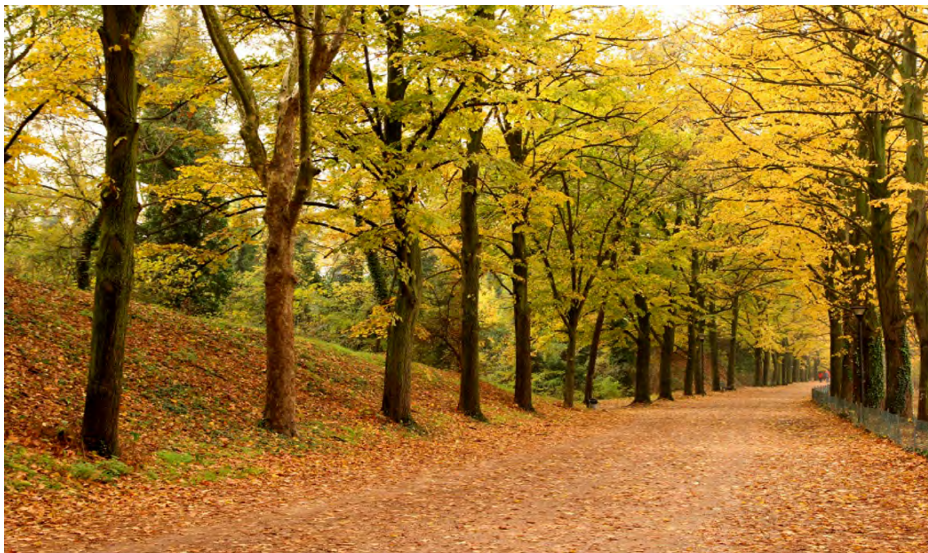


Heritage Planning

The 3rd Element™ of Successful Multi-Generational Planning



presented by

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The 3rd Element™ of Successful Multi-Generational Planning

By Rod Zeeb,
CEO & Co-Founder, The Heritage Institute

Planning for your money is *not* the same as planning for your family.

For centuries, the process of ‘comprehensive planning’ for most families has consisted of two basic elements: financial and estate planning. Despite their almost universal use and acceptance, however, these processes fail the vast majority of families when measured against the only performance indicator that really matters: keeping the family and its fortune strong and united across generations. The premise of this paper, and the foundation for everything we do, is that the things that matter most to you and your family cannot be measured by the bottom line on a balance sheet. They can, however, be passed successfully from one generation to the next, strengthening and uniting your family even as they protect and build your assets.

The ‘secret’ to keeping families—and the assets for which they have worked—together for multiple generations isn’t really a secret at all; but, it is not something that can be accomplished by simply re-visiting or beefing up your existing financial and estate planning. Most planners do those well. Instead, families that succeed across generations (which we define as families in which individual members lead productive, fulfilling lives, where the family works and plays together regularly, and where the financial assets are used to achieve the things that matter most), do something most families do not: they add a 3rd element to their planning, one that has come to be known as Heritage Planning. **This planning prepares the children and grandchildren for their inheritance**, in part by passing stories, values and life lessons to succeeding generations.



Two kinds of inheritance

The generally accepted notion of what constitutes an inheritance could use some serious re-working. That’s because we actually receive and pass on *two* kinds of inheritance, not just one. There is the **financial** inheritance, which is the one with which we are most familiar. Advisors have built their practices around it for centuries. But, multiple studies and the combined experience of seasoned advisors tell us that there is another, more important inheritance that we also receive and pass on. That is the **emotional** inheritance, which is the sum total of the values, stories, life lessons, and family traditions we amass during our lifetime.

In 2005, a study by Allianz found that leaving a legacy (an emotional inheritance) was far more important to people than leaving an inheritance, and that 77% of both “baby boomers” and their parents rated “values and life lessons” as the most important legacy they could receive or leave. Only 10% of boomers said that financial assets or real estate were important as an inheritance. The study concluded that money is a ‘minor’ component of legacy to parents and their heirs. *“Many people wrongly assume that the most important issue among families is money and wealth transfer – it’s not,”* said Ken Dychtwald, a gerontologist, and designer of the survey. *“What we found was the memories, the stories, the values were 10 times more important to people than the money.”*

Still, many people and professional advisors approach planning from a purely financial perspective. “What is your net worth?” “How much money do you want to pass on to your children?” and “How should we plan to minimize your estate taxes?” Are those questions important in the context of the services you need? Of course. They always will be important. But, they do not complete the picture. If we have learned anything from decades of experience and studies, it is that planning for the future of your money is not the same as planning for the future of your family. And, when people define real success in the context of what they want for their children, grandchildren and generations to come, money is just about the last thing they mention.



