

The Jones Family Financial Philosophy

Purpose

This document expresses our values and intentions regarding the accumulation, preservation, use and distribution of our estate. We wish for it to serve as a basis of planning for our professional advisors. Furthermore, it will articulate clearly to our children and others why we have distributed our estate in the manner we have chosen.

Sources of Wealth

We accumulated our wealth through efforts of personal initiative and hard work, coupled with successful investments. Although we have enjoyed a comfortable lifestyle, we also have been careful to maintain spending at a level well within our means.

We have been diligent in preserving our wealth through sound investment diversification. We have paid our fair share of taxes over the years, but also have sought to enhance asset growth and minimize taxes through the ongoing use of legitimate strategies such as qualified retirement plans and tax exempt bonds.

Finally, we feel a sense of responsibility to our community for contributing to our ability to build and acquire wealth.

Family Philosophy

We have enjoyed a comfortable lifestyle and plan to continue to enjoy the fruits of our labor. However, we have no desire to show off our wealth or promote our own self-importance. We believe that earned wealth contributes significantly to self-esteem, confidence and the development of strong character.

Among the things we value most are honesty and integrity, family, personal initiative and hard work, respect for others, personal relationships, community involvement, recreation and leisure, fellowship and philanthropy. It is our hope and intention these values are reflected in our estate plan.

We have been married 56 years, and enjoy the time we spend together. In particular, we enjoy traveling and have traveled around the world twice. We have made many individual trips and plan to continue to do so. We live a good life.

With regard to our wealth, our first responsibility is to each other – to secure our own financial independence and preserve our ability to maintain our desired lifestyle.

Our second responsibility is to our children, John and Jane, to provide them with the advantages that money brings, while at the same time being careful not to provide a disincentive for personal achievement.

Motivation for Planning

Our primary motivation for planning our estate is to reduce estate tax. It is our objective that any tax savings generated will be first utilized to secure our intended family legacy of \$2,000,000 and then to benefit our designated charitable beneficiaries.

Financial Independence

Our present assets and income exceed that which is required to maintain financial independence. We intend to take full advantage of our wealth, enjoying the finer experiences in life.

At this time, we feel comfortable with \$100,000 of annual after-tax income increasing at 3% each year. This adjustment will help offset the impact of inflation. In addition, we would like to maintain a cushion of \$1,000,000, in case an unexpected need should arise. At the present time, this translates into approximately \$2,200,000 of assets. Taking into consideration current available resources of \$4,000,000, we are presently 180% financially independent. In other words, available assets are twice that which is required to maintain our lifestyle. See schedule A.

Based on this definition of financial independence, we have available planning resources of approximately \$1,780,000. These planning resources are available

for accomplishing our family legacy and social capital legacy objectives. With that in mind, we are comfortable relinquishing ownership as long as we maintain control and retain access to a minimum asset base of \$1,000,000 plus our desired level of after-tax income..

Family Legacy

We feel a responsibility to conserve assets for heirs in order to assure that our intended family legacy is achieved. Furthermore, we are willing to commit both cash flow and assets for the purpose of accomplishing this objective.

We believe each child should receive an equal share of the estate, regardless of individual circumstances or needs. We would like to transfer some assets today, but prefer to transfer the majority of our children's inheritance through our estate. Rather than transfer assets to our grandchildren directly, we prefer to transfer assets to our children; they can determine if it is appropriate to pass a portion along to our grandchildren.

Under the present circumstances, we realize that approximately 42.5% of our \$4,000,000 net assets will be lost to estate tax, leaving some 57.5% of our total estate for John and Jane to share. Although we are not happy to see our estate reduced by tax to this extent, we are confident that a family legacy in the 50% range will be adequate to provide John and Jane with a sufficient financial supplement to achieve their highest goals, dreams and desires. At the present time, we feel a family legacy of \$1,000,000 each would be sufficient for this purpose.

We do not want to turn over significant wealth to our children until we are sure they would manage it responsibly. Therefore, until we are satisfied that a direct inheritance would not be harmful to their personal development and that of their families, our estate documents will provide for the outside management of inherited assets.

We would like to use our wealth in such a way that it contributes to the growth of self-esteem, confidence and a sense of self-worth in our children. We also would like for them to learn the importance of personal initiative and hard work.

Social Capital Legacy

We understand that a portion of our wealth – our social capital – must be allocated between taxes and gifts. Generally speaking, we would rather make gifts than pay taxes. Therefore, we prefer to allocate 20% of our social capital legacy to tax and the remaining 80% to our designated charitable organizations.

With that in mind, our objective is to reduce taxes in favor of charitable gifts wherever possible, as long as such gifts do not interfere with our ability to maintain financial independence or achieve our stated, desired family legacy.

Thus far in our lives, we have had moderate involvement with charitable organizations. We plan to maintain that involvement in the future. To the extent financial resources are sufficient, we prefer to begin the process of philanthropy during our lifetime, so that we can personally see our dollars at work.

Our charitable interests include education; arts, culture and humanities; public society benefit; and environment and wildlife. At the present time, we have identified five specific focuses for our philanthropy:

- 1. We would like to direct 40% of our self-directed social capital to **The Ward Foundation**.*
- 2. We would like to direct 30% of our self-directed social capital to the **United Way**.*
- 3. We would like to direct 10% of our self-directed social capital to the **Salvation Army**.*
- 4. We would like to direct 10% of our self-directed social capital to our **church**.*

5. *We would like to direct 10% of our self-directed social capital to our hospital.*

Summary and Signature

This document accurately reflects our desires and intentions with respect to our philosophy and intentions regarding our wealth. We reserve the right to change this document in the future. We expect that our advisors will rely on this document in the preparation and development of a plan that will fulfill our stated mission.

John Jones

Jane Jones

Todd Fithian, Legacy Wealth Coach

*Legacy Advisory Associates
99 Derby Street, Suite 203
Hingham, MA 02043
(781) 740-0033*