



## Family-Inheritance Feuds

Not all the financial news is bad. Our generation stands to inherit serious bucks. The problem: We'll have to share. How to handle the drama

The parents of baby boomers are passing on some \$25 trillion, in what may be the largest wealth transfer in history. They're probably owed one hell of a thank-you note—but there's a catch. The eventually-to-be-departed are notoriously private about their money, with the result that their adult children often don't know until the will is read exactly where they stand. "And the sons and daughters hesitate to raise the subject, for fear that they'll appear greedy," says Jim Grubman, PhD, a wealth psychologist in Turners Falls, Massachusetts, who specializes in the money-related problems of the well-heeled. The result: Once the funeral is over, the bruising battles begin. To shed some light—and possibly help make peace—*More* talked to five women who were caught in the cross fire, and asked several experts for advice.

### "My mother didn't leave me anything."

After her mother died, Janice, 54, and her younger sister went to the attorney's office for the reading of the will. Only then did Janice learn that their mother had bequeathed

There's nothing like money to bring out the glutton in someone.

everything, about \$500,000, to Janice's sister. That came as a massive shock, since several years earlier, the mom had told her two daughters that the estate would be divided equally between them. "I was devastated," Janice says. "This was the last message on earth that I received from my mother."

Although Janice's sister claimed she'd known nothing of their mother's decision, once Janice decided to challenge the will, she learned through litigation that her

sister had been the one to write the check to the attorney who changed the document. The two women settled in mediation, and Janice eventually got a quarter of the estate, about \$125,000. The victory cost her about \$50,000 in legal fees. "I came away a lot stronger," she says. "But it's still very emotional for me."

### THE EXPERTS WEIGH IN

The most effective way to challenge a will is to show that the parent didn't know what he or





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she was doing, as a result of either mental decline or undue influence. In Janice's case, since her sister paid for the lawyer who changed the will, "that's probably a pretty good indication that there was undue influence," says Gary Altman, an estate attorney in Rockville, Maryland. "But suing is not a cheap process, or a short one, and it can absolutely tear people apart." So before you decide to act, it's worth calculating the amount you stand to gain and how much that money will change your life.

**"We're fighting over the wedding china."**

When their mother and father died a few months apart, Ellen, 42, and her three siblings inherited a house. The others, who live nearby, wanted to lease it or turn it into a bed-and-breakfast. Ellen, who lives several states away, wanted to sell it and split the money. In settling the estate, the siblings also had to divvy up their parents' personal property—a process that got unpleasant. "There wasn't a moment where I was like, 'I hate these people and I never want to see them again,'" Ellen says. "But there were some tense decisions."

**THE EXPERTS WEIGH IN** In terms of the house, if one person is in a cash crunch, or, like Ellen, is disinclined to become a landlord, "the best solution is to have the home valued and let someone else buy out the dissenter's portion," says Diane Park, a planner with Wade Financial Group, in Minneapolis. As for splitting up personal property, battles can be avoided if the siblings agree on a strategy. In a seniority system, the adult children, starting with the eldest, take turns picking an item from the list of

possessions. In a random order process, they draw lots to see who goes first, second and so on. In a silent auction, each one is given the same hypothetical amount of money; he or she then places silent bids, with the highest winning. That way, a sibling can "pay" a lot for an item she wants and let others go.

**"My stepmother is taking over Dad's assets."**

Delia's parents completed a living trust many years ago, naming Delia, now 52, and her two siblings the beneficiaries of their estate. The trust also divided the assets, worth more than \$600,000 two decades ago, between her parents. When Delia's mother died, her father, by then in his eighties, inherited his late wife's assets—and then remarried six months later. He and his new wife bought a home worth about \$500,000. He then told Delia and her siblings that the trust had been dissolved, and that when he died, the new home would be their only inheritance. Pretty much everything else, including his life insurance policy, his military and career pensions and all his retirement accounts, would go to his new wife. Delia is upset about the way her father is acting, and also concerned about paying for her daughter's college education. "To me, it's about what my mother would have wanted," she says. "She would have wanted her kids and grandkids to be taken care of." **THE EXPERTS WEIGH IN** As one of the creators of the living trust, Delia's father had the legal right to change or revoke it. Still, a parent's late-in-life remarriage is often hard for the first wife's children to accept, Grubman says. If Delia's father is not honoring his first

**HOW TO PREVENT YOUR OWN INHERITANCE HEADACHES**

Whether you are going to inherit an estate or leave one behind, the best strategy is to communicate while there's still time to change plans if someone objects. Here's how to handle it with . . .

