

# Enough, But Not Too Much

## A PERSPECTIVE ON WEALTH TRANSFER

Rethinking inheritance for first-generation wealth—when, how, and how much to transfer to the next generation.

### AUDIENCE

First-generation wealth creators

### PREPARED BY

The Sequoia Sentinel Family Office Team

The question rarely arrives at the front of the meeting. It arrives at the end. The family has just walked through estate documents, asked about exemption windows, signed off on the latest planning recommendation, and then, almost as an aside, they raise something that has been weighing on them. How much should our children receive? At what point does it stop helping and start hurting?

For the first-generation wealth creators Sequoia Sentinel Family Office serves, this is often the harder of the two estate-planning questions. The tax math has answers; there are rules, formulas, and planning frameworks. Behavioral math does not; the emotional and human side of wealth transfer cannot be solved with a formula.

This piece is our attempt to put structure around the harder question and find the answer that makes sense for you and your family. At Sentinel, we don't claim to have the perfect answer, because there isn't one perfect answer. What we can do is bring structure to the conversation: sharing the framework we use, the data that informs our perspective, and the practical recommendations we make to families navigating these decisions in real time.

## Three Premises Frame Our Philosophy on Wealth Transfers.

**FIRST**, timing is often more significant than the amount given. A meaningful gift in a child's late 20s or 30s can be more beneficial than a much larger inheritance received decades later.

**SECOND**, structure should help manage risk without prescribing a child's life. The strongest trust architectures protect against unlikely scenarios while still leaving room for the realities of how lives and opportunities evolve.

**THIRD**, preparation outweighs structure. No trust language can substitute for raising children who already understand money, responsibility, and stewardship before they inherit wealth.

At Sentinel, we generally lean toward giving meaningfully during life rather than waiting to transfer wealth at death.

## Why Timing Matters More Than Amount

Most of the financial decisions that shape an adult's life are made between roughly 25 and 40: whether to start a business, whether to get married, whether to pursue the lower-paying career that carries significant meaning, where to live, whether to have children, and whether to take an entrepreneurial risk while the runway is still long.

These are the years when thoughtful, well-timed support can have an outsized impact. Because of the financial constraints of the period, early-career income, mortgage pressure, childcare costs, and the gap before peak earnings are real and deeply limiting.

A meaningful transfer during that window can materially alter a child's trajectory of choices. A much larger transfer received at 60, after those decisions are already settled, often does little more than further fund an already comfortable retirement. The dollar amount may be larger; the impact is often smaller.

There is a second argument for lifetime giving that receives less attention than it deserves: **parents can observe what happens**. They can adjust, extend, restructure, or pull back. They can take pleasure in seeing the work they've done be put to work for their children.

Bill Perkins' *Die With Zero* makes a similar argument directly: The highest-impact gift is often the one timed to when it can most meaningfully shape the recipient's life, not when it most efficiently reduces the donor's tax bill.

The traditional posture (every exemption used, every GRAT fired, every dynasty trust funded at death) can produce real tax savings. At Sentinel, we run that math for every client. But it can obscure something that matters more than the marginal estate tax saved: A posthumous transfer often arrives at a point in the recipient's life when most of the decisions wealth could have meaningfully shaped have already been made

Lifetime giving can take many forms: direct payment of a grandchild's tuition or medical expenses (which sits outside the annual exclusion entirely), a meaningful contribution toward a first home, capital for an entrepreneurial venture, a five-year front-loaded 529 plan, or a structured intra-family loan that, if later forgiven, becomes a gift. None of these strategies is particularly unconventional, but they are underutilized.

## Buffett's Question, Restated

Warren Buffett's most-quoted line on inheritance is also one of the most useful provocations in wealth planning: leave your children enough to do anything, but not so much that they do nothing. Families reference it constantly because it captures the tension well. What it doesn't do, what no simple saying can do, is tell a family exactly how much is too little, too much, or just right.

When we sit down with first-generation wealth creators and ask what is actually worrying them about a wealth transfer, the answer rarely starts with a number. It usually starts with a story: a nephew who hasn't worked in a decade, a friend's daughter who walked away from a promising career after receiving a large distribution, a son who has done everything right but never experienced the pressure of needing the next paycheck.

