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The Importance of Wealth Transfer

UNDERSTANDING THE BASICS FOR BUILDING AND PROTECTING YOUR LEGACY

A primary reason you work as hard as you do is for the benefit of your loved ones. To ensure that your hard work pays off, it's critical to take the necessary steps now to protect and continue your legacy for future generations. This requires careful consideration and planning that will address how you will transfer your assets, to whom, and in what manner—known as a ***wealth transfer strategy***.

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What is a wealth transfer strategy and why does it matter?

Wealth transfer is an essential aspect of estate planning and can play a crucial role in the preservation and growth of family wealth. It is the formal process of determining how you will divide up your assets and ensure your financial affairs are in order.

It is human nature to feel uncomfortable thinking about the prospect of one's own death. As a result, it may be tempting to avoid the issues that need to be confronted rather than address them head on.

However, consider the vital advantages that effective wealth transfer planning offers:

- Lessen the likelihood of family conflict.
- Help sidestep legal entanglements.
- Reduce estate costs and taxes.
- Optimize the wealth transferred to your beneficiaries.

Having a wealth transfer strategy is not only for the wealthy.

While high income earners may require more involved wealth transfer techniques, the process is typically beneficial to anyone who has assets to transfer upon death.

Common elements of a wealth transfer strategy

Wealth transfer can begin with a range of tools and tactics, such as:

Living Will/ Power of Attorney	Will	Trusts
Tax Efficiency Techniques	Life Insurance and Other Funding Mechanisms	Gifting

Establishing trusts to hold, manage, and invest assets, rather than giving individuals complete control over assets, is almost universally **the key to maintaining family wealth** for generations to come.

The planning process

Establishing a wealth transfer strategy is not a single event but an ongoing planning process. It's important to revisit the strategy and adjust it periodically as market and regulatory developments occur, new planning situation arise, and other life event factors change.

The process, usually conducted with the help of a professional advisor, typically includes the following steps:

STEP 1 — Address what is important to you. Set goals and objectives.

STEP 2 — Assess your current situation and determine risk tolerance.

STEP 3 — Select strategies to transfer your wealth while minimizing any adverse effects *(i.e., low tax rates, high interest rates, minimal risk).*

STEP 4 — Determine income and liquidity needs for your beneficiaries.

STEP 5 — Execute your plan.

Additional considerations for business owners

If you are a business owner, it is important to create a strategy for your business. This process should consider the following:

- *To whom should the business ownership be transferred? Beneficiaries, new owners, current key employees?*
- *Do you have a current business continuation agreement in place? If so, is it funded and how?*
- *How will the business assets be handled? Will they be liquidated and distributed? Is there a ready market?*
- *What impact would there be on your estate if the business was sold while you are alive?*

Revisiting your wealth transfer strategy

Creating an estate strategy is not something you can do once and then forget about. Your life can change, tax laws and regulatory rules change, and your needs and priorities may change. Your wealth transfer strategy is too important to put on autopilot. It is critical to conduct a periodic review of your strategy with any financial, tax, and legal professionals you have involved to determine if any adjustments are needed.

LET'S START THE CONVERSATION

To learn more or to get started, please contact the Estate Planning and Business Succession Team at **EBS@lovascogroup.com**.

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File #5607298.1