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Financial Planning for the Generations

By Elaine Floyd, CFP®

In most families, the needs and interests of family members overlap. Even if your money is separate, planning needs to happen for all.

It is normal, when working with your financial professional, to focus on the needs of your immediate family. If you are a baby boomer, for example, you are probably looking at retirement planning, when to take Social Security, how to invest your retirement assets, and so on. Other financial planning issues such as college and home buying are behind you, while long-term care and estate planning will be coming up. But there are some very good reasons why your financial planning activities and discussions should span the generations: why you might want to look into college planning, and why your children should know something about long-term care.

In most families, the needs and interests of family members overlap. Grandparents are interested in their grandchildren's college plans, and grandchildren may someday be involved in the care of their elders. Healthy families talk about these things. When families love and care about each other, there's a certain interdependence that acknowledges the needs of each generation and the ability of the other generations to help. Even if the generations keep their money separate, there are often conversations where family members

share ideas and opinions about each other's lives and financial decisions. They get into each other's business, so to speak, because one generation's decisions often impact the lives of the others'.

FINANCIAL FITNESS FOR ALL

Once a year or so, when you meet with your financial professional, bring up issues related to your family. Is a grandchild getting ready for college? Is a child or grandchild trying to buy a home for the first time? Do your parents need a caregiving plan? Your advisor may be able to provide insight and resources.

Ask your advisor if he has a financial fitness checklist that can facilitate financial planning for the generations. It may help jog your thinking.

Your Family. Start with a general conversation about your family. Do you expect any changes in relationship status such as marriage, cohabitation, or divorce? Do you expect any changes in family composition, such as a birth or adoption? Has an adult child moved back home? How are your parents doing? Talking freely about your family may uncover financial planning needs that you had not thought about.

Your goals. In addition to your own financial goals, think about your family members and what they hope to achieve. College? A home? Start a business? Remodel the house? A special vacation? Even if you and your family members keep your money separate, you probably talk about it. Your financial professional may be able to help family members work on their goals too.

Your business. If you own a business and hope to keep it in the family, start talking to your financial professional early about your succession plans. Ask your advisor what you and your family need to think about in preparation for the eventual transfer of control and ownership of the business.

Your work. If you're still working, you've probably given a lot of thought to when you might stop. When doing generational planning, you might also want to consider the stop-work decision in the context of your family. If money is tight anywhere in the family, continued work on your part may be considered a resource to the family. Also talk about the work and career goals of younger family members.

Your health. Does anyone in the family have health issues that could create a financial burden? Talk to your advisor about your insurance options, including Medicare, employer insurance, individual insurance, or perhaps even Medicaid planning to pay for long-term care. There are so many health insurance options today it's hard to analyze them all.

Your money. All of these life goals and issues have a financial component, but here you'll be talking directly about your money: investments, taxes, cash flow, debt, etc. We recommend that both spouses participate equally in the discussion. The last thing you want is for one spouse to become widowed and have no idea how to carry on. And what about your children, grandchildren, and parents? Do they have money issues that your financial professional could help with?

Your estate. Generational planning is estate planning with a focus on the whole family, as opposed to the one-way transfer of the wealth holder's assets. Once you've gotten your affairs in order (or have a plan for doing so), talk to your financial professional about the rest of your family and what might be expected to happen after you pass. Will the surviving spouse be prepared to go it alone? Will beneficiaries be prepared to handle their inheritance? Is there anything you can do now to make your passing easier on your children? By extending your thinking beyond the grave you can create a true legacy that will live on through the generations.

Your retirement. You touched on this in the work discussion, but here you'll be zeroing in on retirement plans: Are there any retirement accounts held by former employers? If you own a business can you benefit taxwise by establishing a new retirement plan or contributing more to the plans you do have? Do any family members need help understanding required minimum distributions as they relate to their own or an inherited IRA? Does anyone in the family need a second opinion on how retirement assets are invested?

Your future. Anything that hasn't been covered under the previous topics may be addressed here. Again, expand it to include family members. Does anyone need help getting financially organized? Could everyone get by for six months without dipping into retirement or other long-term accounts? Does anyone

anticipate any significant life changes in the next five years?

Generational planning is a relatively new concept in financial planning. It recognizes that the financial and life decisions made by one generation often have an impact on the others'. So while you are doing your own financial planning, give some thought to the

rest of your family and how you and your financial professional may be able to help them achieve their financial goals.

Elaine Floyd, CFP® is Director of Retirement and Life Planning for Horseshoan, LLC, where she helps people understand the practical and technical aspects of retirement income planning.

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