Franklin Karibjanian & Law PLLC BULLETIN 02.29.2024

WELL-BEING & INHERITANCE

Developing the intersection of well-being science and trust & estate planning

INHERITANCE PLANNING SUPPORTING FINANCIAL EFFICACY

What is the difference between estate planning supporting a beneficiary financially and estate planning supporting a beneficiary's financial well-being? The difference is not a minor detail when it comes to inheritance planning. Each interpretation will yield a different approach to when, how and how much to give to your children.

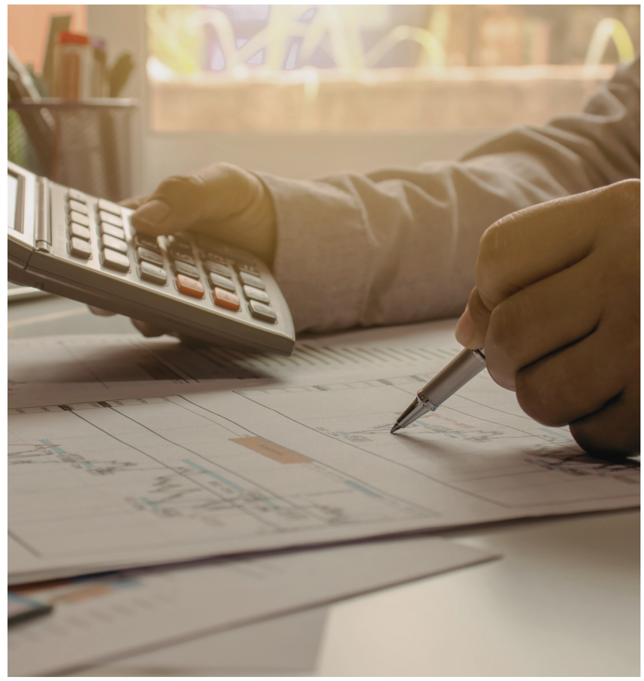
FINANCIAL WELL-BEING

Often, financial well-being is confused with wealth, an objective figure.[1] However, financial well-being is independent of wealth as it includes the individual's perception- "the perception of being able to sustain current and anticipated living standards and financial freedom."[2] People may experience high or low financial well-being regardless of their level of financial wealth based on their experience of these two components:

-**Living standards**: a combination of desired wealth and services considered essential to living.[3] Maintaining a desired standard of living is closely related to financial behaviors and goals.

-**Financial freedom**: not feeling forced or stressed about making choices regarding basic needs. Making decisions without worrying about financial constrains helps improve people's perception of their financial well-being.[4]

Based on the above, financial well-being is a multidimensional state of being both subjective and objective in nature.[5] It is relevant for mental health, life satisfaction, social relations, and overall well-being.[6]



DETERMINANTS OF FINANCIAL WELL-BEING[18]

PERSONAL AND PSYCHOLOGICAL FACTORS include financial behavior (past and present), financial knowledge and skills, personality traits of self-determination, self-efficacy, and life events (divorce, birth of child, etc.).

SOCIOECONOMIC FACTORS include age, income, gender, and education.

CONTEXTUAL FACTORS include economic landscape, consumer protection, legal and political stability, financial market development and accessibility among others.

CHALLENGES TO BUILDING FINANCIAL WELL-BEING

Not only the subjective nature of desired living standards and the sense of financial freedom, but also financial well-being poses a dichotomy for

for individuals' behavior: enjoy the desired life today versus saving for the future. Learning to balance this equation is at the core of parents' concerns regarding their children and inheritance.

Income and education are two relevant socioeconomic factors in building financial well-being: [7]

> The higher the income, the lower the stress about the current financial situation and the higher the perception of meeting future goals.

> Higher education increases the stress about the current situation but also the perception of security about the future.

Two psychological factors that have an impact on financial well-being are:

Self-Control – "the ability to break bad habits, resist temptations and overcome first impulses-"[8] has a positive impact on financial behavior as well as financial well-being.

> People with good self-control are more likely to save money, have better financial behavior and feel less anxious about their financial situation.

