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Welcome to the first issue of the Peapack Private Planning Quarter in 2025! We explore four important topics starting with - **GenNext: A Guide for Parents**, which explains the GenNext age group and how their attitude about finances is different than other generations. The state of Delaware is at the cutting edge of trust innovation and their newest rollout is the **Delaware Beneficiary Well-Being Trust**, an approach bringing the trustee and beneficiary closer together. Clients often ask us how to handle **Overfunded 529 Plans** and the third article provides options for those in that situation. Lastly, we ask—**Who Should Be Your Power of Attorney?**—a critical question for clients in all stages of life.

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Navigating the Financial Future of GenNext: A Guide for Parents

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As parents, you naturally want the best for your children—emotionally, socially, and financially. For many, that means ensuring their children, part of GenNext (Millennials and Gen Z), are set up for a future of financial independence and stability. However, the financial path ahead for them is quite different from the one you traveled. The world they're stepping into presents new challenges, but also new opportunities. The good news? You don't have to navigate this path alone.

The role of financial planners—and parents—is essential in helping young adults manage the complex financial landscape they face. It's not just about investments or budgets; it's about equipping GenNext with the tools and knowledge they need to make informed financial decisions. If you're wondering how you can best help your children secure their financial futures, here are key points to consider, along with strategies that can make a real difference.

The Unique Financial Landscape for GenNext

Before diving into specific strategies, it's crucial to understand the financial landscape GenNext is navigating. Compared to previous generations, Millennials and Gen Z face more complex challenges:

Delayed Milestones

GenNext tends to delay traditional milestones like buying homes, getting married, or starting families. These delays are often driven by student debt, higher living costs, and an uncertain job market. As a result, their financial trajectory looks different from earlier generations, meaning traditional strategies may need adaptation.

Student Loan Debt

A significant number of GenNext individuals are burdened with student loan debt, a major obstacle to financial independence. Effectively managing this debt is essential for building wealth, saving for retirement, or making major purchases like homes.

The Gig Economy

The rise of the gig economy has created a new financial reality. Freelancers, independent contractors, and gig workers may lack the benefits of traditional employees, such as retirement plans and health insurance. This makes long-term financial planning even more critical.

Financial Literacy Gap

While GenNext is tech-savvy, financial literacy remains a significant challenge. Many young adults struggle with budgeting, saving, investing, and managing debt, which can hinder their ability to make informed decisions.

How You Can Support GenNext: Guiding Them Toward Financial Security

As parents, you're their best ally in this journey. Here's how you can help your children feel empowered and confident as they navigate their financial futures:

1. Start the Conversation Early—and Keep It Going

Talking about money can be awkward, but initiating these conversations early sets the foundation for good financial habits. Even if you don't have all the answers, showing a willingness to discuss money openly encourages them to seek advice:

- **Break down complex topics:** Start with basics like budgeting, saving, and investing. It's never too early to discuss money management, even in their teens or early twenties.
- **Share your own experiences:** Be open about your financial struggles and successes. Your honesty will create a safe space for them to share their challenges.

2. Be a Financial Cheerleader, Not Just a Coach

The financial journey can be a rollercoaster. Your child may face setbacks, but your encouragement can make all the difference:

- **Offer reassurance:** Let them know mistakes are part of the process, and financial stability is a journey. They don't need to have it all figured out right now.
- **Celebrate milestones:** Whether it's sticking to a budget or paying off a credit card, celebrate small victories. This boosts their confidence and keeps them motivated.

3. Encourage Smart Money Management

After years of managing your own finances, you've learned valuable lessons. Help your children develop habits that will serve them well:

- **Teach budgeting skills:** Show them how to track spending and stick to a budget. Tools like apps or simple spreadsheets can help them stay organized.
- **Debt management:** Help them manage student loans and credit card debt. Focus on paying down high-interest debt first and consider options like income-driven repayment plans. Remind them that debt doesn't define their future.
- **Build emergency savings:** Encourage them to start small with an emergency fund. Even modest savings offer security and motivate further saving.

