



ENTRUSTED PLANNING

A NEW PARADIGM FOR A CHANGING MARKETPLACE

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LEGACY



LEGACY: Definition

- When it comes to estate planning today, few words are used as often as the word **legacy**.
- Legacy can mean different things to different people. There are 2 primary definitions of legacy:
 - ***An amount of money or property left to someone in a will.***
 - ***A thing handed down by a predecessor.***
- The second definition is the one that is capturing the hearts and ideals of an increasing number of clients.



LEGACY: 5 Essential Truths

1. Legacy is so much more than money.

- We too often marginalize the word to its financial definition. In doing so, we lose its richness and meaning.
- Financial resources come and go, but lasting legacies are found in our passions, our actions, and our words.



What you leave behind is not what is engraved in stone monuments, but what is woven into the lives of others.



– Pericles



LEGACY: 5 Essential Truths

1. Legacy is so much more than money.

2. Legacy is not neutral.

- We often think of legacy solely in terms of its positive qualities.
- The reality is legacy can be positive or negative.
- Negative family legacies can include things like abuse, addiction, or dysfunctional communication.



LEGACY: 5 Essential Truths

1. Legacy is so much more than money.
2. Legacy is not neutral.
3. **Legacy is not optional.**
 - We will all leave a legacy.
 - We cannot opt out of having an impact on others.



As you go through life, no matter what you do, or how you do it, you leave a little footprint, and that's your legacy.



– Jan Brewer



LEGACY: 5 Essential Truths

1. Legacy is so much more than money.
2. Legacy is not neutral.
3. Legacy is not optional.
4. **People are more legacy-minded today than they have been for thousands of years.**
 - Shift of focus from inheritance to impact.
 - Concept of legacy has expanded to involve emotional legacy.
 - Social, spiritual, and emotional legacy are all intertwined with financial legacy.



LEGACY: 5 Essential Truths

1. Legacy is so much more than money.
2. Legacy is not neutral.
3. Legacy is not optional.
4. People are more legacy-minded today than they have been for thousands of years.
5. **Legacies can be changed.**
 - Our legacies are constantly shifting and changing until we die.

Legacy Example: John



The Fractured Years

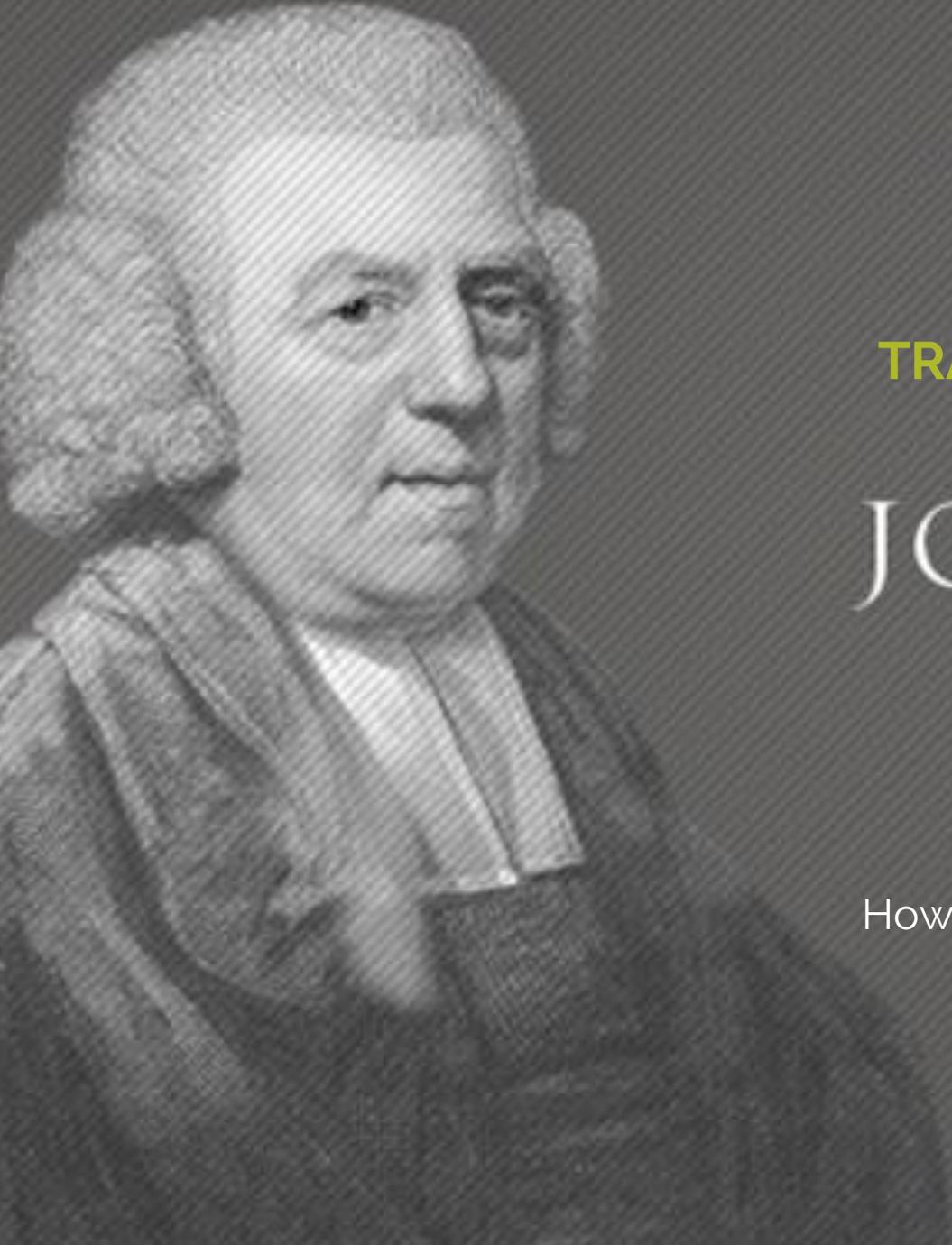
- John was born in 1725 in London, England.
- His mother died when he was 6 years old.
- He was raised by a cruel stepmother while his father was away at sea.
- At 11, he apprenticed on a ship. He was so disobedient he was forced to serve in the Royal Navy.
- He openly mocked his captain by writing obscene poems and songs.
- He had the foulest mouth of any sailor in the British Navy.
- He was credited with inventing several new curse words.
- He got into so many fights that he was imprisoned at sea and eventually sold into slavery.
- Despite being mistreated as a slave, upon being set free he worked in the slave trade for several years.

Legacy Example: John



The Integrated Years

- A few near-death experiences led him to re-examine his life.
- At 33, he left sailing to study theology.
- At 48, he wrote a hymn based on a New Year's Day sermon given in 1773.
- It is estimated that:
 - This hymn has appeared on more than 11,000 albums.
 - This hymn is sung more than 10 million times every year.



TRANSFORMED LEGACY:

JOHN NEWTON

1725–1807

“Amazing grace!
How sweet the sound, that saved a wretch like me.
I once was lost, but now am found;
Was blind but now I see.”

John Newton

A conference room with a long table and chairs, overlaid with a green tint and a white text box. The room features large windows on the right side, a grid ceiling with recessed lights, and a carpeted floor. The text "The Current Problem" is centered in a white box.

The Current Problem

Wealth is Undirected



Of HNW say it is important to leave inheritance to their children.

But only

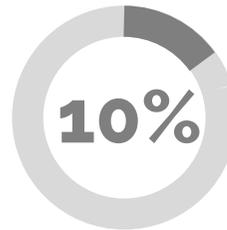


Say their children will be prepared to handle said wealth.



