



## Regions Wealth Podcast

### Episode 37: Building Generational Wealth: How to Create a Financial Legacy

What is generational wealth and how do you build it? More importantly, just how feasible is it for the average American to create generational wealth for their family? To help answer these questions, we've developed a special series on generational wealth: what it is, how it's created, and how it can be maintained over multiple generations. Financial Advisor Rachel Tatum joins us for part one of the series to discuss how to create a financial legacy at any income level.

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#### ***Episode Transcript***

Sarah Fister Gale:

Welcome to Regions Wealth Podcast, the podcast that tackles life's challenges with financial experience. I'm your host, Sarah Fister Gale.

Generational wealth has become a popular topic — and with good reason. We'd *all* love to create a financial legacy to pass down to our children. But just how feasible is it for the average American to create generational wealth? And once you've created that legacy, how can you ensure it's maintained? To help answer these questions, we've developed a special series on building and maintaining generational wealth.

Joining me for part one of the series is Rachel Tatum. She's a financial advisor at Regions Bank. Rachel, thanks for joining us today.

Rachel Tatum:

It's good to be here. Thank you.

Sarah Fister Gale:

So in this first episode of our special series, we'll be discussing how to *create* generational wealth. We've taken some frequently asked questions from a bunch of people and developed a character who needs your help. So let's listen.

Ivan:

*"Hello, my name is Ivan, and I'd like to ask a few questions on the topic of building generational wealth. To give you a quick rundown: My wife Taylor and I have two kids, ages five and nine, and*



*we own a small business. Our goals are probably pretty much the same as everyone else's: priority number one is saving for college, and priority number two is funding our retirement. Right now, we're on track to achieve both goals.*

*Here's where things get sticky: for me, priority #3 is to create a legacy for the kids. I follow a lot of financial bloggers, and the topic of generational wealth comes up pretty often. It's something I'd really like to pursue. On my end, I view 'generational wealth' as creating stability for our children. Taylor, on the other hand... she hears the term and equates it with trust fund babies. I'm incredibly careful with my money — way more so than Taylor, to be honest. I was born in former Yugoslavia and came to the U.S. with my parents in the early 90s. Because of the war, we arrived with absolutely nothing. We struggled A LOT during our first few years here. That experience really influenced the way I think about money. Let's just say that financial stability is very, very important to me. I really wish I could get my wife to understand my point of view."*

Sarah Fister Gale:

So Rachel, can you explain what the term generational wealth means and what it typically encompasses?

Rachel Tatum:

Yeah, absolutely. So generational wealth, it refers to building your own wealth and transferring that on to the next generation, whether it be your kids or your grandkids. It's not just passing on money, it's also helping them learn and teaching them how to manage their finances at an early age. It can also be passing on a family business, real estate, stock investments, anything like that.

Sarah Fister Gale:

And Ivan's wife, Taylor, says that she thinks generational wealth equates with trust funds. Is that an accurate assumption?

Rachel Tatum:

No, not at all. It's more of creating and leaving a legacy that provides for your children, not just about passing on a lump sum of money. It's about educating them in how to plan and save for things like retirement, for their first home purchase, for college, and then for saving for their own children. It can also be if you own a business and you want your child to continue that business on, you have to teach them. It starts with educating your children starting at a young age to prepare for their own life events.

Sarah Fister Gale:



That's a really great point. So whether you're leaving them a business or a portfolio of assets, they need to know how to manage that asset, right? Or that business so that they can continue to turn it into additional wealth.

Rachel Tatum:

Right, exactly.

Sarah Fister Gale:

How is generational wealth typically built?

Rachel Tatum:

It's built by having a financial advisor with you to help you plan and keep you on course, to get to the end goal on that plan. Having a budget. Having a budget is really the first part of that foundation. You need to know your income and know your expenses and what is left over to help you live within your means and to make sure that you're on track for whatever the end goal is, whether it be retirement or college savings.

It's also adjusting the plan. We like to meet with clients at least once a year, just to make sure that we're still on track, we're still doing the things that we put in place in that plan. And we also want to make sure if there's been any life events that have changed the financial picture. Things change and we need to change our plan as different things arise.

Sarah Fister Gale:

So that's interesting. At what point should you start talking to your financial planner, about generational wealth, like creating assets for the next generation to help them in their future?

Rachel Tatum:

You know, for the high-net-worth individuals, you really need to start the sooner the better. You need to have that financial advisor, a good accountant and attorney, you need to have all of your wishes in place through estate planning, making sure you have a will, power of attorneys, different legal documents in place to make sure that whenever you do pass on generational wealth, it's done so in the best way possible.

Sarah Fister Gale:

And so what about your average middle-class American? How feasible is it for them to create generational wealth?

