HIGHTOWER
Westchester

Bridging Generational Divides: Estate Planning Strategies for Family Unity

Six easy steps can help you transfer your assets without creating conflict.

We all know – or even belong to – a family that has suffered from conflict following the death of a loved one and a "change of control" in family assets. This outcome, of course, almost always runs contrary to the deceased's hopes and intentions for the wealth they worked hard to steward during their lifetime.

Why is this such a common outcome? How can families prevent it? Answers to these questions are becoming increasingly important as more than 70 million baby boomers approach the later stages of their life and begin passing an estimated $60 trillion to their heirs.[i]

To help you and your family promote – rather than erode – unity as part of your legacy, we spoke to David Work, head of estate and financial planning for Hightower Advisors. In his role, and for most of his career, David has helped families structure estate plans that not only seek optimal financial outcomes but also promote positive family dynamics across generations.

Every family is different, but here are some strategies to promote family unity that David has seen lead to more successful wealth transfers.

01

ENGAGE IN PHILANTHROPY TOGETHER

Research shows that sharing in philanthropy can bring families closer together – provided they actually share the experience, rather than the older generation dictating it. For example, Fidelity's Center for Family Engagement refers to this shared approach as "practicing peership," whereby families resist default hierarchies, including parent-child, to allow for two-way communication flow as family members share where and why they seek to make an impact.[ii] Often this starts with parents and grandparents recalling their past and sharing the experiences that shaped them and led them to the causes they care about. This helps engage the younger generation in ways that only storytelling can.

Likewise, the younger generation can open up about what they care about, how they see the world and what's important to them. When both sides truly listen, they become more interested in the other side's causes and often find overlap, creating a shared philanthropic purpose. Sometimes this leads families to become involved in the same causes. Sometimes it simply allows them to be more supportive of each other as they pursue their own goals. In almost all cases, it helps families bond through storytelling and shared purpose, making them less vulnerable to conflict down the road.

02

CREATE A FAMILY MISSION STATEMENT

Another useful approach for creating shared purposes – and greater unity – is a family mission statement. A family mission statement seeks to capture your family's purpose, goals and values. And just as with shared philanthropy, it works best if it reflects contributions from the entire family, including the younger generation. This means listening to each other, being open-minded and finding common ground that motivates everyone in the family. The statement does not need to be long. Nor does it need to be formal. You can write it together around a campfire, in the car or lounging on the couch. You can frame it, or simply put it on the refrigerator. And it can be as simple as, "Work hard, seek adventures and act with kindness." There are also more formal approaches you can take that can further integrate your family mission statement with your estate planning documents. It doesn't have to be perfect. The most important thing is to engage in the exercise – and do it together.

03

COMMUNICATE YOUR INTENTIONS TO YOUR LOVED ONES

More often than not, estate plans are communicated to family members posthumously. This opens the door to unresolved questions about the deceased's intentions and whether they are being properly carried out, which often leads to resentment and lasting conflict. Having a dialogue can prevent this outcome. To do so, bring your family together and share your plan for your assets, and most importantly, the philosophy behind the plan. These conversations can be very difficult to initiate, but they pay off – not only by preventing conflict, but by facilitating intimate conversations that allow families to communicate unspoken feelings and understand each other better.

04

COMMUNICATE YOUR INTENTIONS TO YOUR ATTORNEY

Sharing your intentions – not just how you want to allocate your assets – with your attorney can also help preserve family unity because it can lead to more appropriate provisions in your trust and will. Don't forget, your attorney is a "counselor-in-law." If you step back and share your overarching goals (e.g., supporting children in impactful but underpaid professions, balancing your desire to take care of your children without spoiling them, avoiding conflict between your children and your spouse), your attorney can counsel you on the estate planning techniques and language that best align with those objectives. For example, trusts can have a wide range of distribution standards that range from emergency use only to the sole discretion of the trustee. If your attorney knows your end goals, she or he can help you choose the most suitable standard for your family's situation. Simply defaulting to commonly used standards –such as for health, education, maintenance and support – may not align with your intentions or your beneficiaries' expectations.

05

COMMUNICATE YOUR INTENTIONS FOR PERSONAL PROPERTY

Even in the wealthiest of families, the smallest of items – a coin, a clock, an antique plate, etc. – have been known to tear people apart. In one family, a medal given by a stepmother to a stepchild with nothing but the best intentions after her spouse passed away led to the demise of the stepchild's relationship with her sister and both sisters' relationship with their stepmother. The sentimental value of such items should not be underestimated and can be addressed simply by including a memorandum of personal property in your will and communicating your desires to your loved ones ahead of time.

06

CHOOSE OBJECTIVE FIDUCIARIES

When selecting those individuals responsible for executing your estate plan – most notably, your trustee(s) and estate executor – you may tend to default to a family member based on what seems like reasonable criteria, e.g., the eldest child, a lawyer in the family, a family member who is particularly good with numbers, etc. But these decisions don't always take into account family dynamics or the individual's capacity constraints. Naming your eldest child to make distribution decisions impacting their younger siblings can cause bickering. Naming your attorney daughter, who is already short on time, to settle your estate may cause her to feel resentment toward a sister who moved out of state. Carefully consider such dynamics before naming your fiduciaries, and decide if naming a completely objective individual or corporate entity could be the right solution for your family.

Family dynamics are complex and powerful, yet they are often significantly underrepresented in estate planning discussions and decisions. Conversations often default to the less complicated, more quantifiable aspects of wealth transfer. This is one reason many of us know families that have been torn apart when money changes hands.

As holistic financial planners who care about our clients' well-being – not just their net worth – we can collaborate with you, your attorney and other advisors to help you build and communicate a plan that appreciates and values the unique forces at play in your family. Please reach out to us for help building or revising your estate plan, or for information about corporate fiduciary services offered by our affiliate, the Hightower Trust Company.[iii]

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i Habbershon, Timothy, Dr., Donath, Tobias, "Navigating the Decade of Generational Wealth," Fidelity Investments, 2022.

ii Habbershon, Timothy, Dr., Donath, Tobias, "What charitable giving can give your family," Fidelity Center for Family Engagement, March 1, 2022, https://www.fidelity.com/learning-center/wealth-management-insights/multigenerational-family-philanthropy. Accessed July 1, 2022.

iii https://hightowertrust.com/