R. J. Kelly, AEP, CAP, CEPA, ChFC, CLU, IAR, MSFS, RICP, WMCP
License: CA #0697059
Founder & Chief Visionary Officer
4540 Kearny Villa Road, Suite 114
San Diego, CA 92123
Email: rj@wealthlegacygroup.com
Office: (858) 569-0633
www.wealthlegacygroup.com

Wealth Legacy Group

Family Bank Setup Guide

Helping Families Transfer Wealth with Purpose

What Is a Family Bank?

A family bank is not a traditional financial institution. It's a private, values-based strategy most commonly used by high-net-worth families to provide structured support for heirs—typically through loans or grants tied to education, business, or legacy goals. Think of it as a way to preserve wealth *and* teach stewardship.

Why Set One Up?

- Encourage responsibility in future generations
- Minimize gifting-related conflict
- Support education, housing, and entrepreneurship
- Keep wealth circulating within the family
- Align financial decisions with family values

Step-by-Step Setup Process

Step 1: Clarify Your Goals

Ask yourself: What behaviors or outcomes do we want to support? (e.g., education, entrepreneurship, philanthropy)

Step 2: Choose a Structure

- **Trust (e.g., Dynasty Trust):** Best for long-term control and estate planning
- **LLC or Family Partnership:** Flexible, ideal for pooled funds and lending

Step 3: Define Eligibility and Use Cases

Set clear criteria for who can borrow and for what purposes (e.g., higher ed, first-time home purchase, mission-driven business)

Step 4: Draft a Family Charter or Constitution

This non-binding document outlines:

- The family bank's mission
- Decision-making process
- Expectations for repayment or loan forgiveness

Step 5: Create a Loan Policy

- Application process and requirements.
- Repayment terms (interest, timeline, conditions, e.g., a loan must be repaid before another can be applied for)
- Approval process (e.g., family committee, approval timeline, remediation or application improvement process in the event of loan denial).
- Consequences for default or situations for premature loan recall

Step 6: Fund the Bank

Decide how much capital to commit and from where:

- Gifting into a trust or LLC
- Life insurance payouts
- Family contributions

Step 7: Educate the Next Generation

Include heirs early—have them shadow meetings, review proposals, or sit on advisory boards. Make this a legacy of wisdom, not just wealth.

Best Practices - "Tips from the Top!"

- Treat it like a real bank: document everything
- Use a committee for transparency and to rein in nepotism
- Revisit policies annually, or at least every two years, including active loans, terms, qualifications, advisory structure, etc.
- Be transparent about purpose, expectations, and responsibilities
- Be consistent (through written policies, expectations, etc.) in the loan approval process

Avoid These Pitfalls

- Vague or undocumented loan terms
- Unequal treatment without clear reasoning
- Leaving out younger generations
- Failing to define goals upfront

Where Do You Want to Go From Here?

We've helped families like yours design and implement successful family bank strategies. Would you like to explore whether this is right for you?

Let's have a 20-minute complimentary consultation. Email us at staff@wealthlegacygroup.com or use the QR code below.

This guide is for educational purposes only and does not constitute legal or financial advice. Please consult with your advisor before implementing any strategy.