They also pose challenges to being restricted in their freedom to act. Individuals with high self-control want to set their own goals and, if needed, impose their own restrictions.[9]

Future Time Perspective is the capacity to envision a desirable future and plan for it.[10] It is crucial for financial well-being and it can be learned and evolve over time.

> People with high future time perspective are better at preparing for the future by saving, investing, and procuring insurance.

SELF-EFFICACY, SELF-CONTROL AND EXECUTIVE FUNCTIONING

Financial self-efficacy refers to an individual's belief in their ability to achieve financial goals[11] and it has a direct impact on life satisfaction.[12] It is considered to be a better predictor of financial well-being than past financial behavior.[13] Moreover, self-efficacy is correlated to positive financial behavior.

FOUR SOURCES OF SELF-EFFICACY [19]

Expectations of self-efficacy are informed by four sources:

PERFORMANCE ACCOMPLISHMENTS: personal mastery experiences (successful as well as failures) influence individuals' confidence in their capacities.

VICARIOUS EXPERIENCES
Seeing others perform activities successfully or without adverse consequences can persuade people that they can do it too.

VERBAL PERSUASION
Individuals can be encouraged through suggestion into believing they can successfully accomplish tasks that might have overwhelmed them in the past or that they have not performed yet.

EMOTIONAL AROUSAL
Anxiety and vulnerability to stress can affect perceived self-efficacy in coping with certain situations.

> Research using the National Longitudinal Survey of Youth dataset[14] reveals that self-efficacy is indeed a predictor of wealth creation across time.

Executive functioning consists of a set of cognitive abilities or skills necessary for goal-directed behavior (attention, self-control and self-monitoring, and planning and initiative).[15] Good executive functioning decreases stress about the current financial situation and increases perception of future financial security.[16] Executive functions, such as self-control, are not only correlated to self-efficacy but also promote self-efficacy.[17]

ESTATE PLANNING AND FINANCIAL EFFICACY

This bulletin began by posing the question is the goal of estate planning to distribute wealth to inheritors or to improve their financial well-being? The first approach focuses on transferring assets to beneficiaries as well as establishing the structures needed to preserve the wealth. This approach is focused on the wealth itself and, many times, the planning includes "controlling" risk management practices and tools. The second approach, instead, focuses on increasing the beneficiary's sense of having enough resources to cover their needs and, therefore, better enables pursuing a meaningful and engaged life.

In our January bulletin,[20] we touched on what motivates beneficiaries (Self-Determination Theory) to engage and lead a productive life. While intrinsic motivation is an essential starting point, individuals need to build on their self-efficacy to bring forward a successful life, including good financial efficacy.

The literature indicates that financial self-efficacy is based on personal qualities and capacities that can be developed from a young age and over the arc of a lifetime. Income does not harm motivation and efficacy but rather, it supports financial well-being.

The primary tool commonly used to improve financial self-efficacy is education aimed a improving financial literacy. However, research has found a weak effect of education on actual financial behavioral changes.[21] Focusing on building positive financial behaviors or executive functioning such as helping individuals create a budget and monitor their subsequent performance, can be more helpful in developing financial self-efficacy. Through case studies, individuals can also learn about pros and cons of financial behavior and develop efficacy through vicarious experiences. Coaching or counseling can also be very helpful in developing skills and capabilities for increasing self-control, resisting bad habits and changing behaviors in positive ways.

Our Well-Being Trust supports financial self-efficacy in many ways:

