WELLS FARGO Wealth & Investment Management

Putting your family on the path toward multigenerational success

Actionable Insights from Wells Fargo

Wealth builders and the future of their family wealth

We all worry about the financial future of our children. Will they be able to manage their money? Will they find fulfilling employment? Can they earn a good living?

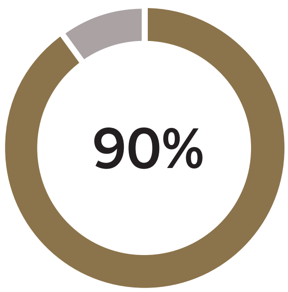
Many self-made millionaires, or "wealth builders," face additional questions.

Will their children or grandchildren lack the motivation to make it on their own? Will they have the skills to create their own success?

To gain insight into these unique concerns and opportunities, Wells Fargo conducted a survey in 2023 of individuals over the age of 50 who had at least $1 million in investable assets – money they made largely on their own. We asked these individuals their thoughts and opinions about passing on their values, work ethic, money and assets, and, where applicable, what their succession plans are for a family business.*

*Please read "*About the research*" on page 10 of this report for more details on this national survey.

What was the key to your success?



Say hard work and determination

What do wealth builders think?

The research revealed a widespread theme:

Wealth builders want their children to forge their own path but aren't sure their kids know how to build their own wealth.

Do you agree? What does this mean for you and your family? What steps can you take to support your children and grandchildren – not with money, but with shared values, life skills, tools, and knowledge to empower them while they build careers, follow their dreams, and add to the family legacy.

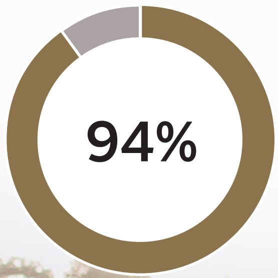
Read on to learn more >

1. Encouraging independence, building confidence

It’s nearly universal: wealth builders want their children to forge their own path in the world. They are not looking for their children to follow in their footsteps or take orders on how to manage the assets and opportunities they have been given. Younger generations generally approach things differently and have new and innovative ideas. Older generations can appreciate that, and having money allows more freedom for offspring to follow their dreams.

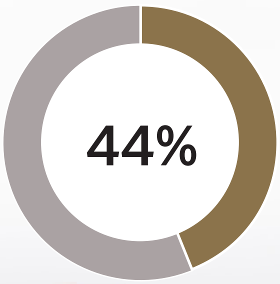
Yet, in survey responses and one-on-one interviews, we heard that many wealth builders throughout the wealth spectrum are concerned that their children don’t know how to build wealth of their own or maintain what might be given to them. There are fears that giving your children too much financially leads to a lack of motivation to build their own successful path in life.

Parents want children to succeed on their own…



Want their children to forge their own path

Yet, many aren’t sure they are capable



Worry their children don’t know how to build wealth of their own

What can you do as a parent to encourage your children and grandchildren to make good decisions while building their life and career?

- *Share your journey:* Telling stories about your younger days and how you overcame obstacles can resonate with someone just starting out.
- *Explain your values:* Talk to your children (and grandchildren) about the underlying values that guided you throughout your life – leading to a fulfilling life, not just in terms of money or things.
- *Educate using real-life lessons:* Age-appropriate activities can help even the youngest family members build positive lifelong money habits. Invite members of your family to collectively manage a small investment portfolio or join you in working at a favorite charity.
- *Share your approach to wealth planning:* Pass on your thoughts about risk taking, spending vs. saving vs. giving, and how your advisors have assisted you over time.

Multigenerational conversation starter

"Are there things about our family's wealth that you are curious about?"

Sharing family lore can help build trust and respect between the generations.

What we heard

"I don't see my grandchildren having respect for money – understanding what it can and can't do. That's a concern to me. They want to make the world a better place. But when it comes down to it, I'm not sure they're willing to take it seriously."

"I think people that don't have wealth look at those of us that do, and they think everything is aces for us. But money doesn't buy happiness."

How much financial assistance are you willing to give?

88%

Of Gen X parents believe that wealth can ruin children

48%

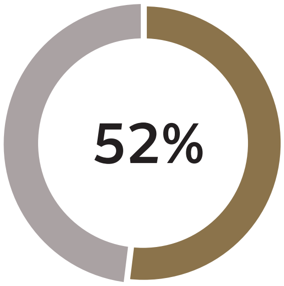
Acknowledge they tend to overdo it when it comes to giving things to their children

Even though wealth builders believe that wealth can ruin their children, they provide a good deal of financial support to their kids. Beyond just paying for college, a majority of wealth creators help their children financially in multiple areas including cars, vacations, and even ongoing expenses.

Where do *you* fall on the spectrum of providing financial assistance? What do you expect your children to pay for or earn on their own? Have you talked to them about this, and do they understand why?

2. Thoughts on family business succession planning

In our survey, over half (52%) of family business owners say they do not want their children to run and inherit their business. About a quarter (24%) say they do want their children to take over the business. The rest (25%) are not sure.



Of business owners do not want their children to inherit and run the business

These responses reflect the complexity of the issue. Successful business owners recognize that sustaining long-term business viability depends on more than simply naming a successor — whether a family member or someone else. Continuity requires a carefully constructed plan for business operations, nurturing the talent of family members and non-family key employees, and effectively communicating with all stakeholders throughout the process.

For those who want to keep their business in the family, key steps should be taken to help ensure a smooth transition in the future.