What families are really asking, when they ask, **“HOW MUCH IS TOO MUCH?”** is something closer to this: At what point does money begin to affect a person in ways it should not?

That is the correct framing. It shifts the question from a purely mathematical problem to a behavioral and relational one, where the best decisions are made.

The two ends of the philosophical spectrum here are familiar. On one side is the view that children with a strong foundation will steward wealth responsibly at almost any level, and that artificially capping inheritance signals a lack of trust in your family. On the other is the view that no amount of parenting fully insulates a person from the gravitational pull of large, unconditional wealth, and thoughtful structural guardrails can help protect children from risks they may not yet see in themselves.

Both perspectives have a logic to them. Most families ultimately land somewhere between the two, usually closer to the second view than they expected when they started the conversation.

## Where the Numbers Start to Bend

Once the question is framed correctly, the numbers do begin to matter. There are practical inflection points that recur in serious conversations across the ultra-high-net-worth landscape, and they warrant direct acknowledgment.

<b>BELOW \$5M</b>	Wealth is often more supportive than transformative. It can extinguish debt, fund a down payment, or provide the flexibility to pursue a career or entrepreneurial risk, but it rarely allows someone to fully opt out of building a life and career of their own.
<b>\$5M–\$10M</b>	A degree of financial independence becomes possible, though the lifestyle it supports is often more moderate than many families initially assume.
<b>\$10M–\$25M</b>	The behavioral dynamics can begin to shift. a child may be able to sustain a comfortable lifestyle without meaningful work, and the practical consequences of poor decisions can become less immediate.
<b>\$25M–\$75M</b>	Lifestyle becomes visibly affluent rather than merely comfortable. The beneficiary is socially identifiable as wealthy in most contexts, and peer reference groups shift accordingly. The internal pressure to pursue conventional achievement largely dissolves, and the family typically needs formal governance for the first time.
<b>ABOVE \$75M</b>	Wealth becomes increasingly difficult to separate from identity and lifestyle. Social dynamics often shift, and the behavioral complexities surrounding wealth transfer can expand faster than structure alone can fully address.

These are not legal thresholds. They are behavioral bend points. Their value is in pushing the conversation toward the more important question: not *"How much wealth can we transfer?,"* but *"How much can we transfer without fundamentally changing this child's relationship to work, ambition, and self-worth?"*

## Structure: Balancing Flexibility, Protection, and Responsibility

If the guiding philosophy is to give meaningfully during life, trust structures become the practical way families put that philosophy into action. The drafting itself is the work of your estate counsel; our role is to work alongside that counsel and help families think through the tradeoffs each structural decision involves.

In our experience, successful outcomes can occur across a wide range of trust structures; staged distributions, fully discretionary trusts, co-trustee arrangements, and hybrids of all three. The common denominator is rarely the mechanics of distribution itself. More often, it comes down to beneficiary preparation, family culture, and the trustees' judgment.

Structures that look very different on paper can produce equally strong outcomes when those underlying conditions are in place, while even the most carefully drafted trusts can fall short when they are not.

At Sentinel, we believe the most effective trust structures are intentional about balancing three forces: **flexibility** so trustees can respond to circumstances no grantor could have anticipated; **protection** against the behavioral risks discussed earlier and external pressures beneficiaries may not foresee; and **responsibility**, meaning the gradual development of the beneficiary's own judgment over time.

Each common trust architecture balances those forces differently. **Fixed age-based distributions** increase clarity and can reduce trustee conflict, but they lose flexibility when life circumstances intervene. **HEMS provisions**, distributions limited to health, education, maintenance, and support, preserve trustee discretion and protection, but can feel paternalistic if administered without sound judgment.

**Staged structures** attempt to capture elements of both by combining scheduled distributions with discretionary overlays, though this often adds complexity. **Co-trustee participation**, often introduced in a beneficiary's 30s, emphasizes the responsibility dimension, helping build financial judgment through experience rather than expecting it to fully materialize at the moment of inheritance.

