

Preparing adult children for inheritances is vital for wealth management

Written by Australian Business

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Despite the economic roller coaster ride the U.S. economy has endured over the past number of years, ours is a wealthy nation. As family members pass on to their great reward, each year future generations stand to inherit more than \$1 trillion from parents, grandparents or other relatives.

Unfortunately, as wealth transfers from one generation to the next, more than two-thirds of the recipients quickly lose their inheritances through ineffective estate planning, mismanagement of assets or poor investment choices. Additionally, a high number of lifelong family squabbles start once siblings or other joint heirs receive their inheritances.

Many parents concern themselves with the amount of assets and money they will transfer to their children. However, financial advisors stress that parents should be more concerned with effect the money and assets will have on their loved ones. Too often, children are ill prepared to manage large inheritances and, as mourning siblings struggle to deal with issues of probate and distribution of personal belongings, asset management issues may be overwhelming.

Preparing children for inheritances

Successfully transferring wealth to your children can require a great deal of planning. Not only are will, trusts and other estate planning documents necessary, parents may wish to prepare their children by taking the following steps:-Talk about the future: Include your children in your estate planning discussions. Many conflicts can be avoided if adult siblings know what to expect after you are no longer there to explain the rationale for your distribution decisions. If there is a lot of money or assets involved, they will also have the opportunity to prepare mentally and physically to take charge of their inheritances.

-Model financial responsibility: Show how you manage your wealth and assets so your children have an example they can follow. If they do not have any insight into your investment or planning tactics, they may have no idea why you were successful.

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-Provide educational opportunities: Steer your adult children to learning opportunities such as financial management classes or seminars, as appropriate. You may wish to introduce them to your own financial and legal advisors so they have the opportunity to establish relationships with them before they must work together after your death.

-Show them the ropes: Money is not often a topic of open discussion in families. However, it can be vitally important to show your heirs or explain to them how you got to where you are today. Include them, as practical, in your thought processes so when the time comes, they will know how to invest wisely and manage the money and assets you worked hard to acquire.

A lawyer can help

While it is important to keep your family in the loop regarding your estate planning wishes, it is also vital that your end-of-life documents are in order. If you do not have an estate plan, or have not recently reviewed or updated your plan, consult an experienced estate planning attorney. A lawyer knowledgeable about probate, estate administration and tax planning can guide you and your family through this often difficult process.