- The Trust offers the autonomy and freedom that allow the beneficiary to take ownership of their life (in all domains of life, including financial).
- The Trust's language plays a verbal persuasion role – a source of self-efficacy – by manifesting parents' belief in their children, their capacities and their potential.
- The Trust establishes an age (suggested 21) at which beneficiaries start receiving reports and relevant information about the investment strategy, performance and costs, including taxes. This starts an education journey for the beneficiary at an early age. At 25, the beneficiary can be a co-trustee and be more involved in managing investments and distributions. By sharing responsibility and decision making with an educated trustee, the beneficiary can practice, test their own skills, and learn from the experience. By 35, the beneficiary may be prepared to be the sole trustee with the skills and experience developed over the last 14 years and exercise their own self-efficacy in managing the trust funds and distributions. Based on research, the practical application of financial education is required to build good financial behavior and well-being.
- Paired with the above, the beneficiary can also be coached in good financial behavior and habits from an early age. The Trust provisions include the use of financial distributions to pay coaching services tailored to develop executive skills, self-efficacy, and other needed capabilities to improve financial and overall well-being.
- Parents can add their own lessons and experiences to the trust (such as what has been the money best spent for them, what has been the focus of their spending). The beneficiary can develop self-efficacy from their parents (vicarious experiences).
- Autonomy is another important feature of the Well-Being Trust. By granting freedom of choice, it supports individuals in setting their own goals and, if needed, imposing their own restrictions.
- The concept of Return on Well-Being introduced by the Trust invites the beneficiary to be thorough and intentional in spending money. Specifically, prioritizing the use of money that helps increase their well-being the most. In doing so, individuals are assessing their spending based on their own subjective well-being (vicarious experiences and emotional arousal) but also using empirical data (vicarious experiences) to inform the impact on well-being of different behaviors and choices. This analysis provides guidance for solving the equation spending today versus in the future.

Our lifetime approach to inheritance (or giving over the arc of the parent's lifetime) also supports self-efficacy since it is conceptually a structure that supports beneficiaries in their journey of becoming their best self. Having funds available beginning in their young adult life with the purpose of supporting their well-being entrusts the beneficiary with the use of their best judgement of in the deployment of those funds. Over time and with the support of an engaged trustee, the beneficiary can develop an understanding of money well spent or invested in their well-being. This is part of journey to master their financial well-being.

For more information on how to positively use family wealth and inheritance to foster family well-being - thriving in multiple domains of life, see our Family Wealth and Inheritance Services page or contact Richard Franklin, rfranklin@fkl-law.com, (202.495.2677), Claudia Tordini, ctordini@fkl-law.com or your FKL attorney.

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WELL-BEING & INHERITANCE

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INHERITANCE PLANNING SUPPORTING FINANCIAL WELL-BEING

The focus of the estate planning should be to inspire, encourage, and support autonomous motivation by facilitating autonomy, competence, and relatedness[1] – the three basic psychological needs we presented in our December 2023 Bulletin.

However, estate planning that fosters a controlled environment because it limits individuals' access to wealth, or creates unreasonable conditions and expectations for the inheritors, will likely hinder beneficiaries' interest in learning about and effectively managing their finances, as well as their financial well-being and overall well-being.

Through the lens of Self-Determination Theory (SDT), financial well-being depends on the quality or type of motivation individuals experience. For parents, their efforts are better off supporting autonomous motivation.

SELF DETERMINATION THEORY

THREE TYPES OF MOTIVATIONS:[4]

AUTONOMUS (self-oriented, in line with individual's own values and interests)

CONTROLLED (imposed by others, with a sense of obligation)

AMOTIVATION (no motivation, with a sense of incompetence)

THREE BASIC NEEDS for motivation:[5]

AUTONOMY (a sense of being the author of one's behavior)

COMPETENCE (feeling capable of performing effective behaviors and tasks)

RELATEDNESS (feeling connected, cared for and belonging with significant social network)

All three basic needs are essential and equally important. When any of them is frustrated or neglected, individuals suffer motivational decrements of some nature and ill-being.[6]

This is the domain of action and influence for parents: to

SDT research[2] on individuals' habits and behaviors towards managing their wealth and finances shows that:

Autonomous motivation is positively associated with saving and investing, financial self-awareness, financial self-efficacy, and financial well-being. [3]

Controlled motivation is negatively associated with financial well-being.

Amotivation is negatively associated with financial knowledge, and financial self-efficacy as well as income, and household wealth.

Amotivation is positively associated with overspending.

Estate planning and productive children

Below is an overview of the relationship between estate planning documents and beneficiaries' motivations.