Of HNW believe their family would benefit from formal principles to guide purpose and meaning of wealth

But only



Have done so

Parents Are Procrastinating



Average age parents say that meaningful financial education should begin



Average age parents are beginning meaningful financial education



of HNW parents have not executed a will and 30% have done nothing when it comes to wealth transfer



Have yet to begin educating their children about wealth and money topics, but are planning to in the future



Plan on making no gifts or transfers to adult children until death

Children are left in the Dark

Percent of children who said that they received financial education or training in the form of:



General family conversations



Reviewing information from my financial advisor



Financial literacy program offered by my financial advisor



Family meetings to educate me



Financial literacy program offered by professional advisors

What Works Isn't What we Do

Percent of children who said that the following types of education were effective in helping them:



General family conversations



Reviewing information from my financial advisor



Financial literacy program offered by my financial advisor



Family meetings to educate me



Financial literacy program offered by professional advisors

Children are left in the Dark



What Works Isn't What we Do



Heirs Aren't Directed

Percentage of children who were:



Made aware of the value of inheritance



Told how parents would like them to use the inherited wealth/assets



Told how the structures used to transfer wealth worked



Introduced to individuals who would manage the wealth transfer



Educated about budgeting and financial management



Educated about investing



Educated about the broader aspects of wealth

Wealth is Un-purposed and Overwhelming



Taken Deliberate Steps to use wealth as intended



Clearly identified a Purpose for the use of wealth



Very satisfied with how they spend their money



Very satisfied with how they spend their time



Say more money would make life better



Say more stuff would make life better

Wealth Creators Don't Like Traditional Estate Planning

Percentage of Baby
Boomers who:



plan on different
planning than parents



have begun wealth
transfer during life



believe they "owe"
children an inheritance



said that their estate plan
dealt with their goals,
wants, and objectives.

The State of Planning Today

\$13
Trillion

The Greatest/Silent Generation

- In the process of transferring \$13 trillion to heirs.
- Largest financial wealth transfer in the history of the world.

\$40
Trillion

Baby Boomer Generation

- Over next 25 years, will transfer \$40 trillion to heirs.
- Will eclipse current financial wealth transfer by factor of more than 3x and will be transferred to roughly ½ the number of beneficiaries.

Summary of the Problem

Undirected and unintentional wealth is being transferred at historic rates by procrastinating parents, half of whom have no meaningful plan, and that wealth is going to unprepared heirs who have no idea what is going on when it comes to their parents wealth.

And...Their financial professionals (attorneys, CPAs, and financial advisors) are doing little to nothing about it.



The Current Market Solution

The Market Operates on Unspoken Assumptions

The Four Things the Industry thinks the Market Wants:



Control



Tax Efficiency



Asset Protection



Return on Investment

The Four Things the Industry thinks the Market Wants:

- | | | | |
|---|-----------------------------|---|----------------------|
|  | Control |  | Communication |
|  | Tax Efficiency |  | Cohesion |
|  | Asset Protection |  | Identity |
|  | Return on Investment |  | Impact |

The Four Questions that the market should ask:

- If you could transfer all of your financial wealth without any tax or you could have grateful children, what would you pick?
- If you could average a 12% return on your investments, or you had children who were self-reliant, self-sufficient, productive and mature, what would you pick?
- If you could completely asset protect all of your assets or you had children who knew who they were and what they valued, what would you pick?
- If you could ensure that your assets were used exactly as you outlined or that your family was engaged, involved and connected with each other 50 years from now, what would you pick?

New Model For Wealth Transfer Planning

Traditional Model	Entrusted Model
Asset Focused	Beneficiary Focused
Tool Driven	Purpose Driven
Generic	Customized
Static	Dynamic

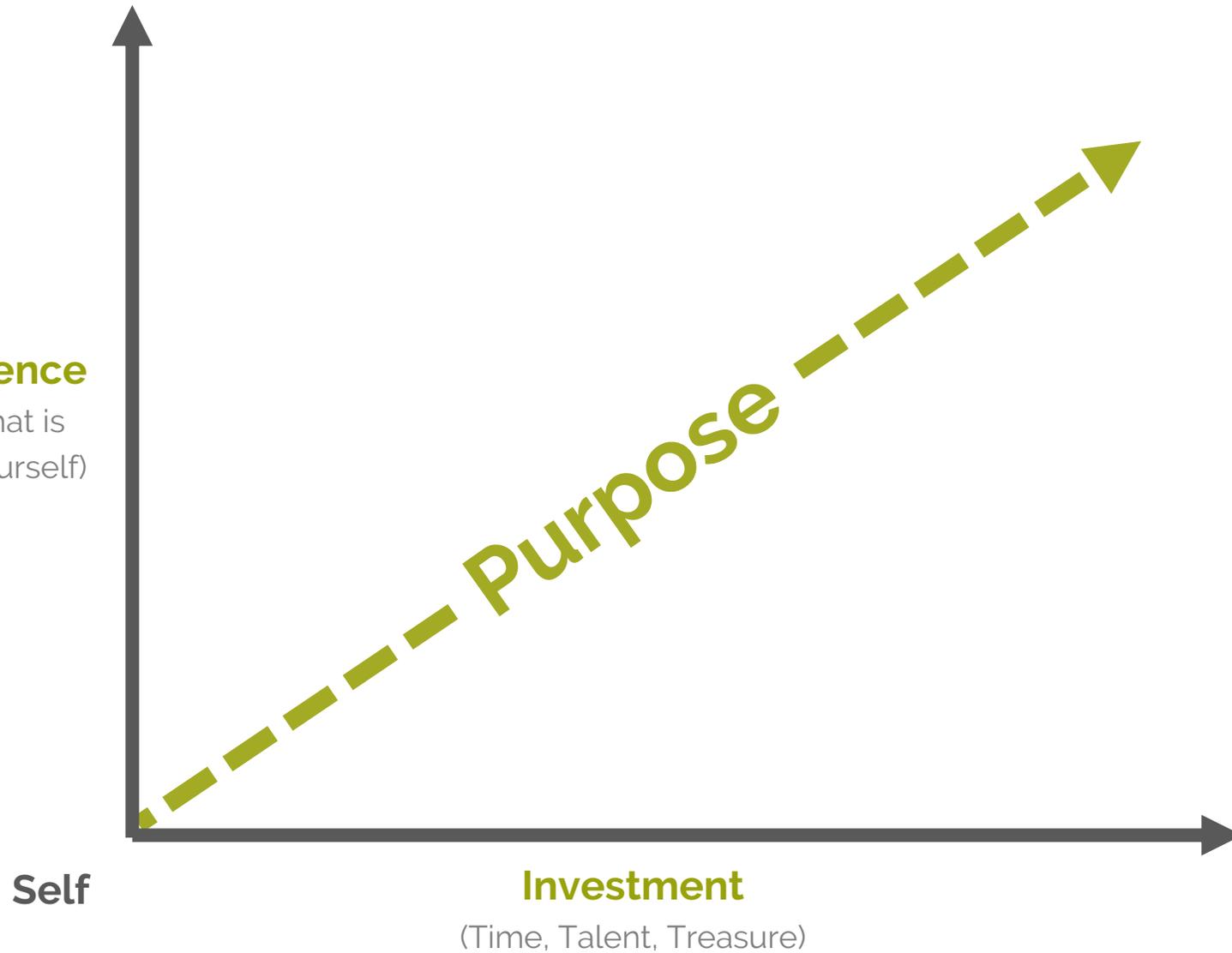
A New Paradigm For Wealth Transfer Planning

Assess Culture and Crosscurrents

Articulate Purpose

Align Planning

Transcendence
(something that is
bigger than yourself)





Purpose – Where do I want to go?

“If you want to build a ship, don't drum up people to collect wood and don't assign them tasks and work, but rather teach them to long for the endless immensity of the sea.”

