Money & Family

New research on generational wealth

An **Ameriprise Financial** study that explores how wealth changes hands across generations and how financial values, priorities, and communication styles compare and contrast among older and younger investors.

Overview

Family dynamics around money are often *complicated.*

Managing family assets and estates can be challenging enough; add in the life experiences and emotional histories shared by members of the same family, and it's clear why the complexities mount.

Many families have been stretched and stressed by the challenges of the pandemic. Now, they're facing new economic realities like rising inflation, market volatility, supply chain shortages and a roaring real estate market. With this backdrop, Ameriprise Financial set out to understand how Americans view their relationship with money in the context of their families.

What's causing financial tension among family members? Do most families communicate openly about money, or do they tend to withhold information from one another? How do views on money compare across different generations?

Ameriprise explored these and other questions in the firm's first **Money & Family study**.

Conducted in January and February 2022, the study surveyed **more than 3,000** Americans between the ages of 30-70 with at least **$100,000 in investable assets**. **Money & Family** looks at the topic of generational wealth – exploring what it means to investors in different age brackets, and how much of a priority it is to pass wealth along to their heirs or to charity, either while they're alive or after they've passed.

The study delves into the values investors have with regard to money – seeking to understand whether **Boomers**, **Gen X** and **Millennials** have the same or different ideals when it comes to money and investing. It also evaluates the ways in which families communicate or fail to communicate openly with each other about their finances – and the reasons behind their willingness to share or shy away from conversations about money.

Findings from **Money & Family** reveal the degree to which family dynamics can influence investors' behaviors, attitudes and risk tolerance around money. Recognizing these factors is a first step in helping families navigate conversations and decisions related to money.

Defining “generational wealth”

What exactly is “generational wealth?” That’s up for debate.

44%

of survey respondents believe **generational wealth** is defined as having **$500,000** or more in total assets to pass down to loved ones.

39%

say they are **not sure** what dollar amount constitutes **generational wealth.**

Investors don’t all agree on whether they feel responsible for giving or leaving money to family.

When it comes to leaving money to others,

6 out of 10 (61%) respondents agree with the phrase:

“I feel a responsibility to give money to family members either while I’m living or after I die.”

In contrast, **4 in 10** (39%) survey participants agree with the phrase:

“I believe my family should be responsible for making their own way without my financial help.”

Baby Boomers are more likely than other generations to believe others should make their own way (45%) compared to 37% of Gen X and 28% of Millennials.

Sowing the seeds

More than two-thirds (67%) of investors say passing generational wealth to their heirs is important to them.

Baby Boomers are significantly less likely to say passing generational wealth is important to them.

59% of Baby Boomers report it is important to them, compared to **70% of Gen X** and **82% of Millennials**.

78% of respondents have taken at least one step to build generational wealth.
The top steps are:

#1 Saving money strategically (**62%**)

#2 Investing in stocks (**52%**)

#3 Investing in real estate (**27%**)

#4 Building a business to pass down to heirs (**10%**)

Nearly half (45%) of respondents say they are on track to pass on generational wealth to family.