When **autonomously motivated**, individuals engage with full intention with what they do because they find it enjoyable, interesting, or consistent with their own values.

Our well-being trust incorporates goals and provisions allowing beneficiaries the autonomy of decision in using the money. It also manifests parents' confidence in their children and their capacities to make the best use of the wealth, including for charitable purposes that the children find meaningful. Perhaps most importantly, it encourage beneficiaries to become their true self.

The well-being trust language also plays a motivational role in identifying and suggesting a non-pejorative well-being-oriented life. The beneficiaries have the freedom to identify and integrate these ideas as their own, exercising their own self-determination. For example, art and creativity are encouraged because of the positive impact they have on well-being. Beneficiaries who identify with art as an important source of good and personal satisfaction can develop a personal motivation for it and integrate it as their own.

support psychological needs and to facilitate autonomous motivation in their children and descendants. This support is embodied in many ways starting from their relationship with the children (relatedness and autonomy), their language and other communication ways (competence and relatedness), and the access to family wealth and inheritance planning (autonomy, competence and relatedness).

AUTONOMUS MOTIVATION

Three types of autonomous motivation include:

Intrinsic motivation is driven by a personal interest or the experience of satisfaction such as pursuing a hobby.

Identified motivation is driven by the appreciation of the activity and its underlying goals such as exercising to support a healthy life.

Integrated motivation takes place because of individuals having integrated new identifications with other aspects of their own integrated sense of self and act with a full sense of volition and choice.

CONTROLLED MOTIVATION

Two types of controlled motivation include:

External motivation refers to activities oriented to obtain an external reward or prevent a punishment.

Introjected motivation describes behaviors driven by a sense of obligation and oriented to obtain external approval.

AMOTIVATION

Individuals have no intentionality or motivation. They do not feel competent for a behavior or do not value the outcomes that are likely to follow from the behavior. These individuals make choices focused on cues in the environment and within themselves that highlight their incompetence and inability to succeed at what there are considering.

Similarly, educational trusts – a particular form of well-being trust – help beneficiaries identify the importance of education and training as well as facilitating the pursuit of it.

Under **controlled motivation**, individuals act out of coercion, seduction, or obligation and tend to experience pressure and compulsion for who they should be, rather than deep engagement and a sense of choice.

Incentive trusts, for example, pose conditions and external expectations in beneficiaries about who they should be and what they should do in order to access family wealth. Likewise, threads of excluding a child from inheritance would impose controlled motivation.

Charitable goals can also be motivated by a social obligation to give back, or out of a sense of shame or guilt about wealth. This goes against an individual's well-being.[7]

When **amotivated**, individuals have less intentionality or motivation. They do not feel competent for a behavior or do not value the outcomes that are likely to follow from the behavior.

Incentive trusts can also generate amotivation if they impose unreasonable conditions for the beneficiary, particularly, if they are attempting to "correct" individuals from who they are or to deter them from particular inclinations such as leaving money-making job for a career in art. Desinheritance can also trigger amotivation.

Inheritance planning, motivation, and financial well-being

Estate planning that supports autonomy of beneficiaries' spending, educates and advices inheritors on well-being matters, and supports well-being centered behavior and spending will likely cultivate financially aware and effective wealth management beneficiaries.

Our well-being trust goals as well as the lifetime inheritance model, or giving over the arc of life, are intentionally designed to support autonomy, competence and relatedness in a way that encourages financial well-being.

Please contact us if you wish to learn more about how to design your estate planning to support financial well-being.

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[7] See Claudia Tordini & Richard Franklin. How Can Charitable Giving Support Donor Well-Being? Well-Being & Inheritance Bulletin. December 2023 for more detail about how charitable giving supports individual's motivation and well-being.

More information
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WELL-BEING & INHERITANCE

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HOW CAN CHARITABLE GIVING SUPPORT DONOR WELL-BEING?

In 2022, Americans gave $499.33 billion to charity, representing $62.43 billion above pre-pandemic levels, with $319.04 billion coming from individuals and $105.2 from foundations.

