

In Post #5, I addressed preserving family wealth as a foundation in support of children and future descendants reaching their full potential. In this post, I start to develop how that can be done.

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### **Engage over Arc of Life Expectancy**

I believe in the wisdom of preserving family wealth, but this is not done in one or two simple steps. In fact, I suggest that parents think of it as a lifelong process that runs along several tracks simultaneously. At its essence, it is a continuous transitioning of family values, wealth and control, while simultaneously educating and positively supporting the growth of future generations. Educating in what sense? Heirs need to develop financial/estate planning acumen, and be fully aware of the social and psychological implications of living with wealth. As for supporting growth, that translates to unconditional positive regard. And it is a lifelong process because transitioning slowly over the arc of the parents' lifetimes avoids the risk of an abrupt and unpredictable transition at the time of a parent's passing.

Traditionally, the death of a parent or other relative was the event that triggered a wealth transfer to the next generation. The timing of death is, of course, beyond our knowing. Therefore, in large measure, the traditional approach makes the entire process of wealth transfer subject to the vagaries of circumstances beyond the family's control. In families of substantial wealth, I recommend abandoning this outdated approach and taking control of the wealth transfer process.

Without planning, the infusion of a substantial inheritance upon an ancestor's death can be disruptive. It is by analogy a cliff event – meaning the inheritor has to scale the cliff face. The wealth should be beneficial and it certainly holds that potential. But the inheritor may not be prepared for the wealth. The cliff face becomes a series of challenges: How will the wealth be invested and managed? Who can be trusted to assist the inheritor? How should the inheritor use the wealth (i.e., for new cars, houses, art, jobs, education, travel, gifts, investments)? How will the wealth affect the inheritor's relationships with other family members and friends? Moreover,

these questions frequently come at a heartbreaking and emotionally charged time following a family member's death.<sup>1</sup> These concerns all combine to make this an especially difficult time to be intentional, thoughtful and self-aware.

For example, if the inheritor quickly moves to a new and more affluent neighborhood, will he or she feel comfortable and connected in the new area? What are the occupations and backgrounds of the other homeowners? What commonalities are present? How will such a move affect the other family members, inside and outside the immediate household? Will the friends and neighbors left behind still feel comfortable being friends with the inheritor who now lives in a more upscale area? Newton's third law of motion -- "for every action, there is an equal and opposite reaction" -- may be apt here too.

A large inheritance has the potential to impact all aspects of the inheritor's life, both positively and negatively. Being prepared and knowledgeable is essential.

To prevent the inheritance from being an abrupt cliff face for the inheritor to climb (and perhaps tumble from), consider a model in which wealth is largely transferred during the ancestor's lifetime. Having a gradual transition over a long period of time can transform the cliff face into a steady incline that's far more easily climbed. A significant advantage of this approach is that the ancestor could simultaneously work with the inheritor to impart both her knowledge of wealth management and her philosophy relating to wealth. Think of how valuable it will be to the inheritor to have the benefit of the ancestor's approach to investment management and financial literacy, including introductions to investment advisors, accountants, attorneys, and the various other professionals who assist with the ancestor's wealth management. This is also the time to teach all that it means to live with wealth and to prepare the inheritor for all of the ramifications – i.e., financial, social and psychological.

It makes no sense to expect the inheritor to handle his or her inheritance responsibly unless he or she is prepared adequately in advance. If you are the ancestor, whose job is it to prepare the inheritor if not yours? Imagine sending your 20-year old son into a college football game with no preparation. Even if he is a talented athlete, he stands a good chance of being hurt or killed unless

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<sup>1</sup> See Jessie O'Neill, *THE GOLDEN GHETTO*, p. 72 (The Affluenza Project 1997).

he has previously played a lot of football. Leave the same son a large inheritance with no training and an undesirable result is just as likely. Of course, this does not mean the ancestor must or should conduct all the training. Others can assist—for example, the specified professionals can explain their background and roles, and review their statements and work products. Similarly, wealth counselors can flesh out some of the social and psychological complexities to create a deeper awareness of the effects that wealth can have upon a person’s life. All of this training should be focused on preparing the inheritor to use wealth as a tool to reach his or her full potential, and keeping the wealth protected for future generations to benefit in the same way.

It is my belief that, through thoughtful education, families can avoid many of the risks identified with inherited wealth. For example, inheritors frequently experience guilty feelings related to having not earned the wealth. Some inheritors feel inferior to well-heeled counterparts who did earn their wealth. Some inheritors harbor feelings that they are “less.” On the other hand, many wealthy individuals feel superior, considering themselves unique, special and elevated above the rest of mankind. “Terminal uniqueness” is a term for this affectation.<sup>2</sup> These distorted views, albeit at opposite ends of the spectrum, work to create distance between the inheritor and the rest of the world.

It is critical to gain the perspective and self-awareness that the inheritor is an individual – separate and distinct from the wealth. As an individual, the inheritor is no better than any other individual, and no worse either. The inheritor, like any other individual, is empowered by the basic freedoms to love and be loved, to be respected as a fully sentient being, and to be entitled to his or her space on the planet. Inheriting wealth does not change these universal rights.

Thoughtful education and a deliberate and ongoing transition should help avoid cliff events and prepare the inheritor for what lies ahead.

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Future posts will flesh out other benefits of this positive and inclusive continuum of transition.

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<sup>2</sup> Golden Ghetto, *supra* note 1, p.59.

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