Antoine de Saint-Exupery



Purpose

- Purpose: An intention to accomplish something that is personally meaningful and leads to engagement with some aspect of the World beyond the self.¹
- Purpose is your direction.
- The intention to accomplish something that is engaging but not beyond the self is a goal, not a purpose. Goals can be accomplished because they are temporal, purposes cannot because they are aspirational and directional.

1. The Development of Purpose During Adolescence, Applied Developmental Science (2003) Damon, Menon, and Bronk



“High-purpose environments are filled with small, vivid signals designed to create a link between the present moment and a future ideal. They provide the two simple locators that every navigation process requires: Here is where we are and Here is where we want to go.”

Daniel Coyle – The Culture Code



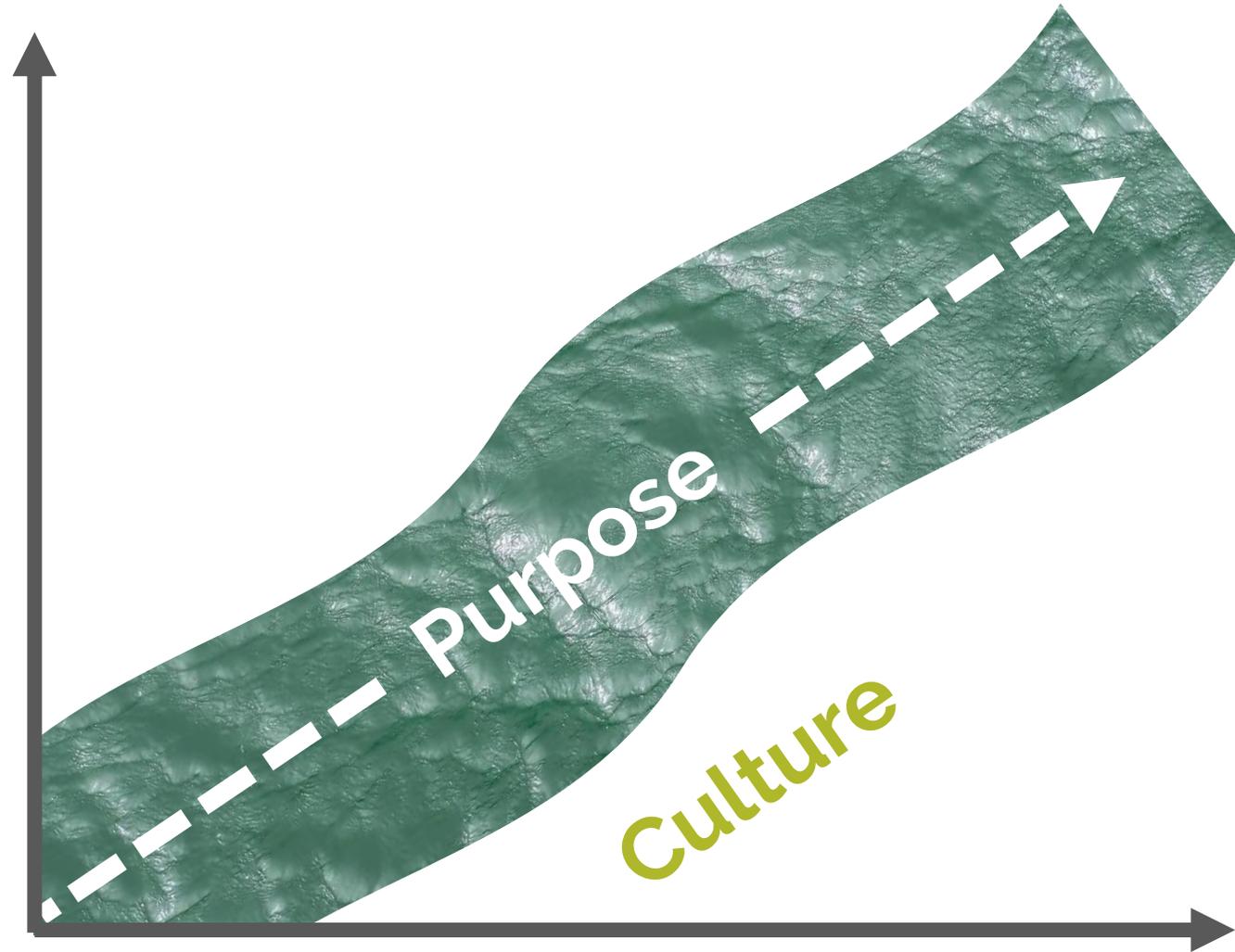
Transcendence
(something that is bigger than yourself)

Culture:
Communication
and Cohesion

Self

Culture:
Identity and Impact

Investment
(Time, Talent, Treasure)



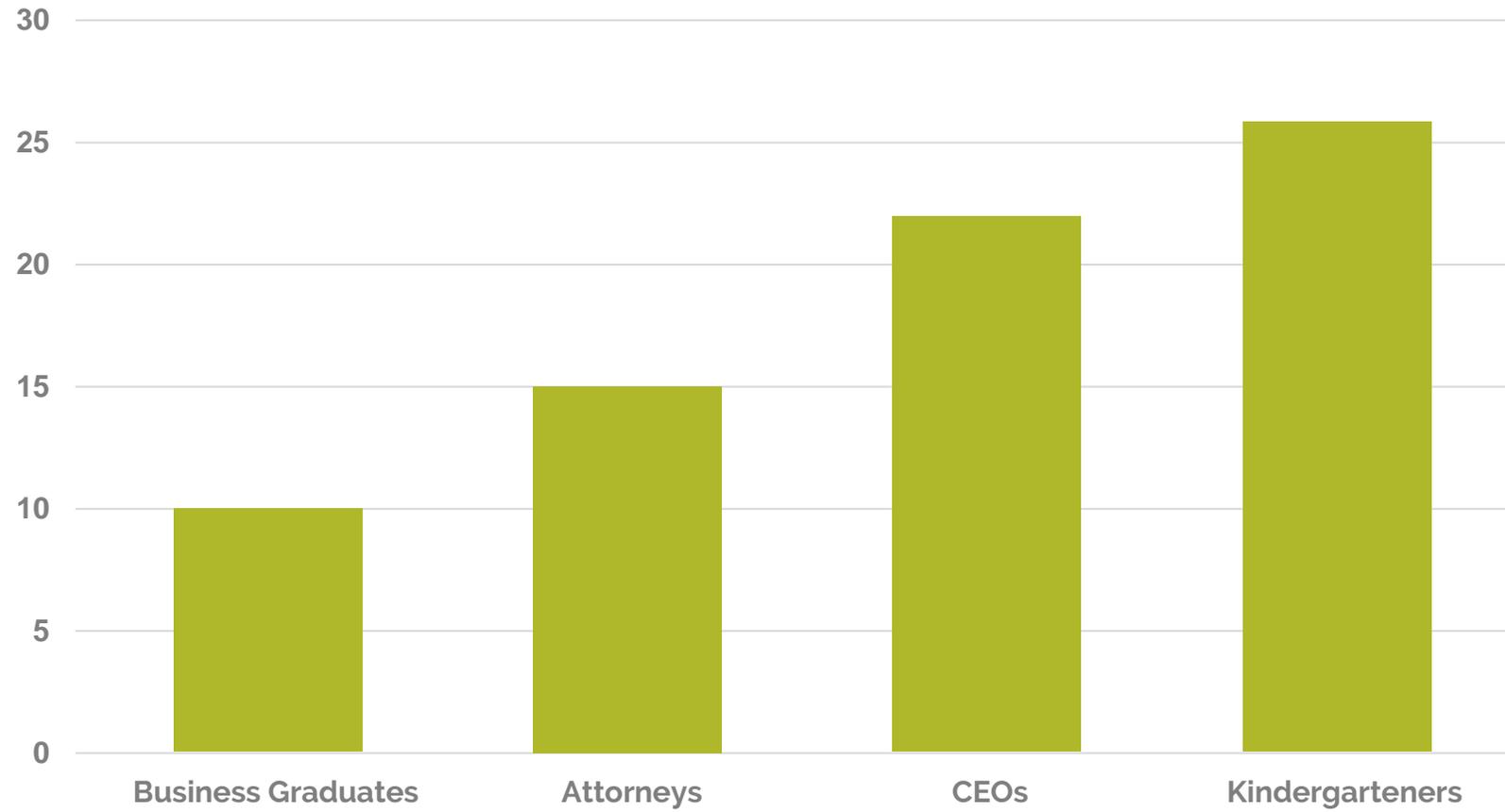


Culture

- The understood beliefs, behaviors, attitudes and actions of a specific group of connected people.
- Culture is the current that pushes you towards or away from your desired direction.
- Culture is the effect of we on achieving purpose.
- “Culture is a set of living relationships working toward a shared goal.” – Daniel Coyle

