide income to a charity for a period of years, while ensuring the eventual return of the trust property to a non-charitable beneficiary. Donors also can receive an income tax deduction if structured appropriately.

**Private foundations** – Affluent families may choose to set up a tax-exempt private foundation controlled by individuals or a corporation. This provides funders with wide latitude in their charitable activities, allows for family members to be paid salaries for their work on the governing board and can create a true family legacy.



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# Business succession

Only 30% of privately held businesses survive into the second generation, and less than 15% survive into the third<sup>3</sup>. A well-planned transition strategy can help you avoid this common pitfall. It's vital to establish a transition strategy and start working toward a smooth succession years before you think you need it, so that you're comfortable with whomever takes over the helm of your family business. It may make sense to groom an heir from your extended family, to consider an outright sale, or to have an expert take over until your chosen heir is old enough or fully prepared. And it's never too early to start thinking things through.

This process will raise important questions – ones your financial advisor can help you address with the appropriate strategy. For instance, if reducing your overall family tax liability is a primary concern, selling your business interest to a family member using a self-canceling installment loan is worth considering. Or if removing appreciating or income-producing assets like your business from your estate becomes an objective, your advisor can discuss with you the benefits of an intentionally defective grantor trust.

## Tailored business succession strategies

Business succession is complex, but you and your advisor can tap into strategies to help refine your plan. These strategies can include:

**Intentionally defective grantor trusts (IDGTs)** – A powerful tool to remove appreciating or income-producing assets from an estate without having to make a large gift for gift tax purposes. In an IDGT, the grantor purposefully sets up a trust so that he or she is treated as the owner of the trust assets for income tax purposes, but the assets held in the trust are not included in the grantor's estate.

**Grantor retained annuity trusts (GRATs)** – A GRAT can help insulate assets expected to appreciate significantly from being overly taxed, and can create a meaningful difference in net proceeds for family business owners contemplating a sale or transfer. This is one technique that can transfer wealth with little practical impact on the underlying transaction, yet with substantial wealth transfer results.

**Self-canceling installment notes (SCINs) and intra-family loans** – When you use a SCIN to finance the sale of your business interest, the buyer promises to make payments of portions of the sale price to you for a specified period of time. Selling a business interest to a family member in a lower tax bracket using a SCIN may allow for a reduction in overall family tax liability. Intra-family loans can be used in coordination with a SCIN and can be provided at a rate of interest below market rates.

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<sup>3</sup>Nuveen Business Owners









## Values worth sharing

The greatest gifts you have to bestow may well be your values, spiritual beliefs, wisdom, hopes for your descendants and the love you feel for your family and friends – important intangibles worth sharing with those you care about deeply. Along with establishing your estate plan, trusts and legal will, consider taking some time to create a “family love letter,” also referred to as an “ethical will,” for your spouse, children and grandchildren.

Your family love letter is a nonbinding document created with our help and written over time. It comes from the heart, serving as guidance for your loved ones in your absence. Your letter can serve a variety of purposes, but most pass on facts, feelings, memories and wishes, important events and family stories – all the elements that make up who you are.

We understand that the process of creating a family love letter is not always an easy one. It may be difficult to think of letting go, and of how best to ensure that those you care for most are taken care of. But the family love letter is yet another opportunity to share what’s most meaningful, to

tell your life story. It provides you with time to explain, to give context for the experiences that shaped your personality and successes, as well as to communicate from a position of thoughtful reflection.

As an added benefit, sharing with your spouse and heirs the values that spurred your success enables them to better understand how diligence, delayed gratification and good stewardship benefits not just them but those to come, as well.

### CREATING YOUR FAMILY LOVE LETTER

Your family love letter can take many different forms, so if the prospect of setting down your values, beliefs and hopes in writing seems too daunting, consider making a video instead. Many people are more comfortable expressing themselves by speaking instead of writing, and videos can have an immediacy and impact that the written word cannot match.



## Essential discussions

Once you've worked through the complexities of establishing both a legal will and family love letter, consider how best to share this information with your loved ones. These family discussions about wealth transfer are paramount, as they create a forum for open discussion, a place where questions and concerns can be raised. A place where all voices will be heard.

Whether held as one-on-one conversations or larger family meetings, these discussions serve as the building blocks for your legacy, giving your family the best shot at preserving wealth from one generation to the next. It's up to you to decide who should attend and what role they should play, when and where meetings will be held, and what your next steps are, including planning future gatherings.

### Start the dialogue

Significant wealth imparts significant responsibility, making thoughtful dialogue with the important people in your life a necessity. The conversation starters below should help break the ice. Other conversations will flow naturally from here, and all should be tailored to your family's needs and interests.

Share the history behind your family's wealth, how it was built and the value you place on financial independence.



Define your family's mission statement and your intentions for your wealth and legacy.



Outline your philanthropic vision. How and why do you benefit your community?



Discuss who and what helped you achieve your goals, including educational experiences.



If applicable, talk to a loved one about the history of your family business and how you intend to pass on your leadership responsibilities.



Discuss how you and your spouse will be cared for as you age and the role your loved ones will play in that plan. Who will take care of whom? How will you fund that care?

These discussions are ongoing, building on one another until you and those who matter to you have a clear plan in place, and you have the comfort of knowing your family and your legacy will be well taken care of. Some topics may be harder to talk about – such as who gets what and when – but that simply means they're that much more important.

Remember, once your plan is developed, it's important to return to it regularly to account for changes in your life or family situation.

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## Your enduring legacy

Successfully passing on wealth is complex, both emotionally and practically, but the effort is worthwhile for your own sense of satisfaction and the security of those you leave behind. We have experience guiding families through the intricacies of transferring significant wealth.

We do not see this as a strictly monetary process; instead, it's a chance to engage your spouse and heirs with deep, meaningful conversations about health, wealth and the future. It's an opportunity to share your values with the ones you love, showing them how your wealth can support those values over decades, even centuries.

We understand wealth's privileges and complexities deserve, even demand, thoughtful preparation and honest, ongoing family discussions. So, let's work together along with your other planning professionals to find fair answers to important questions, establish trust and open dialogue, and provide the gift of opportunity to those who matter most.







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