Emotional inheritances are different for every person, and unique to every family, but, they can be discovered, shared and folded into planning.

We know that passing values and life lessons to future generations is the key to success for families who have kept their family and fortunes together for generations. It has been the key for centuries.

9 out of 10 plans fail. They always have.

You have probably seen or heard about the studies that conclude that 90% of the time family fortunes are lost by the end of the 3rd generation. And, this is not new. Since ancient times, the majority of inheritance plans have failed. Two thousand years ago a Chinese scholar penned the adage: *“fu bu guo san dai,”* or *“Wealth never survives three generations.”* In thirteenth century England they said *“Clogs to clogs in three generations,”* and in nineteenth century America the expressions became *“From shirtsleeves to shirtsleeves in three generations.”*

And, over 200 years ago, Adam Smith – of “specialization and division of labor” fame – summed it up in “The Wealth of Nations” when he said: *“Riches, in spite of the most violent regulations of law to prevent their dissipation, very seldom remain long in the same family.”*

Which raises the obvious questions:

- If 90% of families fail to keep the family and its fortune together for more than 3 generations, what do the other 10% do differently? And,
- What would it mean to you and your family if you could be part of the 10% who succeed?

The difference for the 10% is not in their financial or estate planning. The difference is that they have a 3rd element to their planning, described by Jay Hughes and others as heritage planning.

They prepare their family for their inheritance.

Where Heritage Planning Fits

In the early 1980's, nearly all estate planning was done with Wills. (Which by the way, had not changed substantially in form or purpose since the year 1540, when King Henry VIII of England codified estate planning and inheritance custom into the system that would be used for nearly 400 years!)



Trusts were generally believed to be applicable only to very large and complicated estates.

In the mid-1980's, Bob Esperti and Renno Peterson formed the National Network of Estate Planning Attorneys with a goal to "Change how America Plans" to use Living Trusts and avoid probates in even modest estates. In the late 1980's, there were less than 90 members. Within 10 years, the Network had grown to over 1,500 members, and Living Trusts were becoming the norm in all estate plans.

The National Network of Estate Planning Attorneys helped change the way America did its estate planning; which was a wonderful accomplishment.

But, we still didn't complete how America plans. Now, with the increasing recognition of the importance of better relationships between advisor and client, and bolstered by numerous studies and practical experience validating the 90% inheritance failure rate, it is clear that there are not 2, but 3 elements to successful planning.

The three elements of successful multi-generational planning are very distinct and separate, but work together to provide success for generations. The three elements of planning, each vital to successful planning are:

- Financial Planning, which prepares and protects your assets during your lifetime;
- Estate Planning which prepares your assets for your family; and
- Heritage Planning, which prepares your family to receive their inheritance (which includes far more than just your assets).

*You have probably done a great job of financial and estate planning.
But, have you prepared your families for the
inheritance they will receive as a result of the financial and estate planning you have done?*

It's not about the money

In the current market and economy, fortunes will be made and lost. We have dealt with upheavals larger than this in our history, and during those times, some people failed, while others – particularly those who were prepared and who prepared their families – thrived! There are good times and bad times to invest in the market. But, it is always a good time to invest in preparing and protecting your family. The principles of The Heritage Process™ have nothing to do with money. They apply to people of all income and asset levels because planning for the future of your money is not the same as planning for the future of your family.

For financial planning there are various processes to help you determine which tools, strategies, products and services will best prepare and protect your assets during your lifetime. Similarly, there are processes that estate planning attorneys use to help you determine which estate planning tools and strategies will best prepare and pass your assets at your death. For heritage planning, we use The Heritage Process™ to help guide you through the process to identify, articulate and pass your story and life lessons, and prepare your family for their inheritance.

Learn More

We all leave a legacy, whether we plan for it or not. This we know: it is for your values, not your valuables, that you will be remembered. Through The Heritage Process™, your legacy can benefit generations.

To learn more about The Heritage Process™, please contact:



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