

WELL-BEING & INHERITANCE

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



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 Mellers 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 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.

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%). Family and its inheritance approach become part of the individual's circumstances, for better or worse. 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

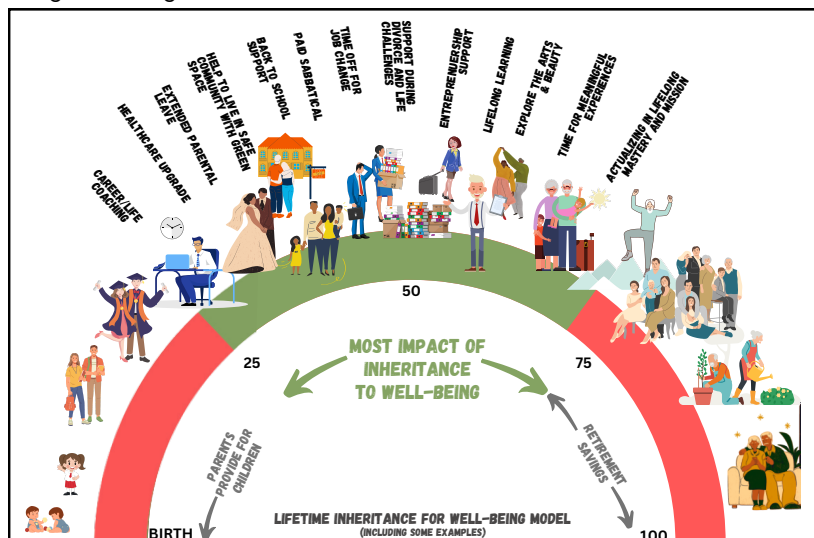
Bringing it all together, we see that intentional families can establish interventions designed to

- 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.

WELL-BEING AND WEALTH 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.

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.

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.

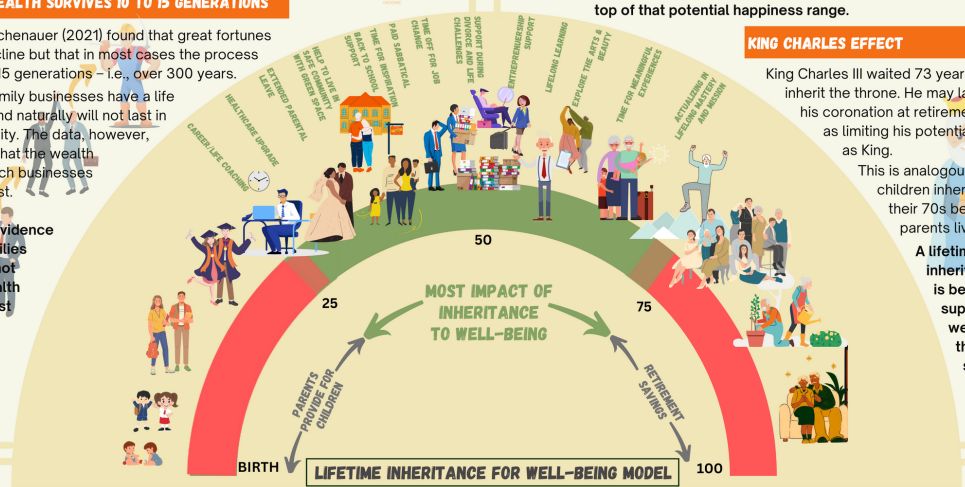
A lifetime inheritance may allow greater financial freedom to move to the top of that potential happiness range.

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.



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 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



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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 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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