**Culture is
Critical for
Success**

Height



How The Kindergarteners Won

	Build Safety	Share Vulnerability	Establish Purpose
Adults	Competed with each other for position and attempted to determine roles	Spent time planning in an attempt to avoid mistakes or look foolish	Maintain status in the group and protect self-image
Kindergarteners	Stood side by side and gave immediate feedback of what worked and what didn't	Started right away and learned from their mistakes	Worked together to build the tower

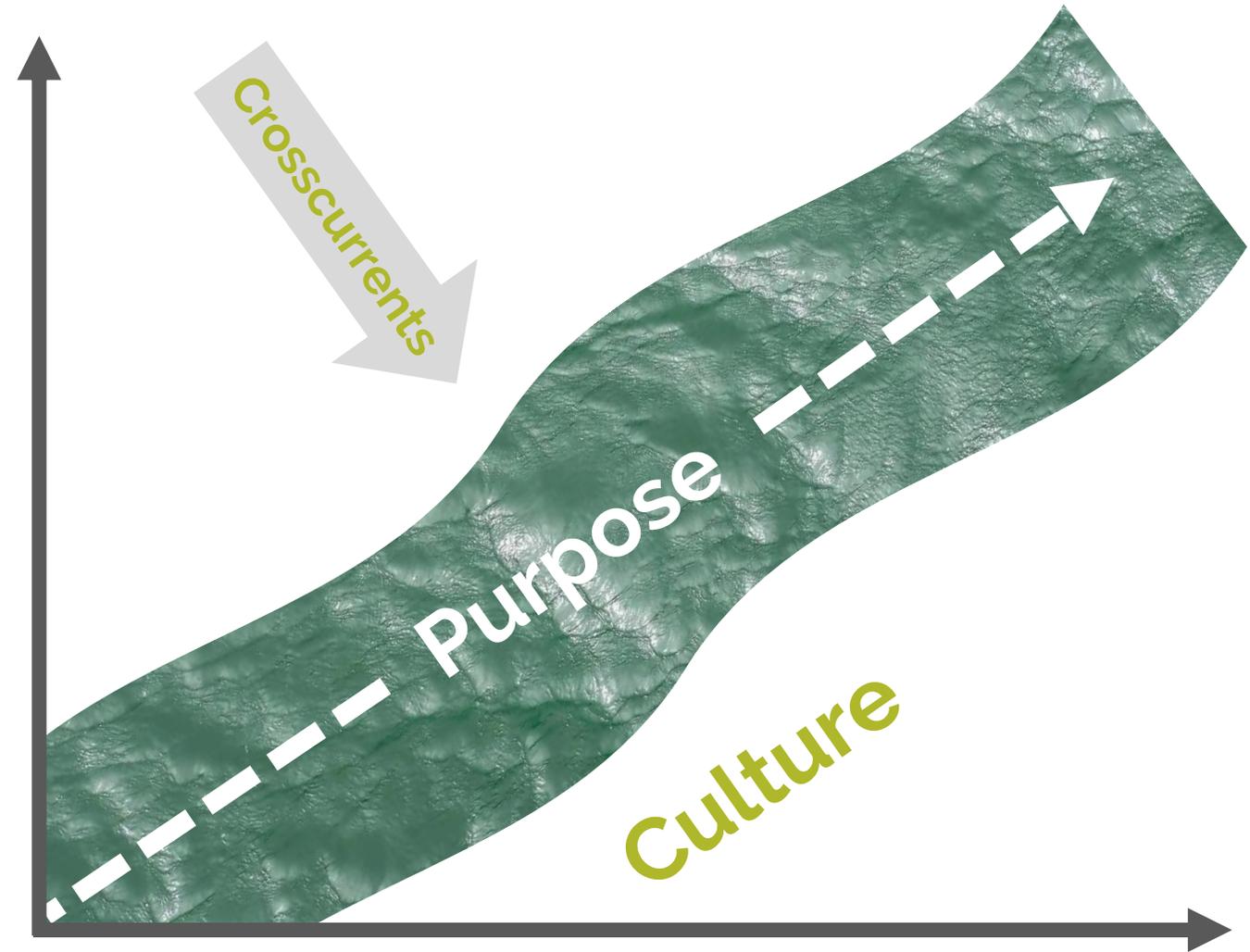
Transcendence
(something that is bigger than yourself)

Culture:
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Self

Culture:
Identity and Impact

Investment
(Time, Talent, Treasure)



Crosscurrents

- A conflicting tendency that pushes against both current and direction.
- Crosscurrents are the effect of the reactive me on achieving purpose.
- There are three potential crosscurrents that, to the extent they exist within a family, must be addressed or they will impede effective wealth transfer. Until we understand these crosscurrents, we are dealing with symptoms.



WORRY – An Unknown Future

- **Timeline:** A perceived **future** where we fail.
- **Manifestation:** Control and manipulation.
- **Example:** “How will this destroy our children?”
- **Result:** Control them because we don’t believe they can do it, or give all of the money away.



REGRET – Mistakes of the Past

- **Timeline:** A perceived **past** where we failed.
- **Manifestation:** Indulgence and lack of expectation.
- **Example:** “I owe this to them because I was too focused on work and wasn’t there for them.”
- **Result:** Dependent trust fund babies.



PARALYSIS – A Hidden Present

- **Timeline:** A perceived **present** where we are failing.
- **Manifestation:** Silence and avoidance.
- **Example:** “I don’t want to talk about any of this with my kids.”
- **Result:** Disconnection and inauthenticity. This becomes inaction.



