WELLS FARGO Wealth & Investment Management

Helping preserve generational wealth

Three key risks plus tactics to help manage them

A personal note

A personal note from Heather Hunt-Ruddy, divisional president, Wells Fargo Wealth & Investment Management

They say you die twice, the first time when the last breath leaves your body and the second time when the last person on earth remembers you or says your name.

During our life, each of us has an opportunity to create a legacy that will not just lift up our next generation but live well beyond our time on earth. It's estimated that $100–200 trillion* will change hands over the next two decades. This Great Wealth Transfer will largely begin with the concentration of wealth in the hands of surviving spouses, the majority of whom will be women. From there, wealth will filter down to generations of children, grandchildren, and charities. Those newly vested stewards of wealth will face challenges and pressures they may never expect. Growing up, I distinctly remember the social norm was that "one simply does not discuss money." Actively challenging that custom and having open discussions around our family tables matters now more than ever because the Great Wealth Transfer is upon us.

This trillion-dollar transfer reflects the hard work of parents and grandparents who started businesses, bought real estate, saved carefully, and invested to build a legacy of success. We talk a lot about the planning needs around this wealth transfer — and we'll explore many of those in this paper —yet we devote far less time to the often-difficult conversations and careful preparation needed to help the next generation avoid disasters.

Facing our own mortality is never comforting. In 2024, it hit very close to home when I was diagnosed with stage 4 breast cancer. Hearing words like "stage 4" and "cancer," immediately and terrifyingly forces you to face your own mortality. Even though I've spent my career helping people manage generational wealth, I was simply not prepared. Overnight, I went from having all the time in the world to no time at all.

Working with a terrific team of financial advisors, we quickly ensured that my estate plan (which hadn't been updated in 20 years) was set up correctly and that it protected my children and my husband through countless potential eventualities. But as so many families discover, the estate plan was not enough. We needed to have some very uncomfortable conversations. What happens if Dad remarries? What if any of the children divorce or pass well before their siblings? What if one child is significantly more successful (or less successful)? I didn't want to have any of these conversations. But after more than three decades in this career, I knew that remaining silent was a risk I was unwilling to take.

I wasn't alone in dreading these conversations, but cancer is the ultimate conversation starter. My family's concern was only for me and my health, but they came to see the importance of figuring these things out too. We came together to discuss protecting my legacy and our legacy as a family, with an eye toward continuing our dreams and goals for generations to come. *They say you die twice, once when the last breath leaves your body and once the last time someone remembers you or says your name.* That truth makes these conversations even more critical. While I have no idea when my first death will occur, I've worked hard to build a legacy that ensures my second death—the moment my name is forgotten—happens generations from now.

*Cerulli US High-Net-worth and Ultra-High-Net-Worth Markets 2024.

Introduction

This paper is not intended as a universal guide — there is no one-size-fits-all approach to preserving and transferring generational wealth. Instead, it summarizes the most significant risks to even the most carefully constructed plans. In our experience, three primary categories of risk threaten the preservation of generational wealth:

