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How can my advisor help my children build a sound financial future?

BY DARBY ARMONT, MBA, CFP®, CFA®

WHAT MAKES A GOOD WEALTH ADVISOR...

The ability to communicate a complex financial plan in a meaningful and actionable way

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ILLUSTRATION BY KEVIN SPROULS

Fiscal and child-development experts say that a person's financial philosophy is formed at a young age. That said, there still is much parents can do for their children at any age to help them build a secure financial future.

Parents, however, may face many challenges in educating their children about the family's financial circumstance and how to successfully manage it. In these situations, a wealth advisor can be a valuable "teacher's aide."

What follows is a curriculum for parents to use in educating their children about family financial affairs, and suggestions for how your advisor can help impart these important lessons.

START SAVING EARLY FOR RETIREMENT

Parents can set the tone for their children's financial development by encouraging them to save early, especially to tax-advantaged accounts.

As soon as a child has earned income, help him or her make deposits to a Roth IRA. This retirement money can eventually be withdrawn tax free. Earning limits, however, mean that a child may qualify for a Roth only for a few short years, so it is important to take advantage of that window.

Similarly, encourage your children to contribute to workplace savings accounts such as a 401(k) as soon as possible. A Roth 401(k), if available, is ideal while the young earner is in a low tax bracket.

> "Get specific. Do not simply tell your children to save. Give them a number."

Get specific. Do not simply tell your children to save. Give them a number. Your financial advisor can help you model the savings that a young earner can accumulate by regularly putting away 10 percent to 15 percent of income as soon as possible.

INVEST IN INVESTMENT BASICS

Beyond retirement accounts, teach your children about general investing. You financial advisor definitely should be involved in this lesson.

If your children's custodial or trust accounts are distributed to them, or if they become their own trustee, they need to understand investments and how to engage with professionals who can help. This money also could have an effect on any taxes these young persons will eventually owe.

Discuss how inherited or gifted assets also can have different tax consequences. If one of the gifts is a concentrated stock position, your children need to understand the risk of having a non-diversified portfolio.

Also help them understand the importance of aligning a portfolio with their personal goals for the future. Those goals could entail a down payment on a home or preparation for children of their own.

COVER COMPLEX ESTATE PLANS

The most challenging component of your children's financial education is helping them understand your complex estate plan.

By working with your wealth manager, you have established a sound strategy to maintain and pass along wealth to future generations. This is accomplished through gifts, trusts, family limited partnerships and other financial tools.

However, in many cases, the parents who establish these plans are not comfortable communicating the details to their children, even though the parents are often the ones ultimately charged with carrying out these plans.

As a child's maturity and knowledge increase, start involving him or her with the specifics of your estate plan. Your advisor can help fulfill the critical role of communicating your intentions, as well as the action plan to implement them.

Your advisor can help explain the estate plan structure and provisions, as well the tactical steps that will be necessary to implement it as trustees, executors or beneficiaries. Your financial agent also can make sure your estate plan interfaces well with your children's personal financial plans.

By making the early and continuing financial education of your children a priority, you can ensure that they and their own families will be secure. Including your wealth manager in the teaching process will help drive those lessons home. ●

ABOUT US

RICHARD P. SLAUGHTER ASSOCIATES IS A LEADING WEALTH MANAGEMENT AND FINANCIAL-PLANNING FIRM WHICH SPECIALIZES IN WORKING WITH HIGH NET WORTH INDIVIDUALS, FAMILIES AND BUSINESSES. Slaughter Associates cultivates a comprehensive financial relationship with its clients by delivering expertise in financial planning and asset management and coordinating with tax, insurance and estate professionals. The result is a holistic approach, which is unique in a financial industry that is often segmented and outsourced. By committing to each of these important components, Slaughter Associates charts a path to reach the individual financial goals of its clients.

Founded in 1991 in Austin, Texas, by Richard Slaughter, Slaughter Associates is one of the original fee-based firms in the nation. With offices in both Austin and the Dallas-Fort Worth Metroplex, Slaughter Associates has been recognized by NABCAP as a Premier Advisor and given Exemplary status for expertise in personal risk management. ●

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