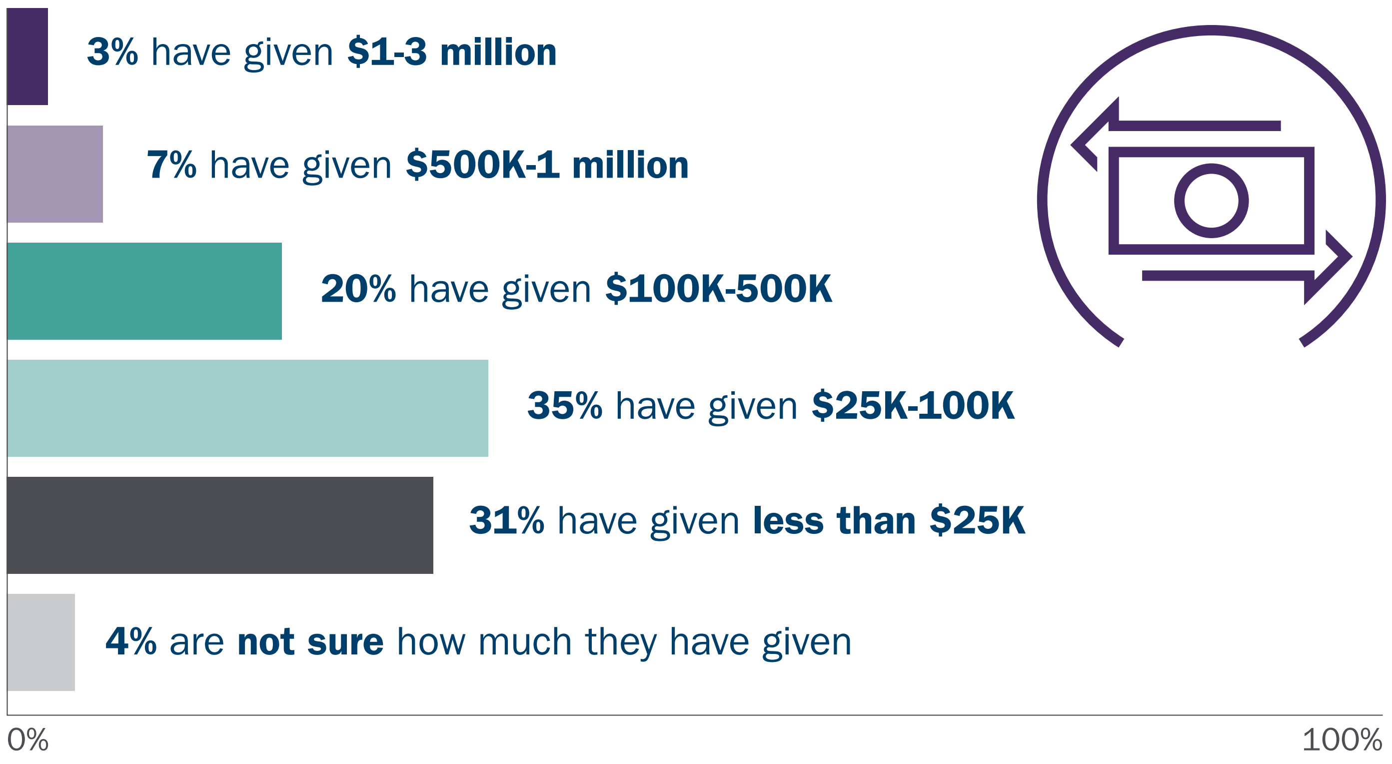
Some people choose to give away substantial amounts of money during their lifetimes instead of leaving it to their heirs after they die.

Close to 20% report having given away significant amounts.

Nearly **2 in 10** (17%) have already given what they consider a substantial amount of money to their heirs.

Children (**61%**) were most commonly on the receiving end of “giving while living” gifts followed by charity (**39%**)

For those who have provided “giving while living” gifts:



Nearly 3 in 10 (29%) respondents plan to give away money while they are alive.

Among those who plan to give away money, **43% plan to give $100k** or more.

30% say they have no plans to do so in the future.

57% of those who don't plan to give away money while they are living say they don't plan to do so because they **might need the money later in retirement**.

For those who have given, or plan to give, substantial amounts of money away before they die, they report their top reasons as:

52%	I have enjoyed, or will enjoy, seeing it being used by others
43%	The people needed, or will need, it before I die
28%	There are tax advantages to giving it away before I die
24%	The non-profit organizations/charities needed, or will need, it before I die
9%	I don't trust that it will be used appropriately after I die

Financial assets aren't everything - results show imparting financial values is even more important to investors.

Eight out of 10 (80%)
of survey respondents agree with the statement:

"Passing on my financial values to the next generation of my family is important to me."

Differences arise by generation with **Millennials most likely** (87%) **to agree with this statement, followed by Gen X** (82%) **and Baby Boomers** (74%)**.**

When asked to **rank what they care most about** when it comes to their legacy, investors say personal values and memories are more important than financial assets.

WHAT INVESTORS RANKED MOST IMPORTANT:

- **37%** Personal values
- **35%** Memories of experiences shared with family
- **21%** Financial assets
- **7%** Personal items with sentimental or monetary value

Investors' actions are in line with what they feel is most important.

Findings show parents are actively discussing their financial values with children and stepchildren.