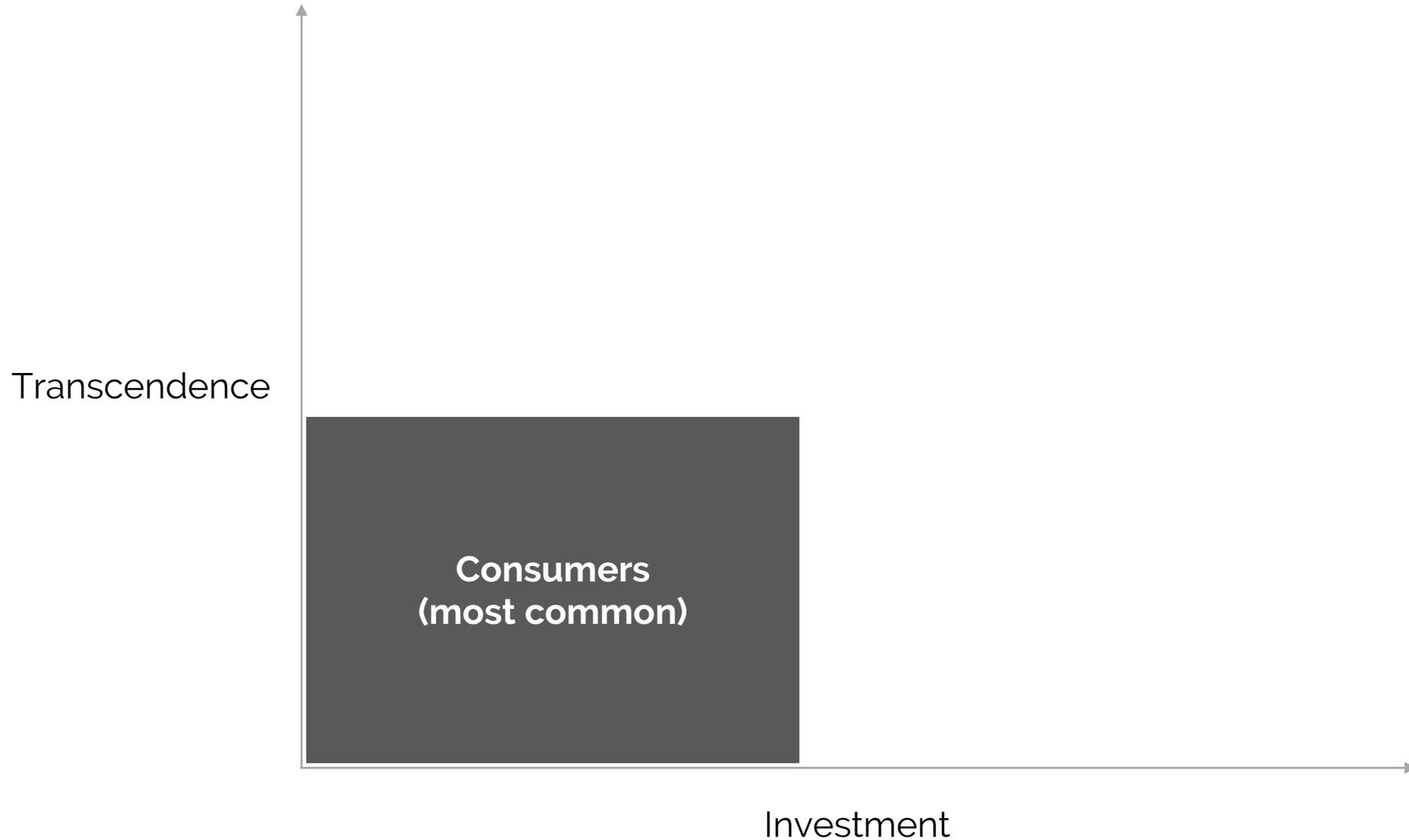
FREEDOM – A Transcendent Integration

- **Timeline:** A perspective that is transcendent of **past, present, and future.**
- **Manifestation:** Trust and belief.
- **Example:** “I believe my kids would be fine even if I left them nothing.”
- **Result:** Relational not structural.



The Four Possible Destinations

The Four Possible Destinations



The Four Possible Destinations

Consumers (Most common)



Investment: Little to none



Focus: Inward



Time: Present



Impact: None



Driver: Expectations

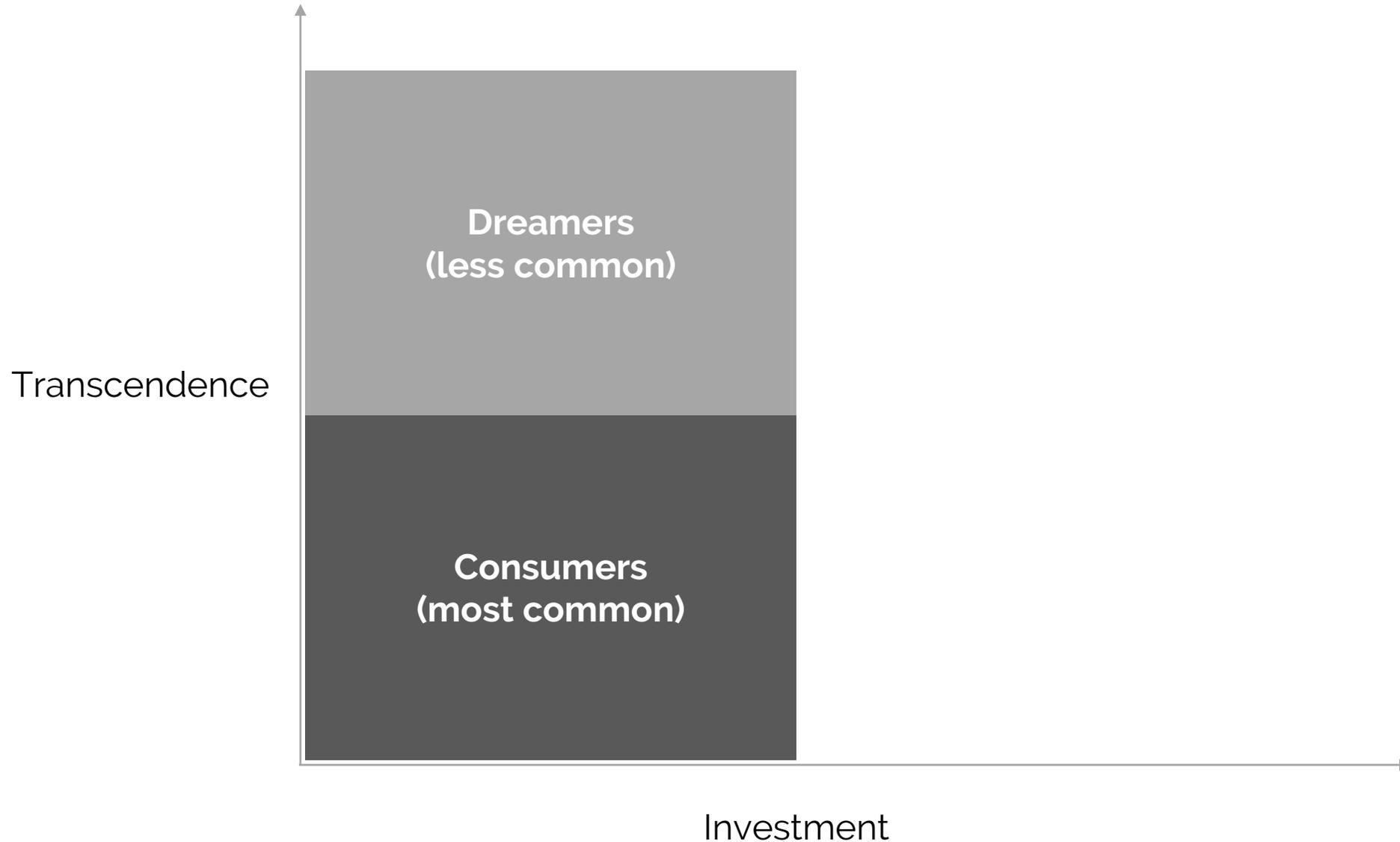


Perspective: Entitled



Portion of population: Most common

The Four Possible Destinations



The Four Possible Destinations

Dreamers (less common)



Investment: Unable or unwilling to invest



Focus: Outward



Time: Future



Impact: Small (though could be inspiration to others)



