

From Success to Significance

How to Create a Structured Living Legacy

by Dr Robb Musgrave

What is a living legacy?

A structured living legacy has 3 essential elements, a financial legacy, a personal legacy and a social legacy. The financial legacy is the money and assets you leave after the bills are paid. The personal legacy is the sum of your life, your personal assets. It is your past and your future, your stories, values, hopes, love, wishes, advice and blessings, yours to experience and pass on if you desire. The social legacy is what you give back to society.

There is growing interest in producing written records, especially as our personal and financial affairs become more complicated. These personal legacies can include a range of documents from the more formal Memorandum of Wishes (or ethical will) to the less formal but more detailed Family Legacy Plan which records a comprehensive range of important personal details.

To create a structured living legacy you need to address all 3 legacy elements and become involved in building the legacy as soon as possible, including passing on family stories that were responsible for forming individual and family values, improve family communication, plan for the future, align your values with your community giving and where possible, involve other family members. It's never too soon to give back and it's never too soon or too late to begin to live a life of significance.

Here are the components to consider when building your living legacy.

The Financial Legacy

How do we prepare baby boomers and their children to manage their inheritances responsibly?

Implement wealth retention strategies

- Investment plan (save and invest in superannuation, shares, real estate)
- Retirement plan (seek expert advice to minimise CGT on sale of assets, utilise superannuation most effectively)
- Life and income protection insurance
- Current will, power of attorney, trusts (bloodline, testamentary, superannuation)
- Succession plan (to ensure business survival and continuity)

The Farmer's Story - I am a farmer who lives in country New South Wales. I recently had an accident whilst driving my wheat header. Although I wasn't hurt too badly, I certainly could have been. This has made me start to wonder what would happen to my farm if something happened to me.

The Disappearing Documents Story - Although I am only 35 and quite fit, I recently suffered from a heart attack. While lying in intensive care recovering, it occurred to me that I had important documents in five different locations. How would my wife know where to look and what to look for? It was definitely a wake up call.

If you die without a will the government makes one for you and charges fees for doing so. In Australia distribution differs between states. Using Queensland as an example - if a married person dies childless 50% of their estate goes to their spouse and 50% to their parents, or if married with children 50% goes to the spouse and 50% is held in trust until the children reach the age of 18.

It is surprising that only 50% of Australians have a will and only half of these wills are current, and therefore valid. To die without a valid will throws ones loved ones into turmoil, significantly slows down and reduces the inheritance. Sometimes the entire estate is eroded by professional fees from conducting searches and from estate challenges. It can also mean money goes missing, verbal contracts and undocumented loans can be hard to prove, buried biscuit tins filled with cash are left to rust in the garden and Swiss bank accounts go unclaimed as account details are not known.

This brings to mind the reported \$70 billion claim by the holocaust survivors against Swiss banks in partial reparation for the loss of vast sums by Jewish relatives who died unable to leave the required bank account information.

Communicate openly

It is important that we overcome our reluctance to talk about money. Research has disclosed that wealthy “boomers” are more reluctant to discuss money management and estate matters, than people in their seventies. We must talk openly on these matters, firstly with our spouses, then with our children. We need to teach our children our values and explain where they came from by storytelling. This will better prepare them with the wisdom and understanding needed for life and inheritance.

In Australia, most wills are treated with secrecy and beneficiaries are left wondering until the benefactor has died and the will is read. This may bring some unwelcome surprises! It may also leave the family wondering what was intended and feeling unfairly treated.

Estate lawyers with vast experience tell us that ‘fair is not necessarily equal and equal is not necessarily fair’ – as our children’s health and life circumstances may vary. The emphasis should be on fairness rather than equality, with the decision and reasoning explained.

How are matters of inheritance best communicated? This depends on one’s comfort level. A family meeting can be held in a non-threatening environment. If this is awkward or prone to conflict a facilitator may lead the meeting.

The outcome of the family meeting can then be recorded in a Family Legacy Plan which records not only the financial, personal and social intent but can include all important information.

It is a very rare person indeed who prepares a comprehensive list of essential information. When I ask clients why they are so reluctant to plan for their own demise, the answers range from “I don’t want to jinx myself” to “I really don’t want to think about it”. We are being unrealistic, as if by ignoring the inevitable it will go away!

The type of information our loved ones will require includes a list of all assets and debts, bank accounts, insurance policies, health records, key advisers’ contact details and storage locations. In my legacy planning practice we have designed a Discovery document that takes our clients through a step by step process to prompt and record these details and more. This becomes the Family LegacyTree Plan which documents the process of revealing clients’ financial, personal and social legacies.

This record then needs to be stored in a very secure location that family members know about. Some people store original documents in safe deposit boxes or fireproof cases as well as storing all their family records on a secure internet site, the details can then be updated and remain current and various levels of access made available to family members.

Many people choose to write a memorandum of wishes, or ethical will to explain the reasoning behind their will, as well as listing the personal effects and who the items are to go to and why. If not mentioned in the will it may also include burial wishes and other directions, information and wishes for the future.

Sometimes family secrets are disclosed in this letter. Some secrets need to be revealed if related to health, marriage, wealth distribution or to prevent possible legal challenges to the estate. A good friend and expert estate lawyer has found that the majority of family secrets involve prior marriages, extra-marital children and hidden monies.

The Personal Legacy

What do people treasure most?

When people are asked who has left them the greatest legacy they rarely mention a great leader or celebrity. The people who are most memorable to us are family members, parents and grandparents. When the same people are asked what they treasure most about loved ones money is almost never mentioned, perhaps because they don’t want to sound mercenary, or because the loved one is more important than the money.

