

July 19, 2022: Leaving Unequal Inheritances to Your Kids: Fair or Poison?

My post 3 weeks ago on “sibling warfare” generated a hot reaction and a request for me to dive deeper into that topic. I’ll start that today by addressing a controversial topic that often leads to sibling warfare: leaving unequal inheritances to your kids. This topic was the subject of a February 19, 2021 *New York Times* article by Susan B. Garland titled “The Unequal Inheritance: It Can Work, or It Can ‘Destroy Relationships.’” I have confronted this issue many times in my 44 years as an estate planning lawyer, as **clients struggle with the question of “equal vs. fair.”** Do I leave my estate equally to my kids, or do a do an unequal division because that would be more fair?



Marvin Blum’s son Adam with Charlie Munger, Vice Chairman of Berkshire-Hathaway. In response to Marvin’s question, Munger cautions that unequal inheritances are “poison.” Proceed with caution in order to build a lasting family legacy.

In considering the pros and cons, be aware that this is a bombastic decision. True, equal isn’t always “equitable,” but Garland cautions that “unequal inheritances can trigger sibling fighting after a parent dies. Some feuds end up in court.” Perhaps that’s why, in spite of the many reasons to go unequal, most opt to go with equal. A survey of bequest intentions reported that **93% plan to divide their estate equally among their children**, regardless of the children’s financial circumstances. (Source: “Love and Legacy: Are Children’s Affections Related to Parents’ Bequest Intentions?” by Matthew Sommer and HanNa Lim, *Journal of Financial Service Professionals*, Jan. 2022.)

Even with the overwhelming majority opting for equal inheritances, many parents still wrestle with this decision. Here are **10 reasons parents may leave assets unequally**.

1. One child may be struggling financially, while others are well-off.
2. One child provided care to an elderly or ailing parent.
3. One child has kids and the other doesn’t.
4. One child has a disability.
5. One child is responsible financially and the other is a spendthrift.
6. The parents paid for one child’s expensive education or gave them a house.
7. The parents bailed out a financially irresponsible child over the years.
8. It’s a blended family where the relationship with stepchildren vs. biological children isn’t equally strong.

9. Parents leave kids different types of assets, such as a brokerage account to one (that increases in value) and a house to another (that declines).
10. You love your grandchildren equally and set aside a portion of the estate to go per capita to grandkids, even if one child has 2 kids and the other has 4.

In the final analysis, if you're going to leave assets unequally, family counselors urge making an effort to get buy-in from all the kids. Garland quotes Arline Kardasis of Elder Decisions: "To head off sibling strife, parents should explain their decision to each child individually or as a group, or even seek mediation." As do many others, I'm always eager for a dose of wisdom from Warren Buffett and his Vice Chairman Charlie Munger. My family and I attend the Berkshire-Hathaway annual meeting each year, and when I asked Buffett and Munger to share their views on inheritances, Buffett concurred with the notion of going for buy-in: "There may be circumstances where one child has much more of an interest in one type of an asset or another, and you want to make sure your definition of equality in terms of handling different kinds of assets meshes or at least is understood by the children so they don't think that you gave a farm or a house or something of that sort that resulted in inequality when you thought it was equality." On the other hand, Buffett's 98-year-old sidekick Munger was more circumspect. Sharing the concern of many who steer away from unequal inheritance, Munger (a man known for his directness and brevity) said simply: **"If you're going to treat them unequally, that is poison."** (Click on this [link](#) for an article sharing my reactions to the 2022 Berkshire-Hathaway Annual Meeting.

Garland sums up the risk: "No matter what the parents' reasoning may be for leaving unequal bequests, experts advise that they understand how such a decision can hurt the people they care about most." She quotes Harry Margolis, an estate lawyer in Boston: "Inheritances are often seen as a proxy for love. It's hard to give unequal amounts and not have a child feel that Mom loved me less or more. Even an investment banker who doesn't need the money has feelings." Bottom line: If you're going down the unequal path, **proceed with caution. You may be laying the groundwork for sibling warfare.**

Marvin E. Blum

July 26, 2022: Sibling Warfare: Reader Reactions

My Sibling Warfare post on June 28th, together with last week's post on unequal inheritances, have really struck a nerve. Not surprisingly, **many families are struggling with sibling conflict**. The feedback I've received has been so informative that I'll share some highlights with you.

The five stories of family feuds in my June 28 post created quite a stir. WealthManagement.com picked up the article and published an edited version [here](#) entitled "Five Famous Families Undermined by Sibling Conflict."

Those five examples illustrate what can happen when sibling rivalry grows into fighting of epic proportions. Although those five families are all mega wealthy, I'm reminded that **family infighting is not limited to the ultra-rich**. In the feedback, I learned stories of sibling strife in families of moderate means that are equally toxic.

Several stories involved **leaving the family home to only one of the kids**, for reasons that appeared fair to the parents, yet the news was not well-received by the other kids. Part of the distress was related to financial disparity of the inheritances but much more was due to hurt feelings. In these stories, the prevailing view was for the parents to do their best to explain their reasons, and even if there's no buy-in from all the children, at least there were no surprises when the Will was read.