Tips for family business succession planning

- Confirm the family wishes to retain the business as a family asset
- Start the transition planning early
- Actively engage and prepare the next generation for the roles as owners, operators and leaders
- Communicate the transition plan; proactively anticipate and address where potential conflict might arise
- Document the plan in writing with an implementation timeline

Common family business mistakes:

Defaulting to equal ownership: Equitable doesn't mean equal, and may not necessarily be a fair way to pass on the business. Consideration should be given to heirs who assume operating responsibilities, in addition to their role as owners, recognizing their value-building contribution. This differentiates the rights and rewards of each role, helping avoid misplaced expectation and disagreements.

Assuming your family understands the purpose and vision of the business:
If the next generation doesn't have a shared vision for the future of the family business they run the risk of making changes to the business that could cause serious disruption. Business owners need to be explicit in telling their story to the rising generation, helping to provide the foundation for operational and strategic success. Passing the baton includes being intentional in enabling the new owners' future success.

Family governance is unnecessary: Not establishing guidelines for owners often leads to family discord as the needs of the owners bump up against the needs of the business. Setting expectations regarding employment policies, distributions or business investment decisions can help create stability for the family and the business.

Multigenerational conversation starter

"What are your thoughts about having a role in the family business?"

If there is interest, start talking about the support needed to learn the business and develop the necessary skills.

What we heard

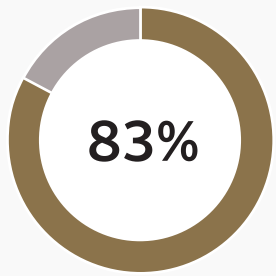
"I've personally seen the joys of having a family business. We all lived better lives because of it, so I want to see that continue."

"I hope to be tapering back, but I have a hard time visualizing that at this point because there's nobody that I found to take over yet and I need to do some more work on that."

3. Sustaining multigenerational legacy

Building a lasting legacy is a common thread among most wealth builders. Legacy includes leaving money to family, but even more meaningful is the ability to pass down values and make an impact on others through philanthropic endeavors.

So how do you actively prepare the next generation with the lessons they need to be good stewards of their family wealth? We suggest you start by talking about the values you want to leave, attitudes toward giving, and the role you want money to have in the family's future.



Want their children to sustain and build on their legacy

Do this…	Avoid that…
Start talking about your legacy, whatever your age	Keep your estate plan a mystery to the end
Write a legacy letter explaining the thinking behind your wishes	Provide only the amounts or assets you will give to any one person or entity without any context
Explore philanthropic ideas your children have that are in line with your family values	Set hard and fast rules for how your philanthropy will continue
Focus on promoting enduring family relationships	Pit your children against each other or reward certain children for certain things
Be flexible – allow for discussion	Try to rule from the grave – requiring certain behavior in return for inheritance

Multigenerational conversation starter

"Does a specific item hold a deeper meaning for you?"

Explore the history behind this item and share the story of how it came to be part of your estate.

What we heard

"The goal of my life is to make this a better world than when I entered. Whether that is good family relationships or making the community better, or changing the way a government does things or how people treat each other. All of those things give meaning and purpose to life."

"The best legacy to leave is a legacy of doing the right thing, philanthropy. And it has given me a lot of exposure to other businesses outside the world I worked in, and I've learned so much from that experience."

Who helped you on your way to financial success?

Of wealth builders gave credit to a financial advisor

Most wealth builders acknowledge that other people played a role in their financial success. Among those who agreed others helped them, spouses get the top nod (acknowledged by 71% of wealth builders) and more than half say a financial advisor helped them on their way to financial success.

Building multigenerational success

While each family is unique in how they move through life, one thing is consistent: the families that succeed over multiple generations work at it… just as they worked to achieve their wealth.

At Wells Fargo, our planning experience is built on this idea. You need to sync your financial objectives with your personal values and your aspirations for your family. This experience, we call LifeSync®, helps put your money and life in sync, and helps you make adjustments as your life changes and your family grows.

As part of our wealth management experience, we offer an array of expertise to focus on your specific needs. Our advisors and specialists can help you:

- Open the lines of communication with your adult children.
- Share your approach to wealth planning to help younger generations of your family.
- Establish a schedule of age-appropriate activities to help develop financial skills.
- Talk to your family about your estate plans, your expectations, and your legacy.
- Promote family togetherness with conversations on sharing values and making mutual decisions.

As a wealth builder, you have built significant family wealth during your lifetime through hard work and persistence. What the future holds for your children and grandchildren requires this same level of commitment. To support and guide you, our advisors offer a dedicated planning experience all along the way. Reach out to your advisor to explore ways we can help support your family across generations.

Michael Liersch

Head of Advice & Planning
Wells Fargo Wealth & Investment Management

"A successful family is about more than how much money they have. More importantly, it's about enduring family relationships and the mark you make on the world. This can be even harder to accomplish than making money. We're here to help you navigate the long-term impact of your money, your values, and your legacy."

Learn more about LifeSync

About the research

*On behalf of Wells Fargo, Versta Research conducted a national survey of 1,008 Wealth Creators, defined as U.S. adults age 50 or over who have at least $1 million in investable assets, excluding those who inherited most of their assets. The sample included 136 from Generation X (ages 50 to 57), 771 Baby Boomers (ages 58 to 76), and 101 from the Silent Generation (ages 77 and older). Data were weighted by age to match current population estimates of U.S. households with over $1 million in investable assets, derived from the Federal Reserve Board's Survey of Consumer Finances. Assuming no sample bias, the maximum margin of error for full-sample estimates is 3%. In-depth interview subjects were identified and recruited with the assistance of Wells Fargo relationship managers in various regions across the U.S. Direct quotations included here have been edited for length and clarity. All research – quantitative and qualitative – was conducted in January and February of 2023.