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The whys and hows
of estate discussions
with your family

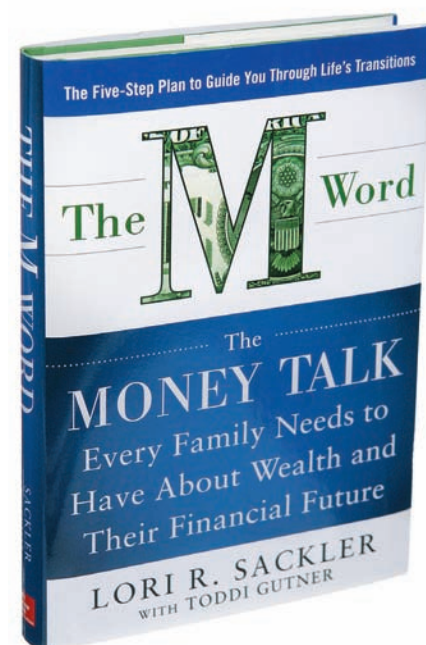
LORI R. SACKLER

"How can we tell our kids about our estate plans without creating a family drama?" That's the question I'm most often asked when I tell people I've written a book about money, family and communications. It's no wonder: More than \$15 trillion will be transferred to the next generation between 2007 and 2026 and more than \$59 trillion between 2007 and 2061; and there is a 70 percent failure rate worldwide when transferring family wealth from one generation to another.

Many of these failures occur because families do not do enough to prepare their heirs. It is as if they are giving a 16-year-old the keys to a car without ever giving him a driving lesson. Imagine that teenager on the road, behind the wheel of an incredibly powerful machine. Being unprepared to inherit money will not kill someone directly. But in the absence of adequate learning and experience, it can certainly wreak immense emotional, mental, and financial destruction.

One of the most common conflicts I see among family members arises when they are probating an estate that hasn't been previously discussed. Whether or not the children all get exactly the same inheritance, knowing what is written in the will in advance eliminates some anxiety from an already stressful situation. If you add unequal inheritances among the kids, however justified or anticipated, to a first-time revealing of the will, you will unleash a tsunami of emotions. This can largely be avoided through successful conversations in advance.

In my opinion, and in my experience, it is best to treat your children equally in your will. If you want to treat them differently when they are alive, that is a different story. Of course, if one of your children is incapacitated in some way or has special needs, such as autism, that means that he will not be able to care for himself, more financial assistance can be provided through either a special needs trust, an insurance policy, or a larger portion of the estate. If this is the case, I recommend that everyone in the family know about it beforehand, so that there are no surprises. If the parents explain to all the kids in advance why one offspring will be given a larger share, and if the will says, "I love you just as much, but this is what we felt we had to do as parents," it is possible that "bad feelings" and a will contest will not result. If hard



issues are discussed in advance and children are prepared, family finances and relationships can remain unscathed during and after the estate transfer.

Whom and what you will tell should be guided in part by your family values and in part by each child's individual ability to handle the information. In many families, there is one child who has special issues involving money. This could be the result of bad habits, or maybe a physical, mental, or emotional challenge. If this is the case, you might need to have a separate conversation and create a special arrangement that will work for that person and her special circumstances.

However, in general, I think a balanced approach to sharing information about the family wealth and any special arrangements for members is the best option. You will still need to take into account each child's individual readiness and maturity. Obviously, the content and nature of the talk will change over time as the kids mature and demonstrate responsible behavior, and as the parents age and feel the need to share more information. However, whenever you approach the process, it is best to keep it simple.

One idea to help with the communication is to have your attorney draft a simple summary that can be understood by a nonprofessional and distribute it to your heirs. Then, hold a family meeting to review the summary and answer any questions. Of course, family dynamics can interfere with this type of meeting. Some families may be concerned about protecting assets because they are worried about a potential divorce, or they may not trust their in-laws to use the information wisely. In general, however, it is best to at least tell all family

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members where the important financial documents are located, what to expect in the will, and what roles the heirs might play in the future, well in advance of any wealth transfer taking place.

Don't forget to account for personal property. One of the most contentious aspects of settling an estate is the distribution of mom's diamond engagement ring, dad's collection of abstract expressionist artwork, or great-grandma's gold-plated china. And this is just as true for personal property that has little more than sentimental value.

I recommend my clients have a meeting with their children to specifically discuss personal property. Give each child a chance to talk about his favorite items and come to a resolution on how everything is going to be divided in advance. Not only does this allow family members to share stories and talk openly about items that may have sentimental value, but it also encourages a healthy dialogue and cooperative spirit regarding estate matters. This will prove to be extremely valuable down the road.

Don't overlook the potential advantages of having a trusted and competent adviser – accountant, attorney, financial advisor or other wise family counsel

– present to help run these meetings and make sure that there is an atmosphere of tolerance, patience and impartiality. You are ultimately responsible for creating healthy family intergenerational patterns and ensuring successful money transfers.

Excerpted by permission from “The M Word: The Money Talk every Family Needs to have about Wealth and their Financial Future,” published in 2013 by McGraw Hill. The book offers families strategies for discussing the taboo topic of money and approaching it without anxiety. Ms. Sackler's five-step action plan helps families tackle issues that accompany life's financial transitions, creates a process for keeping finances intact, and facilitates why communicating about money is critical.

Ms. Sackler, a Tenafly resident, is a senior vice president, senior investment management consultant with Morgan Stanley Wealth Management in Paramus and can be reached at (201) 967-6267. She is also the creator and host of “The M Word: Money, Family and Communication,” airing on WOR 710 AM in New York, a radio show on which she and her distinguished guests discuss money issues.

Morgan Stanley investor poll measures New Jersey ‘pulse’

Parallel with a rising stock market in 2013, Tri-State region investors are optimistic about their portfolios for 2014, according to a nationwide poll conducted for Morgan Stanley Wealth Management. The survey, known as the Investor Pulse Poll, pointed to a number of key points on which our region differs from the rest of the country.



Lori R. Sackler

For instance, one of the respondents' biggest concerns was stock market volatility.

How prescient! The poll was conducted in the fourth quarter of 2013 and, based upon the volatility of the past several weeks, indicated that clearly the investors had a good feel for what we have experienced.

Were the investors prescient, as well, when it comes to picking specific investments for 2014? Of course, no poll can be relied upon as a predictor of the stock market. And, as always, history is no guarantee

of future performance.

Nevertheless, it is interesting that some industries with a significant presence in the New York Metro area were mostly out-of-favor by investors both nationally and regionally. Not favored by Tri-State and national investors for 2014 were aerospace (just 25 percent said it was a “good” choice for 2014), insurance, (30

percent “good”) and tourism (31 percent “good”).

The area sectors most favorably cited were technology (79 percent “good”), energy (77 percent “good”), bio-technology (63 percent “good”) and pharmaceuticals (56 percent “good”). Unlike the national results, those surveyed in the Tri-State area viewed healthcare among the favored sectors for 2014 (55 percent “good” in Tri-State vs. 45 percent “good” nationally).

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