

In Post # 1, I addressed why I believe the “limited inheritance” approach is an unfortunate idea. This post continues my analysis of the approach by focusing on the negativity at its core.

Reason #2: Going Negative is No Solution

In Post #1, I noted that parents universally desire that their kids be productive and engaged. I also suggested that this goal should be secondary to enabling their children to reach their full potential. All these ambitions, however, are undermined by the misguided premise behind the limited inherited approach. Think about its negative logic: the parent is saying I want “x” behavior (a child who is productive and engaged), and to achieve that I am *not* doing “y” (not giving that child the wealth I could otherwise leave them). Imagine actually explaining that to a son, daughter or grandchild. Where is the parent’s positive, supportive action to achieve the desired result? Moreover, as far as I can determine, there is no empirical data to support the efficacy of this approach. Author’s Needling Tweet to parents using or considering this approach: *“If your best idea to achieve this fine goal is a negative act, then you have not thought enough.”*

Many times, the parent who created the wealth did so at the expense of not spending time with the children. Frequently he or she who worked long hours and in effect took time away from the children to build a business, medical or law practice. To not give their children the wealth accumulated from those efforts might be the last, worst act. Imagine a child who already felt the parent’s absence during his or her formative years, harboring the suspicion that mom or dad did not really care about them. Discovering that they would receive little inheritance might solidify the belief. Child’s sullen Tweet: “I always thought the old man didn’t care about me, and his final act of providing this ‘limited’ inheritance proves it. Sad!” The child’s point of view might be that the parent has robbed them of both time and treasure. So is it any surprise that some of these children might harbor feelings of disappointment in their parents? Yep, disappointment is a two way street.

Parents who are considering the limited inheritance plan need to pause and honestly consider their own motivations. For example, a few wealthy parents may feel that they created the wealth and

are entitled to do with it as they please -- give it to charity, burn it, whatever -- regardless of the consequences to other family members.¹ Rarely, however, does one person pursue any great project in a vacuum, including the accumulation of wealth by a parent.

What's the role of family in wealth accumulation and should the broader family receive some credit for it? For example, suppose the parent responsible for amassing the wealth coaches his son's little league baseball team on weekends (or read-in any other parenting activity that is emotionally enriching to parent and child). Suppose further that this involvement gives the parent a tremendous sense of love and belonging. Remember that Maslow's chart has love and belonging in the middle level (see [Post #1](#)). Isn't it a fair argument that this sense of love and belonging added to the parent's sense of well-being and self-esteem? After all, most parents experience love on a level that defies comprehension. It's not much of an extrapolation to then argue that the parent carried this sense of well-being and self-esteem back to the office or business, and who's to say that did not enhance the parent's ability to be successful? This is not so much an argument towards collectivism as it is towards humility in considering the inheritance questions.

Consider whether, in a sense, the parents' actions run counter to the meaning of family. For instance, there is a personal price that the kids paid for being children of prominent or rich people, such as absence of the parents, or growing up in environments of social obligations, even frivolity, minimal private life and extremely high demands and expectations. The law recognizes the efforts of a spouse who has dedicated his or her career/life to raising children, but it seems there is nothing similar for children. The fact that they are not adults does not mean that they do not "provide" anything to a father or mother who becomes rich, or that they do not pay any personal price for that. One of the challenges of being a family is to manage that duality where everyone is an individual yet also a part of the whole. In a way, nobody becomes who he or she is without the others.

Frequently the parents are inheritors themselves and they wind up deciding how to dispose of the wealth they were given. Is this *their* wealth to dispose of as they please? Legally that may be the case, but morally the lines are more blurred. Should wealth be viewed as a resource of the family that should stay in the family line? How should spouses be able to inherit? Can it all be given to charity in spite of the family?

¹ Jessie O'Neill, *THE GOLDEN GHETTO*, p.63 (The Affluenza Project 1997).

For some parents the power to determine the disposition of wealth may be the final opportunity to exhibit their control. Some parents wield this power well in advance of death as a fear mechanism to control the behavior of potential inheritors. The threat of disinheritance is a common theme in books, films and other media. Conditional inheritances and incentive trusts are other devices used to continue wielding that power after the death of the parent. Care must be exercised, however, or these devices may be viewed as a means of manipulation and control that cultivate guilt, confusion and anger for the inheritor.²

Consider how Warren Buffett frames his stated approach for giving children “enough money so that they would feel they could do anything, but not so much that they could do nothing.” These words could be interpreted as “I don’t trust you” to make reasonable and appropriate decisions and “I will therefore paternalistically make decisions for you.” Is that the message the parents really want to convey?

In effect, the words evoke a perception of needing to protect the children from the parent’s money -- that the parent must decide for the children because otherwise the parent’s money will lessen them. These parents are expecting a negative result, and latch onto the limited inheritance approach as a preemptive measure. Parental Affected Tweet: “BAM! Just preempted children’s chance for negative behavior, with negative limited inheritance! Feel the love...”

Parents should carefully consider the legacy they want to leave, monetary and otherwise. Those who gravitate to the limited inheritance approach do so based on a few bad examples, rather than realistically considering the broader landscape that reflects positively on the behavior of inheritors. One recent study found, for example, that 91% of inheritors understood that they had an obligation to preserve the wealth for future generations.³ Moreover, the limited inheritance offers parents a seductively simply solution. Compared to engaging with the children and preparing them financially, socially and psychologically to live with wealth, the limited inheritance approach can be implemented unilaterally and in secret.

² Jessie O’Neill, *THE GOLDEN GHETTO*, p.73 (The Affluenza Project 1997). It is important to note that frequently sophisticated trust arrangements are used to transmit and hold inheritances. At first these might appear to be controlling and manipulating structures (and sometimes they are that), but oftentimes they are arrangements that allow certain benefits to the inheritor not allowed with an outright inheritance (such as protection from creditors and taxes), and upon closer examination and understanding also allow the inheritor controls that are very nearly like that associated with owning the assets outright.

³ Navigating the Wealth Transfer Landscape, Wilmington Trust (2017).

There must be a more positive path forward. In my next posts, as we continue to delve deeper into the pitfalls of the limited inheritance approach, I will explain why this attempt to control and manipulate children and grandchildren is counterproductive – perhaps preventing inheritors from reaching their full potential rather than enabling.

Richard Franklin
rfranklin@fkl-law.com

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FRANKLIN KARIBJANIAN & LAW PLLC

1101 17th Street N.W., Washington, DC 20036

(p) 202-857-3434 | (f) 202 -463-3060 | www.fkl-law.com