Charitable giving is an important part of estate planning. For many, it is an essential component of their family legacy. While the impact of giving back to the world can be high, many times, the value of the positive impact on the family members' well-being is disregarded.

Numerous studies on charitable giving have been done with the goal of helping charitable organizations improve their fundraising. The objective is to better understand the demographics of the donors and their motivations, as well as to ascertain the most effective mechanisms to reach donors.

A new lens

With the emergence of positive psychology and well-being science, a new angle of study offers insights on the benefits of giving for the charitable donor. The goal here is to help individuals make the most out of their charitable giving experience. In other words, there is an opportunity to increase the donor's well-being with the potential of more positive impact for the beneficiaries too. Engaging in virtuous actions, such as philanthropic activities, begins a cycle of building upon strengths and virtues of the donor that generate happiness, which at the same time fuels the desire for more virtuous actions. This cycle builds psychological capital for the individual, which leads to lasting gains in happiness.[2]

Charitable giving and well-being are correlated. Prosocial spending activates the reward areas of the donor's brain. The emotional consequences cascade into physical benefits too, including better health, increased physical strength and better mood.[3] Individuals giving their time and money tend to report higher life satisfaction, and better mental health and psychological well-being.

Self-determination theory[4] offers a framework for understanding when and why giving leads to happiness. Self-determination theory is a motivational theory that distinguishes between autonomous and controlled motivation. When individuals are autonomously motivated, they engage with full intention with what they do because they find it enjoyable, interesting, or consistent with their own values. They are highly likely to experience positive emotions, and a sense of flexibility and freedom of choice. In contrast, when people's motivation is controlled, they act out of coercion, seduction, or obligation and tend to experience pressure and compulsion, rather than deep engagement and a sense of choice.

Autonomous motivation in charitable giving is preferred for donor well-being.

According to this self-determination theory, well-being depends on the satisfaction of three basic needs: relatedness, competence, and autonomy.[5] Hence, monetary giving is likely to increase well-being when fulfilling these three basic needs.

Giving to an organization that works with individuals who are close to the donor because they share a cause, a specific bond or a community is more impactful to donor well-being because it activates the experience of relatedness.

Donor's ability to curate the charities they support based on their leadership, trajectory, and proven achievements and impact not only reinforces self-determination but also happiness for giving.

Freedom to give and to choose is positive for donor well-being.

HOW CAN CHARITABLE GIVING SUPPORT DONOR WELL-BEING?

Relatedness is a fundamental need for social connection and belonging. Research shows that donors are happier when giving provides the opportunity to connect with others. Additionally, the happiness boost is higher when the beneficiaries are close ones rather than just acquaintance.[6] Close ties are based on self-categorization of people in one's life and not necessarily meaning family or close friends.

Competence is tied to seeing the impact of generous actions. Individuals feel happier when giving money to effective, competent helpers whose actions have proved to make a real difference.

Autonomy is the freedom to choose. In the case of giving, donor well-being increases when they have the choice about when to give and to whom. The less restricted and more spontaneous the donation behavior, the more significant the increase in happiness.[7]

Family charity and donor well-being

For wealthy families, charitable donations are an opportunity to build well-being for family members. This requires incorporating elements of self-determination theory in their giving back mechanisms and offering each family member the experience of relatedness, competence, and autonomy.

Philanthropy holds the potential to be a positive force that helps each family member pursue a good life, as he or she defines it, including contribution and engagement in their communities and beyond. Thoughtful families use charitable giving to cultivate and promote the best in their members. We work with them to structure a solution that offers the desired experience of relatedness, competence and autonomy.

We expanded on these charitable ideas in our 2020 Bloomberg Tax article entitled Well-Being Supported by Family Wealth — A Foundation to Flourish.[8] In the Bloomberg article, we explain how to structure private family foundations, charitable lead trusts and charitable remainder trusts to promote self-determination. Sample language is provided for foundation articles and charitable trusts.

If you are interested in learning more about possible options to you and your family, do not hesitate to contact us.

