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The Inheritance Conversation. Ugh.

Telling heirs how much they will inherit is one of the trickiest issues a parent faces.

By VERONICA DAGHER

For many parents, it is easier to talk to their children about sex than money. And there are few touchier subjects for wealthy families than the topic of inheritance.

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Telling heirs how much they stand to inherit can be a subject fraught with emotional land mines for parents, some of whom may feel guilty about having money and don't want to ruin their children's work ethic or give them a sense of entitlement. Some also simply would prefer to keep the matter private.

But waiting too long to discuss the issue, or avoiding the conversation altogether, is a bad idea, financial advisers say. It can cause confusion, mistrust and leave heirs unprepared to manage the family's wealth.

So, how should you approach that dreaded topic? Here are some ideas from advisers:

Do It Gradually

Family dynamics, values, the amount of wealth to be distributed and the maturity level of heirs can vary dramatically from family to family, so advisers typically don't have hard and fast rules for parents about when and how much to tell heirs about an inheritance.



Robert Neubecker

In general, however, building up to full disclosure is usually much more effective than dropping the news too soon, too suddenly or hiding wealth-transfer plans until a death occurs.

Todd Morgan, senior managing director at Bel Air Investment Advisors in Los Angeles, says he once had clients "tell all" to their 14-year-old son, who seemed overwhelmed and powerless to comprehend the news about his multimillion-dollar inheritance.

"In the end he was more burdened by it," says Mr.

Morgan.

One way to set the stage for full disclosure is to develop a family mission statement to clarify the family's values regarding money and hold regular family meetings to communicate them. Sharing stories about how the family's wealth was created is a good way to remind the younger generation that the money they will one day inherit didn't come out of thin air, says Victor Preisser, founding director of the Institute for Preparing Heirs in Pasadena, Calif.

Inherit the Wealth

Here's a general checklist that Nathan Dungan of Share Save Spend uses to help families and heirs prepare for inheritance:

- ✔ **IDENTIFY** family money values (parents first, then include kids)
- ✔ **SET** three short- and long-term money goals, by category: Share Save Spend
- ✔ **INSTITUTE** values-based allowance to teach kids how to manage financial responsibilities and opportunities
- ✔ **SECURE** part-time job and link earnings to Share Save Spend goals (mid-teens and older)
- ✔ **CREATE** annual budget that links to values and goals; track monthly to assess progress (teens and older)
- ✔ **DEMONSTRATE** proper use and management of credit, including tracking and managing credit score and credit report
- ✔ **IF HEIRS ARE MARRIED**, convene annual summit with spouse to discuss and review money goals, short- and long-term
- ✔ **HELP** heirs build financial confidence and competence through one-to-one coaching and other learning opportunities (virtual and in-person)
- ✔ **ENGAGE** a financial planner to provide counsel and guidance for various financial issues: cash management, investing, philanthropy, insurance needs
- ✔ **WORK** with an estate-planning attorney to discuss and complete wills, trusts, health-care directive, executor and guardianship decisions, etc.
- ✔ **WORK** with a CPA to understand how your personal money decisions/planning will impact your overall tax obligation
- ✔ **PARTICIPATE** in family meetings/learning events
- ✔ **PARTICIPATE** in family philanthropy projects

Source: Nathan Dungan/Share Save Spend

The Wall Street Journal

Of course, not all questions will occur in the context of a formal meeting.

When a child comes home from school and says "Mommy, my friends at school say we're rich. Are we?" is when the process of telling children about money, gratitude and responsibility starts, says Kristen Armstrong, senior wealth dynamics coach at Ascent Private Capital Management of U.S. Bank, a unit of [U.S. Bancorp](#).

This is a great time to begin telling heirs "We are wealthy, yes, in terms of having the blessing of a good bit of money; but we are even richer in terms of who we are as a family," she says

Are Your Kids Ready to Know?

Advisers say that before revealing too much information, parents should assess where their children stand in terms of their level of financial responsibility, resilience, ability to think in an adult way and adjust to

a potential windfall.

To help clients determine that, Richard Del Monte, the founder of wealth-management firm Del Monte Group in Alamo, Calif., hands his clients' heirs a blank check and tells them to imagine it's some large amount of money, somewhat close to what they might actually inherit. He asks them to describe how they would spend it if they received it today.

The answers, he says, expose where children are at the moment in terms of maturity and give parents and advisers a clue about what direction to take when mentoring and teaching them about wealth and related responsibilities. "I can't tell you how many times I hear answers like, 'I would buy a Ferrari, or an airplane,' " he says.

Around age 10, parents might let children know they have modest custodial accounts in their names, show them the statements and get them involved with the investment decision-making process, says Thomas Henske, partner at Lenox Advisors Inc. in New York.

Adult children in their 20s are usually ready for more information about an inheritance. If a young adult is thinking of buying a home, for example, it might be helpful to let them know there is a trust in their name to assist with the purchase, Mr. Henske says.

Mr. Del Monte, the California adviser, uses mentorship programs to help prepare his clients' heirs to take over an estate. A mentorship might involve creating a "family bank" where heirs in their teens or 20s, depending on maturity level, have to work together to manage a small pool of money. As they progress in their knowledge and responsibility, the family gradually reveals more about the family's wealth. Ideally, this mentoring continues through the transition of the estate and forward to future generations of the family, he says.

Beware of Undermining Their Work Ethic

Telling the kids how much they stand to inherit without ruining their work ethic can be tricky, advisers say.

"You want them to know that there's money if they'd like to be entrepreneurial, but you don't want them to feel like they don't have to work," says Mr. Henske.

One family Ms. Armstrong worked with let heirs know ahead of time that although the family real-estate holdings would one day be theirs, the proceeds from the sale of their business would go to charity. This helped the young and middle-age adults in the multigenerational family know that their own careers and education would continue to be important, she says.

It's also a good idea for parents to emphasize that wealth is subject to change, so heirs should always have a career to fall back on.

"Make it clear they shouldn't bank on receiving the assets," says Rocco Carriero, a private wealth adviser with Ameriprise Financial Services in Southampton, N.Y.

Ms. Dagher is a columnist for Wealth Management at WSJ.com. Email her at veronica.dagher@dowjones.com.

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