Rachel Tatum:

You know, it's very feasible. You just need to have a plan in place. And that just starts with sitting down with someone and going over your budget. Look at all of your financials and put a



plan in place. I always tell clients that when you're looking at your budget and your expenses, again, include yourself and your retirement. That should be a monthly expense that you have, because that is a very important thing that you need to save for. You have to be disciplined. And having an advisor by your side to help you and keep you on track and be the one that they lean on: "is this a good idea to buy? Is this not a good idea?" We sit down and we go over all the pros and cons and make those decisions together to make sure that we keep you on track. And it's important to show your kids what it means to save money and how it benefits them over time. I have a lot of clients that are in their 20s that are afraid of investing in the market because they've never had any experience in it. And so it's important to start showing them at a young age, how it works and the long-term saving benefit.

Sarah Fister Gale:

Excellent. So let's listen to the next part of Ivan's story.

Ivan:

*"Taylor has two key issues with this goal: first and foremost, she doesn't want to spoil the kids. I'm in agreement there — neither of us want to raise our kids with silver spoons in their mouths. However, I view generational wealth as a safety net, NOT a crutch. Second of all, Taylor's under the impression that we'll need to derail our own personal goals to fund the kids' lives in perpetuity.*

*To help put her mind at ease, I'd like to come up with a plan that allows us to create a legacy for our kids without making her feel like we're sacrificing our own goals. I'd also like to have a clear strategy for ensuring that this money helps our kids succeed without hindering their independence. Personally, I think that just comes down to good parenting, but I understand my wife's concerns. So I guess my question is, how can we create generational wealth in a way that's respectful of my wife's concerns?"*

Sarah Fister Gale:

That's such a good question. So Rachel, if Ivan were to sit down and create a plan for building generational wealth, where should he even begin?

Rachel Tatum:

I would have him start by bringing all of their financial documents to the table, sit down with them, review everything, look at their monthly expenses. Really understand what their goals are and set up a financial plan and stick to that plan, and just remind them that this is a fluid plan that we're gonna look at on an annual basis and tweak as we need to. I think it's very important to set up a college plan, like a 529 plan. You can start those out with as little as \$50 a



month, and it will grow over time. And again, just thinking about if your child is able to come out of college without any student loan debt, how huge that is. They can start saving for their first house, or they can start saving for retirement at a very early age.

I see so many kids come out of college with so much student loan debt and they struggle to really get motivated to start saving for retirement because they're so focused on getting debt paid off, where there should be a balance. And if you're helping your child, educating them at an early age and saving for them at an early age, it's not just giving them a silver spoon. It's building their knowledge on how to save, how to budget, and how to grow their own wealth.

Sarah Fister Gale:

That's a really interesting point. A lot of parents save money for their kids' college, but they probably don't think of it as generational wealth. Right? But it really is. If you're preventing your child from having decades of debt, that is generational wealth.

Rachel Tatum:

Absolutely.

Sarah Fister Gale:

That's a really interesting point.

Sarah Fister Gale:

So you talked about creating a plan with your financial advisor. Should that plan always include setting some money aside to create generational wealth, if that's your goal? Or is that something that doesn't start till later in life after you've covered all your own personal goals?

Rachel Tatum:

I think it's important to first and foremost, take care of your goals. And that may still mean you can start saving for the next generation. What that is, is we want to make sure we've got a plan to get you out of debt, to make sure that you're saving for retirement, and pursuing whatever financial goals that you have. But in that budget, there should still be a place for us to start on even a very small level for the next generation. But you do want to have your own financial goals in order first, before you can start planning for the next generation.

Sarah Fister Gale:

So let's talk a little bit more about that. What steps can Ivan and Taylor take now to begin creating generational wealth for their children, while still supporting their own financial goals?

Rachel Tatum:



That's really easy. They just sit down and look at everything. That's why I ask clients whenever they come in, to bring all financial documents. If you have a mortgage, any credit card debt, car payments, and then your 401(k), if you have investments elsewhere. Bring absolutely everything that you can because what we wanna do is look at the best way to pay down debt, increase your retirement savings, and do that in a fashion to where you can start saving for the next generation sooner rather than later.

Sarah Fister Gale:

And thinking about the average American household, what are some tactics that someone with less expendable income can employ to begin creating a legacy for their children?

Rachel Tatum:

You know, life insurance is extremely important to have in place, especially, if you don't have accumulated wealth, and for the average American, I think, a lot of times people think “I don't have enough money to invest”. Well, that's not the case. Everybody has to start somewhere.

Sarah Fister Gale:

So is there a difference between creating generational wealth and just creating your own wealth that whatever is left over goes to your kids? Or is it the same thing? I think a lot of people save money, right? And they're creating wealth for themselves. And the idea being that when they pass, whatever is leftover in their estate will go to the next generation. Is that creating generational wealth, or do people need to think specifically about setting money aside for the next generation as well as creating their own personal wealth?

Rachel Tatum:

So creating generational wealth, it's saving for yourself, as well as educating and investing in your next generation, your kids, your grandkids. You're investing in them so that they can become financially fit whenever they grow up. And as they grow and start their own families, you want to instill that education in them on how to save, how to budget, how to live within their means. You can't get to where you're going if you don't know where you are and have a path on how to get there.