4. Help Set Financial Goals—Short- and Long-Term

Goal setting is vital to any financial plan. Help your children create realistic, achievable goals, and break them down into manageable steps:

- **Short-term goals:** These might include saving for a vacation or paying off a credit card. Help them set clear, measurable targets.
- **Long-term goals:** While retirement may seem distant, early saving makes a big difference. Discuss compound interest and the importance of starting early.

5. Support Retirement Planning from the Start

Retirement may feel far off, but starting to save early is crucial. Encourage them to maximize any retirement plans offered by employers and explore other options like Roth IRAs:

- **Maximize employer matches:** If they have access to a 401(k), explain how employer matching works. This is essentially free money that can significantly grow their retirement savings.
- **IRAs:** If your child doesn't have an employer-sponsored plan, a traditional or Roth IRA is a great option, with tax-free growth in a Roth IRA especially beneficial for young investors.

6. Be Their Investment Guide (Without Overloading Them)

Investing doesn't have to be intimidating. Start with the basics and help them feel comfortable with the process without overwhelming them:

- **Start small:** Encourage them to begin with low-risk, diversified investments like index funds or ETFs. The goal is to develop a consistent investment habit.
- **Stay consistent:** Encourage them to contribute regularly to their investment accounts, even if it's a small amount. Over time, these contributions will compound and grow.

"With your support, GenNext can build a solid financial foundation. Together, we can help them tackle financial hurdles and celebrate small victories, guiding them towards a secure financial future."

Embracing the Financial Journey Together

Navigating the financial challenges of GenNext isn't easy, but with your support, they can build a solid financial foundation for the future. As parents and financial planners, we're here to help you guide your children in making informed financial decisions. You're not alone in this journey – together, we can help them tackle financial hurdles and celebrate small victories along the way. With patience, planning, and the right guidance, you can help them create a financially secure future.

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Delaware Beneficiary Well-Being Trust

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Delaware is known for enacting innovative trust legislation that incorporates various modern estate planning concepts into the world of trust investing and administration. These advanced trust laws have the attention of the trust industry and have attracted Delaware residents and non-residents alike.

To illustrate, Delaware was the first state to enact the Directed Trust Statute and over the years, Delaware has also statutorily recognized the creation of the Dynasty Trust, the Self-Created Asset Protection Trust, and have exempted Delaware Trusts from state income tax, assuming all the trust beneficiaries are not residents of Delaware.

The Enactment of the Delaware Beneficiary Well-Being Trust

Following the constant quest for trust modernization, Delaware recently enacted a statute recognizing the creation of the "Beneficiary Well-Being Trust," which is the first of its kind in this country.

The premise of this new legislation is to encourage the trustee to provide education to the beneficiary regarding wealth management and various financial issues to bolster the beneficiary's engagement in the trust and potentially to improve their well-being and over all mental health.

The provisions of the Delaware Beneficiary Well-Being Trust legislation shall apply to any trust that makes express reference to Delaware Code Title 12, Section 3345 and states that this statute shall apply to the trust.

Once applicable, the statute specifies that there are many well-being educational programs that the trustee can offer to the beneficiary that can help improve their financial knowledge and better prepare them to inherit wealth. These programs can cover various financial planning topics including: multi-generational estate and asset planning, assistance with navigating inter-generational asset transfers, developing wealth management and money skills, financial literacy and acumen, business fundamentals, entrepreneurship, knowledge of family business and philanthropy. These programs also can educate the beneficiaries on their family history, family values, and the importance of family mental health and well-being.

These well-being programs can be conducted as seminars, workshops, family meetings or short-term university programs. They can be held in either group or one-on-one meetings and can be led by the trustee, an affiliate or a third-party professional.

The trustee may provide these programs either in accordance with the provisions in the governing instrument or in such a manner as the trustee deems appropriate.

"The Delaware Beneficiary Well-Being Trust encourages the trustee to engage the beneficiary by way of education so as to improve and benefit their overall mental health and well-being."

Letter of Wishes

Another option is for the Grantor of the trust to create a "Letters of Wishes," which further explains the intent of creating the Beneficiary Well-Being Trust. In fact, Delaware recently enacted a statute the codifies the use of the "Letter of Wishes."

