Talk to Your Family About Wealth Transfer

Are you anticipating an inheritance someday? If so, you may want to discuss it with your parents or other family members who may be leaving you the assets — because early, open communication will benefit everyone involved.

However, many people are reluctant to have these conversations. More than a third of Americans do not plan on discussing a transfer of wealth with their families, according to a recent study by Edward Jones in partnership with NEXT 360 Partners and Morning Consult. And the same study found that only about a quarter of Americans have actually discussed generational wealth transfer with their families.

Perhaps this low level of communication is not surprising — clearly, talking about wealth transfer and estate plans can be emotional. But having these discussions is important, for several reasons:

• *Strengthening family bonds* – Generational wealth transfer shouldn't be seen simply as a transactional event. By discussing your parents' plans and wishes, and your own expectations, you can build a sense of unity and shared purpose. And you can develop a common philosophy about how your family's legacy goals will be carried forward through the succeeding generations.

• *Avoiding unpleasant surprises* – If you or other family members are expecting a certain inheritance and things turn out differently, disappointment and bad feelings may occur. But this can be avoided by having a discussion beforehand that clearly outlines your parents' intentions. You still may not agree with them, but at least you'll know what to expect — and you won't make the mistake of acting in advance on any assumptions about what you'll inherit.

• *Developing appropriate strategies* – Passing on wealth to a new generation as part of an overall estate plan can be more complex than you might think. Are your parents using tax-smart strategies? Would they benefit from establishing a living trust? Are the beneficiary designations on their retirement accounts and life insurance policies accurate and up to date? If you suspect your parents may not have properly addressed these issues, you may want to bring up the benefits of working with an estate-planning attorney and a tax advisor.

• *Protecting against incapacita-tion* – Many people go through their senior years with few, if any, physical or mental impairments. But there are no guarantees. If one or both of your parents were to become incapacitated and unable to handle their financial affairs, it could cause serious problems with their wealth transfer and estate-planning goals. But if you can discuss your parents' plans with them while they are healthy and alert, you can encourage them to take the proper steps, such as reviewing outdated estate-planning documents and designating you or another family member as power of attorney to make health care and financial decisions on their behalf should they become incapacitated.

While the benefits of having wealth-transfer and estate-planning discussions are clear, starting the conversations can be tricky. You need to show that you want to initiate these talks because you're concerned that proper plans need to be in place and understood by everyone involved. If you have a good relationship with your parents, you should be able to start these conversations, but you'll still need to be sensitive when bringing up the subject.

One final word: Estate plans can take some time to develop — so, the sooner you have these discussions, the better.

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5 – June 24, 2024
547 words