

SAGE *Solutions*

Happy Mother's Day Weekend to All the Mom's ... to the awesome Mom's in my life (my Mom RIP, my son's tremendous Mom, and my awesome Mom-in-Law) and in yours!

Traditional 'Wealth Management' firms are typically categorized by their 'AUM' (assets under management). What this means is the investment assets which are managed by them within their discretion. Traditional 'Family Offices' strategically counsel, oversee multiple financial and legal disciplinary deliverables, advocate for best-in-class tactical professionals, and nurture all such disciplines through the always dynamic family relations, business ownership factors, financial markets, tax law, client lifestyle and home state changes ... among the journey which we all call "life"!

Sage Hill Family Office is an "AUA" firm ... a 17 year-old traditional family office whose leaders have over 80 years of experience ... overseeing \$billions of assets. We are not for sale ... however, our consortium of professionals and our strategic alliances are always poised to serve our client families seamlessly through current and future generations ...

I submit to you that you will find our Total Wealth approach to be different ... and, for many of you, perhaps enlightening ...

Are You Ready to Discover Total Wealth?

*“Discovery,” it has been said, “consists of seeing what everybody has seen and thinking what nobody has thought.” Traditional estate and financial planning sees “what everybody has seen.” As a result, a great deal of time and effort is spent focusing on the protection, preservation and transfer of a family’s **Financial** Assets to children and grandchildren. This focus too often results in an Estate Plan that **divides, defers, and dumps** wealth on ill-prepared heirs. This approach can cause a breakdown in family relationships and bring about one of the greatest fears of families – having their wealth destroy the lives of their children. This happens because traditional planning transfers wealth without a system that encourages and rewards **communication, accountability, and stewardship**.*

*By contrast, those who think “what nobody has thought” will discover the principle of **Total Wealth**. Our Total Wealth consists of much more than our **Financial** Assets. It also includes our:*

- 1. **Human Assets** – personal qualities and characteristics that enhance the health, happiness, and well-being of each family member. These include unique abilities, values, virtues, heritage, and habits.*
- 2. **Intellectual Assets** – wisdom learned and developed by each family member and the resources that aid in accomplishments. These include life’s good and bad experiences, formal and informal education, reputation, skills, talents, systems, and alliances.*

3. **Civic Assets** – earnings that will be either government-directed (i.e., returned to society through taxes) or self-directed (i.e., disbursed through gifts made to one's choice of philanthropic organizations).

Once we understand that all four quadrants comprise our Total Wealth, it becomes obvious that financial and estate planning is not just about investments, taxes, wills, trusts, and related documents. In reality, this planning is about proactive, on-going family leadership and communication, teaching responsibility, accountability, and stewardship. Successful planning establishes a system, ensuring that all our precious values and assets will be treasured, protected, respected and transferred to future generations, enabling them to use these gifts to create empowered and abundant lives. Those who embrace these principles are able to expand their financial fortune in ways that benefit both their family and society now and in the future.

How? *By harnessing social capital and transferring it to those charitable causes that matter most to the members of their family. Exercising choice and control over the family's civic assets is a great way to promote family leadership and strengthen family values. As families go through the process of developing a family mission statement, they begin to clarify what's important to them and truly begin to see how valuable it is to family members to communicate these ideals. This process is critical to the successful outcome of planning. You might wonder why it is necessary to do more if you have already hired the best attorneys you could find to prepare your plan. The answer lies in these unfavorable statistics. No matter how capable and competent advisors are, and regardless of the sophistication of the planning done, about 90% of all plans for families with \$50,000,000+ wealth fail by the third generation, and almost 70% in Gen2. The reason is that the family members who are implementing the planning and are its beneficiaries are not equipped with the right resources to achieve success. The*

*“Family’s Succession Plan” is non-existent. Educating, mentoring and coaching children to handle wealth must be a part of the planning process. Developing a Family Mission Statement, planning annual family retreats, identifying each family member’s unique ability to contribute to the Business of the Family, will breed confidence in the next generation and lead to more satisfying, fulfilling, and yes, even transformational relationships that can then be the models for future generations. Our tax system requires that once total wealth exceeds a certain limit (i.e., currently ~ \$13 million for individuals and \$26 million for married couples ... legislated to be cut in half after 2025), part of the excess must be shared with society through taxation. This portion is called Social Capital. Thus, every wealthy person in the United States will become a philanthropist. Either voluntary, or involuntary! The involuntary philanthropist will give his or her social capital to the government in the form of taxes and will allow the government to decide what to do with it. The voluntary philanthropist will choose to self-direct social capital to meaningful charities and causes and will make a difference in the world. Life is changed for everyone when people decide to exercise control over their social capital. Many planning tools are available to enable you to direct your social capital to favored charitable causes (while also frequently preserving some assets for family), thereby transforming your social capital from a liability to an asset. **Often these tools enable families to increase the financial assets going to heirs, while at the same time increasing the charitable gifts going to favored causes.***

*Finally, **How About Yourself?** How about preserving your lifestyle needs and wants in the most income tax and financial market risk averse method? You might (and should) be saying: “I’m now 60+ years old ... I’m not going to gift away all of my hard-earned wealth to trusts for my heirs and ‘ride the wave’ in the financial markets”.*

Please think about it ... THIS is where (the 6-lane) AUA differs from (the single-lane) AUM ...

My very best,

Philip Toffel

