



PREPARING YOUR HEIRS FOR THEIR INHERITANCE

One of the greatest struggles that wealthy parents seem to have is, “How can we effectively pass our wealth on to our heirs without ruining them?” The fact is that an ill-planned inheritance can actually ruin the very ones you love the most. This parental concern is not new to our day either. It has troubled the wealthy for thousands of years. King Solomon (circa 700 BC), a man whose wealth is legendary, struggled with this very issue. He expressed his concern over this frustrating dilemma when he confessed:

Thus I hated all the fruit of my labor for which I had labored under the sun, for I must leave it to the man who will come after me. And who knows whether he will be a wise man or a fool? Yet he will have control over all the fruit of my labor for which I have labored by acting wisely under the sun. This too is vanity (Ecclesiastes 2:18-19, NASB).

Is there a way to affect the outcome of whether our children will be wise or foolish with their inheritances? The answer is, “Definitely, yes!” But, as in all other areas of family wealth planning, the best planning is done while you are still alive. Consider the challenges unplanned wealth can create for an heir. Suddenly your heirs are wealthy. How can they know whether people are genuinely interested in them or merely interested in enjoying the benefits of their wealth? Remember, the wealthy will always have many “friends.” Your heir may eventually begin to question, “Do you love me or my money?” This uncertainty can be destructive to a person’s self-image.

Also, heirs risk becoming obsessed with self-gratifying consumption. Their whole world can begin to revolve around their individual wants, turning them into the well-known and little-regarded “spoiled rich kid.” The younger an heir is when they receive their unearned inheritance, the greater the chance of this outcome. Further, they risk losing the important connection between work and reward. They have been rewarded for doing nothing except being born into the right family and surviving the older generations – not exactly a major accomplishment. So, how can you pass this wealth on to your heirs without making them insecure, lazy, and/or spoiled rotten? *You teach them about generosity!*

Why not immediately establish a family foundation, fund it with a specific sum, and then charge these future heirs with the task of distributing these funds to worthy charitable causes? If you focus your philanthropic efforts in third world countries, much can be done with relatively little money. You might ask, “What will this teach them?” What they will learn from this experience, especially if repeated frequently during your remaining years, is significant. For example, imagine what it would feel like for your heirs to know that, for only \$15,000, they have built an orphanage in Guatemala that will house twenty orphan children and will also feed them for the next five years.

Knowing that they have made a difference in the lives of 20 children will be profoundly fulfilling for your heirs. Even though they did not use any of their own money, they still, amazingly, gain almost all the emotional and psychological benefits of this philanthropic project, just as if they had put up the money themselves. They say, “Look what we did!” not, “Look what Mom and Dad (or Grandma and Grandpa) did!”

You have helped improve their self-image, directed their focus away from selfishness, and enabled them to do a meaningful work. What a powerful combination of benefits for such a small investment. The goal then is to repeat this kind of philanthropic activity often enough that it becomes a way of life for your heirs. Then once they receive their inheritance, the typical problems created by inherited wealth can be avoided.

The Power of Giving

In separate meetings with two very wealthy couples, I asked them this question, “What is the most meaningful charitable gift you have ever made?” The first shared that it is the \$240 that they annually give to sponsor a child in Africa. The other couple said it was the \$500 they send each year to the Salvation Army orphanage in Mexico near where they frequently vacation. Both of them have over \$1 million in annual income and a net worth of over \$10 million, yet both couples admitted that these insignificant annual gifts were providing them with considerable personal satisfaction.

How can an annual gift of so little be so meaningful? It is the simple fact that *what comes back to you from charitable giving is always disproportionate to the size of the gift you make*. It is always disproportionate regardless of whether you are giving away \$240 or \$2.4 million. If this is true for wealthy parents, it is also true of the children and grandchildren of wealthy parents.

Generosity builds character, develops a positive self-image, and provides a real sense of accomplishment in those who participate in it. Consider beginning a significant giving program now and include all the heirs in your family. It will not only be a growing experience for both you and your heirs, it can also become an activity that will draw your family together in a way that no other family activity can. You have nothing to lose with this stewardship-giving strategy except your concern over how successfully your heirs will handle their inheritance when it comes.

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