

## Lifetime planning and the next generation

### **Karina**

Welcome to our latest video on lifetime planning and preparing the next generation. My name is Karina Challons, and I'm a Managing Director in the UK wealth planning team and I'm joined today by my colleague Paul Bradshaw who's a Director also in wealth planning.

### What is lifetime planning and why is it important to prepare the next generation?

### **Paul**

Lifetime planning or planning during one's lifetime is about making sure that you've got your ducks in a row and not leaving things to be dealt with on death i.e. through a will. It's clearly important that you have open dialogue with the next generation so that everybody's prepared and understands what they would like to happen. I mean obviously things can be left to be dealt with in a will. Although that can sometimes cause problems, and Karina, we were talking recently about an example that you have in this scenario. Would you like to share it?

### **Karina**

Yes, of course as you know, I had a client whose son had just graduated from University and when my client was on his way to the office. He passed his son lying on the couch watching some daytime programme and he said to him how are the job interviews going? To which his son replied. "Oh, well, I don't need to worry about that because I've got a trust fund and I've got more than enough income." Well at that point, my client was apoplectic with rage. He called me and said talk to the trustees, stop the income and he basically threw his son out and told him, you know, you come back when you've got yourself a job, I'm not gonna support you and neither is the trust. Well this story ended well because four years later he came back on his father's birthday and said, I've got to thank you for taking such a hard stance with me because I've now got a great job. I've

even got a mortgage and a nice property and if you hadn't taken that approach, I'd probably still be lying on that sofa today.

### What should the education process encompass?

#### **Paul**

As far as next steps are concerned with regards to educating the next generation. I mean clearly we want to look to have an open communication framework. So as with all things in life communication is key, and not only that, underpinning it with some form of education either formal or informal.

#### **Karina**

And also making them aware of the impact of their own actions. The next generation needs to understand that what they do matters. And so for instance if they draw up prenuptial agreements, if that's the agreed course of action that the family take, this can protect the family wealth. And also aligning their planning rather than going off in their own directions, you know, this can dissipate the wealth if you know, they haven't thought about the bigger family unit. So all of this is important to make them aware.

### What steps can be taken to prepare the next generation?

#### **Paul**

I suppose the starting point for this is ensuring that family members are in open dialogue with their advisors, that they understand the planning that's being undertaken at a basic level and that the family work in a coordinated way. Before decisions are made, certainly big decisions, like relocating overseas, then advisors should be consulted because there's a risk that the decision that one family member makes can have spill out consequences for the rest of the family.

#### **Karina**

Do you know, I agree with you Paul. But you know, sometimes we, I have a client who was the next generation, followed the advice, went and had his prenups drawn up before his marriage and he was given, you know, all the proper advice and then during the course of his marriage. He decided to ignore the advice he was given so that by the time he divorced, which was about six years later, his divorce settlement was much higher because he hadn't followed the advice. So even though they might start to, they need to continue doing it. It's not just I've done it so I can park it.

When should the education process begin?

**Paul**

So for very young family members there doesn't necessarily need to be any sort of formal engagement or education. It's about having open dialogue as a family so that people understand what the family have, how they behave, and the sooner you start the process the more likely this behavior is to become second nature.

Is there such a thing as best practice?

**Paul**

As far as processes for this type of, or for the concerns that might exist around planning for the next generation, there's really not a one-size-fits all approach. There's no such thing as best practice. Typically you do see however, like a pattern followed when you're talking to clients about succession. So thinking about their objectives, what are their concerns? You know, what assets do they have, how are they owned? And once you understand the basics about a client we can help them, you know, source suitable advisers who are able to work to the clients needs given the clients asset base and personality and then typically from there you'll end up with a scenario where assets may or may not be placed in structures depending upon clients objectives and what those assets are.

**Karina**

Absolutely agree, and the other thing is from then on, once it's been created, you're then looking at how do you monitor those structures? How do you monitor the family? What is the training for the next generation? What's the support mechanism and also the interaction with the advisors, I mean that is key on an ongoing basis not just a one-off. So all of these things need to be taken into account and reviewed.

When do challenges arise?

**Paul**

When do challenges arise? I mean clearly the road can be a bit bumpy as all of us with families will know. I mean there really isn't a particular point where you might see a problem. Clearly you want the matriarch, and you need actually, the matriarch or

patriarch to be engaged in the process and see value in it and exactly the same for the next generation, they need to want to start to engage in the process. And if they don't you're simply baking in problems for the future.

### Do families need to prepare incoming individuals joining the family?

#### **Karina**

So some families do prepare the incoming members of new members of the family because they want them to understand their role within the family and what is expected of them so that they don't come in blind thinking that or having expectation of something.

#### **Paul**

Yeah, certainly, you know, I've had a number of families where incoming family members, you know future in-laws, have been involved in decisions very early on from asset ownership to how things will be run in the future. Of course, that's not right for everybody. It's about, you know, establishing boundaries early on the relationships, so everyone understands where they fit in.

### Should future in-laws be perceived as a threat?

#### **Karina**

So some families view incoming in-laws as a threat and expect them to draw up all sorts of prenuptial agreements or even post-nuptial after their marriage whereas others don't see them as a threat. And in fact, a lot of in-laws have not only maintained the family wealth, but also gone on to build that for future generations.

### What are 3 key takeaways?

#### **Paul**

So key takeaways, don't put off engaging the next generation, start the process as early as possible. It doesn't need to be too formal, just general conversations. And are you clear about expectations? Does everyone understand the role they have to play in the family?

**Karina**

And have you prepared the next generation or are you planning to do so? Do you plan across the generations or do you work independently of each other? These are some of the questions so that you know how you work together and what you need to do and which approach you want to take and every family is going to be different. So there's no right way, they're just alternative ways.

**Paul**

Absolutely.