

1. Homeownership

“Homeownership is the chief way we build wealth in this country,” says Lynnette Khalfani-Cox, CEO of financial education company [The Money Coach](#) and author of [Zero Debt: The Ultimate Guide to Financial Freedom](#). “The average American who owns a home, they have a leg up in many ways.”

Not only do homeowners get [federal tax breaks](#) that are unavailable to renters, but owning a home gives you equity — and you can tap into that equity to start a business, ride out tough financial times or [help fund your children’s college education](#). “The lack of a house can be a serious financial drawback,” Khalfani-Cox explains.

Sokunbi agrees, noting that investing in real estate can be a way that wealth is passed down from one generation to the next. Anderson, however, cautions homeowners to be wary of treating their nest like a nest egg. “The challenge with a home is two-fold,” Anderson told us. The first challenge is ensuring that your home appreciates in value over time — which, if you remember the way the housing market crashed during the Great Recession, might not be entirely within your control.

The second challenge is ensuring you keep your home long enough to pass its value down to your children. “We’re all living a lot longer, and it’s rare that we’re still living in the house that we thought would be an asset at the end-of-life period.” Many people downsize to a smaller home before moving to a senior care center, assisted living center or nursing home — and the value of the home is often put towards the high costs of [end-of-life care](#).

2. Small-business ownership

home isn’t the only major asset you can leave your children. If you [run a small business](#), you have the ability to not only earn your own money and be your own boss, but also to pass the business along to your children as they get older — and give them the opportunity to continue growing the family’s wealth.

“If you look at millionaires in this country, the vast majority of them have made their wealth through property ownership and business ownership,” Khalfani-Cox explains. Your small business might not make you a millionaire, but it can still give you the opportunity to take control of your career and support your family — and who knows? Maybe your children will be the ones who take the family business to the million-dollar level.

If you're concerned about the risks involved in starting and building a business, keep in mind that there are also risks involved in working for someone else.

“Even though it may be difficult to launch and start an enterprise, it’s sometimes easier to create a business than it is to find a job,” says Khalfani-Cox, “especially for women, African-Americans and people who might feel like they’ve hit a certain ceiling.” Starting a small business could change your family’s life — not only right now, but also generations from now.

3. Investments

Sokunbi, Khalfani-Cox and Anderson all spoke to the importance of investing — and the ability to turn your long-term investments into generational wealth. You don’t need to be Warren Buffett to pass along stock market returns, either. If you have a 401(k), you have money that could eventually become part of your children’s inheritance.

“Designate beneficiaries on any assets you might already have, no matter how small,” Sokunbi says, “For example, workplace retirement investment accounts.” This is one more reason why you should always [sign up for your employer’s retirement plan](#) — and always take advantage of any matched funds that your employer offers.

4. Education

“Knowledge in itself is wealth,” explains Sokunbi, “because once you know what something means and how it works, you are able to take the actions necessary to implement your knowledge.” Helping your children with their homework when they’re young, for example, can turn into helping them apply for scholarships when they’re ready to go to college.

You can also pass along skills that can make your children’s lives easier and more affordable, such as the ability to cook, plan meals in advance and [grocery shop on a budget](#). If you have a [side hustle](#) or small business, teach your children how you earn income — because they might be able to use what they learn to start their own businesses in the future.

Make sure they understand not only the tools of the trade, but also the skills involved in bookkeeping, marketing and client management.

5. Values

Many parents want to [pass certain family values down to their children](#), like kindness, generosity or compassion. If you're thinking about building generational wealth, you should consider passing down financial values as well. "Children observe your behaviors and actions," Sokunbi explains. "Simply seeing the action of you budgeting, paying down debt and saving can be incredibly impactful to their financial decision-making in the future."

Anderson agrees. "Train your children [to save](#), and they will be wealthy relative to their needs."

You can start by setting up the classic three-compartment piggy bank: one compartment for spending, one for saving and one for giving. From there, Anderson suggests asking yourself the following questions: "What would be the coolest values for my kids to have when they are older? What values would set them up for success?"

Maybe you want to teach your kids the importance of hard work. Maybe you want to teach them the value of being their own boss. Maybe you want to teach them about [financial independence](#) and the ability to live a life that isn't dependent on a job. Choose your values carefully, because they'll become part of your children's inheritance.

6. Life insurance

"Life insurance is one of the easiest, no-brainer ways to help pass along wealth to the next generation," Khalfani-Cox told us — and we agree. An affordable [term life insurance policy](#) can help protect your family from unnecessary financial strain, and the value of your life insurance policy can become part of your children's inheritance.

Why is an affordable life insurance policy, and estate planning in general, one of the key components of generational wealth? Because it allows you to set aside funds for your beneficiaries without having to save the money yourself.

"It might take you 20 years to save \$250,000 or \$500,000," Khalfani-Cox says. "You could just as easily buy a term life insurance policy, and that policy would have a face amount of coverage of \$250,000 or \$500,000. If something happened to you, [your beneficiaries](#) would get that payout."

Plus, a good life insurance plan can help reduce the racial wealth gap. “Life insurance is one of the very easy ways in which Black people especially can start to build wealth,” Khalfani-Cox explains.

7. Annual gifts

You don’t need to wait until your death to pass along generational wealth to your children. If you have the money to spare, giving it to your children while you’re still alive can help them buy their first home, pay off debt and set them up for a strong financial future.

That said, it’s a good idea to hold off making annual gifts to your children until you’ve saved enough money for your own retirement and end-of-life needs. “You’re either on track to a comfortable retirement or you’re not,” Anderson says. “If you are, start annual giving.” Read the IRS’s rules about [giving and gift taxes](#) to ensure you aren’t getting yourself into a tax pickle — in 2023, for example, [parents can give children](#) up to \$17,000 each before gift taxes kick in.

8. Philanthropy

There’s one more way of passing along generational wealth — and that’s by [giving it to organizations](#) that are designed to support, promote and educate the next generation. Making philanthropic contributions, whether as a bequest, an endowment or a recurring monthly donation, is an excellent way of ensuring that your money goes towards a good cause.

People without children often wonder what to do with their assets both during their life and after their death. Philanthropy can help you use your accumulated wealth to help others — whether you’re making a charitable gift in addition to the gifts you’re passing along to family members, or whether you’re [designating a charity](#) or organization to be your primary inheritor.