

Preparing Rising Gen Heirs for Wealth



Heirs come in all shapes and forms. Rising Gen heirs refers to the next generation who will eventually inherit wealth, leadership roles, and responsibilities, with ages varying from childhood to established adulthood. The concept of being an "heir" often carries conflicting connotations. While it can suggest someone specially chosen and worthy of receiving, it may also evoke the image of an undeserving recipient – the stereotypical trust fund beneficiary. A more balanced perspective views heirs as those entrusted with valuable assets from previous generations, responsible for preserving financial, cultural, and familial legacies. In this broader sense, becoming an heir is a process whereby they grow into their role as effective stewards of family wealth.

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Preserving family wealth and legacy hinges on adequately preparing heirs. Each new generation faces the challenge of wisely utilizing, growing, and passing on their inheritance. Such a significant responsibility can only be fulfilled through intentional effort from both the giving and receiving generations.

Paying attention to preparing Rising Gen heirs is particularly relevant as an estimated \$105 trillion is expected to transfer from baby boomers to GenX and millennials through 2048 (1). Knowing and adhering to best practices for preparing heirs for wealth can help families navigate the challenges of this historical juncture.

The Multifaceted Nature of Family Wealth

Successful wealth preservation begins with the right mindset. Families who have maintained their wealth over time embrace a comprehensive definition of family wealth, recognizing it encompasses more than just financial assets. A holistic view includes identifying the various forms of family “capitals.”

Financial Capital	“Hard assets” such as cash, real estate, stocks, bonds, and valuables.
Human Capital	“Soft skills” like self-awareness and relationship management.
Intellectual Capital	“Hard skills” and knowledge that create value.
Social Capital	External relationships, family reputation, and networks.
Time Capital	The 24 hours each person has daily.
Self-Capital	Values, traditions, and guiding principles.

With a broader sense of wealth in mind, families aiming to prepare the next generation for stewardship should consider working along two dimensions simultaneously: The qualitative dimension, or developing human competencies, and the quantitative dimension, or developing financial fluency.

The Qualitative Dimension: Developing Human Competencies

Communication forms the foundation for advancing human competencies, yet discussing money remains challenging for many families. According to the Wells Fargo Money Study, money is the second most avoided conversational topic after sex, with 82% of respondents considering it a private matter (2). Despite this difficulty, the Rising Generation is eager to engage:

- 80% believe having regular family meetings to discuss finances would be valuable
- 54% desire more transparency about money
- 72% want more information about their inheritance to help plan for their future (3)

The younger generation is not solely interested in financial resources; 86% say the most important thing they will inherit from their parents is their values, not their money (3).

The parent generation also recognizes the importance of facilitating a transition that goes beyond financial assets. Wealth creators decisively wish to pass on their values, special memories, and experiences alongside monetary inheritance. In addition, wealth creators believe conversations with their adult children about wealth are essential, yet more than a third say their heirs have little or no knowledge of their inheritance plan (4).

Common questions family leaders voice when faced with discussing family wealth with the next generation:

- When and how should I talk to my children and grandchildren about wealth?
- When I talk to my children about money, what should I say? How much information shall I disclose?
- Will revealing details of the family wealth and transfer plans strip their motivation to work toward their own goals?
- How do I help beneficiaries understand how assets contained in trusts, property or other investments will flow to them?
- How much do we share with those who marry into our family?
- What do the next generation need to do to be ready to embrace leadership and responsibility of our shared wealth?

To improve communication and overcome barriers to talking about money, families may consider the following practices:

1. Start small and gradually move towards transparency. Begin by providing context and talking about the family wealth without necessarily revealing specific dollar amounts.
2. Share the family leaders' perspectives on wealth and successful management strategies. Listen to the Rising Gen's perspectives.
3. Establish regular family meetings to indirectly discuss financial matters such as the wealth creation history, values-based financial decisions, and shared goals. Direct financial topics may follow.
4. In transgenerational conversations, use open-ended questions and create an environment where all voices are heard.
5. Address topics that help develop human competencies such as:
 - Defining the purpose of wealth
 - Exploring the history of the family and the wealth creation, and lessons learned from the past
 - Appreciating financial abundance
 - Navigating money and friendships
 - Life experiences shaping attitudes about finances

Addressing the qualitative aspects of managing wealth helps Rising Gen heirs understand the responsibilities that come with wealth and develop a mindset that is aligned with what is important to the family.