1 | You

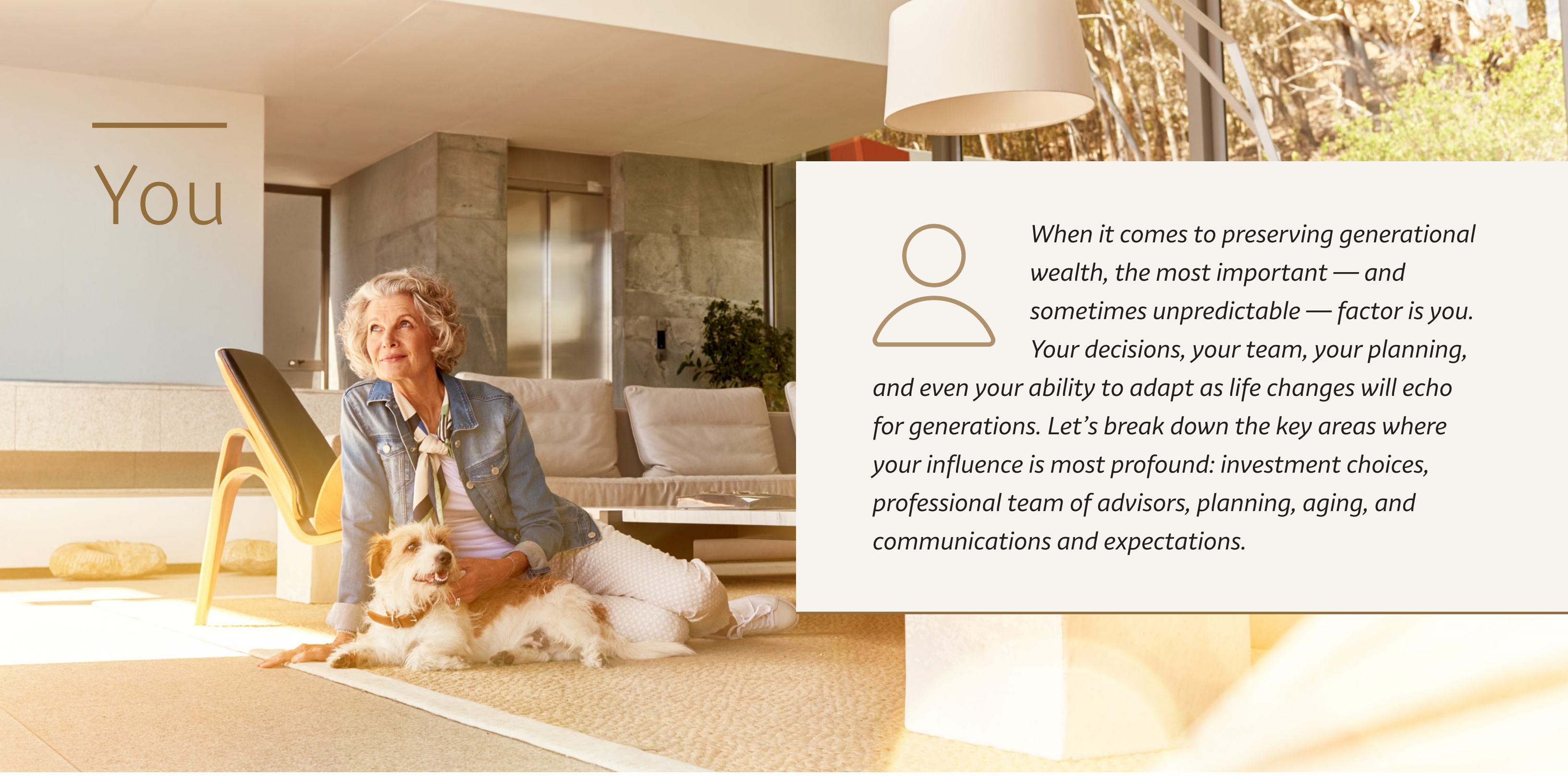
Quite literally, you are the most significant factor in the success or failure of your wealth's future. Your actions, decisions, and the conversations you choose to have will echo for generations. Accordingly, we will begin with you.

2 | Government

The government's influence (through legislation and taxes) over your wealth can fluctuate with political tides. Above a certain threshold, the federal government is effectively a silent 40% partner in your estate, expecting its share upon your passing. We'll explore how families can navigate this relationship.

3 | Family

As the primary reason for these efforts, family can — intentionally or not — uproot even the best-laid plans. We'll examine the many ways this can happen and how to prepare.



You

When it comes to preserving generational wealth, the most important — and sometimes unpredictable — factor is you. Your decisions, your team, your planning, and even your ability to adapt as life changes will echo for generations. Let's break down the key areas where your influence is most profound: investment choices, professional team of advisors, planning, aging, and communications and expectations.

Investments

Your investment choices are the engine that drives your wealth forward — or, if neglected, the flat tire that slows everything down. Diversification, risk management, and regular reviews are essential. Remember: chasing every "hot tip" is rarely a winning strategy, but neither is letting your portfolio gather dust. The goal is to enhance and preserve your assets, not to hit it big at a certain time.

Professional team

No one builds or preserves wealth alone. Your professional team — financial advisors, attorneys, accountants, and trustees — are your trusted circle. Choose wisely, communicate openly, and don't be afraid to swap out a team member if the fit isn't right. The best teams challenge your thinking, identify blind spots, and help you navigate the ever-changing landscape of wealth management.

Planning

A plan is only as good as its execution — and its flexibility to adapt with changes. Estate plans, trusts, and gifting strategies are not "set it and forget it" affairs. Revisit your plan regularly, especially after major life events or regulatory changes. Proactive planning today can prevent headaches (and heartaches) tomorrow.

