

CROSS-GENERATIONAL FINANCIAL PLANNING:

*Connecting with your
Millennial Children*

OVERVIEW:

Millennials are poised to inherit approximately \$41 trillion from their Baby Boomer parents over the next 40 years.¹ The result will be the single largest intergenerational wealth transfer in human history. Many older clients, however, are beginning to voice growing concerns over the financial preparedness of their Millennial children, fearing they may lack the wherewithal to deal responsibly with a sudden influx of wealth.

According to Dan Kindlon, Ph.D. and professor of child psychology at Harvard University, it's an anxiety that's understandable. He notes that today's privileged teens often have significant obstacles to overcome, not the least of which is looking beyond their own immediate needs. Kindlon not only points to a popular culture that celebrates the self-indulgent behavior of fame-hungry reality TV stars, but also the continued shrinking of the average American family unit as key challenges. *"It was kind of hard to think that the world revolved around you when you had eight brothers and sisters,"* he says in comparing current to past generations.² Not surprisingly, with fewer siblings and often sizeable age gaps between them, the Millennial generation turned to technology rather than the family unit as their primary method of socialization.

This is, after all, a generation raised on Facebook and Twitter – one accustomed to instantaneous acknowledgement of even their slightest achievements. So as many wealthy Baby Boomers transition into retirement, they're beginning to ask some tough questions about the overall wealth preparedness of their heirs, and turning to financial advisors to help impart strong financial values to Millennials.

THE MILLENNIAL MISPERCEPTION:

As is often the case, there's a great disparity between perception and reality, brought into sharp contrast by a recent research study conducted by Wells Fargo. The 2013 survey explored savings and investing attitudes and behaviors among a representative sampling of 22-32 year-old Millennials.

More than half (54%) of respondents cited paying off loans as their single *"biggest financial concern."*³ The anxiety is well-founded considering that many in this generation have amassed an unprecedented amount of student loan debt without the relative certainty of securing high-paying jobs that will allow them to pay-down that burden. But not only are their concerns rational, their attitudes towards money appear to be well-grounded as well. When asked how they would utilize a tax-free windfall, only 3% of Millennials said they would spend the money and enjoy themselves. Nearly half (49%) would use it to reduce their debt,

THE AMERICAN GENERATIONS

While researchers vary somewhat on precise date ranges, the following are commonly accepted key generational groupings that represent similar characteristics, attitudes and personality traits:

| GROUPING | BORN |
|-----------------|-----------|
| Traditionalists | pre-1945 |
| Baby Boomers | 1946-1964 |
| Generation X | 1965-1980 |
| Millennials | 1980-2000 |

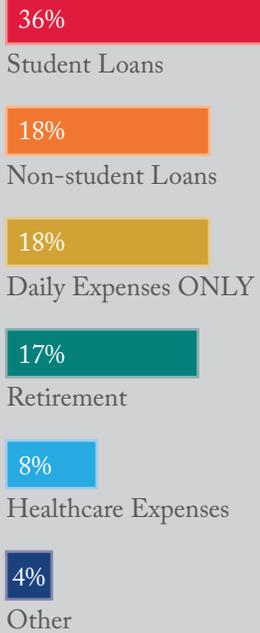
14% would earmark the money for their retirement nest egg, 12% would use it to bolster their emergency savings, and 11% would apply it to the down payment on a home.³ These responses hardly seem to represent the mindset of a frivolous and self-indulgent generation.

Simply put, the common perception of Millennials is deeply flawed. While they are indeed a technology-driven generation of information sharers, they are far from the self-absorbed narcissists many believe them to be. Millennials are actually very much values-based investors with a heightened social awareness – exceedingly cause-driven and deeply charitable. Keep in mind, these young adults have come of age during the greatest economic crisis since the Great Depression. They’ve seen the devastation wrought by the negligence and excess of Enron, Worldcom and countless other firms and individuals. And as a result, they’ve become some of the loudest voices, calling on businesses to play a more active and responsible role in society. A recent World Economic Forum study of 5,000 Millennials throughout eighteen countries, including the U.S., found that even more than generating profits or driving innovation, young adults believe “*improving society*” should be the number one priority of businesses.⁴

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Other studies have also shown that because of their deeply-rooted comfort with social networking, Millennials tend to be far less private than their parents’ generation. They’re considerably more open to discussing personal matters like finances and investments, but not in a structured, formal setting. Millennials generally prefer casual communication. They’re scanners of information rather than readers, and as such, tend to prefer a steady stream of digestible nuggets. Unlike their parents, they’re far more likely to absorb information through social media and online outlets rather than mainstream newspapers, radio and/or television.

MILLENNIALS' BIGGEST FINANCIAL CONCERNS



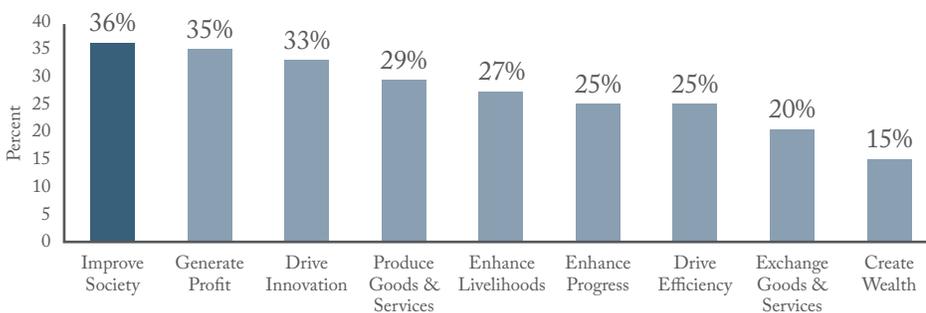
Source: Wells Fargo, “Millennials & Money,” February 2013

