

The “Daily Plan-It™”

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Parenting and Estate Planning Part Two: When the Kids are Grown-up

Many parents don't worry about estate planning for their adult children. But they do agonize over their gifts to them, and how to fairly distribute their assets. Fissures sometimes open up in relationships between parents and children. Some parents use estate planning to repair these breaks. Here's what to discuss with your clients about estate planning for grown-up offspring:

Tips for dealing with adult children

Decide what you want to accomplish through estate planning before you designate the distribution of your wealth. Do your children get along? If they don't, your death won't bring them peace. An often unarticulated, desire of parents is that their children are friendly with each other after they pass away. If that's important to you, take into account the consequences of your plan.

If your children don't get along, naming one child as your successor—your trustee and/or executor—and omitting the others without an explanation may fan the flames of discord. On the other hand, naming all your children as co-trustees may be unworkable. Another way to sow the seeds of discord is to name one child as trustee of a sibling's trust. Would you really want your brother running your financial life? Sometimes, it makes sense to name a disinterested third party as trustee. This way, if there's any animosity, it can be directed to the third party person rather than each other.

Your money is *your* money

Some parents think they owe their kids an inheritance. Regardless of your parenting philosophy, you need to plan—and budget—so that you can maintain control over your financial assets and independence for as long as possible. Don't impoverish yourself for your children. If you can't afford to give the kids an advance on their inheritance, don't.

Be careful how you distribute your assets to your children if you don't divide your assets equally. One child may be in a lower-paying profession, while another financially successful. It may seem reasonable to leave more to the child with less money, but the more successful child may feel that she's being punished for her success. Similarly, if you have a child

who has no children, and you gift your grandchildren, she may feel penalized unless you communicate.

Revenge planning doesn't work

Sometimes, a parent is so disenchanted with a child that he may disinherit him. If dad tries to “show” the child what he thinks of him, the child may harbor a lifetime resentment of dad. Is this what you want?

Talk to your kids about your estate plan. Although you need not give the details, it's worthwhile to summarize what you're doing. If you're naming one child as trustee, be sure to ask that child's permission. Similarly, if you're not naming other children as co-trustees or executors, you owe them an explanation. If you're leaving assets in trust to your children rather than outright, tell them why. This way, a child will not feel sandbagged upon your death, when the most important person to explain your actions—you—is no longer available. Try and clear the air before your passing so that unnecessary hurt feelings don't result after the already painful grief of your death itself.

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Hoopes & Adams welcomes the addition of S. Eric Wilbanks to our estate and business planning practice. We greatly appreciate working with you, our allied professional advisor. We will ensure the trust you place in us when making a referral is well earned and reflects well on you. Our first priority is to make sure the confidence your clients place in you is enhanced when they work with us. We look forward to a great 2007 with you, our friends and colleagues. Allow us to be your resource for your estate and business planning issues and questions. Please contact Ron Adams or Eric Wilbanks at (480) 345-8845 or by email at radams@halaw.com or ewilbanks@halaw.com. We look forward to working with you.

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