FINANCIAL PLANNING

Generational Wealth Doesn’t Start with an Estate Plan. It Starts Here.

The future of your family’s wealth may be determined decades before anyone reads your will. Discover how insurance, education savings, beneficiary designations, trusts, and financial preparation can help protect your family’s generational wealth.

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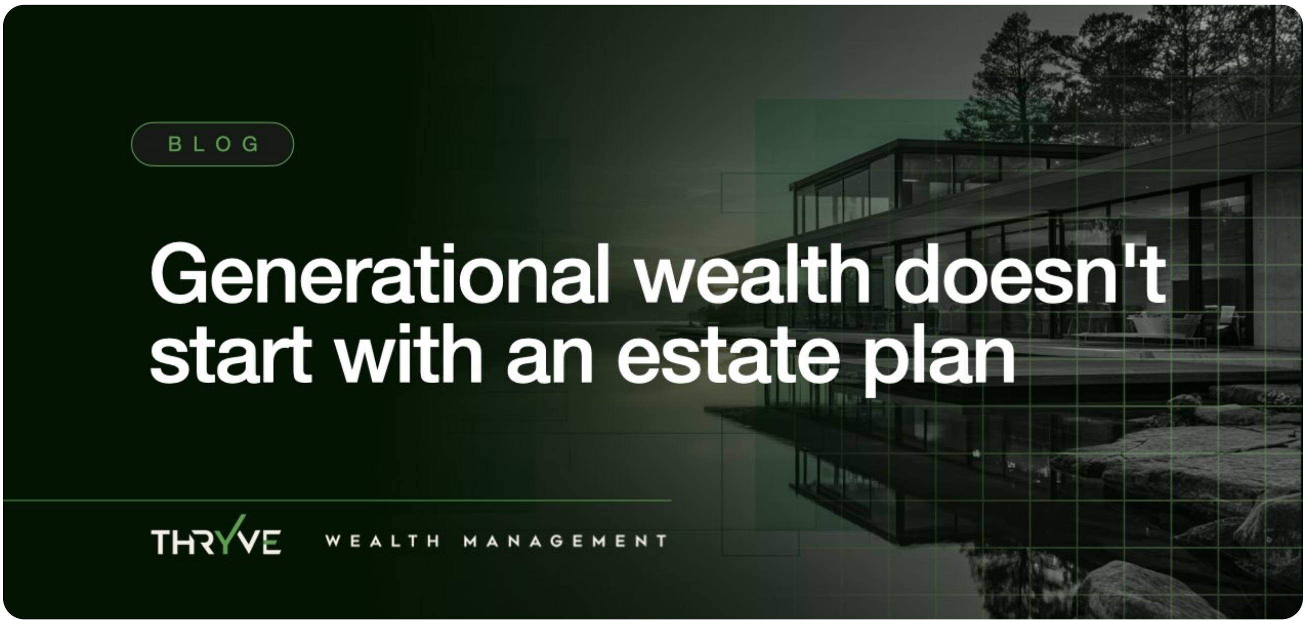

Estate planning is often treated as the official starting point for building a financial legacy. Families wait until retirement is approaching, their children are grown, and most of their major financial decisions have already been made. Then they meet with an attorney, sign a collection of documents, and assume the future of their wealth has been secured. The problem is that a will can only direct what remains after a lifetime of choices has already shaped the outcome.

Generational wealth begins much earlier. It is built by how a family saves, invests, owns property, uses insurance, prepares for education, and talks about money. These decisions may seem separate while they are being made, but they ultimately determine how much wealth survives, how efficiently it is transferred, and whether the next generation is ready to manage it. By the time an estate plan is drafted, some of the most important opportunities may already have passed.

Your Estate Plan Cannot Repair a Lifetime of Disconnected Decisions

Families rarely lose wealth because of one dramatic mistake. More often, their financial legacy is weakened by small gaps that remain unnoticed for years. An outdated beneficiary designation, insufficient insurance coverage, an underfunded education account, or an improperly titled asset may not feel urgent today. When several of those gaps appear at the same time, however, they can create taxes, delays, conflict, and forced financial decisions for the people left behind.

This is particularly important for families in their 40s and 50s. These are often peak earning years, but they are also years filled with competing demands, including mortgages, education costs, aging parents, business responsibilities, and retirement savings. Legacy planning can feel distant when so many immediate priorities are competing for attention. In reality, this period may offer the greatest opportunity to put structures in place while assets still have time to grow and mistakes can still be corrected.

A Will Does Not Control Everything You Own

One of the most common misconceptions about estate planning is that a will determines who receives every asset. Retirement accounts, life insurance policies, and other accounts with beneficiary designations generally pass according to the instructions attached to those assets. A valid beneficiary designation can take priority over the wishes expressed in a will. If the two documents conflict, the family may discover that the estate plan does not work as intended.

Beneficiary designations are easy to complete and just as easy to forget. A former spouse may remain listed after a divorce, a deceased relative may still be named, or a child born years later may never have been added. Families can also overlook contingent beneficiaries, leaving no clear direction if the primary beneficiary dies first. Reviewing these instructions after a marriage, divorce, birth, adoption, or death can prevent an avoidable and potentially irreversible outcome.

The review should go beyond checking a list of names. Families should consider whether each beneficiary is prepared to receive the asset directly and whether the designation supports the rest of the estate strategy. Naming a minor child, a person with special needs, or a trust can produce different legal and tax consequences. The right choice depends on the account, the family's circumstances, and the purpose the asset is meant to serve.

