



December 2020

YOUR HEIRS AND WEALTH

Fostering Purpose

NEPC Private Wealth



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Family wealth brings security, opportunity and freedom from having to work to pay bills. But without the usual financial pressures, how do you teach your children about money, work and personal responsibility? How can you help them foster a sense of purpose?

NEPC works with many families, and while each family is unique, we've found some successful techniques for helping prepare the next generation for the opportunities, responsibilities, and challenges of wealth. We work with families to support these practices because having a sense of purpose is instrumental to finding success and happiness.

FAMILY FUNDAMENTALS

It's never easy to educate young people about money and the adult responsibilities that go with it. There are so many questions a family must face. How will the family's wealth impact the heir's personal sense of responsibility? What is the right age at which to introduce the next generation to their role within the family and family office? And importantly, how do you educate them about the complicated world of investing into which they have been born?

Every family needs to plan for this challenge, because the stakes are high. The wellbeing of your children is most important, of course, but there's also the question of how your family's wealth will be put to use, and whether organizations you support can count on your family over the long term.

Fortunately, there's a simple 1-2-3 structure you can rely on to help put your heirs on the right path:

1. START WITH INFORMAL DISCUSSION

The abstract, long-term nature of wealth management is not a great fit for children under 15. But you can still help them by talking – informally – about the money issues your family faces. Get comfortable talking regularly about important money decisions and how you make them.

2. PLAN FOR FORMAL EDUCATION

Once your heirs reach their teens or early twenties, it's time to introduce some formal education about financial and investment issues. Though they may get some of this education from school and life experience, you should plan to guide this education yourself, with NEPC as your partner.

3. GIVE THEM OPPORTUNITIES TO PRACTICE

Once your children become young adults, help them practice their emerging decision-making skills by involving them in specific financial choices or conversations.

NEPC SUGGESTIONS

Using these fundamentals, we believe the following three areas of focus are effective in fostering purpose

Create a “Family Wealth Story” and Mission Statement	Give Your Child a Financial Education	Define a Long-Term Wealth Management Role for Your Heir
<p>Discuss not just where the family’s money comes from, but also the productive and charitable uses it has been put to. Emphasize that wealth is a tool the family uses to support and express its values.</p>	<p>Discuss money decisions with your children. Help them understand that your family has different financial responsibilities—and opportunities—than the average family.</p>	<p>Discuss long-term family wealth management and your views of financial responsibility. Communicate your vision for your heirs’ developing role within the family structure.</p>
<p>Educate your heirs about short- and long-term family goals and the values that drive them; share your intentions for the family’s wealth.</p>	<p>Educate your children on the basics of financial literacy and investments. Place added focus on the efficient allocation of resources and opportunity costs.</p>	<p>Educate your heirs about stewardship and fiduciary responsibility. Gauge their interest and aptitude and offer them additional responsibility – if they are interested.</p>
<p>Act by drafting a family mission statement, laying out the family’s values, goals and philanthropic causes. This document—which can be modified over time as appropriate—helps keep present the guiding principles by which the family’s wealth should be managed and utilized.</p>	<p>Act by giving your child an allowance, establishing a savings account for them, and walking them through purchasing decisions. Invite them to observe your family’s decision-making process.</p>	<p>Act by having them participate in managing the family’s wealth. Many families use their family foundation as an introduction. Foundation board meetings are an ideal place to listen, learn, and make decisions that uphold family values—both about investing and charitable giving.</p>

NEPC CAN HELP

NEPC family relationships last generations, so we often help families educate their heirs and prepare them for future responsibilities. General financial literacy classes may not have the depth needed for wealthy families, so we are happy to provide education sessions to cover wealth issues in more detail, including asset allocation and manager selection, as well as more advanced investment topics such as alternatives. Please speak with your consultant if you would like to arrange such a session for your family.

However, we also know that not every child has great enthusiasm for financial matters. Some may never be interested and, if that’s the case, it’s a good thing to know early. We are happy to work with clients in different ways—from advisory-only all the way up to full discretion—so each individual can decide how involved they want to be in the process.

The nuances of each individual family can vary greatly, and there are many approaches to bringing up the next generation. But there are common areas of focus. By establishing and communicating your family's framing values, building a foundation of respect and appreciation for wealth, and taking education step by step, you can guide your heirs to successful stewardship of your family's legacy.

IMPORTANT DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

