

# Family Discussions: The Great Wealth Transfer

The Great Wealth Transfer is well underway. Considered by experts to be “the biggest wealth transfer ever,” it is no secret that this shift in assets will radically transform the financial services industry. Over the next two decades, an unprecedented amount of wealth will begin to change hands from the older Baby Boomer generation to their children and other beneficiaries. But studies have shown that more than 70% of heirs will change or fire their financial advisor once they inherit wealth.\*

So as a financial advisor, how can you “win” the Great Wealth Transfer? What can you do to better position yourself to serve your clients and engage with their heirs? Most importantly, are you able to create an effective wealth transfer plan to help families sustain a lasting legacy?

By following our cheat sheet, financial advisors can more easily add value and inject credibility into conversations with clients surrounding the wealth transfer process.

## Key Highlights

**Engage in Constructive Meetings:** Focus on aligning financial priorities and empowering each family member’s voice.

**Utilize Smart Asset Transfer Strategies:** Utilize effective wealth transfer approaches, such as utilizing annual exclusion gifts, front-loading 529 savings plans, and maximizing charitable giving.

**Empower Your Heirs:** Equip the next generation with critical knowledge by covering investment basics, college savings, Social Security benefits, and estate planning, among other topics.

**Secure Your Legacy:** Safeguard family wealth and ensure your client’s lasting legacy is carried on for future generations through meticulous planning and implementation.

## Preparation is Paramount to Success

### Protect and Preserve Family Wealth

- Family meeting preparation to create a shared vision for wealth preservation.
- Asset transfer strategies to navigate wealth transfer efficiently.
- Educating heirs to ensure responsible wealth management.

### Prepare for Family Meetings

- Family meeting facilitator guide to set up productive conversations.
- Financial education assessment to gauge clients’ knowledge of investments and wealth-building.
- Critical financial checklist for clients to record financial assets and documents.

### Educate Heirs

- Investment basics to understand major asset classes and diversification.
- Explore education cost and college savings options.
- Social Security benefits to learn about claiming options.
- Estate planning to understand the importance of the various estate planning tools and taxes.

### Why Intergenerational Wealth Preparedness is Crucial

- Safeguard family wealth beyond a client’s lifetime.
- Deepen client relationships and maintain assets under your stewardship.
- Bridge the understanding gap between clients and heirs.

## Wealth Transfer Statistics

- \$84T of wealth will be transferred to heirs and charity between 2021 and 2045.\*\*
- 67% of bequestors believe heirs are “somewhat informed” about their wealth-transfer plans.\*\*
- 54% of recipients discover their inheritance after a bequestor’s passing.\*\*

## Asset Transfer Strategies

- Make \$17,000 annual exclusion gifts to as many people as you wish.
- Married couples can gift \$34,000 per recipient each year (this is called gift splitting).
- Future appreciation on assets will avoid gift and estate taxes.
- Gift money or property to children, grandchildren, cousins, friends, neighbors, or anyone you want.
- Front-load 529 savings plans with up to five years of annual gifts for beneficiaries.
- In 2023, donors may front-load \$17,000 contributions intended to be spread over a five-year period by contributing \$85,000 at once, per person per beneficiary (which doubles with a spouse doing the same thing), without incurring the gift tax. This won't count toward the lifetime gift exemption if no other gifts are made to the same beneficiary during the five-year period.
- Contribute to a family member's or friend's 529 college savings plan.
- Pay for qualified tuition and medical expenses directly.
- No matter the gift size, you may pay any amount toward another person's tuition or medical bills, exempt from gift tax.
- Must be paid directly to the institution.

## Maximize Gifts to Qualified Charities

- Cash contributions to public charities can be deducted from taxes up to 60% of your adjusted gross income (AGI). The cap on the tax deductibility of the gift reverts to 50% of AGI come 2026. You may deduct the present value of a gift in the year it is given.
- In-kind appreciated securities or property can be gifted after holding them for one year, allowing an income tax deduction of up to 30% of AGI without any capital gains.
- As an individual who has reached age 70½, you can make donations of up to \$100,000 per individual per year directly to a public charity from a qualified IRA. This will count toward your required minimum distribution if you're subject to RMDs and will not be recognized as income for tax purposes.
- Consider using a Donor-Advised Fund (DAF) to receive an immediate tax deduction while allocating grants over time.
- Explore gifting through various charitable trusts.

Get your clients and their families ready for the next generation.  
Working together, we can safeguard their financial legacies.

Note: \*Statistic sourced from "The Cerulli Edge: U.S. Advisor Edition." 2021. Cerulli Associates: Boston. \*\*Statistics sourced from "The Cerulli Edge: U.S. Retail Investor Edition; The Wealth Transfer Issue." 2023. Cerulli Associates: Boston.

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