Aging

It's inevitable — as you age, your needs, goals, and vulnerabilities shift. Planning for this stage is not just about asset allocation but about preserving yourself and your legacy.

Fraud, scams, and undue influence

Unfortunately, aging can make individuals more susceptible to fraud, scams, and undue influence. Safeguards — like trusted contacts, dual signatures, and regular check-ins with your professional team — can help guard you and your wealth from bad actors.

Changing perspectives

Your outlook on wealth, family, and legacy may evolve over time. What seemed important at 45 might look different at 75. That's normal! The key is to ensure your plan evolves with you, reflecting your current values and wishes.

Communications and expectations

Perhaps the trickiest part of all: talking about money. Open, honest communication with family and advisors is essential. Set clear expectations about your intentions, your values, and your hopes for the next generation.

Normalize financial conversations

Rather than waiting for the perfect moment, initiate discussions early and revisit them regularly. Treat these conversations as part of your family's rhythm — like annual goal setting or milestone reflections. This helps to reduce discomfort and build a culture of openness.

Share values, not just numbers

Move beyond the technical details of wealth to discuss the meaning behind it.

- *"What does financial stewardship look like in your family?"*
- *"Which values do you hope to pass on?"*

These conversations help heirs understand not just what they're receiving but why it matters.

Use open-ended questions

Encourage reflection and dialogue with prompts like:

- *"Which financial lessons have shaped your thinking?"*
- *"Which goals are you most proud of achieving?"*
- *"How do you envision using wealth to support your values?"*

These questions foster mutual understanding and reveal priorities that might otherwise go unspoken.

Create a communication structure

Establish recurring family meetings or check-ins to discuss financial updates, evolving goals, and changes in estate planning strategies. This evolves communication from being reactive to proactive and helps align expectations over time.

Involve advisors thoughtfully

Advisors can help facilitate difficult conversations and provide clarity on technical matters. Consider including them in family discussions when appropriate, especially when introducing new tools or transitioning responsibilities.

Avoid surprises

Transparency is key. Surprises may be delightful on birthdays, but in estate planning, they often lead to confusion or conflict. Clearly communicate intentions and decisions to avoid misunderstandings and foster trust.

Government

Options concerning the estate tax

The simplest way to avoid payment of estate tax is to leave all wealth above the “coupon” amount (see box to the right) to charity. Every dollar given to charity at your death is exempt from estate tax. If you leave your entire estate to a qualified charity, your estate tax bill is zero. Of course, this also means your heirs may receive nothing, which is rarely the intended goal. Most clients want to maximize what passes to family and friends, not just minimize taxes.

If philanthropy is your passion, congratulations! You’ll pay no estate taxes and support worthy causes. If not, the second method is to leverage a variety of wealth transfer techniques during your life and at death. While there are too many strategies to detail here, we’ll focus on a few core concepts on which these techniques are built.

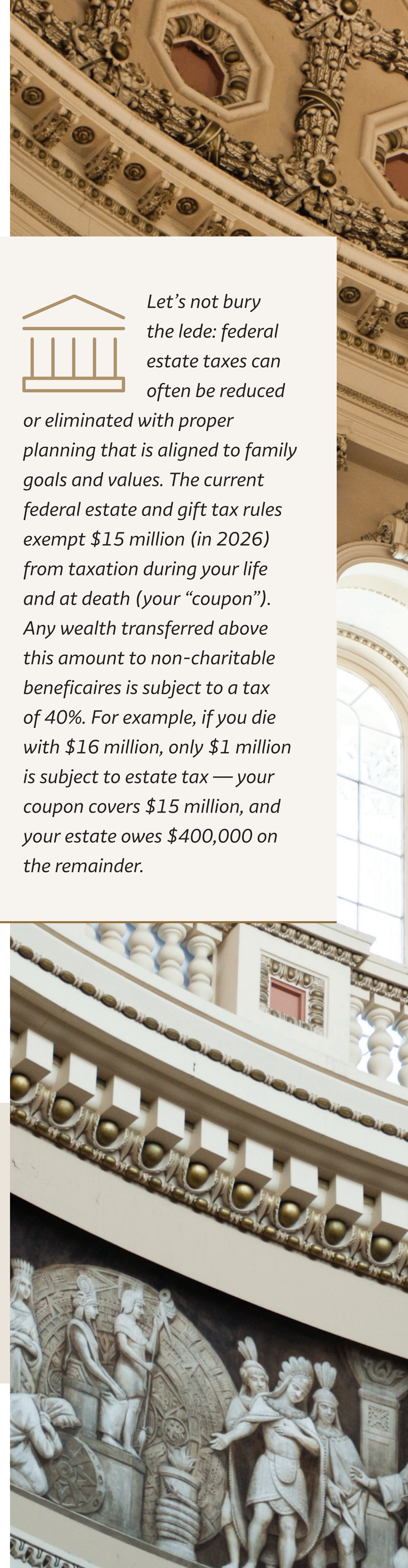
Core wealth transfer concepts

When it comes to passing on wealth, there’s no magic wand — but there are some clever concepts. Let’s break this down to three essential ideas.