Other stories I received **involve family businesses left unequally to the kids**. Again, the parents had valid reasons for the unequal division, such as leaving more to those active in the business and attempting to make up the difference by leaving other assets to those not active in the business. In one extreme case, the entire business (considered the family's premier asset) went to one kid and real estate (of much lower value) to the other kid. The one getting the real estate felt slighted, but watch what happened. Fast forward years later and the business was bankrupt while the real estate soared in value.

One mother shared with me an ongoing internal debate over her plan to leave the estate equally to her four children in an effort to preserve family harmony but was **concerned about one child being of much lesser means**. The mother held a heart-to-heart family meeting to explain her intentions and seek a moral commitment from the children to be there for each other and use the inheritance to support a sibling, if ever needed.



Two of Marvin Blum's five grandkids, sweet siblings Lucy Blum (age 3) and Grey Blum (age 1). The Blum family mission is to keep this loving sibling connection going strong throughout their lives and keep pouring down the love to future generations.

Yet another story involved two siblings, one very responsible and the other terribly irresponsible. Their parents left both halves of the inheritance to identical restrictive trusts in an effort to protect the irresponsible one. The result was that **the responsible sibling felt punished for their sibling's irresponsibility.**

These are all heart-wrenching, real-life examples reminding us there are no perfect answers. As an advisor stressed to me, an estate plan should not be set in stone, as adjustments may be necessary as life unfolds. Estate planning is an art, not a science. **Estate planning advisors have a unique perspective and can offer valuable guidance in helping parents address these thorny issues.**

In next week's post, I'll share some of the valuable insights I received on this topic from life insurance, financial, life coach, and trust advisors. Stay tuned.

Marvin E. Blum

August 2, 2022: Unequal Inheritances: Tips from Experts



Tribute to sisterhood: the first post-pandemic reunion of Marvin Blum's wife Laurie and her three sisters. Even during the separation, the four sisters stayed closely connected on Zoom and by phone, fulfilling their parents' mission for the family to always remain close. (Left to right: David and Linda Usdan, Peggy and William Adler, Laurie and Marvin Blum, and Diane and Barry Wilen.)

In last week's post, I shared a few samples of the high-octane reaction to the topic of **sibling strife over unequal inheritances**. I brought home the point that such warfare is not exclusive to the mega-rich. Last week's real-life stories came from families of all levels of wealth.

In today's post, I want to offer **tips I received from other advisors**. Like me, they're in the trenches learning the "do's" and "don'ts" from seeing inheritances in action, the ones that worked and the that went awry.

From a life insurance advisor:

I wish families could see how dangerous it is to family harmony to try and split things like businesses and land among three and four kids. Obviously, I am biased to the insurance industry as a solution but the creation of cash at death for the purpose of estate division can be a huge key to maintaining the relationships in the family. If people truly realized its power, they would be actively pursuing getting as much life insurance coverage as they can.

From a family counselor/life coach:

Having a third-party mentoring the children to prepare them for what is in their future is a great remedy and it reduces the risk of relational issues. It doesn't eliminate the risk, but it does reduce it.

From a trust officer:

I am in favor of equal division to avoid family conflict. Another problem we see is pot trusts (a trust for multiple beneficiaries where distributions are made to the individual beneficiaries as needed, and there's no score-keeping)—nobody is happy if one sibling has more needs than others. It is better to have an estate split into equal separate trusts, with the irresponsible sibling having a corporate trustee and the other siblings serving as their own trustee. That way the siblings understand that each of the siblings received the same amount from the parents' estates and that everyone's shares are in trust.

From another trust officer:

Seriously consider naming a corporate trustee, if for no other purpose than to administer the estate before the split and each child can take over their own trust at that point. Naming a corporate trustee to serve for the first few years only can often diminish the tendency of the heirs to go after each other. This is especially effective if the corporate trustee is brought into the conversation with the adult children and it is understood that getting through the estate tax filing, any probate, and the initial winding up of the decedent's dealings is not only not fun, but it can be exhausting and beyond the capability of heirs. And, by the time each heir hires their own lawyer to represent them as fiduciary (in that scenario no one generally believes their interests are truly aligned, someone always believes the other heir is somehow going to try to take advantage of the situation), it quickly becomes obvious that the corporate fiduciary appointed to just get through the administrative phase of the estate is well worth the cost.

Once the estate distributes to the resulting trusts, the heir can become the sole trustee at that point and can do what they want. They can move the assets from the corporate trustee, or if the corporate trustee has done its job well, retain the relationship as a value-added partner.

Experience has shown me how ugly it can get when mom and dad swore in our conference room "our children definitely get along well, they won't have any problems." What is always underestimated is the influence of the siblings' spouses as well.

From a financial advisor:

Thanks for another important article. I'm observing over time that more and more of my work and of the value that my practice offers to families has to do with developing thoughtful ways to increase family communication and understanding of the hopes and wishes of the parents, as well as their kids. Of course, this then interconnects with every other aspect of the family enterprise from business management to family governance to estate planning to portfolio management.