This separate document can specify that the grantor wishes that the trustee be personally engaged with the beneficiary, get to know them and maintain a close relationship with them. It can also provide guidance to the trustee on potential well-being programs and what the grantor intends to accomplish by creating this trust. It can be delivered to the trustee at the time the trust is created or sometime thereafter. In the end, "Letters of Wishes" are generally precatory in nature, meaning the trustee is not obligated to follow the content.

Improve General and Emotional Well-Being

It is important to remember, however, that the Beneficiary Well-Being Trust is not only to provide financial training and education to the beneficiary, but it can be designed to improve his or her general and emotional mental health as well.

To illustrate, studies have indicated that members of Gen Z (those between the ages of 13 and 28) have had significant mental health issues. As a generation, most faced the pandemic during their early or later school years, which significantly impacted their class and social times. Imagine the impact of not being able to attend class or the senior prom in person. This could have a lasting impact on someone's mental health.

As a result, according to a 2022 survey conducted by the Harmony Healthcare IT, 42% of Gen Z members have a diagnosed mental health condition and 53% have sought professional mental health services at some point during their lifetime.

Therefore, the potential well-being programs also could cover various emotional topics, such as: 1) strengthening social connections, 2) improving communication skills, 3) benefiting from exercise and proper nutrition, 4) using meditation to reduce stress and anxiety, 5) escaping loneliness and isolation, 6) selecting the appropriate college, 7) preparing for a job interview, and 8) how effective parenting can help raise productive children.

Furthermore, the Beneficiary Well-Being Trust should not exclusively apply to the affluent or the super affluent, but it may apply to those in all ranges of wealth.

Who can Conduct These Well-Being Programs

Interestingly, a trustee may hire themselves or their affiliates to conduct these well-being programs, if appropriate. If the trustee hires themselves, the statute provides that the trustee is entitled to full fiduciary compensation for acting as trustee in addition to receiving reasonable compensation for conducting these programs.

Furthermore, Section 3325 of Title 12 of the Delaware Code was recently amended to give the trustee the power to hire and to compensate a third-party professional to conduct these programs as well. In fact, the statute further provides that a trustee shall not be liable for selecting and compensating any provider, except for his or her own willful misconduct.

Summary

In sum, the goal of this new legislation is to encourage the trustee to engage personally with the beneficiaries and provide them with the motivation and inspiration they need to find their own path, to achieve their personal goals, and to enhance their well-being, so that in the end, they can lead a happy, healthy and productive life.

It will be interesting to see if other states choose to follow Delaware's recent initiative and enact similar legislation.

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Overfunded 529 Plans?

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You have done a great job saving for your child's education, but if you find yourself with a leftover balance in a 529 plan, what happens to those unused funds?

The 529 savings program has proven to be a powerful and increasingly popular tool for saving for college. According to the College Savings Plan Network, in 2024, over $508 billion was invested across $16.8 million open 529 accounts nationally, with the average size of each account increasing from $13,188 in 2009 to $30,295 in 2024.

The primary appeal of a 529 account is that it is a tax-advantaged investment vehicle, where parents and other relatives can contribute sizable sums to an account that is invested tax-free until funds are needed to pay for the child's education. Withdrawals from the account are tax-free when used for qualified education expenses.

Distributions taken from a 529 account for non-qualified education expenses are taxed and subject to a 10% penalty. In recent years, the definition of qualified education expenses has broadened and changes to federal law have provided more flexibility in using 529 funds. If you have funds left over, you have a few options:

- **Transfer the 529 Balance to Another Beneficiary:** There are no income tax consequences if the account is transferred to a "Member of the Beneficiary's Family." Family includes: brothers, sisters, parents, grandparents, aunts, uncles, cousins, nieces, nephews, children, descendants, and their spouses.

  However, there can be unintended consequences if you change the beneficiary from your child to your grandchild. Beneficiary changes that skip a generation, where the new beneficiary is one generation below the old beneficiary, will trigger a gift tax event for the original beneficiary. In other words, the beneficiary change would be treated as a taxable gift from your child to your grandchild.

