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Pass On Inheritance With Financial Savvy, Values

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Making sure that the next generation doesn't squander the wealth you worked to acquire means sharing your smarts and values. Financial experts urge starting early. "The earlier you can have an open discussion about succession and inheritance planning with both generations, the better the odds are that the planning will be effective," said Ian Weinberg, CEO of Family Wealth & Pension Management in Woodbury, N.Y. "Introducing the kids to the team of professionals now is also critical."

• **Step up.** As you zero in on kids, said Kevin Reardon, owner of Shakespeare Wealth Management in Pewaukee, Wis., "the child can have three containers for their money: 1. short-term spending (candy, soda, fun stuff); 2. long-term savings (for electronics, car, college); 3. charitable giving. If you want to teach the children about values, showing them how to give to charity is a great first step. The three buckets is a great way to teach basic budgeting."

• **Give with purpose.** "Start discussing financial topics early with grandchildren," said Nancy Anderson, a certified financial planner at Key Private Bank in Salt Lake City. "One way to open up that discussion is when you are giving them a check for their birthday, ask them to call you before you send it. Discuss what they might do with the money. You can use this opportunity to talk about saving and spending."

• **Train teens.** Reardon says that a job in high school is key: "It teaches responsibility and gives them an opportunity to practice what we've taught. When the child learns how to drive, have them pay for some or all of the gas or insurance. "Mitchell Kraus, a CFP at Capital Intelligence Associates in Santa Monica, Calif., added: "If you don't learn the value of a dollar, you won't be able to build on that wealth you (have)."

• **Build independence.** Be sure the kids have their own financial plan so they won't depend on inherited money, said Cindy Richey, president of Prosperity Planning in Kansas City, Mo.: "It starts with expecting your kids to earn their own way and save and invest on their own. We have nine clients (ages 16 to 25) who were referred to us by their parents and have invested their own money. We meet with them annually and reinforce good savings habits. Their parents have told them many of the same things, but hearing it from a professional advisor reinforces it."

• **Teach investing.** Reardon suggests buying children stock in something that they understand — such as **Disney** (NYSE:DIS), **Coke** (NYSE:KO), **Apple** (NASDAQ:AAPL) or **Sony** (NYSE:SNE). "The kids will look much differently at things in their life if they can equate it to business or investments," he told IBD.

• **Plan college.** Managing higher-education costs is good training for handling inheritance money. Reardon says that the college-application process should include a discussion of the cost-benefit analysis of each university or major."Having them pay for at least some of their tuition is important," he said. "Children will be more tuned in to money and begin to learn skills related to consumption. This is a great opportunity to teach them about opportunity cost."

• **Pass on values.** Identify family stories and life lessons, using them as the cornerstone for all planning, says Mark LaSpisa, president of Vermillion Financial Advisors in the Chicago area.

• **Try 'em.** Future heirs learn and sharpen skills by running part of the business. "Depending on the age and skill set of the family member, they could be given a portion of the family budget to manage," LaSpisa said. "Perhaps place them in charge of a major purchase (or) project."