



# WHISTLE STOP REPORT

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## Preparing Heirs for Their Inheritance

Inheriting money comes with plenty of benefits. From being less worried about paying for life's necessities to enjoying the luxuries affluence can bring, inheritors often find that many of life's key stumbling blocks are no longer in their paths.

That said, an inheritance doesn't automatically mean a worry-free life of ease. Inheriting wealth can actually create unique challenges and conflicts. A windfall can be the root of significant problems for your heirs—and therefore for you too.

Consider some of the inheritance-related issues that often crop up among the Super Rich—those people with a net worth of \$500 million or more—and how they tend to address them. Their strategies can potentially inform your own action plan.

### Transferring wealth

In our experience, we find that many wealth creators want to pass some of the results of their hard work and commitment to their children and other loved ones. Doing so involves a number of considerations:

1. **Financial matters.** The aim here is to be tax-efficient in transferring the wealth. For instance, there are different tax strategies that can be employed to mitigate intergenerational loss of family wealth.
2. **Ensuring heirs will be smart about the money.** A major concern of Super Rich wealth creators is that inheritors will misuse the wealth they are given. They believe that being given control over a large amount of money and being able to make wise decisions do not always align.

But it's not just the wealth creators who are concerned about the ability of heirs to manage their inheritances—it's often also the heirs. It can be easy for inheritors to mismanage their fortunes, and we find that many inheritors recognize that. That means heirs need to be well prepared for the day when they receive their inheritances.

### Money's impact today

A good starting point for understanding how inheriting wealth might affect heirs' lives is seeing how the money is impacting them *today*.

Heirs should consider their answers to questions such as:

- Is wealth a source of terrific possibilities, a source of horrific problems or some combination of the two?
- How is money affecting your life?
- Is wealth the cause of serious relationship problems? If so, what and with whom are they?
- To what extent do you define yourself by your family money? What would happen if the money vanished?

In addition, parents should assess the ability of their children to manage their inheritances. If the children are not up to the job, what steps need to be taken to ensure they are capable and will not waste their inheritances?

# INVESTOR EDUCATION IS A MUST

Chances are, there will be a range among heirs in terms of their ability to intelligently and prudently handle significant wealth. That means different heirs will probably need different approaches to wealth education in order to best handle their inheritances.

Not surprisingly, there are many different ideas about how best to teach heirs to manage money. For example, some professionals strive to educate heirs on the intricacies of wealth management. However, we find that most inheritors are not interested in these types of details.

An approach we find much more effective across all types of inheritors is to focus on how to be responsible for their wealth. This means giving them a good understanding of the bigger picture. By knowing what they want to achieve financially and being attuned to what is going on with their money, they can make more informed decisions.

One important aspect of being responsible for their wealth is giving heirs the ability to effectively select and work with professionals such as lawyers, accountants and wealth managers. Part of that means empowering heirs to know how to avoid the “pretenders”—professionals who may want to do a good job for their clients but lack the requisite skills. Pretenders can be detrimental to heirs’ financial well-being.

More problematic—especially if heirs receive significant sums—is the possibility of being exploited by predators, grifters and the like. Significant wealth is a magnet for all manner of financial predators, so having the skills to identify such people before they do harm is really a necessity for most inheritors.

Even if the assets are in trust, heirs are best served if they understand how the trusts have been set up and what they’re designed to accomplish. That way, heirs can better ensure that what is going on in the trust is what is *supposed* to be happening.

Increasingly, wealthy families are making concerted efforts to teach future inheritors how to evaluate and oversee the work of the professionals they will rely on.

Additionally, there may be a need to discuss issues of money and self-esteem—as new wealth can produce feelings of anxiety and even worthlessness among some inheritors. Delving into ideas that help separate people’s wealth from their overall sense of self can help foster a more comfortable relationship between an inheritor and his or her inheritance.

## Monon Wealth Management

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## Lessons for all of us

Of course, you don’t have to be anywhere near the Super Rich level of affluence to benefit from getting your heirs ready to receive an inheritance from you someday.

The key is to get going well before the day comes when assets are transferred. Encourage heirs to think about their views, values and attitudes toward money and wealth—and how those might change if their bottom line suddenly had additional zeros. In particular, help them understand some financial basics and smart ways to size up any professionals they may encounter down the road.

Armed with self-awareness and a strong foundation of financial knowledge, your heirs potentially can get the most from their inheritance.