- **Use The Funds for Additional Education or Training:** The funds can be used to pursue a different field of study, graduate school, vocational school, apprenticeships, community college, or continuing education (a degree is not necessary). Not all programs qualify for 529 spending. Ensure the program qualifies by checking the admissions office or accreditation databases of the Department of Education or the Department of Labor for qualified apprenticeships.

- **Take Advantage of All Qualified Education Expenses:** The purchase of a computer, peripheral equipment, computer software, or internet access are now considered Qualified Higher Education Expenses if they are used primarily by the beneficiary during any of the years they are enrolled at an eligible postsecondary school. 529 funds can also be used for required trade tools in a certified and registered apprenticeship program.

- **Use the Funds for Qualified Elementary and Secondary Education Expenses:** Up to $10,000 can be used for tuition at eligible schools. This benefit is guaranteed on the federal level but varies from state to state.

- **Take Advantage of Penalty Free Withdrawals:** Your original contributions to a 529 plan are never taxed, but non-qualified withdrawals are subject to tax and 10% penalty on earnings. However, there are exceptions to the penalty:

  - Scholarships and educational assistance: If the beneficiary received tax-free education assistance, such as a scholarship, veterans educational assistance, or employer-paid education assistance, the tax penalty will be waived up to the amount of the tax-free educational assistance. The IRS does not impose a deadline to withdraw funds, but state programs differ.
  - Military academy attendance: If the beneficiary attends a U.S. military academy, withdrawals up to the cost of attendance are penalty-free.
  - Disability or death: If the beneficiary becomes disabled or passes away, all withdrawals from the account are penalty-free, though you will still be subject to federal and state income taxes.

"Give your child a head-start on retirement savings. New rules allow rollovers from 529 plans to Roth IRAs with certain limitations."

- **Pay Off Student Loans:** Up to $10,000 can be directed towards federal or private student loan repayments for beneficiary or their sibling. Both principal and interest payments are considered qualified education expenses, however, the interest portion is not eligible for the student loan interest deduction. Note, some states may classify this as a non-qualified distribution.
- **Rollover Funds Into an ABLE Account:** ABLE (Achieving a Better Life Experience) accounts were established for people with disabilities and their families to save for disability-related expenses. Like traditional 529 accounts, earnings grow tax-free and can be withdrawn tax-free for eligible expenses. Families can use both these accounts strategically to meet educational and disability-related needs. Rollovers are limited to the ABLE annual contribution limit of $19,000 in 2025.
- **Convert the Unused Balance to a Roth IRA:** Give your child a head start on retirement savings. New rules allow rollovers from 529 plans to Roth IRAs with certain limitations, such as a $35,000 lifetime cap, the account being open for at least 15 years, the rollover to the beneficiary's Roth, not the account owner, and contributions subject to annual contribution limits ($7,000 in 2025).
- **Leave the Account Intact:** A 529 account could end up overfunded for a variety of reasons, but it does not expire. You could save the funds for your grandchildren or designate yourself as beneficiary to support a career change or to pursue new interests in retirement.

If none of these strategies work, the funds remain yours to use as you wish. While not ideal, you can simply withdraw the funds and pay the taxes and penalties on earnings. Original contributions are never taxed, and if the withdrawals are spread over a couple of years, the tax consequences might be less severe. You have several clever options to consider.

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Who Should Be Your Power of Attorney?

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A Power of Attorney is a powerful legal document that allows someone else to act on your behalf.

Why should you have a Power of Attorney (POA)? Convenience and comfort! A POA is helpful if you want to select a trusted person to act on your behalf when you cannot. In a simple transaction of buying or selling assets, a POA enables someone else to complete the transaction for you if you do not want to or are not able to appear in person. A critical reason to have a POA is to be prepared for a situation when you have a temporary or permanent illness or disability or are unable to sign documents. The situation may be temporary—travel, accident, or illness—or permanent.

Examples:

- **Short-term situations:** If you are overseas a POA could empower someone to handle financial affairs in your absence.
- **Future situations:** If you can't make financial decisions due to dementia, injury, or impairment affecting mental functions, a POA would be able to make these decisions for you.