Driver: Meaning

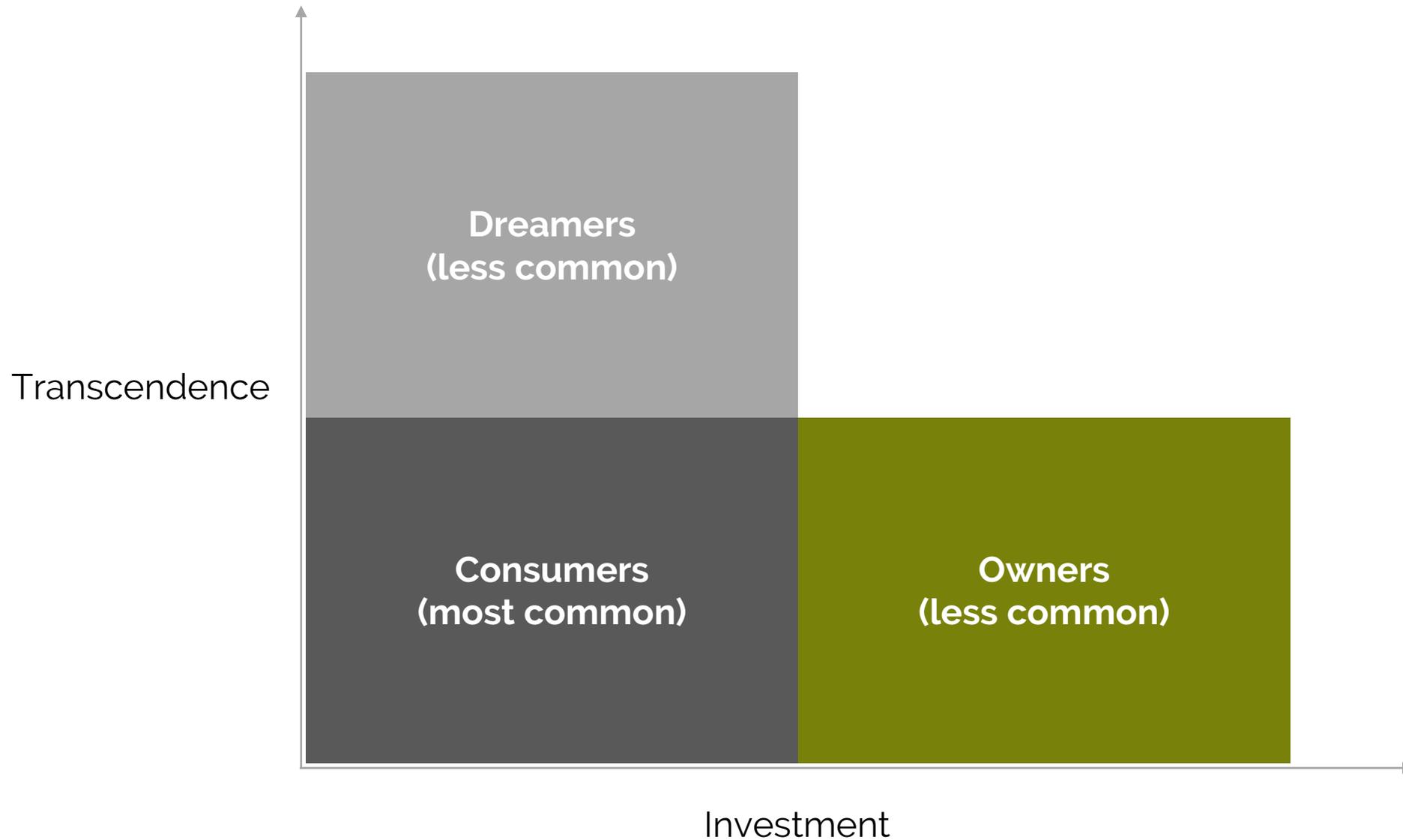


Perspective: Enriching



Portion of population: Less common

The Four Possible Destinations



The Four Possible Destinations

Owners

(less common)



Investment: Deeply invested



Focus: Inward



Time: Present



Impact: Significant but short term



Driver: Return

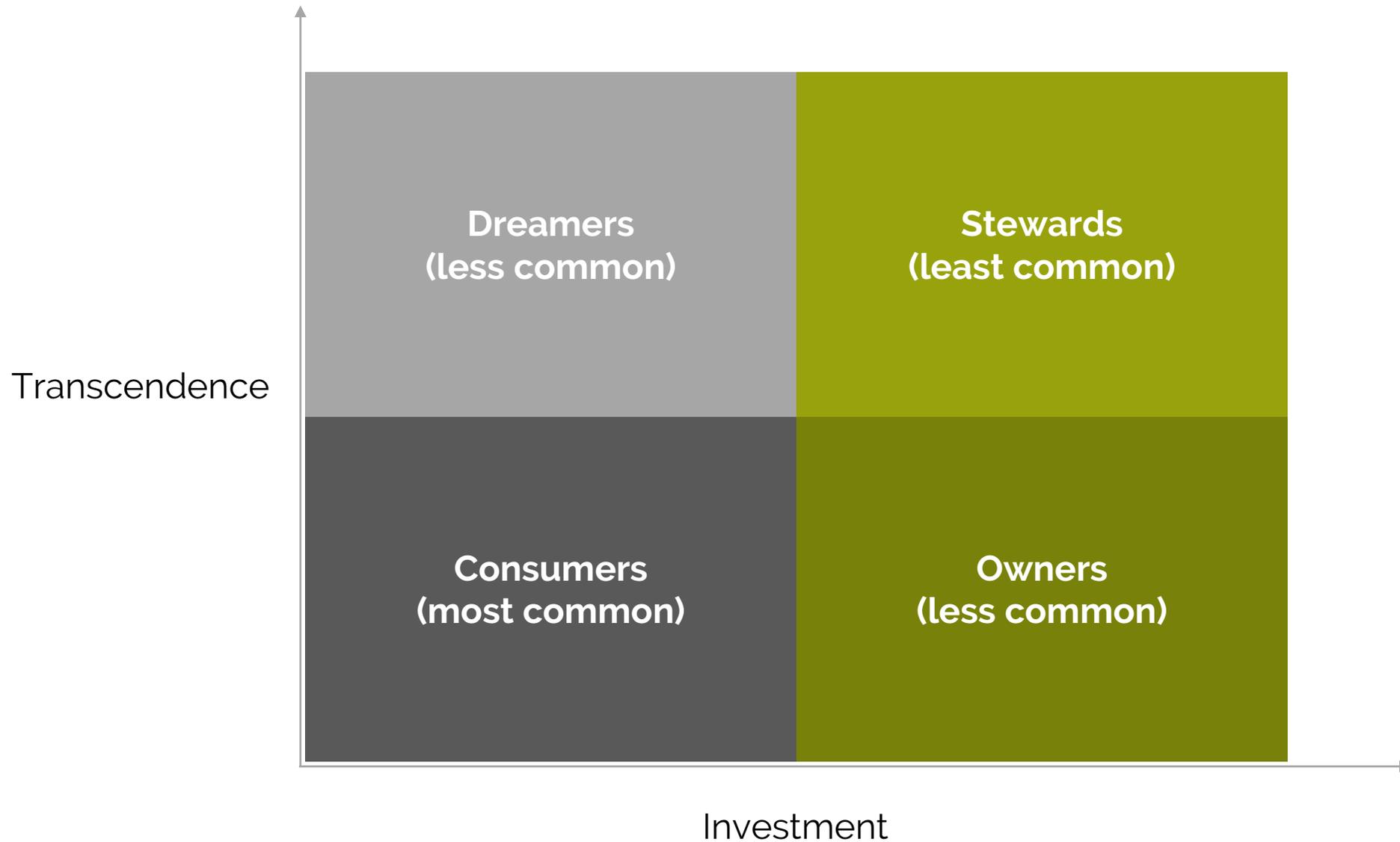


Perspective: Enterprising



Portion of population: Less common

The Four Possible Destinations



The Four Possible Destinations

Stewards

(least common)



