Investment Insights

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Creating Your Legacy Today May 12, 2006

You consider yourself fortunate: you've saved and invested to the extent that you have far more than you'll ever need to support yourself. You can live the lifestyle you enjoy, and some day when you pass away your heirs will inherit nice sums of money. They know this, and you all know how important this transfer of wealth will be to their financial security. Sadly, you won't be around to see the impact of your gifts to your loved ones…

Wouldn't it be nice to still be around for that, to watch how your heirs benefit from your estate? Maybe your daughter will finally be able to start her own business. Your son can pay off debts and get a fresh start on life. And the grandkids will have enough money to realize their goals of attending your alma mater, where four years of post-secondary education now runs a cool $200,000. It could be a very rewarding and fulfilling time, but unfortunately you have to die to trigger all of this. Or do you?

Why not begin distributing your wealth today, enabling these exciting changes in your beneficiaries lives while you're still around to enjoy them? *Hold on, you say, I may just need this money to support myself! What if I get sick and need care? What if I live 50 more years? What if..?*

You're absolutely right: the last thing you'd want to do is compromise your future financial security by giving away all of your wealth today. Abraham Maslow's famous Hierarchy of Needs shows that the base requirement of your own psychological and physical comfort must be met before you can effectively achieve greater goals of impacting others. Thus, you need to realistically and thoroughly assess your own needs and ensure that these are met. We often help clients through this step by preparing a full financial plan that considers future financial needs in detail, including the potential for skilled medical care and other "big ticket items". Your plan should include any possibility you're concerned about in such a way that you feel very confident and comfortable in meeting your financial needs for the rest of your life. Until you've put a plan like this in place, you'll likely find it hard to unhesitatingly give of yourself to the extent that may be possible. This is the step where you go from "thinking" you have enough to <u>knowing</u> you have enough (or more than enough, and how much more than enough).

There are a variety of ways to begin to impact others through the distribution of your "excess wealth". To help your kids realize their lifelong dream of starting their own business, you may utilize the Lifetime Gift Tax Exemption to gift up to $1,000,000 during your lifetime. For the grandkids, you can set up 529 College Savings Accounts and immediately put up to $55,000 per grandchild ($110,000 if you're married and file a joint tax return) away for their future education. In 2006, you can give any individual up to $12,000 without any tax ramifications, so you can gradually transfer your wealth if you prefer. These are but a few examples of how gifting can work, but before you make any moves, talk with your tax professional, investment advisor, and estate attorney to develop a strategy that works best for your goals and financial situation. If not done properly, gifts can be taxed at a rate as high as 47%!

It is jokingly said that to become a renowned artist, you have to die first. Fortunately, this isn't the case when it comes to creating your own legacy. With a little thought and planning, you can enjoy seeing the fruits of your labor and good fortune impact the lives of those you care most about for many years to come.

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