1 | Lock in today’s lower values

Only the assets you still own at your death are subject to estate tax. If you spend your wealth or give it away, it’s no longer taxable. Ideally, you want to move future growth out of your taxable estate and lock in today’s lower value. For example, if you gift shares of a business to your heirs early, you lock in their value for estate tax purposes — so any future appreciation benefits your heirs, estate-tax free. It’s like putting your assets in the deep freeze: they stop growing for tax purposes, but your family still enjoys the thaw later. And here is where trusts of all shapes and sizes come into play.

Trusts: The special box for your assets
A trust is a legal arrangement where you (the “grantor”) convey assets to a trustee who manages them for your chosen beneficiaries. Think of it as putting your valuables in a special box with instructions for the future. Many common trusts — revocable or living — are great for incapacity, privacy, and inheritance planning, but they don’t reduce estate taxes. The estate tax magic happens with irrevocable trusts. Often, these strategies require you to give up control and access, but in return, the assets are removed from your taxable estate. In other words, you can’t have your cake and eat it too, but your heirs might get a nice slice.



Let’s not bury the lede: federal estate taxes can often be reduced or eliminated with proper planning that is aligned to family goals and values. The current federal estate and gift tax rules exempt $15 million (in 2026) from taxation during your life and at death (your “coupon”). Any wealth transferred above this amount to non-charitable beneficaires is subject to a tax of 40%. For example, if you die with $16 million, only $1 million is subject to estate tax — your coupon covers $15 million, and your estate owes $400,000 on the remainder.

2 | Transfer assets at a discount

It is possible to transfer certain assets that merit discounted values. For example, instead of giving your child an entire house, you give them a 50% interest. Because half a house isn't nearly as appealing as a whole one (who wants to negotiate paint colors with your sibling?), the value can be discounted. This and similar discounts for lack of control or marketability can significantly reduce the taxable value of gifts, letting you convey more wealth using less of your exemption. It's a little like using coupons at the estate tax checkout, but you do typically need "receipts" in the form of a qualified appraisal.

3 | Make annual gifts to and for family and friends

You can utilize assets from your taxable estate for the benefit of future generations — without dipping into your estate and gift tax exemption. This can be as simple as making annual exclusion gifts (up to $19,000 per donee, per year), paying tuition or medical expenses directly to providers, or even paying income taxes on behalf of certain irrevocable trusts. These strategies help reduce your taxable estate while supporting your loved ones. All of these gifts come "off the top" and serve to reduce the value of your estate dollar for dollar, and they do not reduce your lifetime gift tax exemption.

Pulling concepts together with specific examples
With the three core concepts — locking in lower values, transferring assets at a discount, and making certain annual payments — understood, let's see how these strategies work together in real-world wealth transfer planning.

Gifts and sales to intentionally defective grantor trusts (IDGTs)

A major building block in wealth transfer

For many families, IDGTs play an important role in wealth transfer planning, often seamlessly incorporating all three core concepts. Imagine this: in 2026, a grantor establishes an irrevocable trust and funds it using their lifetime gift tax exemption. The assets placed in this IDGT now grow outside the grantor's taxable estate and are not subject to estate taxes upon the grantor's death. It does not matter what the value of the IDGT assets are at the grantor's death, the value has been locked in as of the date of the gifts.

But why stop at a simple gift? Grantors often use discountable assets to "supercharge" the gift. A straightforward $15 million gift to an IDGT uses $15 million of exemption, but a well-structured gift of discounted assets can move much more for the same coupon.

A feature of the IDGT is that it remains part of the grantor's income tax return even though the assets in the IDGT are outside of the grantor's estate for estate tax purposes. Each year, the grantor's estate is reduced by income tax payments on behalf of the IDGT, all while the IDGT's assets grow income tax-free. Over time, this combination can yield tremendous estate tax savings.