67%

of parents say they often discuss with their children/stepchildren how their values shape their financial decisions.

Millennials are most likely to discuss how their values shape their financial decisions with their children/stepchildren (76%) and Baby Boomers are least likely to do so (59%).

77%

of parents say they take the time to help their children/stepchildren understand the reasons behind their financial decisions.

Similarly, Millennials are most likely to help their children/stepchildren understand the reasons behind their financial decisions (83%) and Baby Boomers are least likely to do so (71%).

52%

of parents have talked with their children about which charitable organizations they donate to, but only 40% have discussed the actual amount of money that they donate.

Shared values evident in approach to ESG investing

60%

of respondents say their values align with their family's values when it comes to ESG (Environmental, Social, and Governance) investing.

68% of respondents have real estate they plan to leave to their heirs.

Of those who plan to pass on real estate:

When do they plan to pass it?

- **Six out of 10** (61%) plan to transfer the real estate after they die
- **15%** plan to transfer before they die
- **12%** plan to transfer some before and some after

What kind of real estate do they plan to give to their heirs?

- **85%** primary residence
- **20%** vacation property (such as a cabin, cottage or snow-bird home)
- **19%** real estate that they use for income purposes
- **15%** land

The top three ways respondents plan to pass real estate to their heirs:

- **#1** Divide it equally (46%)
- **#2** As part of total estate (42%)
- **#3** Based on need (11%), tied with based on who would take best care of the property (11%)

Communication conundrum:

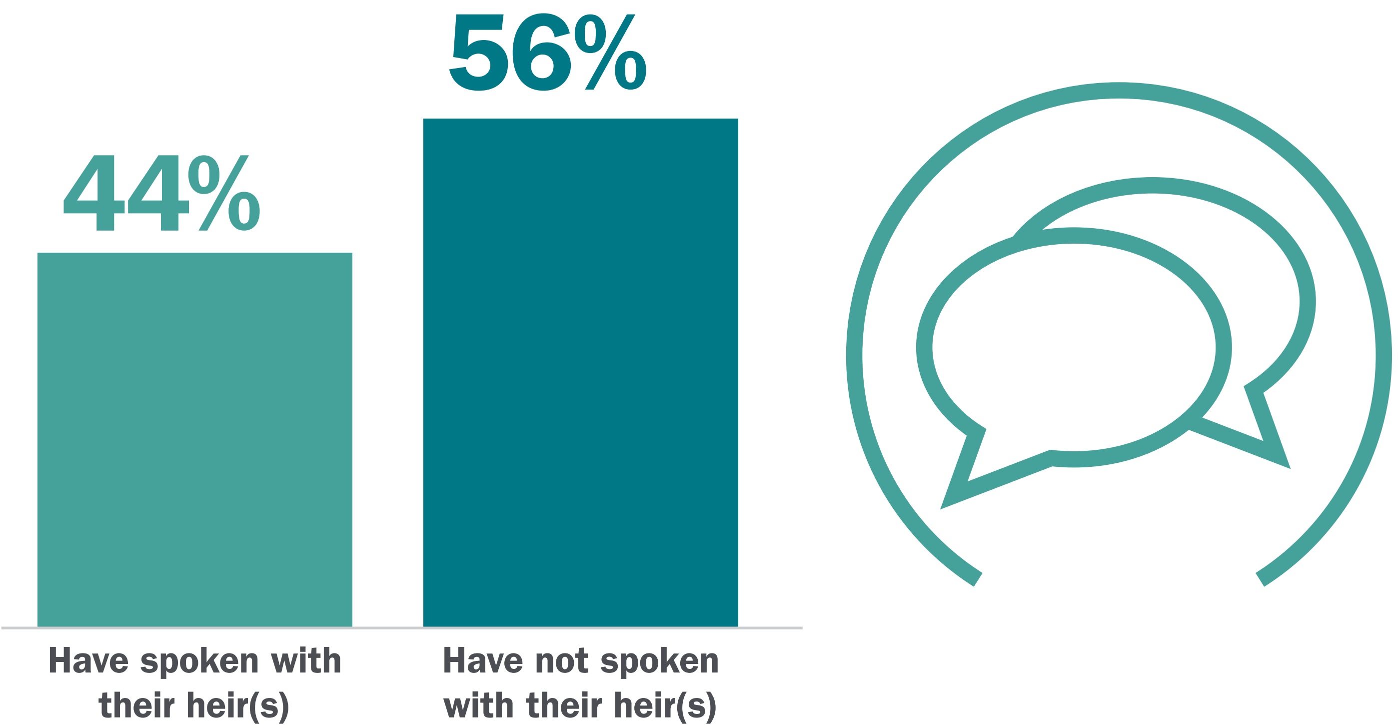
Despite their intention to transfer real estate to their heirs, only 44% have spoken to them about their plans.