Investment: Deeply invested



Focus: Outward



Time: Present and future



Impact: Profound and lasting



Driver: Purpose

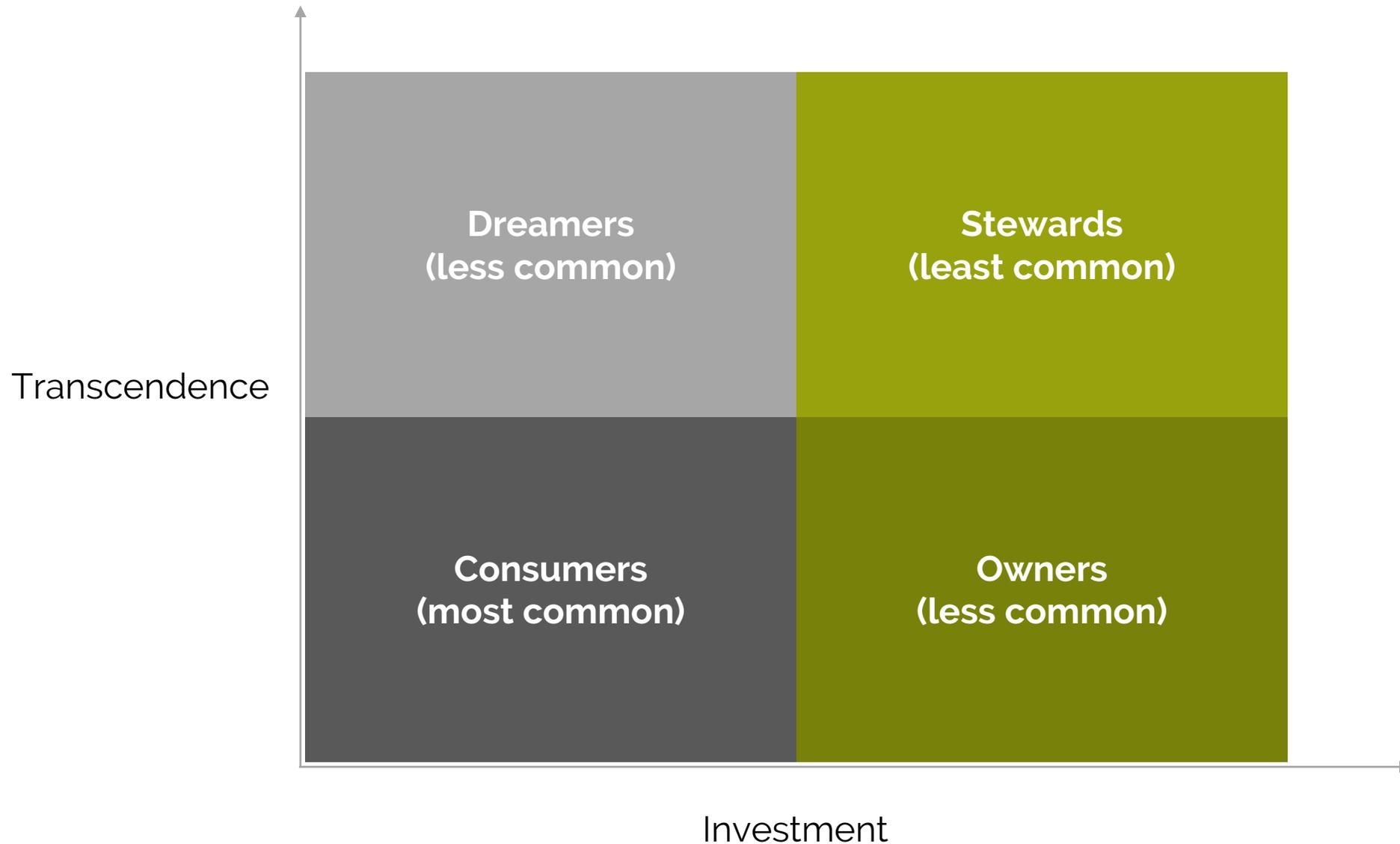


Perspective: Entrusted



Portion of population: Rare

The Four Possible Destinations



A pair of hands is shown holding a small, young plant with a small amount of soil. The background is a soft, green, out-of-focus field with vertical lines suggesting rain or a misty atmosphere. The overall tone is natural and nurturing.

Five Keys for Creating Stewards

Five Keys for Creating Stewards

1. Draw the map.

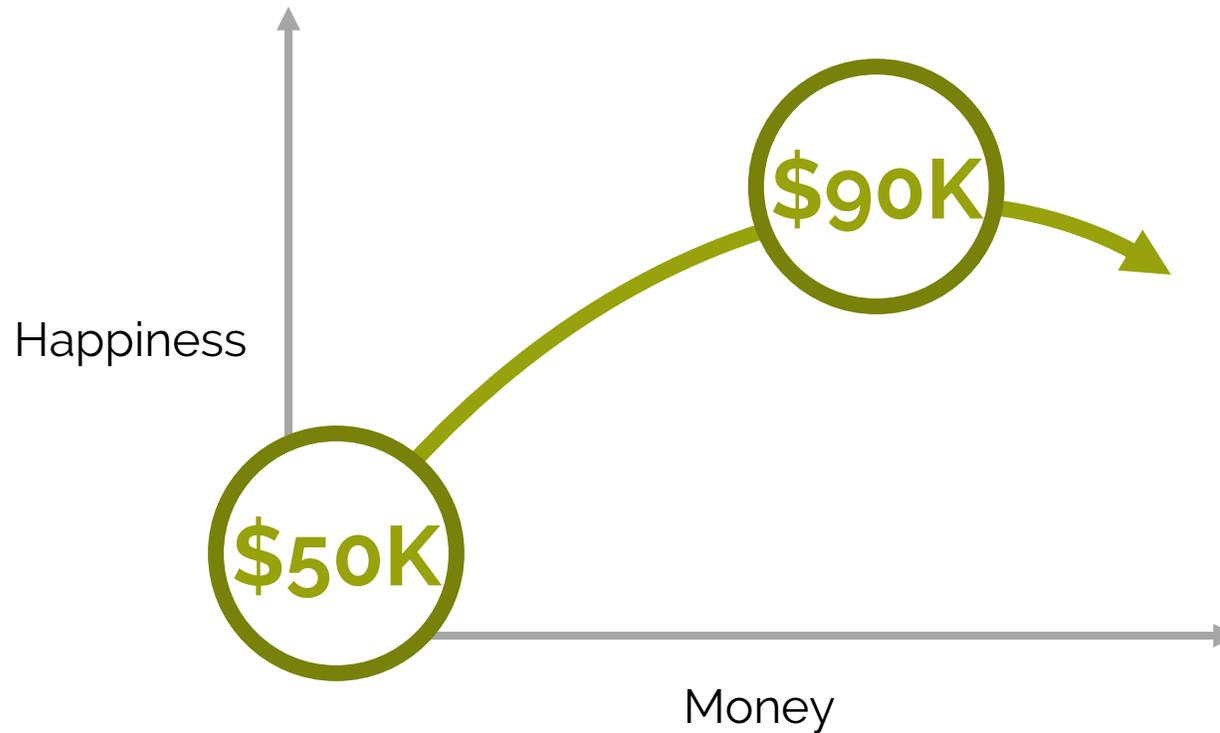
Purpose tells you where you want to go.

Culture informs you of the current.

Crosscurrents let you know the obstacles in your way.

Five Keys for creating Stewards

2. Don't focus on money. Focus on meaning.



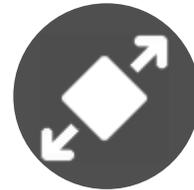
Five Keys for creating Stewards

2. Don't focus on money. Focus on meaning.

Four key components of meaning:



Belonging



Transcendence



Purpose



Story

Five Keys for creating Stewards

3. Strategy should be the caboose and not the engine.

Control

Reducing Taxes

Asset Protection

Probate Avoidance

Five Keys for creating Stewards

4. Remove the ambiguity.



What can I expect?