The Power of Attorney appoints a substitute decision maker, called an agent or attorney-in-fact, to make decisions for you, the principal. The agent may be given broad or limited authority to make decisions about your finances or medical care. The agent in a POA does not need to be an attorney. In most cases, the agent is a trusted family member or friend. In creating the POA document, you select one or more persons who will act for you and define their authority and its limits.

"It is the agent's responsibility to follow your wishes to the best of their ability and to the extent of the powers defined in the document."

Two Types of Power of Attorney–Health Care and Financial:

- **Medical:** A durable health care POA, also called a health care proxy, empowers your agent to make health related decisions for you, if and when you have a medical condition that prevents you from making these decisions. It's important to select an agent that understands your wishes regarding medical treatment and potentially life-altering decisions.
- **Financial:** Allows an agent to manage your financial affairs – filing tax returns, managing investment accounts and property, if and when you are unable to understand or to make decisions. It is the agent's responsibility to follow your wishes to the best of their ability and to the extent of the powers defined in the document. The POA can be written to give the agent a range of powers including control of accounts, ability to sign checks, and make or change beneficiary designations. Note - POA gives the agent authority over your finances without regular oversight.
    - **Types of Financial POA:**
        - **General:** Permits the agent to act on your behalf in all matters allowed by state law. This could include managing bank and investment accounts, buying and selling property, and filing taxes. A general POA is revoked after a specific time frame – either when the principal becomes incapacitated or dies.
        - **Limited:** Permits your agent to act on your behalf in specific matters. It might define a narrow set of accounts or assets that the agent manages or a particular activity, such as closing the sale of your home. Additionally, it may be in effect for a defined time period. For example, it may be effective for one year if you will be overseas for a year.
        - **Durable:** In this case, the agent's power continues even, if and when you become mentally incapacitated or physically unable to manage your personal care, property, or finances. In this role, the DPOA can pay medical bills, but not make decisions related to your health.
        - **Springing:** Defines the conditions when a DPOA becomes active; specifically, the kind of event or level of incapacitation that must occur for the DPOA to spring into effect.
        - **Military:** Gives spouses and designed ones the authority to handle common tasks faced by service personnel living outside the US. A military POA might be used when a miliary spouse needs permission to buy, sell or rent property owned jointly or solely in the service member's name. Military legal assistance offices are available on most bases to help members prepare and sign the appropriate POA.

Your POA can remain dormant until a negative health event triggers it. The POA can terminate when you revoke the agreement or die, when a court invalidates it, or when the agent is no longer able to handle the responsibilities of the agreement. In most cases, a written notice of revocation to the person named to act for you is required to revoke the POA.

Responsibilities of Your Agent:

- Act in principal's best interest.
- Avoid conflicts of interest.
- Maintain accurate records.
- Provide regular reports.
- Follow the terms of the POA.
- Transfer responsibilities upon termination of the POA.

Who Should be Your Agent?:

- Many select a family member such as a spouse or one or more of their children as their agent. However, if more than one person is named to act as agent at the same time, it may be difficult for them to all be available and to agree when a decision needs to be made. Talk to them about their duties as POA and be certain they are willing and able to act.

Considerations for Your Agent:

- Do they have time to attend to the responsibilities of the job?
- Do they live nearby?
- Are they truly able to handle the job of paying attention to details, staying organized and completing the necessary tasks?
- Will they be able to handle the job emotionally if something happens to you?
- Will they take the position seriously?
- Are they trustworthy, willing to prioritize your best interests and follow your instructions?

Alternate Agents:

- You can designate one or more successor agents to step in if the primary agent becomes unavailable or is unable to handle the responsibilities.
- If there is no immediate family member appropriate for the role of POA, you may decide to name a trusted, objective relative or close friend who has an understating of your wishes, or a professional fiduciary, attorney or institution experienced in managing POA duties.
- Although a POA is accepted in all states, there may be slightly different rules and requirements from state to state. Because of the complexities of a POA, it is important to engage an estate planning attorney that is familiar with drafting such documents and the specifics of your state laws. Review and update your POA and other estate documents every few years to confirm that they still appropriately express your wishes.

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