The Quantitative Dimension: Developing Financial Fluency

Preparing heirs also requires equipping them with the skills and acumen to navigate a world of financial sophistication. These skills are best learned through early introductions and first-hand experiences: from the proverbial lemonade stand to a small managed investment account for teenagers to practice safely overseeing their own money. Financial skills and acumen need to evolve and deepen as the Rising Gen enters adulthood, and they are ready to embrace new responsibilities.

Attaining financial fluency means having the financial knowledge and habits to effectively navigate wealth daily. In addition, managing generational wealth requires understanding the family's wealth landscape. For adult heirs, financial fluency can be categorized into three areas: financial skills and acumen, asset protection, and the family enterprise. The table below shows foundational topics in each area.

Areas of Financial Fluency

Financial skills and acumen	Asset protection	The family enterprise
Budgeting and cash flow	Estate planning fundamentals	Wealth architecture
Savings	Trust roles and responsibilities	Family philanthropy
Credit and debt	Insurance	Business financials and acumen
Banking	Financial marital arrangements	Online reputation management
Taxes	Cybersecurity	Governance fundamentals
Investing	Selecting and monitoring advisors	Business ownership roles and responsibilities
Personal money management		Succession planning

A Lifelong Learning Journey

Developing financial fluency is a lifelong journey. This process includes both knowledge gained from within the family and also from external professional guidance. Financial education should begin early, with age-appropriate concepts introduced throughout childhood and adolescence in the family context. As young people mature, introducing them to professionals and trusted advisors will take them to the next level, exposing them to more formal education. A financially capable Rising Gen is rarely the result of chance, rather, it evolves from the intentional and dedicated initiatives of family leaders who invest in their preparation.

Money is part of our everyday lives and, as a result, day-to-day family life presents numerous teaching moments. From buying groceries to planning a birthday party, children from an early age can be involved in conversations about the value of money, budgeting, or needs versus wants. These moments become learning opportunities when parents practice “thinking out loud,” that is, verbalizing their decision-making process. For example, “Hmm... both the chocolate and the vanilla cake look great. I will check the price and see if there is a difference that can help me decide.” There is no shortage of opportunities to talk with young children about basic financial concepts.

The teenage and young adult years are when to allow the Rising Gen to experience more financial responsibility. Increasing freedom to make their own money decisions provides the opportunity to test the waters. It is a great time to experience “financial firsts” – first car, first loan, or their first large ticket item. These are seminal moments in the life of a young person to learn the foundations of money management. Financial fluency begins with good personal money management.

Once the Rising Gen has achieved important milestones, such as establishing a solid independent identity by, for example, pursuing a career, it is time to expand the conversation. It is particularly relevant for them to experience some level of financial autonomy to fully grasp and integrate advanced concepts. During the emerging adult phase (ages 19-30) young adults are typically ready to be introduced to the family assets, estate plan, and the complexities of unique wealth.

Each family must decide how much to reveal and when. Some families bring all the children along at the same time, while others prefer doing it individually as each child reaches certain milestones. Some include only blood family members while others also bring their partners into the fold. A good practice is to achieve increased levels of transparency about the family’s financial landscape over time.

The educational journey never ends. Established adults, and even older adults, face new financial experiences requiring additional skills and an inquisitive attitude. Although this development can happen individually, when the family acquires knowledge together, they truly become a *community of continuous learning*, which is a hallmark of families with enduring legacies.