Sarah Fister Gale:

I love that. So when it comes to building wealth, what are some of the hurdles that average Americans face?

Rachel Tatum:

You know, one of the hurdles a lot face is... There's not dollar amount that dictates whether you should or shouldn't invest. And as financial advisor, it's our job to educate people and show them how to invest and the benefits of investing over time. Anyone can create



generational wealth. We can do that at any amount, and it can be different for everybody because everyone has different spending habits and they have different goals. So it's important that we sit down and create a plan designed specifically for that person, for that family, and for what their goals are and design it around their family.

Again, sometimes people don't think that they have enough money to invest or wouldn't even consider it. But again, everybody has to start somewhere. And so, you know, with me, whenever I was in college, I worked, and my dad made me start a Roth IRA. I didn't have a choice (laughs). And so with that, I was able to learn at a very young age that just \$50 a month, it grows over time. And he taught that to me, and I was able to understand better whenever I did graduate, that it is very important not to just live in the moment, but also live in the moment to save for the rest of your life so that you can live comfortably and plan your own wealth.

Sarah Fister Gale:

That's a really good point that even just \$50 a month creates a foundation of savings and also teaches you that habit.

Rachel Tatum:

Right. And that's the other thing, just having that habit of saving as much as you can every month, you know, starting out, saving a certain dollar amount. But then another thing that I always recommend to clients is as they grow in their profession, as you get raises, increase your retirement contribution. If it's money that you weren't seeing before, you can be okay with not seeing it. Increase that savings as time goes on.

Sarah Fister Gale:

So, every so often, we hear stories of everyday people who managed to quietly accumulate wealth throughout their lives. What's the secret to doing that?

Rachel Tatum:

The secret is being very diligent about what you spend, what you're saving, and living within your means. Just be aware of where you are financially and manage that every single month. It's important to be disciplined. There might be something shiny and new that you want to buy and you have to really sit down and think: is it a need or is it a want? And when you make those purchases, make them with a lot of thought behind it and be very frugal. Creating a budget and sticking to it is key, along with investing what you have and allowing it to grow over time.

Sarah Fister Gale:

That's great advice. So Rachel, in our next episode, we're discussing tactics for maintaining generational wealth, but at a high level, are there steps Taylor and Ivan can take now to ensure that whatever generational wealth they create isn't spent frivolously?



Rachel Tatum:

Yeah, absolutely. Again, it first starts with investing in the education of your children, in their comfort level, with how they're spending their money. Educate them on how to budget. Estate planning, that's another really big tool that you can use to protect your wealth after you pass. Teaching your kids how to manage their money as they get older. Bring them in with your financial advisor and let them sit down and listen to the conversations that they have. My kids listen to me have conversations on how to build a financial plan and why we do the things that we do. It's a very important part of educating your kids. I've got a 13-year-old and a six-year-old and there's so many tools out there now that can help educate children with money, with savings. You can give them chores and have them get an allowance. And let them look at that on paper to see instead of going and spending it on, you know, a video game, show the importance of that money growing over time and what that could turn into for them.

Sarah Fister Gale:

I think that's really good advice. Have them experience savings from an early age so they see the benefit. So Rachel, at the end of these podcasts, we like to ask our guests for some key takeaways to share with our listeners. So what key takeaways would you offer from this conversation?

Rachel Tatum:

First of all, it starts by creating a financial plan, having that foundation in place, and a plan to go by. The second would be invest in your child's education and invest in your own education. Always continue to educate yourself and read the news. Educate yourself on what's going on in the world. The third would be start investing as soon as possible. Again, any dollar amount, whether it's small or large, just start investing as early as you can. Have that life insurance for the uncertainty if something comes up so that you have protected your family. And the last thing would be just to make sure with that plan that you create, you revisit it, at least on an annual basis. Just ensure it's working and reviewing it, updating it as life events happen, as things change over the years. It's very important to make sure that you're looking at that plan every year. It may be just to say that yes you're on track and we don't need to change anything, but there's gonna come a time when something might come up and you need to adjust and reevaluate. Review anything that may need to be updated and continue to create and adjust your plan to get to your financial goals.

Sarah Fister Gale:

Excellent. That is great advice. So that was Rachel Tatum. She's a financial advisor at Regions Bank. Rachel, thanks for your time today. You've given us some great actionable insights.

Rachel Tatum:

Thank you, Sarah, for having me. I really enjoyed it.





Sarah Fister Gale:

And thank you for joining us today. In part two of this series, we're chatting with Wealth Advisor Allison Lederer on how to *maintain* generational wealth, so be sure to check back. You can subscribe to Regions Wealth Podcast on your favorite podcast player, or visit [regions.com/wealthpodcast](https://regions.com/wealthpodcast) to explore past episodes.

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