



Family Perspectives

At Waypoint, we try to view issues pertaining to wealth management through the eyes of the families we serve. Recently we conducted a survey that indicated many of our readers were interested in topics such as education strategies, taxes, estate planning and philanthropy. As a result, we are going to add a piece in our newsletter from time to time addressing these topics.

A Time of Transitions

"No graduate gets to this moment alone. I want to acknowledge your parents and grandparents and friends that are here cheering you along just as they have every step of the way."

-Tim Cook, CEO of Apple, 2018 Commencement Speaker, Duke University

This spring it seemed as if everyone we knew had a graduation or two on the calendar. Children, grandchildren, nieces, nephews. College, high school, middle school, even kindergarten. Such excitement! Such optimism! Such buoyant confidence! A wonderful time of reflection and hope for the future (and no more tuition payments!).

Graduations remind us that life is full of transitions and that having good plans in place can help ease the anxiety of change and market uncertainty. With the slower summer months in front of us, this can be a good time to review, update, or implement family wealth strategies. Here are a few things to consider...

Funding Education Early Can Help Ease Future Burden

Speaking of graduations, for all the exhilaration, the reality is that the cost of education has skyrocketed in recent years and many students leave school with more than \$50,000 in student debt. In fact, according to Brookings, student loan debt "has ballooned into the largest source of consumer debt after housing."¹

For the young children in your life, you may want to start early by setting up a special savings fund to help defray the cost of future education. There are many ways to accomplish this goal... the most popular being the 529 plan. Here are some things that donors should know:

- 529 plans can now be used to help pay private K-12 school tuition as well as college tuition.
- The investment growth, like in Roth IRAs, never gets taxed if used for qualified purposes.
- Making contributions to 529 plans may have state tax benefits as well, depending on where you live and the 529 plan that you choose. Wealthier donors may be able to avoid estate taxes by setting up plans.
- You may choose any state's plan. It does not matter where the child lives or ends up going to school.
- Not all 529 plans are equal and there are some disadvantages including possible impact on a student's financial aid.

Planning for the Future is Important at Any Age

Students graduating from college who have found jobs may be paying income taxes for the first time. While taxes may be of little concern to first time employees, you may want to encourage young people close to you to sign up right away for tax-advantaged savings programs such as company 401(k) plans or personal Individual Retirement Accounts (IRA). And young people should consider the protections they need to have in place as adults – such as savings accounts, wills, medical directives, powers of attorney, and even insurance if they have others who are dependent upon them for support.

¹ "More Students are Taking on Crippling Debt They Can't Repay – It's Time for Higher Education to Share the Risks," Adam Looney, BROOKINGS, February 16, 2018

Also, as seasoned taxpayers you may want to review the impact of the new tax provisions on your own personal taxes and on your businesses. By now, tax advisors should be fully versed in the new Internal Revenue Service (IRS) rules that go into effect this year and, with tax season behind them, it may be easier to get their attention.

Family Values and Expectations – Returning the Favor

“This degree you are about to get, it’s a privilege. That privilege obligates you to use what you’ve learned to lend a hand to somebody who doesn’t get to be here.”

-Oprah Winfrey, Media Mogul, 2018 Commencement Speaker, University of Southern California

The quieter summer months are a good time to review your estate plans and think about your expectations regarding your legacy and the role of your family in managing the wealth they may inherit. If you intend to pass down a fair amount of your net worth to future generations, you should make sure younger family members are prepared for the responsibility.

This is also a good time to include children and grandchildren in discussions regarding family values and philanthropy. According to **Giving USA 2018**, Americans gave \$410 billion to charity in 2017, crossing the \$400 billion mark for the first time.² “As people have more resources available,” said Aggie Sweeney, CFRE, Chair of Giving USA Foundation and senior counsel at Campbell & Company, “they are choosing to use them to make a difference.”

You may want to consider organizing a family meeting to discuss your hopes for the future and the importance of being good stewards of the wealth you have accumulated. Discussions about financial responsibility and philanthropy can also be a good way to introduce younger family members to the principles of investing and wealth creation.

Back to the Future

“The future is yours. And I’m much more optimistic today than I was yesterday.”

-Sting, Singer Songwriter, 2018 Commencement Speaker, Brown University

The generation graduating from college today has yet to be given a name or be tagged with a list of generalities such as those attributed to Baby Boomers (the last of whom were born in 1964) and Millennials (the last of whom were born in 2004).³ In many ways, these young adults’ lives will start out on a much more positive note than those of students who graduated just a decade ago in the midst of the Great Recession. Today, the economy is booming, unemployment is at low records, and employers are eager to put smart young people to work in fields that did not even exist 10 years ago.

Even so, every generation has its challenges, and this will be true for these youngsters, too. They will face political dissent, global uncertainty, technological changes and career disappointments. And while these challenges will test young people’s characters, they will also provide a learning opportunity as rich as anything that has come before.

“You are allowed to be disappointed when it feels like life has benched you. What you aren’t allowed to do is miss your opportunity to lead from the bench.”

-Abby Wambach, Soccer Champion, 2018 Commencement Speaker, Barnard College

² Giving USA 2018: Americans Gave \$410.02 Billion to Charity in 2017, Crossing the \$400 Billion Mark for the First Time <https://givingusa.org/giving-usa-2018-americans-gave-410-02-billion-to-charity-in-2017-crossing-the-400-billion-mark-for-the-first-time/>

³ The Atlantic, *Here Is When Each Generation Begins and Ends, According to the Facts*, Philip Bump, March 25, 2014 <https://www.theatlantic.com/national/archive/2014/03/here-is-when-each-generation-begins-and-ends-according-to-facts/359589/>