Of those who have spoken to their heir(s) about the real estate they plan to leave or give them, key topics of discussion include:

- How much it is worth (51%)
- Expectations about how it will be used (31%)
- Cost of the annual upkeep of the property (taxes, utilities, etc.) (29%)
- Strategies to limit or avoid estate taxes (29%)
- Whether or not they want them to sell after they are gone (28%)

Baby Boomers are slightly more likely to have discussed their real estate plans with their heirs (49%), compared to Gen X (39%) and Millennials (41%).

Respondents' discussions with their heir(s) about the real estate



Transferring real estate

Concerns about leaving real estate to heirs:

A majority of investors **(60%)** do not have any concerns about leaving real estate to heirs, but **40%** do have some level of concern.

Their top three ranked concerns include:

15%
Heirs won't be able to afford the upkeep/ taxes, etc.

14%
It will go to more than one heir, and they'll have conflicts about it

13%
They'll sell it quickly

Words of wisdom

Among the **19%** of respondents who have inherited real estate, **54%** found the experience difficult.

Based on their experience, investors who previously inherited real estate recommend the following top three actions to make the process run smoothly for those on the receiving end:

39%
have a detailed plan in place

36%
include a lawyer in the process

35%
communicate details about the real estate and the plan in advance

Lack of transparency

"It's none of their business."

Only **two out of 10** (19%) investors are completely transparent with their relatives about their finances and estate planning.

When asked: **"what keeps you from being completely transparent with relatives about your finances and estate planning?"** survey respondents said:

33%	I don't think it's any of their business
32%	I have shared some info but don't feel it's necessary to be completely transparent
18%	I don't want to deal with any conflicts that might result
16%	I don't want their input

Investors do talk about financial literacy

While investors may not be fully transparent about their finances with their children, certain conversations about money are happening in many households.

Steps investors are taking (or have taken) to teach their kids younger than age 25 how to build financial acumen.

58% of parents have discussed investing and investment strategies with their kids

44% have helped their kids manage their investments

36% have given their kids money to make their own investments

35% of parents have discussed alternative investments such as cryptocurrency, real estate, commodities, gold, antiques and art with their kids

Tips and recommendations

Tips for Giving While Living

- Calculate how much you can afford to give based on your future needs. Talk to a financial advisor to make sure the amount you give doesn't set back your financial goals.
- Be open about your plans and make your intentions for the gift clear. Is it in place of an inheritance? Or can they count on additional money after you have passed?
- Understand the current estate lifetime exemption and gift tax exclusion rules. Consult a tax professional to determine how you may be able to leverage these exemptions for tax advantages.

Tips for Passing on Real Estate

- Communicate your wishes in advance to ease potential family tension, especially if the property will be divided among multiple people.
- Have a detailed plan that outlines key information about the property such as maintenance costs, taxes, and potential improvements that may needed.
- Understand the tax implications of gifting real estate during your lifetime.

Tips for Passing on Financial Values

- Take the time to explain the reasons behind your financial decisions.
- Consider conversation starters that can help younger generations of your family understand what shapes your financial values. For example, talk about:
  - **Lessons learned**
  - **Causes you care about**
  - **How you've invested and grown your nest egg**

About the survey
The *Money & Family* study was created by Ameriprise Financial Inc. and conducted online by Artemis Strategy Group in January and February 2022 among 3,325 Americans ages 30–70 with $100,000 or more in investable assets. For further information and details about the study, including verification of data that may not be published as part of this report, please contact Ameriprise Financial or go to www.ameriprise.com/family.

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