None of these is universally right. The appropriate approach depends on the beneficiary, the family's governance capacity, the nature of the assets involved, and the culture the family has built around wealth and responsibility.

The pitfall we counsel most strongly against is over-engineering in any direction. We have seen trust instruments, often drafted long before our involvement, rely heavily on conditional provisions tied to future life decisions: incentivizing certain careers, discouraging or penalizing certain choices, or conditioning distributions on outcomes the grantor could not reasonably anticipate. In our experience, these structures rarely produce the intended result and, in some cases, can produce the opposite.

## The Math Behind the Three-Generation Cliché

The phrase “shirt sleeves to shirt sleeves in three generations” appears across many cultures in slightly different forms because it reflects a familiar pattern in family wealth. The first generation creates wealth. The second generation benefits from and often preserves it. By the third generation, families can begin to lose not only the capital itself, but also the mindset, discipline, and sense of stewardship that helped create it in the first place.

“Shirt sleeves to shirt sleeves in three generations” is observed in nearly every culture because the underlying pattern is remarkably persistent. Research from Victor Haghani and James White at Elm Wealth, summarized in *The Missing Billionaires*, suggests that even a well-funded \$30M dynasty trust designed to deliver \$50,000 per beneficiary annually in inflation-adjusted income can struggle to sustainably support all branches of the family over time.

The Williams Group’s longitudinal work, frequently cited and worth taking seriously despite its methodological limitations, suggests roughly 70% of wealth transfers fail by the end of the second generation and 90% by the end of the third.

Investment returns are rarely the primary issue. More often, the drivers are uncertainty compounding across expanding family trees, differing lifespans, and the gap between Consumer Price Index (CPI)-adjusted spending and real lifestyle inflation. A family that spent the average per capita amount in 1900 and simply indexed its spending to the CPI through today would now be living on only a fraction of the current average household expenditure.

Keeping pace with inflation is not the same as keeping pace with how a family actually lives across generations. This is less about pessimism and more about recognizing the realities of sustaining wealth across generations: Sustaining multi-generational wealth requires active stewardship, ongoing financial education, and at least one capable financial decision-maker in each generation. No trust structure or legal language can fully substitute for those things.

## Preparation Beats Structure

The single most important thing we tell first-generation wealth creators is this: **The trust may be the container, but preparation is what ultimately determines whether that structure helps or harms.**

The families we see transfer wealth across generations most successfully tend to share a common set of habits. They talk openly about money from a young age. They expose children to the discipline of earning before the cushion of inheriting. They give children real financial responsibility, a budget, a small investment account, and a chance to make and recover from a meaningful mistake, well before any consequential transfer occurs.

They also engage children in family philanthropic decisions, helping teach stewardship in a low-stakes environment. And they treat financial literacy as an ongoing practice, not a one-time conversation tied to a liquidity event or inheritance.

At Sentinel, we believe that financial literacy is not simply about avoiding bad outcomes; it is about giving the next

generation enough fluency with capital to make intentional decisions about it. (For a deeper look at that idea, we encourage families to read *Financial Literacy at the Highest Level: Why Education Still Matters for the Ultra-Wealthy*.) That framing closely matches what we see in practice.

Children who arrive at meaningful wealth with an existing relationship to money, through career, sustained budgeting, and real economic decisions, often handle inheritance materially differently from those for whom inheritance represents their first significant encounter with capital.

## How, When, and Into Whose Hands

The hard question is not simply how much wealth to transfer. It is how, when, and into whose hands.

Warren Buffett's line endures because it captures a very real tension, and families must make real decisions about actual numbers, structures, and timing, all under the unavoidable uncertainty of how their children, and even their grandchildren, will develop over time.

In our experience, the families who navigate this most successfully tend to start early, give meaningfully throughout life rather than only at death, favor flexibility over excessive control in the structures they put in place, and invest as much in preparing the next generation as in optimizing the transfer itself. The trust may be the container, but preparation is what ultimately determines what comes out of it.

As we fulfill our BUILT FOR YOU promise, we welcome conversations on this topic. If you would like to revisit your current plan through this lens, or begin the conversation for the first time, we would love to speak with you.

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