

Should Estate Plans Be Equal ... Or Fair?

When you're creating your estate plan, your biggest priority may be taking care of your family — your spouse, grown children, grandchildren, and other loved ones. And as you think of where you want your assets to go, you also may be thinking about how to be fair — but is that the same as treating everyone equally?

In estate planning, “equal” doesn't always mean “fair.” Let's consider some factors that can help explain the difference:

- *Need* – It's highly unlikely that the individuals you want to include in your estate plan — especially your adult children — have the same family and financial situations. For example, you could have one child who is extremely successful and has no children of their own, while another child earns much less income and supports three children. Clearly, your two adult children have vastly different financial needs — so, you need to consider whether you want to treat them equally or fairly. If you decide you want to treat them fairly, you may want to divide your assets in a way that provides more help to the child who needs it most.

- *Abilities* – You may well have some assets that you believe are more suitable for one child over another. This can be especially true if you are planning on passing on a family business. If you know that one child is the most capable of running the business or has been primarily involved in the business, then you may want to give that child control as a next-generation owner. Yet, this may not seem fair to another child, who might also express interest in the business, so you may want to look for ways to provide this child with enough assets to help make the overall inheritance more equal.

- *Practicality* – In some instances, you might think you can meet both the “fair” and “equal” criteria. Suppose, for instance, that you have a cabin or other vacation home that you think two of your children could share. In theory, this joint ownership

might sound good, but in practical terms, it could cause problems. Are both children equally willing and capable of paying taxes and upkeep on the cabin or vacation home? What if one child wants to sell their share? And then, there's the question of who gets to use the property at various times of the year. All these issues should be resolvable, but they can also cause great stress within the family.

There's no simple formula for solving the fair-versus-equal dilemma. But keep this in mind: Communicating your wishes to your loved ones while you are drawing up your estate plan can help reduce confusion — and hopefully lead to fewer hard feelings — when you are no longer around. By their nature, fairness and equality issues related to estate plans can trigger a range of emotions, and addressing these feelings beforehand can help provide a great service for your loved ones.

You might also find that some objectivity can be valuable. That's why, when creating your estate plan, you may benefit by working with a team of professionals, including your legal, financial and tax advisors.

When developing your estate plan, you might well strive for equality and fairness but above all, you want to get things *right*. And careful planning, open communication and appropriate guidance can help go a long way toward this goal.

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