Trusts, part 2

No take-backs: The reality of irrevocable trusts

It's important to remember when a grantor gifts assets to an irrevocable trust such as an IDGT, those assets are no longer theirs. For the gift to be effective, the grantor must relinquish all financial benefit from the assets conveyed to the trust. There are no "take backs" if regret or emergency strikes. The assets in the IDGT now effectively belong to the trust's beneficiaries, not the grantor. This can be a tough pill to swallow, especially when the future is uncertain. While it is possible under the terms of some trusts and in many jurisdictions to make substantial modifications to provisions of an irrevocable trust, in general these trusts are designed to be fixed, often for many generations. Therefore, it is critical to understand the magnitude of the potential wealth being transferred to subsequent generations, so you do not inadvertently give more than intended.

Spousal lifetime access trusts (SLATs)

A flexible solution for married couples

SLATs have made a big splash recently by addressing the tension between effective tax planning and continued access to wealth. SLATS are similar to IDGTs. The key difference? A SLAT names the grantor's spouse as a beneficiary, either before or alongside future generations.

For married couples in the right circumstances, a SLAT can move wealth out of the taxable estate while still allowing indirect access to the assets. For example, you could create a SLAT for your spouse, making them a primary beneficiary, with your children as secondary beneficiaries. While your spouse is alive, they can receive distributions, benefit from trust assets, or even live in a house owned by the SLAT. The idea is to let every dollar grow outside of the estate, but knowing the assets are available if needed can be comforting. Later, in a totally unrelated transaction, your spouse also could create a SLAT for your benefit, though there are strict rules governing such a "dual SLAT" arrangement. Done correctly, each of you could have a $15 million estate-tax-exempt trust for your respective benefit.

Caution: Not a one-size-fits-all

A word of caution: SLATs are not always the answer. Once a gift to a SLAT is made, it's done — no refunds. If one spouse decides to divorce the other right after the SLAT is created, the grantor will no longer have access to the SLAT funds. Or, if one spouse passes away unexpectedly after they create a SLAT for the other, depending on state law, the grantor may lose access to those funds. Not all assets — such your primary personal residence — are suited for SLATs. But for couples united in their planning goals and comfortable with the risks, SLATs can be a wonderful tool.

Life insurance and irrevocable life insurance trusts (ILITs)

Life insurance as a wealth transfer tool

Life insurance, when used strategically, can serve at least three purposes:

1. Replacing income after the insured's death,
2. Providing liquidity for estate taxes, and
3. Acting as a tax-efficient planning vehicle.

For ultra-high-net-worth clients, the first is often irrelevant, and the second is situational. The third, however, is where things get interesting.

The ILIT advantage

Surprising to some, life insurance proceeds are generally included in your taxable estate. But by combining the concept of locking in today's values with a special type of IDGT — the irrevocable life insurance trust (ILIT) — those proceeds can be excluded. The ILIT is funded with gifts today (using your gift tax exemption and/or annual exclusions), which are then used to purchase life insurance. Upon the insured's death, the policy pays out to the ILIT, not the estate. For each beneficiary, the grantor can make annual gifts (currently $19,000 per person) to cover premiums. For a trust with four children and eight grandchildren, that's nearly $230,000 per year to pay premiums on a substantial policy.

Premium financing: An option for the asset-conscious

For those who don't want to tie up significant assets, premium financing is an option. The ILIT's trustee can borrow funds to pay premiums, using the policy's cash value or other assets as collateral. The grantor may pledge personal assets, if needed, and gifts funds to the ILIT for interest payments using annual exclusions. The result: a powerful, flexible tool for transferring wealth tax-efficiently.

Grantor retained annuity trusts (GRATs)

Another type of irrevocable trust

A GRAT is particularly effective for locking in today's value of an asset while having the growth occur outside the grantor's estate. A grantor establishes a GRAT by conveying property to a special irrevocable trust as prescribed by the Internal Revenue Code and Treasury Regulations. The GRAT is required to pay the grantor a fixed amount (known as the annuity payment) annually for a set term of years, as chosen by the grantor. Once the GRAT is established, the grantor is unable to alter the beneficiaries or terms of the trust.

A taxable gift is calculated

The IRS assumes the trust assets grow at an IRS-specified interest rate. Based on the initial value of the trust assets, the amount of the annuity payments, the term of the GRAT, and the assumed growth rate, the grantor has to calculate the expected value of the trust assets after the last annuity payment. The expected value is a taxable gift to the ultimate beneficiaries of the trust (typically the grantor's family), but it is possible to "zero out" the value of the gift so that no gift exemption needs to be allocated to the gift.

