



# LEAVE YOUR ESTATE TO YOUR CHILDREN WITHOUT RUINING THEM

By

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Leaving money to your children and grandchildren can be wonderful, and terrible. Money has a tendency to do one of two things to people: either it turns them into spoiled-rotten, good-for-nothing, non-productive, lazy, wasteful brats that we hope don't move in next door or date our daughters - or, it turns them into powerful, productive, humble, highly effective and valuable people that make great neighbors and contribute substantially to the community, may our children marry so well.

## The question is, **what makes the difference?**

How do we turn the wealth we leave our children into a blessing rather than a curse?

Through years of experience in moving assets from one generation to the next, we have seen first hand the good, and the bad, that can come from inherited wealth. We have noticed that successful parents tend to have successful children. In observing carefully, certain practices and principles are consistently used by those families that have successfully made money a positive rather than a negative influence in their lives. This is a brief overview of those principles.

**1. They Should See It Coming.** For whatever reason, it is almost always bad to be surprised by money. Sometimes we call this "windfall psychology." Perhaps this is because when we see it coming, we can mentally experiment with it before we get it, and eliminate a lot of bad choices we might otherwise make. Human nature does not always think through temptations in depth when our pockets are loaded with free cash. When we see it coming, we can get prepared. At the same time, we don't want them to stop being productive in anticipation of an inheritance - we deal with this below. Just like the answer to the question "where do babies come from?" will vary dramatically depending on the age and capacity of the child, how much and in what manner you involve your children in your business and financial planning will depend a great deal upon the child. Well crafted estate planning documents will give you the tools to include your children as appropriate.

**The deceitfulness of riches...**

**-Jesus**

**2. They Should Participate In Management of Assets.** Parent's are not doing their children a favor when they shelter them from the financial details of life. Successful families apply principles of stewardship and accountability - where the child is in charge of their own money, and is given the freedom to make real choices, even if they make mistakes (which they will). The child can learn more about good financial principles by actually going through the process than any other way. This is where they learn basic accounting, how to balance their checkbook, and how to pay their bills on time. It is better to make money mistakes at age seven that at age forty. Learning from small mistakes will help children avoid or deal with large mistakes later in life. It is vital that the child be allowed to experience both the good and the bad of how those choices play out.

**Wealth is not his that has it, but his that enjoys it.**

**-Benjamin Franklin**

**3. Allow the Natural Consequences of Choice.** One of the worst mistakes that well intending but ill-advised parents make is to shield their children from the consequences of their bad choices. One of the best training experiences a parent can give a child is to let them fail, and pick up the pieces without Mom or Dad there to bail them out. While in the

**I teach them correct principles and they govern themselves.**

**-Joseph Smith**

middle of this experience, children may cry or complain loudly about how unfair or uncaring they think you are. But don't give into the tantrum. Years later they will thank you. This is the "let the chick get out of its own egg or it will die" principle.

Children must learn that they have the ability to solve their own problems, and make their own money, without Mom and Dad's help. The "deceitfulness of riches" is that it blinds us to the consequences of unhealthy choices. If we think that money can make a problem with our children go away, we don't understand the problem, and what we think is the solution is really making the problem worse.

Money never fixes children, or their difficulties. What does?

**4. No One Should Get Something For Nothing.** Free money, is deadly money. Money only has value when it is earned. Earning money requires work. This can be difficult to apply in estate planning where the tax laws often favor making gifts to children and grandchildren. Giving in the wrong way fosters a sense of entitlement, and encourages both personal and political plunder.

Dependency is a disease born of poorly made gifts. Knowing how to give the gift in a beneficial way is at least as important as making the gift. Trusts and other gifting instruments can be based upon values expressed as Statements of Wishes Creating Incentives so that the beneficiaries only enjoy the benefits of the gift when they make healthy choices. Also, properly structured estate plans can "put meaning on the money" so that it is not simply free cash. Proper planning will also enable parents to retain management over their assets for their entire life, in spite of gifting to children or grandchildren.

#### **Gandhi's Seven Deadly Sins**

- **Wealth without Work**
- **Pleasure without Conscience**
- **Science without Humanity**
- **Knowledge without Character**
- **Politics without Principle**
- **Commerce without Morality**
- **Worship without Sacrifice**

**5. Teach Conflict Resolution.** Conflict in life (and families) is unavoidable. It is going to happen. Conflict is the greatest destroyer of wealth. It is the harshest and highest tax. Litigation, anger, bitterness, violence, coercion, wasted wealth and broken relationships – these are all optional. The consequences of conflict are not determined by the fact that it happens, but by how we respond to it. When we respond to conflict with escalation, blame, denial, force, and intervention by the courts, we make the problem worse.

**We have no more right to consume happiness without producing it than to consume wealth without producing it.**

**-George Bernard Shaw**

When we manage conflict with integrity, we protect what matters most, which is not the money. "Integrity" is adherence to a high moral code, a state of being sound, unbroken, and unimpaired, and the quality of being whole, undivided, complete, and united. Conflict and contention damage the

integrity of both the family and the individuals. Integrity is not an animal instinct. It is a higher function that is learned and refined. It is a reflection of spiritual intelligence. Teach it by example. Just in case, effective estate planning will make alternative conflict resolution a mandatory condition of participating in the control or enjoyment of the wealth.

