

PLANNING ESSENTIALS

Managing Family Wealth Through the Great Wealth Transfer

Navigating the largest transfer of wealth in history

A historic transfer of wealth is underway in America, as Baby Boomers prepare to pass an estimated \$85 trillion¹ to their heirs by 2048. This moment represents both an extraordinary opportunity and a significant challenge for families. Yet the statistics are sobering: only 30 percent of high-net-worth families successfully transition wealth to the next generation, and by the third generation, 90 percent of that wealth has disappeared.²

The Great Wealth Transfer isn't only about passing along financial assets, it's about transferring values, knowledge, and responsibility that will shape your family's financial future for generations to come. With thoughtful planning and open communication, your family can join those who preserve and grow their legacy.



KEY TAKEAWAYS:

- Begin planning early. Wealth transfer should start well before assets change hands, with consistent communication and education.
- Focus on preparation as much as protection. Success depends more on preparing heirs than on legal structures alone.
- Combine financial planning with the transfer of family values. Wealth should reflect your family's principles and priorities.
- Work with experienced advisors. Professional guidance helps families navigate complex financial, tax, and emotional dynamics.

UNDERSTANDING THE WEALTH TRANSFER LANDSCAPE

Wealth transfer failure rarely stems from poor investment performance. Instead, they often result from:

- **Lack of preparation:** Heirs frequently receive assets without the financial literacy or experience to manage them effectively.
- **Communication breakdown:** More than half of Americans (about 56%), have not discussed family finances with their parents.³
- **Values disconnection:** When financial decisions occur without reference to family values, heirs may misalign asset management with the family's core principles.
- **Inadequate structures:** Without the right legal and financial frameworks, wealth can be vulnerable to taxes, probate delays, and potential mismanagement.

ESSENTIAL STRATEGIES FOR SUCCESSFUL WEALTH TRANSFER

1. Develop a comprehensive wealth transfer plan.

Creating a thoughtful wealth transfer strategy involves more than drafting a will. Consider:

- Clearly designating beneficiaries and ensuring your estate documents reflect your wishes.
- Using trusts to minimize probate and provide structure for distributions.
- Establishing tax-efficient gifting strategies, including annual exclusion gifts of up to \$19,000 per recipient in 2025.⁴
- Reviewing your plan regularly as tax laws and family circumstances evolve.

2. Engage the next generation early.

Research shows that 88% of heirs do not retain their parents' financial advisor after receiving an inheritance.⁵ To help ensure continuity:

- Include adult children in advisor meetings when appropriate.
- Offer younger family members opportunities to gain financial experience.
- Share stories, values, and context behind wealth decisions.
- Gradually increase financial responsibility as heirs demonstrate readiness.

3. Foster open financial communication.

Transparency strengthens trust and alignment within families. To promote open dialogue:

- Schedule regular family meetings to discuss financial goals and expectations.
- Share practical details such as where important documents are kept and who key advisors are.
- Address potential conflicts or concerns early to prevent misunderstandings.
- Use these conversations to pass along lessons that blend financial knowledge with life experience.

4. Create appropriate wealth structures.

Different investment vehicles can protect and sustain wealth across generations:

- **Revocable living trusts** help avoid probate while maintaining flexibility.
- **Irrevocable Life Insurance Trusts (ILITs)** keep insurance proceeds outside the taxable estate.
- **Dynasty trusts** safeguard assets across multiple generations while minimizing transfer taxes.
- **Specialized trusts** like Spousal Lifetime Access Trusts (SLATs) and Qualified Terminal Interest Property (QTIP) trusts can be particularly effective for blended families.

5. Bridge the technology gap.

Next-generation wealth holders often expect a digital-first approach. Families can:

- Embrace financial technology for education and communication.
- Work with advisors who provide modern tools for planning and portfolio access.
- Ensure that digital assets and online accounts are included in estate plans.

The Great Wealth Transfer represents an extraordinary opportunity to create lasting financial security and impact across generations. By taking a proactive, holistic approach that addresses both financial structures and family dynamics, you can help ensure your wealth creates the legacy you envision. A thoughtful wealth transfer strategy, developed with professional guidance, allows your family values and financial assets to continue making a positive difference for generations to come.

¹ "Cerulli Anticipates \$124 Trillion in Wealth Will Transfer Through 2048." Cerulli Associates. December 5, 2024.
<https://www.cerulli.com/press-releases/cerulli-anticipates-124-trillion-in-wealth-will-transfer-through-2048>.

² "Preparing your family for wealth transfer." The Vanguard Group. Accessed November 11, 2024.
<https://investor.vanguard.com/wealth-management/family-legacy-services/knowledgecenter/preparing-wealth-transfer>.

³ "2024 State of Wealth Mobility Study." Fidelity Investments. November 2024.

⁴ "IRS releases tax inflation adjustments for tax year 2025." IRS.gov. October 22, 2024.
<https://www.irs.gov/newsroom/irs-releases-tax-inflation-adjustments-for-tax-year-2025>.

⁵ Shaw, Dan. "Roughly 80% of affluent clients don't want their parents' advisor. Here's what to do about it." FinancialPlanning.com. November 14, 2023. <https://www.financialplanning.com/news/amid-wealth-transfer-many-affluent-clients-dont-want-their-parentsadvisor>.

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