Tax savings opportunity

Once the annuity term ends and the grantor receives the last payment, the remaining trust assets can stay in trust or pass to the beneficiaries without any further gift or estate tax (even if the amount is greater than the initial projection).

Loss of tax benefits due to premature death

If the grantor dies before the annuity term ends, the trust assets are subject to estate tax. This cancels out the gift and estate tax benefits of the GRAT.

Family

Beyond the numbers

In the Government section above, we explored how careful planning and thoughtful, iterative actions can significantly reduce — or even eliminate — tax obligations on your wealth at death. All of this is in service of a classic wealth transfer goal: "pass as much money to my family for the smallest estate tax obligation." But for many families, this is not what drives the wealth structure conversations.

A laser focus on "red number go down and black number go up" might yield the most favorable tax result, but the real-world impact of your savvy planning deserves equal attention. After all, the second (and sometimes more challenging) goal of generational planning is: "how do I pass down not just dollars but values to my kids and grandkids?" In other words, wealth transfer isn't just about numbers — it's about people, relationships, and the legacy you leave behind.

Examples and solutions

Let's look at some practical ways families can navigate the human side of wealth transfer:

Marital trusts

Marital trusts can provide for a surviving spouse while preserving assets for future generations. They're a classic tool for balancing family needs and tax efficiency — think of them as the estate planner's version of a safety net and guardrails.

Sibling interactions

Nothing tests family harmony quite like an inheritance. Sibling dynamics can turn even the most straightforward estate into a soap opera. Clear communication (including one focused on the age-old question, "Is 'fair equal' or 'equal fair'?"), defined structures, and sometimes a neutral third party can help keep the peace (and the group texts civil).

Life-altering events

Life happens — divorce, remarriage, illness, or unexpected windfalls can all throw a wrench into even the best-laid plans. Building flexibility into your estate plan with limited powers of appointment that enable the primary beneficiary to redirect assets to other beneficiaries helps ensure your intentions survive whatever plot twists life throws your way.

Business and succession planning

If your family's wealth is tied up in a business, succession planning is critical. Who takes over? Who gets a say? Who gets a payout? Addressing these questions early — and revisiting them often — can prevent future boardroom (or dining room) drama.

Shared assets, shared destinies, and building pressure valves

When family members share assets — like vacation homes, investment properties, or even family heirlooms — tensions can build. Creating "pressure valves" (such as buyout provisions, usage schedules, or clear exit strategies) helps ensure that shared destinies don't lead to shared headaches.

Additional strategies for family harmony and legacy

Modeling values through philanthropy

Engaging the next generation in family philanthropy can be a powerful way to reinforce values and build unity. Whether through shared giving, volunteering, or creating a family mission statement, these efforts foster stewardship and gratitude.

Family governance and education

Establishing a family governance framework — such as regular meetings, shared decision-making protocols, and financial literacy initiatives — can help heirs understand their roles and responsibilities. This structure promotes transparency and reduces entitlement.

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As the Divisional President for the Central Division of Wells Fargo's Wealth & Investment Management, Heather is responsible for leading all aspects of the business for the 26 states that make up the Central Division. She began her career in financial services in 1989 and has worked in various areas of the business, including client service, fixed income, marketing, strategy, sales management, and branch and regional leadership. Most recently, Heather served as the Head of National Sales, leading those areas of the firm dedicated to growing the business. She joined Wells Fargo Advisors in 1993 and has held management positions at branch offices in Michigan, Pennsylvania, Virginia, and Ohio. Heather received a bachelor's degree from DePaul University in Chicago and is a graduate of the Securities Industry Association (SIA) Institute at Wharton.

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As a Senior Wealth Strategist for Wells Fargo's Wealth & Investment Management, Harry leads comprehensive planning solutions for ultra-high-net-worth families. He joined Wells Fargo in 2019 and previously served as Director and Senior Vice President of Legacy and Wealth Planning at Abbot Downing (a predecessor of Wells Fargo). Before that, Harry spent nearly a decade as an estate planning attorney at leading Los Angeles firms, advising clients on multigenerational wealth transfer and philanthropic strategies. Harry earned a law degree from Harvard Law School and a bachelor's degree in psychology from Purdue University.

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