Avoiding the Curse of Anticipated Wealth

Talking to Your Children About Their Inheritance

By Robert Prior

Mark Twain's father died when Twain was eleven. He was not a wealthy man, but he had managed to accumulate approximately 100,000 acres of real estate in rural Tennessee (at a cost of approximately $11,000 in today's dollars). He died telling his survivors to hang on to the property until the time was right. If they would only be patient, they would be rich. "Whatever befalls me, my heirs are secure," John Clemens said. "I shall not live to see those acres turn to silver and gold but my children will."

Twain and his siblings spent much of their life waiting for the property to sell and for the gravy train to come rolling in. It never did. Taxes, debt and title disputes finally led to the property being lost or sold at no real gain to the children.

Later in life, Twain reflected that if they had not anticipated the great wealth that would be theirs one day, he and his siblings would have lived happier and more productive lives. He wrote about this tantalizing prospect of great wealth in his autobiography. "We were always going to be rich—next year," Twain recalled. "It's good to begin life poor; it is good to begin life rich—these are wholesome, but to begin it poor and prospectively rich! The man who has not experienced it cannot imagine the curse of it!"

Twain's "curse" highlights one of the issues regarding inheritance and children. Parents often want to leave a legacy to their children, but they don't know how to communicate with their children about that inheritance. Often, an adult child's first understanding of what they will inherit comes after their parents are deceased and their share of the estate is thrust upon them, sometimes with no instructions on how to manage the assets or what their parent's desires were.

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Most parents are uncomfortable speaking with their children about their wealth. There are multiple reasons for this reluctance. Some are simply unable to face their own mortality. Talking about death is too uncomfortable a topic, and they choose to ignore it altogether. Of course, this "head in the sand" approach ignores the inevitable. We are all going to die. Rather than avoiding the topic altogether, a much better alternative is to acknowledge it and give your children some tools to cope with it when the time comes.

Wealthy parents are often concerned that letting their children know how much they will inherit may take away any motivation for the children to be productive citizens. They understandably want their children to learn how to live in the world and to be successful in their own right. But those who inherit a substantial amount without any guidance or training will often be unprepared for what to do with that wealth. Getting the children involved with the family's financial advisors and estate planning professionals leaves them equipped to manage the wealth when the time comes.

Parents with more modest estates may be concerned that all of their savings will be needed for retirement, medical expenses, and end-of-life expenses. They don't want their children to anticipate any inheritance at all. But not discussing this possibility with them while the parents are alive and well can leave the children hurt and confused when the parents are gone. Isn't a child who knows she is loved and has no expectation of a financial windfall much better than a child who is disappointed and left to wonder why her parents never forewarned her?

Avoid the "curse." Discussing money and wealth with your children is an important part of estate planning. Emphasize to them that money and material things aren't as important as your values, the opportunities money can provide, and what you want the children to accomplish with it. Most parents want their children to think about others, and many want to encourage entrepreneurship. Others may want the inheritance a child receives to be a "safety net" to be there for emergencies or as a legacy to leave to their own children. Regardless of the parents' goals, communicating with the children is likely to be a bonding, positive experience.

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