**. . . YOUR PARENTS**

**Talk it out.** Discuss estate planning while they're still capable, rather than when they're in the early stages of dementia or another illness.

**What to say:** "I'm doing some financial planning, and it would help to have a sense of how you're handling your affairs."

**Clue them in.** If your parents reveal that they're appointing you and your brother coexecutors, and the two of you can't stand each other, speak up. Your mom may think her plan will bring you together, not plunge you into the seventh circle of hell. Set her straight now.

**Suggest a third party.** If you're concerned about your parents' choice of executors, ask them to appoint an objective third party. **Another option:** family mediation, to make sure everyone is in agreement on how things will proceed after your parents are gone.

**. . . YOUR ADULT KIDS**

**Prepare them.** If you're making one child an executor, make sure she's okay with that responsibility. Then inform your other children. Explain your thinking. If your will treats your children unequally, or disinherits someone, let the person know up front, and tell her why. At the very least, write a letter that can be opened with your will. —K.A.



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wife's wishes, Grubman suggests Delia talk to him. "If she finds the courage to say 'I feel you're betraying Mom's memory,' he may say, 'I never thought of it that way. I had no idea you felt so strongly.'" Of course, he may still leave everything to his new wife, but "at least his daughter has been able to say what she needed to, and she may feel emotional closure because of that."

### "Why can't my sister trust me for her share?"

Noreen's mother left her house, worth about \$360,000, to Noreen, 48, and her younger sister, along with some \$300,000 in cash. Noreen wanted to live in the place where she'd grown up, so she hoped to buy out her sister's share and move in. At the time, however, Noreen and her husband had more than \$70,000 in credit card debt and a mortgage on their current home. So even with her share of the cash inheritance, she didn't have enough money to buy out her sibling right away. "My sister is very concerned that if I move into the house without paying her, she will somehow be slighted," Noreen says. "She's never come right out and said 'I want my half up front,' but it's obvious she's anxious."

**THE EXPERTS WEIGH IN** To make the arrangement work, says Park, Noreen should move into her mother's house, take out a mortgage worth no more than 70 to 80 percent of its value and pay off the mortgage on her current home. Then she should have enough cash to pay her sister and dispose of her credit card debt, with some to spare. But all that will take time, so she should immediately agree, in writing, to pay her sister within a specific time frame (say, one year), with interest, for her half of the house. "Otherwise," Park says, "the IRS would interpret what's happening as her sister giving her a gift, and the sister might be taxed on it."

### "My father made us give our inheritance away."

Prior to his death, Lisa's father talked to his five children about their shares in his estate, which was worth an estimated \$85 million. Their understanding was that he'd give \$1.3 million to each, then split his property, and whatever else was left, among them. When he died, each child did receive \$1.3 million, but to their surprise, the rest went to his second wife and to a foundation he'd created. The five children are now in charge of giving away the money—\$12 million to start, and more when their father's wife dies. "Some of us had conversations with him in which he implied that he would give a larger percentage of his wealth to his kids," Lisa, 53, says. "We made life decisions because of what he said. And then not only did we not get the money but we had to give it away to strangers. That felt like pouring salt on the wound."

**THE EXPERTS WEIGH IN** "Many parents who have that kind of wealth don't want to leave it all to their kids," Altman says. "They want their children to learn about giving back." Nonetheless, he says, Lisa's father couldn't force her to work with the foundation; she could have resigned and let her siblings do it. If they were equally unwilling, the group could have hired someone to take charge.

In the end, they all chose to stick with the job. And now that things have settled down, Lisa says, her attitude is changing: "I see it as more of a privilege to be able to give away the money." Indeed, as Linda Rhodes, author of *Caregiving as Your Parents Age*, puts it, "Inheritance is a gift, not a right." **M**

SOME NAMES AND IDENTIFYING DETAILS IN THE STORY HAVE BEEN CHANGED TO PROTECT THE SUBJECTS' PRIVACY.

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