How to Prepare Heirs to Handle a Family Inheritance

New approach calls on the older generation to share their experiences and values with heirs

PHOTO: GETTY IMAGES

By
STEVEN ABERNATHY & BRIAN LUSTER
April 12, 2015 11:02 p.m. ET

http://www.wsj.com/articles/how-to-prepare-heirs-to-handle-a-family-inheritance-1428894124

When wealth is passed down through generations in a family, the long-term prognosis generally isn't very good. Research shows that in most families, 70% of inherited wealth is lost by the second generation and 90% by the third.
A new approach to wealth preservation called heritage design aims to fix that. It focuses on helping families communicate better about their values and traditions, and how they want an inheritance to be managed.

Rather than using an attorney-drafted document to communicate a grantor's wishes, heritage design relies on a set of pre-inheritance experiences shared over a lifetime between older and younger generations.

I like to compare it to fishing. Say your grandfather is an excellent fisherman and he wants his heirs to be great at it, too. He could have his attorney write up a set of instructions. Or, if he really wants his heirs to learn how to fish, he could take them on a fishing trip to Montana every year for 40 years.

At our firm, we start by interviewing grantors in great depth, encouraging them to share the stories that reveal how they became the people they are. The end result is a heritage statement, a succinct distillation of the family's stories, values and traditions that provides a rich context for how the grantor wants the inheritance to be managed. This can take the form of a website, video or book.

From there, we set up an initial inheritance day, the first meeting of all of the intended heirs. After that, the family ideally will gather at least once a year to reinforce the family's values and traditions and teach younger generations how to handle the wealth they stand to inherit.
Many people spend their whole lives accumulating wealth. But unless they take the time to prepare their beneficiaries to inherit it, much of that effort ultimately could go to waste.

Steven Abernathy counsels affluent families on multi-generational wealth management strategies. This includes: asset protection, wealth management, estate and tax planning, and Heritage Planning. He can be reached at: sabernathy@abbygroup.com or 888-422-2947.

Email: reports@wsj.com.