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WELL-BEING & INHERITANCE

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WHEN DOES INHERITANCE BETTER SUPPORT WELL-BEING?

A key concept we tell parents is that money is more helpful to children's well-being at earlier stages of adulthood rather than at later ones.

We draw on seven sources of research and empirical data to support our *Lifetime Inheritance for Well-Being Model.*

THE RESEARCH

The research supports three main statements, as shown below:

MONEY SUPPORTS WELL-BEING

Blanchflower's (2020) **U-shaped happiness curve**: an individual's well-being tends to decline in early adulthood, then bottoms around the age of 48, and in later years starts to rebound, such that by age 70 most of the lost well-being has been restored. Financial hardship is one of the possible explanations for this declining mid-life well-being.

Income and life expectancy: Chetty et al. (2016) found, in a robust study of US data, that the greater the income, the greater the life expectancy with no satiation point. There is a 10.3-year gap in life expectancy between low and high income for men at age 40 and 14.8 for women.
Life expectancy of a woman in her 40s making an average income can be extended by 1 year for every additional $41,000 of income, on average.

No plateau for income and well-being: 2023 collaborative research

This summer, Richard Franklin and Claudia Tordini participated of the 8th. World Congress in Positive Psychology planting the first seed of estate planning in the science of well-being.
This is the fruit of seven years of work dedicated to researching, designing, and implementing changes at the intersections of well-being science and trusts and estates.

Read about the World Congress in Positive Psychology

WHEN DOES INHERITANCE BETTER SUPPORT WELL-BEING?

by Killingsworth, Kahneman and Mellens concludes:

- The greater the income, the greater the well-being for nearly all individuals.
- The income plateau found in prior research only applies to a small cohort of unhappy individuals.

The Nordic model: Martela (2020) explained that citizens of Nordic countries are are less vulnerable to economic insecurity. The government government provides pensions, income maintenance for the ill or disabled, unemployment benefits, healthcare, education and public transportation. Research demonstrates that these elements, among others, improve well-being and life satisfaction - i.e. their citizens are among the world's happiest.

INHERITANCE IS NOT WASTED

Family wealth survives 10 to 15 generations: Baron & Lachenauer (2021) found that great fortunes tend to decline but that in most cases the process takes 10 – 15 generations – i.e., over 300 years. Most family businesses have a life cycle and naturally will not last in perpetuity. The data, however, shows that the wealth from such businesses does last.

WELL-BEING IMPROVES WITH INTENTIONALITY

Happiness pie chart: Lyubomirsky et al. (2005) assigned 10% of the chart to "circumstances" (other researchers suggested a range between 1.92% and 17.90%). Sheldon & Lyubomirsky (2021) reaffirmed that individuals can deliberately act to increase their own subjective well-being or happiness and set point.

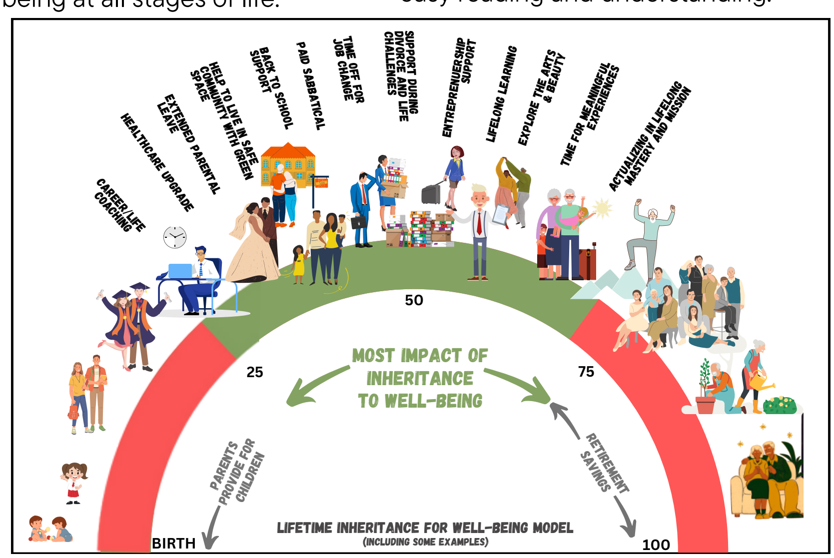
King Charles effect: King Charles III waited 73 years to inherit the throne. He may lament his coronation at retirement age as limiting his potential impact as King. Richard Franklin coined the term “Prince Charles Effect” (now “King Charles Effect” after the passing of Queen Elizabeth) to analogize the expanding life expectancy of the affluent and explain why a lifetime financial inheritance is better for well-being.