What should I not expect?

What is expected of me?

Five Keys for creating Stewards

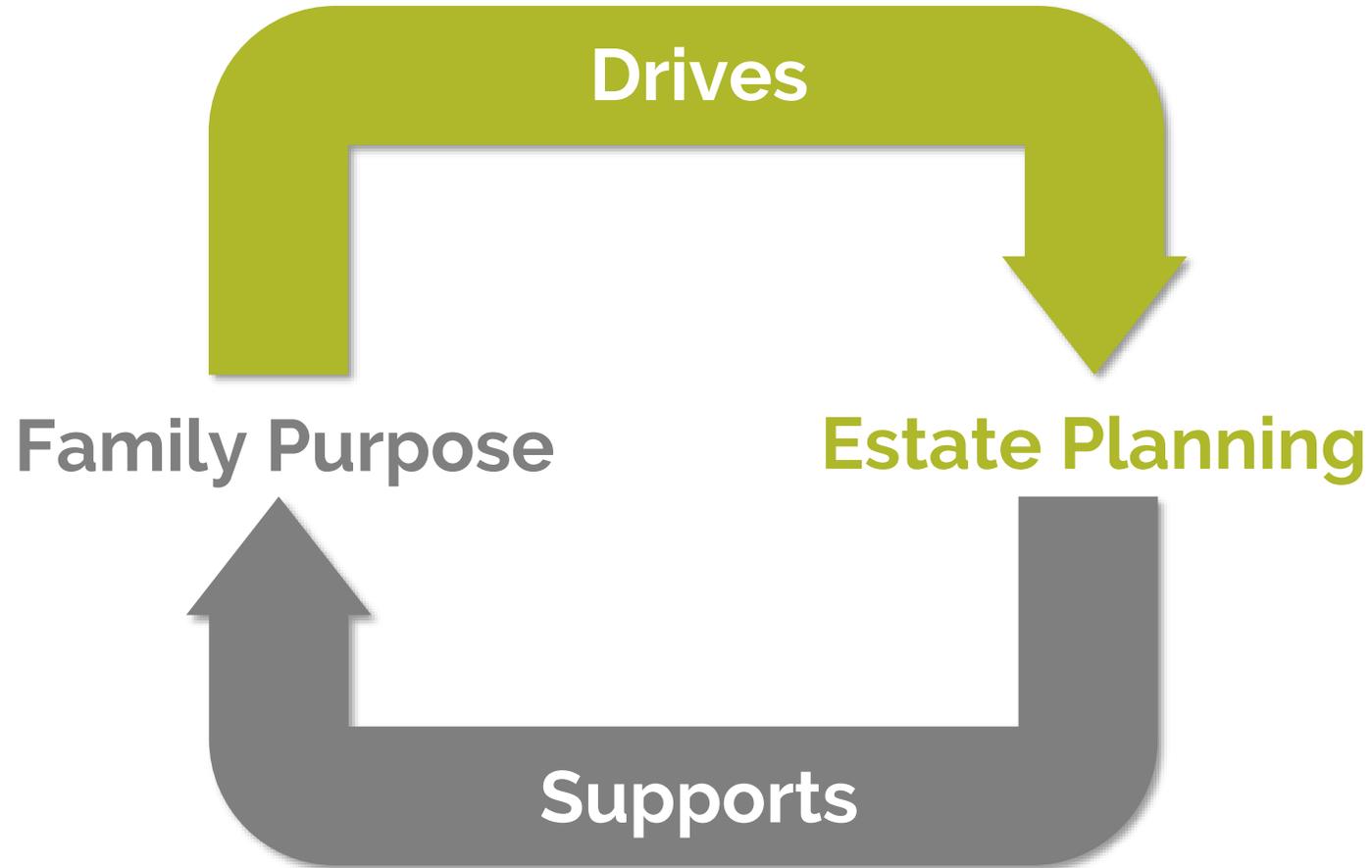
5. Replace the four D's with the four P's

Purpose	Successful children know who they are, what they value, and what they believe and they understand those same things about their family
Participation	Successful children are actively participating in providing services as part of the family, have age appropriate responsibilities, and earn funds for their needs
Preparation	Successful children are provided with meaningful education, tools, and resources to understand how to manage and oversee financial resources
Perspective	Successful children experience a full spectrum of life, both in their communities and around the World, and they understand that their circumstances are unique.

A person in a dark suit is seen from behind, standing on a modern architectural walkway. The walkway has a curved wall on the left and a glass railing on the right. The entire scene is overlaid with a green tint. The text "Entrusted Planning In Action" is centered in a white box.

Entrusted Planning In Action

Entrusted Planning - When Planning is Aligned with Purpose



Example of Entrusted Planning for John and Mary

1. Listen to the Parents

The parents shared their worries and concerns

- They were concerned because their children didn't seem to value what they did.
- They were concerned that if the children knew the extent of their wealth, it might affect their personal motivation and desire to be self-reliant.
- They didn't know what to do with the wealth they created. In essence, they were better at making wealth than being wealthy.

Example of Entrusted Planning for John and Mary

1. Listen to the Parents
2. Listen to the Next Generation

The children shared that they wanted:

- **Volitional Collaboration** Freedom to opt in or out.
- **Engagement With Parents** While doing what's of individual interest to them.
- **Wisdom** Learning by doing and having space to make mistakes.
- **Flexibility/Respect** Set parameters on the front end.
- **Opportunity To Earn** Not have things handed to them without their effort.

Example of Entrusted Planning for John and Mary

- 1. Listen to the Parents**
- 2. Listen to the Next Generation**
- 3. Add Purpose to the Planning**

- Previous plan did not include goals, wants, objectives
- Before we drafted documents, focused on Values and Mission
- Discussed how they could make a positive multi-generational impact.
- Gathered specific language to incorporate into planning
 - Guidance and direction to future beneficiaries
- Beneficiaries have opportunities now:
 - To ask questions
 - Parents actively involved in training

Example of Entrusted Planning for John and Mary

- 1. Listen to the Parents**
- 2. Listen to the Next Generation**
- 3. Add Purpose to the Planning**
- 4. Establish 3 Goals for the next 12 months**
 - Update estate plan to align purpose with planning
 - Create vision for philanthropic endeavors of family
 - Cultivate a culture of volitional collaboration when it comes to financial resources



John & Mary – What We Learned

Jones Family Core Values

CONNECTION
EMPATHY
FAITH
GRATITUDE
INTEGRITY

Jones Family Motto

We never quit.

Jones Family Mission Statement

We choose to live in gratitude. Gratitude keeps our hearts open to life and connected to each other. Then we can overflow to those around us.



John & Mary – What We Did in the Planning

- Added a custom language
 - Incorporated family's unique values, motto, and mission
- Added specific provisions for funds
 - Core values that can be interpreted by family over time:

CONNECTION

Funds for annual family retreats, legacy property

EMPATHY

Charitable gift matching, funds for adoption

FAITH

Funds for missionary and charitable service



John & Mary – What We Did Now

- **Family LLC**
 - Each child provides capital contribution
From his/her own funds (\$10k)
 - Parents loan 9x amount of contributions at 1.5%
 - Group collectively makes investments/decisions
 - Participation is optional
- **Funds for entrepreneurism/giving at the individual child level**
- **Investments into family's human capital**
 - \$15,000 per year per child for anything that advances 2 or more of the family's shared core values:

CONNECTION, EMPATHY, FAITH, GRATITUDE, INTEGRITY



John & Mary – Results

They **prepare** their family for wealth transfer.

They **establish** financial transparency.

They **model** family interdependency.

They **nurture** family unity.

They **build** their legacy.