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WEATHERBYS

The resident
LUXURY INSPIRATION FOR DISCERNING LONDONERS

LAST WORD

WHY GENERATIONAL PLANNING IS SO IMPORTANT

SIMON TUCK, HEAD OF WEALTH PLANNING AT WEATHERBYS PRIVATE BANK, ON HOW TO LOOK AFTER YOUR FAMILY'S MONEY

For the benefit of clients and the future of the business, Private Banks do well to serve not only the main account holder but also the extended family. Bank accounts are set up for the next generation, usually on preferential terms, to encourage take up and to ensure that the bank has the opportunity of looking after the client's family and their wealth for generations to come.

It is common for the first real touch point with the next generation to be at the parents' wish to help their child onto the property ladder with the purchase of his or her first home. With the indepth financial relationship that Private Banks typically have with their clients and with an understanding of the family's cash flow, it is usually a simple step for the bank to assist with the property purchase and include the parents as guarantors.

As clients age, their thoughts frequently turn to Estate Planning and the appropriate divesting of assets and having their financial arrangements looked after by their trusted advisor 'under one roof' for simplification for the surviving spouse. A good understanding of the family dynamics is just as important as knowing about the client's financial circumstances when planning how to cascade wealth down the generations with the appropriate planning and timing.

Generational planning can be quite straight forward but parents are concerned not to pass wealth to the next generation too early and are very aware of the potential for their children to divorce. Suitable planning can address these issues with the use of trusts that provide a greater form of control over not only who gets the money but also the timing. Discretionary Trusts allow the parents and other trustees to have a say in how the trust funds are managed as well as when gifts of capital or income can be made and to which of the beneficiaries. A new tool in the estate planning process comes from the recent change in legislation of pension fund death benefits. This can be complex although a very useful way of passing unused or unrequired pension funds to future generations. Some clients see these funds as a way of funding education costs for grandchildren.

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For wealthier families there is the option to establish a Family Investment Company whereby the shareholders are members of the same family. The company will have its own Articles and Memorandum of Association written with the family's interests in mind. Such arrangements can be more tax efficient to run than trusts but can be costly to set up.

We suggest that before any generational planning has been put in place, the family should discuss the proposed arrangements with all involved, thrash out any concerns and issues thus avoiding any uncertainty or squabbling when it is too late.

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