

Generational Wealth Building

One way to strategically transfer wealth to your heirs and build generational wealth is through a strategic gifting plan.

Here we illustrate how early contributions can compound into significant values over the recipient's lifetime. Specifically, gifting \$25,000 annually for the first 10 years may have an ending value of more than \$14 million in 90 years. Moreover, starting at age 60 the recipient can spend 5% from this portfolio annually over the next 30 years for total distributions of more than \$17 million. (Both figures are adjusted for 3% inflation.)

Assumptions:

1. Grandparents (or parents) gift \$25,000 annually to newborn for 10 years.
2. Use a flat-fee annuity.
3. Allocate to a globally diversified mix of low cost equity mutual funds.
4. 10% annual returns (less than historical for last 65 years).
5. The portion remains fully invested throughout the period and long run estimates for market returns are attained.

Note: Figures do not take into consideration underlying annuity or mutual fund fees, taxes or trading costs. Performance data depicts historical performance and is not meant to predict future results.

Recipient Age	Annual Contribution	Starting Annual Distribution	Ending Portfolio Value	Starting Inflation Factor
0	\$ 25,000	\$ -	\$ 52,500	1.0
1	\$ 25,000	\$ -	\$ 80,340	1.0
2	\$ 25,000	\$ -	\$ 109,365	1.1
3	\$ 25,000	\$ -	\$ 139,676	1.1
4	\$ 25,000	\$ -	\$ 171,380	1.1
5	\$ 25,000	\$ -	\$ 204,593	1.2
6	\$ 25,000	\$ -	\$ 239,434	1.2
7	\$ 25,000	\$ -	\$ 276,034	1.2
8	\$ 25,000	\$ -	\$ 314,529	1.3
9	\$ 25,000	\$ -	\$ 335,904	1.3
10		\$ -	\$ 358,733	1.3
20		\$ -	\$ 692,350	1.8
30		\$ -	\$ 1,336,228	2.4
40		\$ -	\$ 2,578,903	3.3
50		\$ -	\$ 4,977,253	4.4
60		\$ 449,737	\$ 9,125,736	5.9
70		\$ 519,696	\$ 10,545,291	7.9
80		\$ 600,538	\$ 12,185,665	10.6
90		\$ 693,954	\$ 14,081,207	14.3
Total distributions:		\$ 17,463,520		