Lifetime Inheritance for Well-Being Model

Bringing it all together, we see that intentional families can establish interventions designed to

- blunt the impact of the u-shaped curve by reducing or eliminating financial hardship through a lifetime form of inheritance;
- improve life expectancy of their members by supplementing their income with early inheritance distributions;
- using family wealth and inheritance earlier in time, to positively support family members’ well-being and help them be more satisfied with their lives;
- model the Nordic countries with a lifetime approach to inheritance for family members to enjoy similar financial support, yielding them better well-being and more life satisfaction;
- intentionally improve circumstances, dare say create inspiring circumstances. A lifetime inheritance may allow greater financial freedom to move to the top of that potential happiness range;
- avoid the King Charles effect by implementing a lifetime financial inheritance that supports well-being at all stages of life.

We designed a “speedometer”- type chart marking the green age bracket to denote the most helpful time in a person’s life to receive financial gifts with the highest well-being adjusted return of the distribution or investment. We offer a visual poster of the model and supporting research for easy reading and understanding.



WHEN DOES INHERITANCE BETTER SUPPORT WELL-BEING?

Richard S. Franklin, Esq., Franklin Karibjianian & Law PLLC - **Claudia E. Tordini**, MBA, MPhil, University of Pennsylvania, Appanage LLC.

INTRODUCTION We are practitioners working at the intersection of family wealth and well-being science. Our goal is to transform inheritance to positively support well-being.

OBJECTIVE Using research and empirical data to optimize the timing of inheritance as a resource to support family members' well-being and flourishing.

METHODOLOGY We draw on existing research and data, such as life expectancy studies, the U-shaped happiness curve and the nurture vs. nature well-being break-out, to support innovative practices such as giving over the arc of parents' lives.
We model the intentionality of the Nordic countries, consistently topping the world happiness ranks, to shape families' wealth and inheritance decision-making into a positive framework, using excess wealth to increase life satisfaction.

DEMYTHIFYING BELIEFS ABOUT WEALTH & FAMILY

UNDERSTANDING WELL-BEING AND FAMILY WEALTH

NO PLATEAU FOR INCOME AND WELL-BEING

2023 collaborative research by Killingsworth, Kahneman and Mellens concludes:
- The greater the income, the greater the well-being for nearly all individuals.
- The income plateau found in prior research only applies to a small cohort of unhappy individuals.

This is evidence that using family wealth and inheritance, and doing so earlier in time, to positively support family members' well-being will help them be more satisfied with their lives.

HAPPINESS PIE CHART

Lyubomirsky et al. (2005) assigned 10% of the chart to "circumstances" (other researchers suggested a range between 1.92% and 17.90%).

Thoughtful families can intentionally act to improve circumstances, dare say create inspiring circumstances.

Sheldon & Lyubomirsky (2021) reaffirmed that individuals can deliberately act to increase their own subjective well-being or happiness and set point.

A lifetime inheritance may allow greater financial freedom to move to the top of that potential happiness range.

