



The Murkiest Part of Estate Planning is Talking

Specific questions to help frame your thinking as you talk to your heirs

The murkiest part of estate planning is to discuss when and how to distribute your assets to your heirs. This process requires a series of considerations and trade-offs to avoid emotion-laden family problems.

For many, focusing on the numbers are objective and straightforward. But when it comes to this final set of issues, things get gray because emotional factors drive decisions now. There is no correct answer on how to distribute your estate.

Use this list of questions to help frame your thinking:

1. How much would you like to give to charity, and how much to your family?
2. Will you divide your assets equally among your heirs, or on some other basis; for example, on the basis of need or good behavior? What behavior do you want to reward?
3. What form does your estate take, cash, securities or other assets, given outright or in trust? Can your heirs handle the responsibility of managing their own finances, or will they need help? If you use a trust, what are the provisions? How long does the trust last? And who is the trustee?

4. Will you make current gifts, or bequests? Are your assets of a size that moving them out of your taxable estate, during your lifetime, will reduce your ultimate estate and gift tax bill? Do you enjoy seeing the effects of your gifts during your lifetime?
5. How will you handle gifts of tangibles (art, jewelry or furniture)? Are there items of particular sentimental value to particular heirs? Are there items that your heirs might find particularly burdensome to use or dispose of?
6. How and when will you communicate your plans to your heirs? Are there any legally required or advised disclosures? What kinds of communications will best support your family relationships?

It's Up to You

As you work through these decisions, remember that your assets are yours, and you are free to dispose of them as you see fit. While you can control what and how you give, you cannot control the reactions of the recipients, how they treat the assets, or how they treat each other.

Gifts equally to heirs, for example, may seem fair – or it may cause the richer heirs to feel guilty, and the poorer ones to feel resentful. All you can do is to try to lay the groundwork for healthy family relationships.

Finally, as with most aspects of the estate-planning process, the decision on when and what to communicate to heirs involves trade-offs that depend on individual personal circumstances.

For some heirs, knowledge of a future inheritance may act as a disincentive to provide for themselves, or create expectations that may conflict with your final decisions. In other cases, heirs who are responsible and mature can and should be brought into the process early on.

Making decisions about the disposition of your assets can be an emotionally fraught and time-consuming process. Take small steps and seek expert guidance to realize your plans for the financial care of your families.