

Family Wealth Series II: Post #1

Franklin Karibjanian & Law PLLC



This series is devoted to the intersection of estate planning and well-being theory. It builds on my 2017 Family Wealth Series dedicated to using family wealth as a resource to support achieving full potential and flourishing.

WHAT OF FAITH, HOPE AND LOVE IN ESTATE PLANNING?

By Richard Franklin

The shirtsleeves myth

Why isn't estate planning more about faith, hope and love? One answer is because of fears over the risks associated with wealth depletion. Estate planning professionals and the financial press frequently toss around the idea that wealth dissipates in three generations and that most family businesses fail by the third generation. But the data does not support that view, and neither does my own practice experience. Shirtsleeves to shirtsleeves in three generations is a myth.

The reality is that most often family wealth persists for many generations. One researcher found that great fortunes tend to decline but that in most cases the process takes 10 – 15 generations – i.e., over 300 years.[1] Moreover, many family businesses may not last for a hundred years, but very few public companies last that long either. Most businesses have a life cycle and naturally will not last in perpetuity. Subsequent generations of family members may also be less interested in the family line of business. The data, however, shows that the wealth from such businesses does last.[2]

Envision more

This means that there is good reason to believe that your wealth is likely to be around to benefit your descendants for many generations. With this in mind, I invite you to start to envision your wealth making a meaningful difference in the lives of your children and grandchildren, but also reaching your grandchildren's grandchildren. Not many of us will personally know our grandchildren's grandchildren, but we can nonetheless contribute meaningfully to their lives.

Build on well-being

Rather than building your legacy on unfounded fears, there is good reason to believe that wealth of any degree can positively impact your descendants' well-being. The research supports this view.

We are now helping clients create a well-being framework as part of their estate plans to incrementally and over time improve family members' lives. This encompasses all the domains of life—social, physical, career, community and financial.[3] There is plenty of opportunity in this space for family members to collaborate, with each uniquely adding to the contours, depth and texture of the family's approach to well-being through time. Positively working together to improve everyone's well-being (including your own) is itself a rich legacy for your future descendants.

For example, we are proposing that your trusts be designed with an orientation to improving beneficiaries' well-being. We are also suggesting that your trusts convey some of your history and life journey, and most of all, your hopes, dreams and aspirations for your beneficiaries. Trusts can and should evoke more positive emotions, as identified by UNC Professor Dr. Barbara Fredrickson, of joy, gratitude, serenity, interest, hope, pride, amusement, inspiration, awe and love.[4]

I have been reflecting on the trusts that I have assisted clients in establishing over my 34 year career, mostly to save estate taxes and move wealth efficiently for tax purposes.[5] Typically, I have suggested these trusts be named something like the "Franklin 2015 Family Trust." In hindsight, I wish that I had suggested a name along the lines of the "Franklin Faith, Hope and Love Trust" to convey more of the creator's hopes, dreams and inspiration, and dare say love for the creator's family. Even the trust's name can send a positive message to your future descendants.

More information

For more information on how to orient your estate planning to a well-being model and add more positive emotional enthusiasm to your planning, see our [Family Wealth And Inheritance Services](#) page or contact Richard Franklin, rfranklin@fkl-law.com, (202.495.2677) or your FKL attorney.

Notes:

[1] Clark, [Your Ancestors, Your Fate](#), NY Times (Feb. 21, 2014).

[2] Baron & Lachenauer, [Do Most Family Businesses Really Fail by the Third Generation?](#), Harvard Business Review (July 19, 2021).

[3] Rath, T. & Harter, J., [Well Being - The Five Essential Elements](#), Gallup Press, 2010.

[4] Fredrickson, [Positivity](#), p. 39 (Harmony Books 2009).

[5] Of course, we still advise using trusts to protect wealth from estate and income taxes, creditors and investment declines, but we are not limited to that. Actually improving the lives of the beneficiaries is also a core objective!

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