FAMILY WEALTH SURVIVES 10 TO 15 GENERATIONS

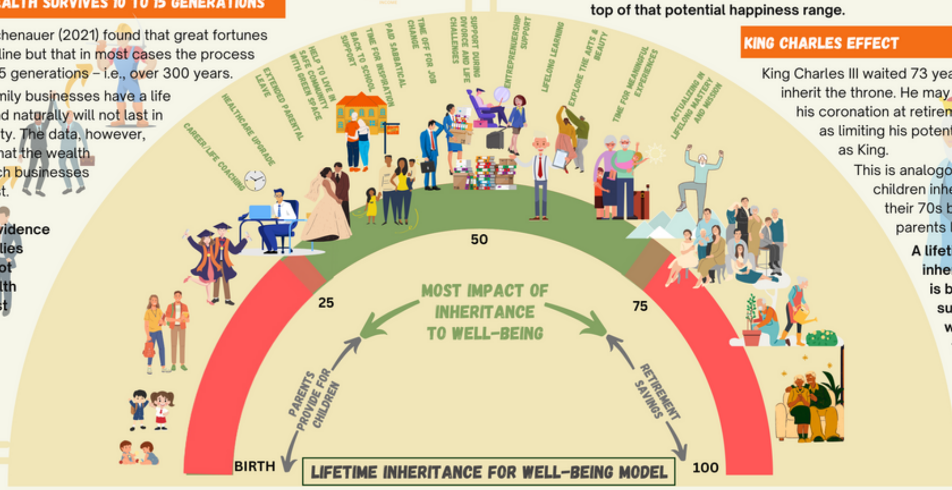
Baron & Lachenauer (2021) found that great fortunes tend to decline but that in most cases the process takes 10 – 15 generations – i.e., over 300 years.
- Most family businesses have a life cycle and naturally will not last in perpetuity. The data, however, shows that the wealth from such businesses does last.

This is evidence that families should not fear wealth being lost quickly.

KING CHARLES EFFECT

King Charles III waited 73 years to inherit the throne. He may lament his coronation at retirement age as limiting his potential impact as King.
This is analogous to children inheriting in their 70s because of parents living longer.

A lifetime financial inheritance is better for supporting well- being through all stages of life.



WELL-BEING AND WEALTH

U-SHAPED HAPPINESS CURVE

Blanchflower's (2020) U-shaped happiness curve research reflects that an individual's well-being tends to decline in early adulthood, then bottoms around the age of 48, and in later years starts to rebound, such that by age 70 most of the lost well-being has been restored. Financial hardship is one of the possible explanations for this declining mid-life well-being.

Intentional families can establish interventions designed to blunt its impact by reducing or eliminating financial hardship through a lifetime form of inheritance.

THE NORDIC MODEL

Martela (2020) explained that citizens of Nordic countries are are less vulnerable to economic insecurity. The government provides pensions, income maintenance for the ill or disabled, unemployment benefits, healthcare, education and public transportation. Research demonstrates that these elements, among others, improve well-being and life satisfaction - i.e. their citizens are among the world's happiest.

A lifetime approach to inheritance can allow families members to enjoy similar financial support yielding them better well-being and more life satisfaction.

INCOME & LIFE EXPECTANCY

Chetty et al. (2016) found, in a robust study of US data, that the greater the income, the greater the life expectancy with no satiation point. There is a 10.3-year gap in life expectancy between low and high income for men at age 40 and 14.8 for women. Life expectancy of a woman in her 40s making an average income can be extended by 1 year for every additional $41,000 of income, on average.

Families can improve life expectancy of their members by supplementing their income with early inheritance distributions.

CONCLUSION LIFETIME TRANSFERS OF WEALTH ARE SIGNIFICANTLY MORE IMPACTFUL TO FAMILY MEMBERS' WELL-BEING RATHER THAN JUST UPON DEATH OF PARENTS

MORE ABOUT US REFERENCES

We are making estate planning an engine of well-being. "Wow, that's an ambitious goal!" Perhaps it is, but we believe it is a goal worth pursuing. Knowing that everything we do (or don't do) has an impact on well-being inspires our intentional efforts to positively impact the well-being of our clients and their beneficiaries.

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More information

For more information on how to positively use family wealth and inheritance to foster family well-being - thriving in multiple domains of life, see our Family Wealth and Inheritance Services page or contact Richard Franklin, rfranklin@fkl-law.com, (202.495.2677), Claudia Tordini, ctordini@fkl-law.com or your FKL attorney.

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