



THINKING BEYOND...™

Family Wealth Counseling Concepts, Inc.

Preparing Your Heirs for Their Inheritance

One of the greatest struggles that wealthy parents seem to have is, "How can we effectively pass our wealth on to our heirs without ruining them?" The fact is that an ill-planned inheritance can actually ruin the very ones you love the most. This parental concern is not new to our day either. It has troubled the wealthy for thousands of years. King Solomon (circa 700 BC), a man whose wealth is legendary, struggled with this very issue. He expressed his concern over this frustrating dilemma when he confessed:

"Thus I hated all the fruit of my labor for which I had labored under the sun, for I must leave it to the man who will come after me. And who knows whether he will be a wise man or a fool? Yet he will have control over all the fruit of my labor for which I have labored by acting wisely under the sun. This too is vanity."
(Ecclesiastes 2:17-19)

Is there a way to effect the outcome of whether our children will be **wise** or **fools** with their inheritance? The answer is, "Definitely, yes!" But, just like in all other areas of Family Wealth Planning, the best planning is done while you are still alive.

Consider the exposure unplanned wealth can create for an heir. All of a sudden your heirs are wealthy. How can they know whether people are genuinely interested in them or merely interested in enjoying the benefits of their wealth? Remember, the wealthy will always have many "friends." Your heir may eventually

begin to question, "Do you love *me* or my money?" This uncertainty can be very destructive to a person's self-image.

Also, they risk becoming obsessed with self-consumption. Their whole world can begin to revolve around their individual wants, turning them into the well-known and little-regarded "spoiled, rich kid." And, the younger an heir is when they receive their unearned inheritance, the greater the chance of this outcome.

Further, they risk losing the important connection between work and reward. They have been rewarded for doing nothing except being born and surviving the older generations. Not exactly a major accomplishment.

So, how can you pass this wealth onto your heirs without making them insecure, lazy and/or spoiled rotten? **You teach them about philanthropy!**

Why not immediately establish a Family Foundation and fund it with a certain sum of money and charge these future heirs of your estate with the task of distributing these funds to worthy charitable causes? (If you focus your philanthropic efforts in third world countries, it is incredible how much can be done with such little money.)

"What will this teach them?" you might ask. What they will learn from this experience, especially if repeated frequently during your remaining lifetime, is significant. Can you imagine what it would feel like for your heirs to know that they have, for example, built an orphanage in Guatemala that will continuously

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feed and house 20 orphan children? (\$5,000 to build it and \$10,000 to feed them for the next five years ought to cover it.) Knowing that they have made a difference in 20 desperately needy children's lives will be profoundly fulfilling for your heirs. Even though they didn't use any of their own money, they still, amazingly, gain all the emotional and psychological benefits of this philanthropic project just as if they had put the money up themselves. They say, "Look what we did!" Not, "Look what Mom and Dad or Grandma and Grandpa did!"

You have helped improve their self-image; you have directed their focus away from selfishness; and you have enabled them to do a meaningful work. What a powerful combination of benefits for such a small investment.

If you live long enough and repeat this often enough for this kind of philanthropic activity to actually become a way of life for your heirs, it is unlikely that once they finally receive their inheritance they will fall into the normal problems created by inherited wealth.

Recently, in separate meetings with two very well-to-do clients, I asked this question, "What is the most meaningful charitable gift you have ever made?" The first shared that it is the \$240 that they annually give to sponsor a child in Africa. The other couple said it was the \$500 they send each year to the

Salvation Army orphanage in Mexico near where they frequently vacation. Both of these clients have seven digit incomes and eight digit net worths, yet they both admitted that these relatively insignificant, annual gifts were providing them with considerable personal satisfaction.

How can giving so little be so meaningful? It is just a simple fact, "What comes back to you in charitable giving is always disproportionate to the size of the gift you make." And it is always disproportionate regardless of whether you are giving away \$240 or \$2.4 million. If this is true for wealthy parents, it is also true of the children and grandchildren of wealthy parents.

Philanthropy builds character, develops a positive self-image and provides a real sense of accomplishment in those who participate in it. So, consider beginning a significant philanthropic program now and include all the heirs in your family. It will not only be a fantastic, growing experience for both you and your heirs, it can also become a wonderful activity that will draw your family together in a way that no other family activity can. You have nothing to lose with this *Family Wealth Planning* strategy except your concern over how successfully your heirs will handle their inheritance when it comes.

