

WHAT NOT TO DO WHEN INHERITING WEALTH

Inheriting wealth is not all that it's cracked up to be.

Okay, that doesn't necessarily mean you should turn it down—though some heirs do just that. But inheriting wealth, particularly life-changing sums of wealth, can spark financial and emotional reactions and problems you may never have thought about or are prepared for.

What are some of the sources of potential difficulties? And how do you address them?

Grief. Inherited money, while sometimes gifted while the benefactor is alive, usually comes at a deep personal cost—the death of a loved one such as a parent, a close relative or a dear friend. This personal pain often clouds one's financial and emotional judgment. For example, some inheritors deny their inheritance as a way of denying the person's death. One financial planner worked with a client who inherited \$10 million but didn't touch it for 20 years, living instead on a teacher's salary.

Guilt. Experts who work with inherited wealth say this a powerful and far more common emotion among heirs than people realize, and is often a cause for either doing nothing with the inheritance or even disclaiming it. For one thing, heirs ask themselves, what did I do to earn this money other than be a lottery winner in the gene pool? They also may consider the source of the money as “dirty”—made by exploiting workers or the environment, for example.

Anger. The obvious anger can arise when someone doesn't receive as much as they thought they would or that they thought they deserved. They may feel there is an unequal or inequitable distribution among multiple heirs, including siblings. Heirs sometimes measure the benefactor's love by the size of the inheritance. Ironically, some heirs get angry because they received more than they thought they would, thus questioning why they had to live a financially “deprived” life all these years.

Inadequacy. Wealth is often created by talented, resourceful, dynamic people. An heir may feel inadequate or unworthy of the inheritance because he or she doesn't possess the benefactor's talents.

Financially immobilized. People who are not financially competent—commonly people who inherit at a young age or have never learned good money management practices—may be simply paralyzed by what to do with all this money. The deceased, for example, may have handled all the family finances, and the surviving spouse doesn't know what to do. So they do nothing. Or they do the opposite—spend it immediately and recklessly, resulting later in regret or financial hardship.

Conflict with spouse. Spouses can disagree over what to do with the inheritance, especially if they have conflicting money personalities. The heir may feel it is “his” or “her” money and not want share it with THEIR spouse; or the nonheir may feel inadequate because their partner has brought disproportionate wealth into the household.

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Many of these challenges can be minimized or even eliminated if the benefactor does long-range planning before death. This may involve setting up trusts to control inheritances, gifting some money while still alive, and explaining to heirs why and what they might expect to receive.

But what if you inherit money without adequate preparation from the benefactor?

First, just as you would if you'd won a lottery, take a deep breath and don't do anything for a while (say six months). Put the cash in a money market account, don't sell off inherited stock right away unless there's a serious risk it will lose significant value, keep the business or farm running. Take time to make sound decisions.

Make a spending list. Let your mind roam freely at first. You'll probably soon realize how quickly your list eats up the inheritance. At that point, begin to pare the list down to realistic priorities.

Think about what you can do with this money that matches your own values. Perhaps you want to donate a portion of it or put some toward college for your children. If you consider it "dirty" money, consider using it to a "clean" end by donating it to a charitable cause instead of merely disclaiming it.

Seek professional advice. A qualified financial advisor can help you make not only sound investment decisions (heirs are frequently targets for investment schemes and scams), but more importantly, can help you wrestle with these emotional and financial issues you face.

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