
Legacy Planning

*“Measure your wealth not by the things you have, but by the things you have which money cannot buy”
- Abraham Lincoln*

Receiving a large inheritance without having the appropriate knowledge and framework to manage that wealth can create more challenges than solutions for the beneficiaries. Therefore, it is important to create an environment for discussion and education regarding the management of wealth and also the equipping of the individual for the added responsibility which wealth brings.

Financial Succession is often more about passing on knowledge and values to manage the financial assets than passing on the financial assets themselves.

Instilling values and knowledge takes time. Some tips for doing this are:

- ❖ Challenge your child to think about issues surrounding life, wealth and work.
- ❖ Set an example regarding your attitude to work, family and finances; People are more likely to pay attention to your actions than to your words.
- ❖ Get your children involved: Allow them to be involved in decision making processes whether it is spending their allowance or helping plan the family vacation. If you have a family business or a charitable foundation, get them involved.
- ❖ Teach them the family history: Many of the earlier generations have endured financial hardship to move to new countries or start new businesses. Tell your children about their family heritage, this may elevate their appreciation of their current circumstances.
- ❖ Allow them to fail and bear the consequences: Successful parents often want to relieve their children’s stresses and rescue them from bad decisions. This unfortunately can result in unaccountable behaviour by the child who is relieved of the ill consequences. Many of the best lessons are learned from making mistakes and bearing the consequences.
- ❖ Encourage your children to become net savers versus net consumers; This will ensure they are not reliant on your capital.
- ❖ Encourage your children to identify their unique talents and to pursue their dreams.



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If an individual is considering leaving a large inheritance to a child it will be advisable to understand how that inheritance will affect the child. In order to be able to do that it is necessary to understand the child's attitude towards money. This is done by spending time together and by communicating about the issues. One of the problems created by a perceived future inheritance is a dependence on this inheritance or parent, which can inhibit self-sufficiency.

The success of many family businesses is often due to the drive and vision of one or two individuals. However, if these individuals do not transfer their vision and know-how to the future owner and managers of the business, the success of the business will be limited to the working lives of the current owners. It is therefore necessary to put in place a succession strategy, which identifies the future successor and equips him or her with the necessary skills to carry on the success of the business.

It is generally advisable to initially encourage relatives to find jobs outside of the business, wherever their interests may lie. This will allow them to move towards independence outside the family business and gain a better understanding of their strengths and weaknesses through the success and failures they experience. When they eventually join the family business they will have the confidence associated with knowing that they have made it themselves on the outside.

If the retiring owner is dependent on the business for his or her retirement income, the succession strategy will need to achieve the necessary cash flow to be successful.

If there is not a suitable successor in the family then other options available to the business owner are:

- ❖ Sale to key employees
- ❖ Sale to a competitor or consolidator
- ❖ Sale of assets and distribute proceeds

For more information on how we can help you structure an effective legacy plan, please contact the Investaflex Team at 604-331-2523 or info@investaflex.com.

