



## Values Based Estate Planning

*“I regard large inherited wealth as a misfortune, which merely serves to dull men’s faculties. A man who possesses great wealth should, therefore, allow only a small portion to descend to his relatives. Even if he has children, I consider it a mistake to hand over to them considerable sums of money beyond what is necessary for their education. To do so merely encourages laziness and impedes the healthy development of the individual’s capacity to make an independent position for himself.”*

~ Alfred Nobel (1833-1896), Founder of the Nobel Prizes

Most people are aware that a comprehensive estate plan can help preserve hard-earned assets for the benefit of ourselves and our heirs. While traditional estate planning typically involves transferring as much property as possible to the next generation, we rarely think about the impact this transfer can have on loved ones. Parents and practitioners alike focus primarily on dumping the wealth, dividing the assets, and deferring the taxes. Needless to say, this is an impersonal approach with the only goal to transfer as much “inheritance” as we possibly can. Meanwhile, the effect this approach has on heirs is often ignored.

While financial, tax and legal considerations are important, family wealth simply cannot be preserved long-term without a system of values-based governance. The harsh reality is that hard-earned fortunes are almost always gone within a generation or two. Where financial wealth is conveyed without the accompaniment of values, laziness can replace enterprise and self-gratifying behavior can replace work-ethic. Oftentimes, the assets we so eagerly seek to preserve and pass down are squandered and the opposite result is realized; the financial success a person accumulates during their lifetime serves only to destroy the character and maturation of the next generation. Many estate plans are ultimately destructive because they fail to motivate and encourage successive generations to develop the values that created the wealth in the first place.

The simple fact is that values matter. The best estate plan is one that doesn’t rob children of character building opportunities and challenges by providing them everything they want or need. For an estate plan to preserve a family’s financial wealth, it must first seek to increase “actual wealth” for future generations. Actual wealth can be defined as the combination of each individual member’s creative

abilities, intellectual aptitudes, social skills and character talents. The process and practice of enhancing these real assets using estate planning tools is known as values-based estate planning. As Warren Buffet expressed so well, “Inheritance should be left in a way that a child can do anything they want, but not left in a way that they can do nothing.”

One of the primary tools in values-based estate planning is the use of a Family Bank where all or a portion of a person’s estate at death is held in trust to advance the family’s goals, values and beliefs. For example, a family that values education may establish grants, loans, or scholarships for qualified descendants. The Family Bank may provide the financial resources, but the child or grandchild would be expected to provide the effort, energy, and desire. The Family Bank may establish criteria for support, such as minimum grade point averages or maximum periods of time for assistance. Families that value entrepreneurship may establish a program for loans or investments that provide an opportunity for a child and a financial return to the Bank. Loans could be made from the Family Bank to heirs at rates lower than those commercially available in the financial markets.

The Bank could also encourage philanthropy through matching charitable giving or supporting descendants who choose to spend their lives working for worthwhile causes. Some Family Banks have been established to finance family reunions, to support stay-at-home parents, to assist with adoptions, or even to help care for special needs children.

The primary goal of a values-based estate plan is to preserve the true wealth of a family over multiple generations by focusing primarily on the transfer of personal values as opposed to the transfer of financial resources. In helping your descendants learn productive life skills and attributes, a values-based plan can provide more long-term benefit to you and your heirs than any of the latest tax and financial strategies ever could.

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