

Keeping The Peace Among Your Heirs

A couple of years ago, AARP released a study that found that one in five people receiving an inheritance battled over it with other family members. The worst fighters were baby boomers age 50 to 53, with a third of them reporting squabbles. It doesn't have to be that way. We, at Dorset Financial Services Corporation, feel that anyone passing on an inheritance should follow a few sensible ideas.

Plan. Don't just leave everything to your heirs in a pile and let them sort it out. That's how fights start, and it won't endear you to their memory. Organize your financial records to make it easier for your heirs to sort out your estate. Put an estate plan in place, with an up-to-date will, trusts (if necessary), life insurance, probate-avoidance mechanisms, and other strategies. This not only can minimize the estate-tax bite, it will also ensure that your estate goes to those whom you want to receive it. For example, you might want to use a trust to ensure that part of your estate goes to your children from a previous marriage.

Don't be secretive. Probably nothing breeds more animos-

ity—not only among heirs, but between heirs and their benefactor—than keeping an estate plan secret. After you've drawn up a plan, consider talking it over with your heirs. Explain to them why you've made certain decisions. Listen to their feedback. You may want to make adjustments before executing the documents.

This can be a good time to talk about who gets or wants certain heirlooms or memorabilia. One of the biggest battles among heirs is over these items, according to the AARP survey. Write these decisions out in a letter of instruction that accompanies the will, explaining who should receive particular items.

Be equitable, not equal.

Splitting up your estate evenly often is the worst thing to do, especially if it involves undividable property such as a family business, the family farm or the family's second home. It's better to be equitable or fair, but not equal.

Take a family business, for example. It's hard enough to keep a family business going into a second generation without the added burden of splitting it equally among multiple heirs.

Some of them may not want to be involved in the business, may not be qualified to run it or will battle each other for control. Usually it's better to designate one heir to succeed as owner (preferably someone you've groomed) and compensate the other heirs with insurance proceeds, other liquid assets such as noncompany stock, or even with nonvoting stock in the business itself.

Even if easily divided financial assets such as stock make up the estate, a parent may want to pass on the estate unequally. Perhaps a child is disabled and will need lifetime care, or one child is already wealthy while the other is working hard but in a lower-paying job. Perhaps one child spent a lot of time caring for an ill parent and deserves extra. Explaining what you intend to do and your rationale in these situations will likely make it easier for all to accept.

Don't disinherit. It's not uncommon for parents and children to feud to the point that a parent cuts a child out of an inheritance. Or they may worry that the adult child won't be able to handle an inheritance due to a drug or drinking prob

lem, or a wasteful habit with money. Such concerns often can be overcome with the use of trusts stipulating at what age the child receives the money, or under what conditions, such as graduating from college. Simply cutting them out of a will can provoke ill feelings not only toward you but toward those who inherited.

Understand the psychology of inheritance. As strange as it may sound, not everyone is

comfortable receiving an inheritance, especially a large one. Heirs not well prepared for an inheritance may experience a sense of guilt because they didn't "earn" the money or are anxious about how to manage the inheritance. That can cause tension among multiple heirs. Again, discussing the inheritance in advance will help. Linking them up with professional advice also can help ease their discomfort. We, at Dorset Financial Services

Corporation, would welcome a telephone call to aid in this effort. Perhaps you could leave a note with your will suggesting such a call, or, if you are revising your will, incorporate such a suggestion in the text of the document. Your aim—and our aim—is “a just and lasting peace.”

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