**6. Live the Good Life.** We all know that example is the best teacher. This is profoundly obvious with children's acquired attitudes towards money. It is best when children learn from observing their parents that money is not to be feared or revered, neither loved nor hated. It is simply a tool that can be used for good or ill - and we are responsible for how we employ that tool. Live within your means, and at the same time enjoy the best of what your money will give you. Save. Give generously to charity and other worthy causes. Keep working at something worthwhile your whole life long. Have a reason to get up and be productive every morning. Let your children see you do it. Get them up with you. Sing. Cook your own meals. Have your children help. Read. Keep learning and developing new talents every day of your life. Dance. Purchase entertainment and toys sparingly. Avoid self indulgence, waste and other abuses. Remember, your children will probably handle money (and time) the same way you do. The best legacy you can leave your children is to live well yourself.

**The greatness of a man is not in how much wealth he acquires, but in his integrity and his ability to affect those around him positively.**

**-Bob Marley**

**7. Give.** Consistently, families that have a healthy relationship with money are affirmatively engaged in charitable activities. They give community service. They tithe. Very often they have a family foundation or charity of their own, which they operate for no purpose other than giving to others. They take good care of their neighbors. They take meals to the sick. They drop off cookies to the new move-in family. They make regular free will offerings in their churches and communities. They never deny the beggar because he may have caused his own trouble. They give because in giving, there is healing and peace. The children see their parents sharing freely. They see their parents giving service. The family will do this together. Wherever possible, they never just send a gift, they deliver the gift. They go as a family to work for someone else, without any expectation of getting paid. Children that learn how to give, learn how to forgive, and get over their troubles better later on in life.

**Health is the greatest gift, contentment is the greatest wealth, faithfulness the best relationship.**

**-Buddha**

**8. Expect the Best.** Children consistently live up to what we expect of them. We have seen that parents who complain about and bad mouth their children, and ignore their strengths, tend to have their worst fears realized. At the same time, parents who praise and compliment their children, and forgive their frailties, tend to have their best hopes exceeded. The way we think about our children - our attitude - tends to function like a "self-fulfilling prophecy." The dominant vision we hold of our children tends to come true because it determines the way we treat them. All children fail. That is human nature. As parents, we can treat their failure as proof of how bad they are, or we can treat it as a normal part of learning how to become responsible and trustworthy. Our expectations will have dramatic long term consequences for our children.

Probably the greatest harm done by vast wealth is the harm that we of moderate means do ourselves when we let the vices of envy and hatred enter deep into our own nature.

-Theodore Roosevelt

**9. Prepare for the Worst.** Because children are truly free to choose their own life, even when we do all that we can to help them prepare, to teach them correct principles,

In a country well governed, poverty is something to be ashamed of. In a country badly governed, wealth is something to be ashamed of.

- Confucius

to hold them accountable, to let them earn their own way, to set a good example, and to have positive expectancy, sometimes they make bad choices anyway. Although we cannot and should not attempt to take away their ability to choose, we can prevent our estate from aggravating the problem. Properly crafted estate planning documents will prevent assets from flowing directly to children when they have

an addiction to drugs, gambling or alcohol. Properly crafted estate planning documents will also incorporate the means to avoid or resolve disputes without resorting to litigation.

**10. Teach and Apply True Principles.** Unlike fads or styles that come and go, true principles are unchanging. They are true whether we understand them or know about them or not. They apply universally and relentlessly. True principles are the laws that govern the universe and the operation of all blessings we ever obtain, financial and otherwise. True principles have gone by various names at different points in history. Some philosophers have called them "natural law." Others have used words like "karma" or "commandments." Often maligned by those who prefer to obtain wealth and the illusion of power by deception or coercion, True Principles lead to genuine freedom and real power. They are the root source of all lasting financial success. Recognize the difference between being a consumer and a producer. Spend less than you earn. Save. Give an honest days work for an honest days pay. Share. If you love money, you will use people to get it.

Be careful to leave you sons well instructed rather than rich, for the hopes of the instructed are better than the wealth of the ignorant.

-Epictetus

If you love people, you will use money to bless them. There is not room in this small document to articulate such True Principles beyond a brief mention. But anyone can discover them by listening to that little voice inside you that tells you what is right and wrong. You will know. Do the right thing, then teach others to do the same. No where else can we better observe how well True Principles are followed and taught in a family than in how the family handles wealth.

**11. Moral Leadership.** It is one thing for adults to lead an honorable life based on correct principles. It is entirely another thing for adults to teach their children how to lead such a life. Every one wants money. Only a few obtain it. Everyone wants to keep what they obtain. Rare are those who do. Everyone wants to move wealth to their children when they die. This too, is difficult and exceptional. We all want the wealth we leave our children to bless them. Unfortunately, too often it does the opposite with a vengeance. Failure is so frequent in passing wealth from one generation to the next, that most never even try, or believe falsely that there is nothing they can do.

**When children need money the most is the worst time to give it to them.**

Even when we manage to get one generation on the right track, what about the grandchildren? Keeping a family on a positive path over multiple generations is never accomplished by accident. It is always deliberate, and by design. It is a spiritual exercise. It requires leadership, moral leadership, which means helping future generations learn how to make choices based on correct principles even when no one is there to guide them or hold them accountable. If we do not teach children to love truth and honor more than the dollar, they will sell their souls for a pittance. In leaving wealth behind when we die, if that is all we leave, it will be an instrument of destruction. To make wealth a blessing, it must be delivered as part of a larger package that involves every aspect of life.

### **Do you know what your choices are?**

### **Would you like to know what others have done in your situation?**

Our hope and objective is to help families do more than merely avoid estate taxes and probate. We want to assist families in turning their estate planning into a long term influence for good in their family and in the world. This underlying value is the heart of "Preventive Law." It is what we mean by "Live Well, Leave a Legacy."™



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