BRIDGING THE FINANCIAL COMMUNICATION GAP

As Wealth Advisors, we're deeply aware of the vital role we can play in helping to bridge the financial communication gap between our Boomer clients and their Millennial children. It's imperative we educate the next generation about the challenges that come with managing wealth, by utilizing the media they're most familiar and comfortable with:

- Facebook, Twitter and LinkedIn engagement
- Timely and topical blogs
- A host of financial awareness and market outlook videos
- Weekly online market commentary
- Monthly electronic newsletters

PRIMARY PURPOSE OF BUSINESS ACCORDING TO THE MILLENNIAL GENERATION, % OF SURVEY RESPONDENTS



Source: Deloitte

By establishing a relationship with your future inheritors today, we're able to better prepare them for a tomorrow that will pose far different wealth challenges than either their parents or grandparents faced.

FAMILY PHILANTHROPY - THE GREAT UNITER

Members of the "Greatest Generation" often worked for the same company their entire life. For Boomers, that all changed. As pension plans gave way to self-funded 401(k)s, a more mobile and flexible global workforce paved the way for significantly increased job mobility. And Millennials are likely to experience even more tumult. Theirs will be a non-traditional work life with even more frequent job switching as telecommuting removes the last physical barriers.

But the biggest work-related generational change is that the vast majority of Millennials do not live to work – they work to live. They possess a burning desire for "meaning" in both their careers and in their personal lives. It's the reason why we encourage many of our clients to explore family philanthropy as a tremendous way to engage multiple generations in working cooperatively to help promote the true wealth of their shared values.

WHERE DO MILLENNIALS TURN FOR NEWS AND INFORMATION?

SOCIAL

68%



WORD OF MOUTH

))) 63%



NEWS WEBSITE

@ 62%



TELEVISION

55%



RADIO

44%



NEWSPAPERS

33%



Source: Ypulse Lifeline Survey, May 2013

Some clients choose to establish a Family Foundation for a more structured approach to philanthropy, while others opt for the simplicity of using a donor-advised fund to manage their charitable gifts. And for a truly shared experience, some even actively participate as a family through volunteering.

Whatever your preferred approach, philanthropy doesn't have to be complex or require extensive financial knowledge. Conducted in a family setting, it can help set teen children on a path to values-based financial independence, and bring adult children together to strengthen family bonds. Generosity is a learned behavior. It doesn't happen on a whim. It does, however, require desire, commitment, a well thought-out strategy and trusted advice. Keep in mind, though, that in order to be truly *effective*, philanthropy requires an ongoing commitment over an extended period of time.

ENGAGE ADULT CHILDREN IN YOUR ESTATE PLANNING

Even with your greatest fears allayed, you still want to ask yourself: *Am I doing everything I can to ensure that my future inheritors will be prepared for the challenges that come with managing wealth?* Most parents seek to strike the perfect balance – making sure they leave their children enough so that they can pursue opportunities without financial worry, but not so much that they can simply avoid working for a living.

While you may be reluctant for your adult children to know the intimate details of your finances, remember that your estate plan will ultimately have a direct and likely profound impact on their plans. In order to avoid surprises and ensure any assets that will eventually be inherited are properly accounted for and integrated into your children's wealth plan, they need to become aware of your plans for their inheritance.

Knowing that certain assets are guaranteed to transition at some future point can help Millennial heirs make important life decisions regarding the here and now (e.g., the ability of one parent to stay at home and raise children, knowing that they can temporarily get by on a single income without worrying about how it will impact their retirement savings).

Regardless of *how* prepared you think your children are to inherit significant wealth, through the active use of various trust vehicles and the development of a structured game plan for wealth transfer, you can precisely control the when and how of asset distribution over a long period of time. Using third-party trustees with your children serving solely as beneficiaries can help to avoid conflict. And we'll work with your children to explain the specifics of your plan and how they will benefit during their life.

"Am I doing everything I can to ensure that my future inheritors will be prepared for the challenges that come with managing wealth?"

ABOUT CARSON INSTITUTIONAL ALLIANCE

Our goal at Carson Institutional Alliance is to work with clients throughout the True Wealth planning process to identify each of their financial and non-financial concerns, and to address those concerns. From minimizing the income tax ramifications of closely held company stock, property and asset transfers between generations to reducing estate and gift tax liabilities by using discounting, exemptions, value replacement and beneficiary designations when structuring complex generational transfers, we marry a comprehensive understanding of current tax law and transaction structures with careful consideration for family dynamics, to implement rational solutions that benefit present and future generations.

By helping your Millennial children address their pressing debt concerns, activate their philanthropic inclinations and plan for their future inheritance, your financial advisor can play an important role in fostering meaningful cross-generational communications about your wealth and values.

Carson Institutional Alliance Partners are dedicated to helping clients reach a higher purpose for their wealth and to designing a lasting legacy for their families.

Wealth Designed. Life Defined.™

1 Forbes, "Making Money While Making the World A Better Place," March 2014

2 Dan Kindlon "Too Much of a Good Thing: Raising Children of Character in an Indulgent Age" 2003

3 Wells Fargo, "Millennials & Money," February 2013

4 World Economic Forum, "From the Margins to the Mainstream," September 2013