



## **CASE STUDY: THE ONE HUNDRED YEAR PLAN – FAMILY LEGACY, FIDUCIARY SUPPORT & CONTINUITY**

### **FACTS:**

- Colony Family Offices, LLC was introduced to a couple in their seventies with three grown children and ten grandchildren, some graduated from college.
- Their wealth was created through a closely held business that had been sold.
  - *Personal Investable Assets:* *\$25.0M*
  - *Personal and Family Real Estate:* *\$5.0M*
  - *Total Net Worth (inside taxable estate):* *\$30.0M*
  - *Generation skipping family trust (outside taxable estate)* *\$21.0M*
  - *Lifetime/GST Exemption Utilized* *Partially*

### **ISSUES:**

#### **Wealth Planning**

- Because the couple felt like they had shifted sufficient wealth into a generation-skipping family trust for their descendants, they were focused on charity and became primarily interested in instilling their passion for the importance of philanthropy in their children and grandchildren.
- They also wondered about the amount they should plan to earmark for their cash flow needs and whether additional lifetime charitable gifts were possible from their personal investable assets.

#### **Investment Management**

- The couple was concerned that they may be taking too much risk in their personal portfolio and wondered if their investment management strategy should consider their charitable inclinations.

#### **Fiduciary Services**

- The wife served as trustee for the husband's previously funded generation-skipping family trust. Successor trustees were family members, and the couple had some concern regarding both their capabilities and focus in preserving the trust beyond their children's lifetimes as a legacy vehicle for their grandchildren.

## **SOLUTIONS:**

### **Wealth Planning**

- Our Colony team worked closely with the couple to help them evaluate the purpose of their investment portfolio and ended up bifurcating their investable assets into a lifestyle portfolio and a legacy portfolio. The intended purpose of the lifestyle portfolio was to provide a fund to sustain them and their remaining lifetime cash flow requirements. The intended purpose of their legacy portfolio was to earmark additional funds for benevolence and charitable gifting.
- We analyzed lifestyle needs and performed multiple detailed long-term portfolio simulations to determine the appropriate size of the lifestyle portfolio as distinguished from the legacy portfolio.
- We collaborated with the couple to refine their philanthropic goals and how best to achieve them.
  - *Because the couple wanted to instill the importance of philanthropy in future generations and see their philanthropic purpose at work while alive, we worked with the family's attorney and CPA to create and fund a family foundation with their legacy portfolio. Colony was able to administer the foundation for the family, including facilitation of the annual meeting and grant management. The couple's children served on the Foundation Board and were given grant-making input.*
  - *After evaluating its viability and income tax benefits, Colony was able to assist the family in implementing a conservation easement with generational family land.*

### **Investment Management**

- Based on the portfolio simulations, Colony determined an appropriate allocation for the lifestyle portfolio. The investment mandate for the lifestyle portion shifted from balanced growth to one that supported cash flow needs while keeping up with inflation.
- Further, we refined the investment allocation for the existing generation-skipping trust to be more aggressive given the longer time horizon to maximize the risk-adjusted return.
- Colony developed an appropriate allocation for the newly formed family foundation's legacy portfolio that balanced long-term growth with expected required annual distributions.

### **Fiduciary Services**

- We were able to assist the couple in working with counsel to decant the existing generation-skipping trust to require a corporate co-trustee, limit distributions primarily for education or employment/entrepreneurial related pursuits and allow for a beneficiary to appoint assets to the family foundation if they are not survived by descendants of their own.
- Sadly, the husband passed away five years into the family's advisory relationship with Colony. Colony Trust Company (CTC) was able to support the wife and become a corporate co-trustee over the generation skipping family trust and help her in her role as Executor for all required administrative functions, providing tremendous support in a difficult time. Further, CTC was able to serve as co-trustee of the new marital trust for the benefit of the wife (which was funded with the remaining lifestyle portfolio) and continued to oversee the investments, required filings and trust disbursements for cash flow needs.

- The couple indicated that they chose to engage Colony Family Offices and Colony Trust Company as their advisors because of our ability to execute on their one-hundred-year plan, with the fiduciary capabilities and institutional memory to carry on their family legacy plan for generations to follow.

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