

Making money moves that benefit you and your family

Issued by [Metropolitan](#)

3 Mar 2021

Going up

Creating generational wealth is not an easy feat, which often takes sacrifice, discipline and most importantly a well-crafted financial plan that needs to include the right life insurance protection for your life stage.



Abulela Gazi: Head Client and Business Solutions

The concept of generational wealth has seen somewhat of a rise in popularity in recent history, and is commonly misunderstood as a household, through several generations, having access to a large amount of money - i.e. a substantial inheritance.

Yet, in its most basic description, generational wealth encompasses wealth that is passed down from one generation to the next – often also referred to as family wealth or legacy wealth. Unless you are lucky enough to be born in one of the 38,000 millionaire families in South Africa, the concept takes on a much more complicated description, which often includes not-so basic components like time and family.

Let's imagine for a second you and nine family members were entered into a race where you had to climb up a 100-story building to win a prize of R100,000,000. However, in order to claim the prize, all 10 of you all had to get to the top of the building. Would you not do anything to ensure that you all get to the top? You would devise strategies and ways to make the climb possible - some might even be willing to carry our unfit family members on their backs, just to make sure they get there!

Now, let's add another layer to the plot: imagine that with every floor you are able to climb, you could claim R1,000,000. Here's the kicker: on the way to the top floor - your ultimate goal - you are allowed to substitute your more older, "more tired" players with younger, energetic contestants, which would better help your family reach the finish line.

This aptly describes generational wealth. The ability of a family unit to collectively accumulate wealth that enables the next generation to start their lives on a better footing than that of the previous generation. And for them to cultivate this wealth in such in a manner that it will continue to accumulate and grow, so that the next generation is able to inherit and start their lives even better than the generation before.

The notion that generational wealth can be accumulated by one family member over one lifetime is both flawed and misleading – family wealth, as it is rightfully called — is the responsibility of the family as a collective. In order for this to happen there needs to be a set of rules that govern how we conduct ourselves with money. A set structure and money value that will be followed, which will help in achieving our financial goals. This needs to include how we approach spending, debt and credit.

For many of us growing up, money conversations with our family were limited to us asking our parents for money and them responding with a very curt "Money doesn't grow on trees." Talking about money as a family needs to occupy the same level of importance as talking about our religious and spiritual beliefs. From a young age, children need to be sensitised to the financial position of the family. There needs to be an ongoing dialogue around the family's financial ambitions and what the individual's role and responsibility is in meeting this shared vision.

Staying up

Often, there's a concerted effort towards growing generational wealth, however very little emphasis is placed on protecting that wealth. Being able to provide for the next generation and to enable them to carry on with the climb is an important part of the wealth creation journey. Unfortunately, in most instances, the ability to build is often halted by an unfortunate event, such as death. While most of us have the necessary funeral policies to take care of burial costs, the common misconception that life insurance is an unaffordable nice-to-have often acts as stumbling block to the wealth-growing ambition. A large portion of the population remains underinsured – a gap estimated to be as high as R30 trillion. This leaves dependants in the precarious position of having to start over without a buffer.

Ultimately the journey to growing wealth starts with a well-crafted financial plan that needs to include the right life insurance protection for your life stage. This gives peace of mind to parents in knowing that should they not be around anymore, their dependants will be able to maintain a similar or same standard of living. Life insurance protects your family and lets you leave them a non-taxable amount at the time of death; the pay-out can also be used to cover your debt, helping your family to stay protected against the unexpected.

There are further benefits to life insurance such as using it as the ultimate gift for the loved ones we leave behind. This helps individuals to participate in leaving a real legacy and drives generational wealth.

Family bonds

Creating generational wealth is not an easy feat, which often takes sacrifice, discipline and most importantly a well-thought-through and executable plan. While creating a standard set of family money values may not be the only way to achieve this, it is one that needs careful consideration.

Metropolitan, as part of its #WeStart2021Stronger initiative, has launched a campaign to help South Africans understand and approach financial planning and how life cover forms part of this critical process.

The #WeStart2021Stronger initiative was launched in December 2020 when Metropolitan reached out to South Africans, encouraging the sharing of stories of loss, and to allow for healing to take place. Following an overwhelming response to the virtual series, Metropolitan decided to not only provide a platform for sharing, but to play an active role in equipping the people of SA with tools and knowledge that they need to take control of 2021.

But life is uncertain; nothing has demonstrated that better than the current situation we are in. The need to plan for the uncertain and ensure that your family, regardless of what happens to you, is looked after for years and for generations to come has therefore come into sharp focus recently.

For more, visit: <https://www.bizcommunity.com>