I couldn't have said it better myself.

A final tip from me: When parents are debating leaving an unequal inheritance to their kids, I often advise them to consider making unequal distributions to the kids while the parents are alive, without keeping score. However, when it comes to the Will, leave the estate in equal shares. A Will is a permanent document, and having a reminder of inequality out there forever can continue to sting. If kids aren't equally capable of managing the assets, leave the assets in equal trusts for each child, and carefully select the appropriate trustee to manage each of the trusts. That way, ownership is equal, even if management is not.

There is no "right" or "wrong" answer; no "one size fits all." The key is to engage in a thoughtful process, seeking guidance from estate planning advisors who bring experience, wisdom, objectivity, "head," and "heart" to the table. Every family wrestles with its own dynamics. Address the issues; don't sweep them under the rug. I urge you to **consult with experts who are here to help your family build a lasting and meaningful legacy.**

Marvin E. Blum

April 23, 2024: Fair vs. Equal: Be Ultra-Careful with Unequal Inheritances

One of the thorniest issues in estate planning is the **age-old question of fair vs. equal**. Should you always split an inheritance equally among your kids, or are there situations where an unequal division may actually be more fair? I've covered this topic numerous times before in prior posts, but it always merits reconsideration.

I referred to the work of Family Consultant Jeff Savlov a couple of weeks ago in a post about procrastination. I return to Jeff's expertise today for the excellent way he addressed this dicey topic in his March 2024 article "[Fairness, Once Again.](#)" Like all estate counselors, Jeff recognizes that **what may appear unfair may actually be fair once you know the whole context**. As Relational Consultant Byron Gossett writes in his book *Expand the Frame*, you have to look at the big picture before you pass judgment, expanding out from the narrow frame where things may appear to be unfair. Savlov cleverly shows two boys, one with a big piece of cake and the other with a little piece. He then offers three scenarios to explain why this may actually be fair after all. "Fairness is not always a 50/50 split of the assets under consideration."

Savlov goes on to give a personal example where their older son has a job with great health insurance while the other son is a personal trainer with no health insurance. Savlov and his wife added the younger son to their policy and agreed to pay for his coverage. Aware this could ruffle feathers with their older son, they did the smart thing. They engaged in open communication with their sons, receiving a seal of approval. **But when it comes to dividing an inheritance unequally at death, proceed with caution.** As Savlov illustrates, parents of a prominent surgeon considered leaving more to the less successful child who didn't put in the hard work it took for the surgeon to succeed. As I've witnessed in my own practice, "The surgeon child, in this example, may not *need* the parents' assets, but often feels unfairly treated or even less loved." There isn't an obvious right or wrong here, but I recommend Savlov's approach **to have open communication and avoid surprises** when it comes time to read the Will.

Here's a recent case involving the **billionaire family of Hubert Neumann** that carries the consequences of an unequal inheritance to the extreme. Kelly Crow tells the horror story of the Neumann family in her *Wall Street Journal* article of Feb. 3, 2024. When their mother Dolores died, the three Neumann daughters discovered a "bombshell." Dolores left her



Unequal inheritances may be "fair," but they are also highly risky. Be careful to avoid a family feud like the one that erupted in the Neumann family when daughter Melissa (pictured here with father Hubert) received far less from her mother's Will than sister Belinda.

mega-millions of dollars' worth of art (including one painting that was "the crown jewel" of the estate) entirely to daughter Belinda. Daughter Melissa (who was independently wealthy) was devastated to learn that her share of the estate was capped at \$1 million, which she'd forfeit if she contested the Will. "We're sisters,' Melissa remembers Belinda saying, reaching over to squeeze her arm. 'We'll get through this.'" Easy for Belinda to feel that way, but suffice to say, they didn't get through it. **Things got really ugly after the hurt of that unequal bequest.**

Their father Hubert was equally shocked by the unequal division and sided with Melissa. "But in the eight years since his wife's Will was read, his family has descended into a feud with **at least 18 lawsuits** exchanged among them.... [Belinda] tried to oust her father as manager of their family's estimated \$1 billion art trust." It gets worse. Belinda and her father Hubert were sharing a residence when Hubert went to court and got an order to evict her. Belinda's husband showed up and claimed Hubert "just shoved me into a set of doors," leading to Hubert's arrest. Hubert was led out of his own residence in handcuffs and "slept on the cement floor of Manhattan's 23rd Precinct."

Melissa and Hubert filed a Will contest, but the court upheld Dolores' Will. Melissa and Hubert have filed an appeal. In another action, the court denied Belinda's effort to remove her father as managing trustee. "Melissa mostly goes to art shows alone now, or occasionally with her father. She hasn't spoken to Belinda in years." What's perhaps worse is that the family's dirty laundry is on display now for the entire world to see. **All hope for passing down a meaningful legacy to the next generation is destroyed.**

I'll repeat: unequal inheritances are fraught with risk. If you're going down that path, proceed with caution!

Marvin E. Blum
