

Getting Personal
Avoiding Family Inheritance Fights
By Kathy Chu
Dow Jones Newswires

NEW YORK (Dow Jones)--As conservative, Depression-era investors pass away and leave their inheritances to the debt-saddled baby boomer generation, family infighting is becoming more common.

Take it from financial and estate planners, some of whom now find that they must deal with some of the emotional baggage that is passed along to family members with inheritances.

"This is going to be a big issue, and affect everything from management on up to distribution and settlement of the estate," said Sharon Burns, executive director of the Association for Financial Counseling and Planning Education, Upper Arlington, Ohio.

And take it from Les Kotzer, a lawyer who has been practicing estate-planning since 1989. He co-authored the recently published book "The Family Fight: Planning To Avoid It" with Barry M. Fish. The book is sold online at www.familyfight.com.

Family conflicts seem to have increased, Kotzer said, partly because baby boomers are saddled with more debt than the previous generation, and some have begun relying upon inheritances to ease their load.

The average consumer between 40 and 65 years old had about \$16,000 in unsecured debt in 2001, up from \$14,900 in 1998, according to Amerix, a debt management company in Columbia, Md. Unsecured debt as a ratio to income was at 50% last year, compared with 44% three years ago.

But it's not always about money. Siblings also fight about who contributed more to their parents' care in the latter years of their lives and who is fit to serve as executor of the estate.

The disputes have turned financial planners into counselors, sometimes unwittingly.

Carol Akright, a certified financial planner and author of "Funding Your Dreams Generation to Generation," said she has had to moderate more and more family conflicts in the past five years.

More Than Finances And Law

Financial planners and lawyers haven't always been expected to serve as life counselors.

In past decades, most planners focused solely on the financial details of divvying up an estate's proceeds. Lawyers may have provided emotional counseling to some extent, but mostly, they concentrated on drawing up papers and notifying beneficiaries after a family member's death.

But now, both lawyers and financial planners must contend with family infighting.

"It's not just about the tax issue anymore; it's about saving the family," said Kotzer.

Families are not as tight-knit as they were in previous generations, partly because many are spread out throughout the U.S.

And more complex issues that have to be taken into account during estate-planning - including second marriages, different investment opportunities and new tax laws - have provided fodder for posthumous conflicts.

For example, when a husband dies and leaves the estate to his second wife, what happens if she then leaves it to her own children instead of her husband's blood relations?

Also, if the eldest son and his wife are made executors of the estate, what happens if the son gets a divorce or passes away and the daughter-in-law has sole oversight of the estate?

These are questions that financial planners increasingly must push their clients to address in their wills.

Be Clear And Open

The key to heading off family infighting is clarity and openness in constructing the will. Parents should be urged to be clear about what assets go to which child. Giving one child a business but not specifying that the land is part of the inheritance could have the unintended consequence of making siblings into landlords, said Kotzer.

Secondly, if a will is updated, all the clients' insurance policies also should be changed to ensure that the correct recipients are designated.

Thirdly, financial planners and lawyers should try to bring children in during the estate-planning meeting. This eliminates the shroud of secrecy that often surrounds will preparation.

"It helps if children get the chance to ask questions," said Burns, of the financial counseling association. "Especially if things aren't going to be equal, I think it's helpful to say why."

Convincing parents to be open with their children is a strategy that has helped Kathie Barnes, a Phoenix financial planner, prevent family infighting.

Barnes, who has been setting up estate-planning meetings between parents and children for the 19 years she has been in business, said she sees few inheritance-related conflicts.

"Most everybody thinks of the client as their only priority, but part of my thinking is that the next generation is my client also," she said.