As Forrest Whitcraft once observed *“One hundred years from now, it will not matter what my bank account was, how big my house was, or what kind of car I drove. But the world may be a little better, because I was important in the life of a child.”*

The memories that stay with us are of special times, of fun and love and laughter, of sharing values and life lessons. Treasured objects are usually of little or no monetary value. For one man it is his grandfather’s journal recording his experience of the London Blitz during WWII. For others it is a letter, photographs, or a personal item.

Some families produce a list of household and personal effects and invite family members to score the items in order of importance for them. This is not about greed but honouring memories and sentiments and saves a lot of guesswork or awkwardness.

If personal legacies are most important, why do we place so much emphasis on financial legacies? Also, why do we place so much emphasis on work and money during our lifetime? The current move to achieve work/life balance may help to draw our attention to unhealthy and unbalanced lifestyles.

Transfer family values

Identify the dominant family values (from the 125 possible values). Then set goals and objectives and really implement them to strengthen family relationships and effectively transfer these values to future generations.

In the words of Rodney Zeib, President of The Heritage Institute in the USA, “It is for your values, not your valuables, that you will be remembered. In times of personal or family crisis, it is the values you worked consciously to transmit to your children and grandchildren that will sustain them through their own trials.”

Zeib illustrates this point by telling the story of the Monarch butterfly which must struggle relentlessly to emerge from its cocoon. If it is helped out of the cocoon it emerges deformed, crawls around for a few minutes then dies. It is the struggle that fully forms it and adequately prepares it for life.

Oral traditions are well established for the transfer of family history and values but are not as reliable over the long term as a written document, so it's best to do both. Informal writings may include the family story, life journals, letters to loved ones expressing one's love and blessing - for example from father to son, recorded family DVDs. These records can include interviews, the family tree, family photos, sketches, paintings or poetry.

The Social Legacy

The social legacy is how you give back to society. This is your opportunity to help others, those in your community and elsewhere, in order to contribute to building a better world.

Develop a family giving program

Your social legacy may be yours alone, or you may include other family members in your volunteering, church and community work, charitable giving and structured philanthropy.

People know that some inherited money motivates, but too much used selfishly, destroys lives!

For those people and businesses that value philanthropy and want to implement a long term structured giving program, charitable trusts or family foundations (Prescribed Private Funds) can be established to direct money to their preferred social causes.

Many people ask what is the difference between charity and philanthropy? The best definition I have found is that charity is giving to those who are less well off, while philanthropy is investing in the long term future of those who are less well off so that they can be empowered to improve their own lives.

One analogy I particularly like is this. *There is a steep cliff at the edge of town and sometimes people jump. Charity is donating to the ambulance that treats the people once they've jumped. Philanthropy is investing in a high fence at the top of the cliff to prevent them from jumping.*

Another great analogy is the timeless fish story told in many cultures. *You can give a man a fish and feed him for a day, or you can teach him how to fish and feed him for a lifetime.*

Wealthy families that want to effect change are choosing to establish foundations so they can begin to see the benefits in their lifetime and the monetary support can be sustained and increased over the long term.

The causes are often carefully chosen to ensure alignment with family social values and to maximise the long term benefits from giving. Foundations also enjoy tax benefits as the money held in foundations is tax free and *in specie* transfers are allowed, which means assets that would normally attract estate or capital gains tax can be transferred into a foundation, and when sold by the foundation are tax exempt. Money may be held and invested with minimal distribution in the early years, to allow the *corpus* (body of wealth) to grow.

A family foundation can be established with as little as \$5,000 but with establishment and ongoing administration costs \$100,000 to \$200,000 is usually recommended as the minimum initial investment.

A business colleague in the USA values the benefits of involving the whole family in charitable giving. This prompted him to establish a foundation with \$100,000. The money has been invested and the annual earnings go to charity. His children have a \$500 annual allocation. They are responsible for choosing a charity and must explain their reasoning.

This led to amazing results, not only in the character building of his children but in the choice of charity. His 17 year old daughter chose to use \$450 of her money to purchase 100 pairs of shoes at \$4.50 each and deliver them to the AIDS orphans in Zambia. This initiative grew to involve the whole family with the foundation purchasing a bus in a neighbouring African country to donate to the orphanage. The family travelled to Africa together to purchase and drive the bus to the Zambian

orphanage. This was a great adventure and brought them together in a very meaningful way. The bus was a good investment as it is used by the orphanage and is chartered out to cover the driver's salary along with all running and replacement costs, plus a small profit.

Not everyone can afford to donate large sums to charity, but this is not what is important.

From him who is given a lot, a lot will be expected.

New Testament Luke 12:48

Less wealthy families and individuals can contribute to their community and society in other ways, such as by giving small donations, or volunteering their time and specialist skills. Denis Tracey's book *"Giving it Away: in praise of philanthropy"* records interviews with 60 Australians who give inspiring accounts of the very broad range of charitable activities and giving. People who engage in volunteering and charitable giving invariably say the rewards far outweigh the cost and the effort they invest.

When asked how they became involved in philanthropy, most of them explained that it was a family value. Their parents and grandparents had been actively involved with charity, and often they had begun while in school by supporting school charities.

In my research into family legacies I found that a financial legacy (including involvement in family businesses) keeps a family together for one or two generations, while families that work together in social, church, community organisations and family foundations remain close for many more generations. This has been true for the Sydney Myer family, Australia's oldest family foundation.

In thinking of the long term impact of well known Australians, what is the legacy that Steve Irwin has left? Although Steve was a well loved public figure, not many people knew Steve the person, but Steve's great love of animals and the environment was well known. Not only was he the spokesperson for Australia Zoo, a family business, and a media personality who promoted Australia as a tourist destination, he also established a family foundation, *Wildlife Warriors*. This philanthropic venture will pass on his dominant values, keep his memory alive and teach his children and future generations the importance of working together to give back.

What about you?