Examples of age-appropriate financial literacy concepts and experiences involved in personal money management:
Children: (5-13)

- Family history and wealth creation stories
- Good habits for saving, spending, and giving
- The value of money and distinguishing needs from wants
- The benefit of volunteering time and resources
- Awareness of economic privilege

Teenagers (13-19)

- First large ticket items (summer camp, car, trip, etc.)
- Understanding earning potential, value creation and what is involved in earning (wages, income taxes, etc.)
- Fundamentals of checking, saving, credit and banking. Open bank accounts and establish saving goals and simple investments.
- Foundations of money management (e.g. budgeting, cash flow, savings).
- Meeting family financial advisors.

Emerging adults (19-30)

- Managing personal finances. Setting goals, living independently and on a budget.
- Financial “firsts” (e.g. first car purchase/lease, rental apartment, taxes, paying bills, personal credit card, investment account).
- Basics of Investing – The power of compounding, investment goals, time horizon and risk tolerance, asset classes and allocation.
- Advanced Investing – Alternative Investments, Cryptocurrency and Blockchain.
- Impact investing/Environmental, Social and Governance (ESG)
- Track assets and progress (net worth statement, basic accounting skills).

Established adults (30-40)

- Financial planning (goals and objectives, cash flow planning, tracking net worth, etc.)
- Investment accounts with increased complexity. Deepen investment knowledge and stay current with markets. Ongoing consulting with advisors including quarterly investments reviews.
- Long-term tax efficient savings and retirement plans (401K, IRA or ROTH IRA).
- Risk management (insurance – health, life, disability, long-term care, etc.)
- Incorporating the new generation (529, basic estate plan).

Closing Thoughts

Connecting wealth to family history, values, and vision is crucial to ensuring future generations understand and appreciate their inherited legacy. Merging meaning and money usually motivates the younger generation to learn advanced financial skills, regardless of their career paths or interests. Both the qualitative – human competencies, and quantitative – financial fluency, are a requirement for preparing heirs to become responsible with their personal finances and stewards of the family wealth.

Engaging children and grandchildren, from childhood through adulthood in discussions based on a comprehensive definition of family wealth is not just theoretically important – it is a proven best practice for preserving and successfully transitioning wealth over time. It is the path for creating a robust legacy.

Foot notes

¹The Cerulli Report - U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2024.

²The Money Study. On behalf of Wells Fargo, Versta Research conducted a national survey of 3,403 U.S. adults and 203 U.S. teens age 14 to 17. Sampling was stratified and data were weighted by age, gender, race, ethnicity, income, and education to achieve accurate representation of the current population based on estimates from the U.S. Census Bureau. The survey was conducted from September 5 to October 3, 2023. Most findings are reported based on the full sample of adults. Comparisons and data from teens are noted separately.

³Children of Wealth Study. About the study: Versta Research conducted a national survey on behalf of Wells Fargo of 551 “Rising Gen” adults in their 20s and 30s who expect to inherit at least \$1M from their parents. The survey was conducted January 3-24, 2022. Respondents came from national online research panels. Assuming no sampling bias, the maximum margin of sampling error is ±4%.

⁴Wealth Creators Study. On behalf of Wells Fargo, Versta Research conducted a national survey of 1,008 Wealth Creators, defined as U.S. adults age 50 or over who have at least \$1 million in investable assets, excluding those who inherited most of their assets. The sample included 136 from Generation X (ages 50 to 57), 771 Baby Boomers (ages 58 to 76), and 101 from the Silent Generation (ages 77 and older). Data were weighted by age to match current population estimates of U.S. households with over \$1 million in investable assets, derived from the Federal Reserve Board's Survey of Consumer Finances. Assuming no sample bias, the maximum margin of error for full-sample estimates is 3%. In-depth interview subjects were identified and recruited with the assistance of Wells Fargo relationship managers in various regions across the U.S. Direct quotations included here have been edited for length and clarity. All research – quantitative and qualitative – was conducted in January and February of 2023.

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