The Carter Center Presents:

*Preparing Your Heirs*

*With Guest: Amy Castoro, President & CEO The Williams Group*

Hosted By: Barry Nickelsberg, CAP, Chief Development Officer for Estate & Gift Planning
&
Mark N. Williams, Esq., CAP, Senior Associate Director
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Amy Castoro

- President and CEO, The Williams Group

- Specialist in preparing high-net-worth families and their next generations for successful wealth and values transfers

- Co-Author: *Bridging Generations*

- Contributor to the *New York Times*, *Wall Street Journal* and *Harvard Business Review*
Preparing Your Heirs

- Please tell us a little bit about your background and how you came to be so involved with the work of preparing families and heirs
A Uniform, Consistent Problem

- 70% of family estate and wealth transfer plans fail, according to two studies by MIT and *The Economist*

- What is a successful transfer?

- What is an unsuccessful transfer?

- Is the 70% failure rate unique to the United States?

Source: *Organizational Dynamics, Managing Continuity in the Family-Owned Business*, Beckhard, Gibb, p.5; *The Economist, The New Wealth of Nations*, p.3
Examining Contributing Factors

- Is “traditional” wealth and estate planning contributing to failed transitions?
Examing Contributing Factors

- Traditional planning typically revolves around getting the best advisors and sophisticated planning to help manage taxes, protect and preserve assets, and avoid conflicts among heirs.

- Essentially planning for who gets what, when.

- Advisors are usually very good at maximizing wealth transfer, but transferring maximum wealth is not the measurement of success with respect to future generations.
Exaining Contributing Factors

• Is there enough focus on the impacts (benefits and responsibilities) of an inheritance on heirs?
Failure Factors

Reasons for **Unsuccessful Family Wealth Transfers**
Seventy percent fail within three generations

- **60%** Trust and communications breakdown
- **25%** Failure to prepare heirs
- **10%** No family mission
- **5%** All other causes

— The Williams Group
Failure Factors

- What effect does the family dynamic have on a transfer’s failure or success?
Failure Factors

- **Trust and communication breakdown causes 60% of transition plan failures**
Communication and Trust Breakdown

• Marked by lack of reliability, follow through and commitment

• Perceived lack of sincerity causes mistrust

• Over promising when ability is lacking

• Breakdown of trust and communication can set heirs up for failure in their self-preparation efforts
Failure Factors

• Inadequate preparation of heirs causes 25% of transition plan failures
Inadequate Preparation of Heirs

- Largely a consequence of broken communication and trust.
- Preparation should begin early, teaching healthy attitudes toward money and responsibility.
- Lack of heir preparation increases the chance that an inheritance will be a negative/disruptive force in the heir’s life.
• Do tax, legal and financial planning errors cause the remaining 15% of transition plan failures?
Successful Family Transition Plans

• What do successful families do to minimize the failure factors we discussed?

• How can families prepare their heirs so that an inheritance is a force for good in their lives, not a burden?
Successful Family Transition Plans

- Total family involvement in estate and philanthropic planning

- Process for integrating family learning and input from all members

- Learning and practicing: communication skills, openness and trust, accountability, team consensus building
Successful Family Transition Plans

- Unifying behind a common mission/vision
- Using philanthropy as an additional catalyst for learning and heir preparation, but also to model values in support of the mission
Lack of a mission developed by/through family consensus causes 10% of transition plan failures

How does the mission give advisors guidance and clarity to better support families and the heirs?
Successful Family Transition Plans

• What can families do to ensure their plans successfully transition more than property or things to the next generations and the people they love?
Tools for Successful Family Transition Plans

• Have a written mission statement defining the purpose of their resources

• Come together to participate in making important decisions about family resources
Tools for Successful Family Transition Plans

• Give heirs the option to participate in the management of family assets and philanthropy

• Identify necessary roles for heirs and help them prepare to be successful
Tools for Successful Family Transition Plans

• Have heirs review the family planning documents

• Be more intentional about including incentives for heir accomplishments or readiness in family plans

• Meet regularly as a family to openly, honestly communicate about progress and changes
What should future heirs be doing to prepare themselves for an inheritance and the associated responsibilities?
Thank You!

Questions?