Life Insurance May Be More Than an Emergency Benefit

Life insurance is commonly viewed as income protection for a surviving spouse or dependent children. That purpose remains essential, but insurance can also provide liquidity during a wealth transfer. Families may own valuable businesses, real estate, or investment assets while having relatively little cash available. If taxes, debts, expenses, or inheritance obligations arise after a death, heirs may otherwise be forced to sell those assets at an unfavorable time.

Life insurance proceeds paid because of the insured person's death are generally excluded from a beneficiary's federal gross income, although exceptions and other tax considerations may apply. When coverage is structured carefully, the proceeds can help pay expenses, support dependents, or balance inheritances among family members. For example, one child might inherit an operating business while another receives insurance proceeds of comparable value. This can reduce pressure to divide or sell an asset that was never meant to be split.

The details of the policy matter as much as the amount of coverage. Ownership, beneficiaries, premiums, policy type, and the insured person's estate can all influence the final result. A policy purchased for wealth transfer should therefore be coordinated with the family's financial and legal plans. Insurance that stands alone may protect against one risk while unintentionally creating another.

The Education Account That Became More Flexible

529 plans have long helped families save for qualified education expenses. Contributions can grow on a tax-deferred basis, and qualified withdrawals are generally free from federal income tax. Some parents and grandparents have remained reluctant to fund these accounts fully because they worry the beneficiary may not use the entire balance. That concern has sometimes caused families to miss years of potential tax-advantaged growth.

SECURE 2.0 created a new option for certain unused funds. Beginning in 2024, eligible money from a 529 plan may be transferred directly to a Roth IRA owned by the plan's beneficiary. The account generally must have been open for at least 15 years, annual Roth IRA contribution limits apply, and each beneficiary is subject to a $35,000 lifetime transfer limit. Recent contributions and their associated earnings are generally ineligible, and the beneficiary must satisfy the applicable compensation requirements.

The change does not transform a 529 plan into a retirement account. Education remains its primary purpose, and the transfer rules require careful attention. Still, the added flexibility may make families more comfortable saving for education because a modest unused balance could help the beneficiary begin building retirement savings. A decision made when a child is young may therefore support two major financial goals over the course of that child's life.

An Inheritance Without Preparation Can Become a Liability

Financial knowledge is one of the most overlooked elements of generational wealth. Parents may spend decades accumulating assets while telling their children almost nothing about saving, investing, taxes, or financial responsibility. They often intend to protect their children from worry or a sense of entitlement, but silence can leave the next generation unprepared. Receiving money does not automatically create the judgment required to preserve it.

Financial education does not require disclosing every detail of the family's wealth. Younger children can learn about earning, spending, saving, and generosity, while adult children can gradually participate in conversations about investing, charitable giving, and long-term planning. They may also need to understand which professionals advise the family, where important records are kept, and what responsibilities they could eventually inherit. These conversations help transfer the thinking behind the wealth, not just the assets themselves.

Trusts can provide additional structure when beneficiaries need time, protection, or guidance. Depending on the family's circumstances and applicable law, a trust may help certain assets avoid probate, establish when distributions occur, preserve privacy, or support a beneficiary with specific needs. A trust does not automatically reduce taxes or protect every asset, and creating one is not enough on its own. It must be drafted appropriately, funded correctly, and coordinated with beneficiary designations and account ownership.

The Real Problem Is That No One Is Connecting the Pieces

Many families already work with an investment advisor, an insurance professional, an accountant, and an estate attorney. Each professional may be handling an important part of the family's financial life, but the recommendations can remain isolated from one another. The investment strategy may not reflect the estate's liquidity needs, the insurance coverage may not align with the intended inheritance, and the beneficiary designations may not match the legal documents. A collection of good decisions does not automatically become a coordinated plan.

At Thryve Wealth Management, we help families bring those decisions together. The process begins by understanding what the family wants its wealth to accomplish, who may be affected, and which risks could interfere with that outcome. From there, a Thryve Wealth Management professional can review investments, retirement accounts, insurance coverage, education savings, beneficiary designations, and legacy priorities as part of a single strategy. When legal or tax advice is needed, Thryve can also work alongside the family's attorney and accountant.

This coordination can reveal questions that are easy to miss when every account is reviewed separately. Does the estate have enough liquidity to avoid a forced sale? Do the beneficiary forms match the current estate documents? Are family members prepared for the responsibilities they may inherit? Answering these questions early gives a family time to adjust its strategy, rather than leaving the next generation to solve problems during a crisis.

The Best Legacy Is One Your Family Knows How to Carry Forward

Generational wealth is not created by a single account, document, or investment return. It comes from a system of financial decisions that supports the family during life and continues working after death. Insurance, education savings, trusts, beneficiary designations, and financial education each solve a different part of the problem. Their real value appears when they are aligned around a clear purpose.

The strongest legacy may not be the largest possible inheritance. It may be a transfer that is efficient, intentional, and understood by the people receiving it. Families that begin planning earlier have more time to build assets, correct mistakes, prepare heirs, and respond as their circumstances change. Estate planning remains important, but it should confirm a strategy that is already working rather than serve as the first time the family considers its future.

Speak with a Thryve Wealth Management professional to review how your wealth would transfer today and what steps could help protect your family's financial future.

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