

How to Handle Inheritance

The following is adapted from our new book, [Your Next Adventure: Planning for Life After the Sale of Your Business](#). The book shows you how to craft a robust transition strategy that considers your business, personal, familial, and community needs. From pre-sale to post-sale, you'll learn how to plan ahead, assemble the right professional advisors, and incorporate your values, legacy, and loved ones into every choice you make.

No matter what financial circumstances you find yourself in, every business owner should have an inheritance plan in place.

When the time comes to either pass along the family business or sell it, you and your spouse must revisit the plan and determine what changes, if any, are needed to reflect the new circumstances and how best to pass your wealth on to your children and grandchildren.

Asking yourself, “What do I want to pass on?” and, “When do I want to do so?” helps accelerate your own thought processes. Communicating with your family will improve the quality of your decisions.

Sometimes a family is in a position where an owner wants, or needs, to limit the next generation’s access to wealth. It may be due to concerns about protecting the wealth from the children’s choices or protecting the children from others. Children or grandchildren aren’t often informed about these decisions beforehand. When they do finally receive access to the funds, they realize that there are limits attached.

When and How Much to Give?

Owner-parents also need to communicate to their children that their decisions aren’t just about the children or whether they trust their children. Decisions take other possibilities into account, such as divorce or frivolous lawsuits seeking damages, which then can take money outside of the family. Sharing these goals with your children as part of the planning process will help avoid the disappointment of hearing about it from the lawyer who’s settling the estate.

The gifting generation has to make the decision to either initiate the difficult conversation about their plans and why things will be set up a certain way or risk sowing the seeds of interfamily tension and misunderstandings down the road.

You as owner-parents have the best sense of where your children are in their level of maturity. Age-appropriate information sharing is of key importance. Parents often ask what other parents do. We recommend starting a communication process that builds information and detail as your children age. What to provide an eighteen-year-old is different than what you can discuss with a twenty-five- or thirty-year-old child.

Recognize that your plans may also change as your children become adults and as you gain confidence in their ability to handle their own affairs. When making your plans, it is useful for an advisor to illustrate how much your children will receive upon your passing. That alone is usually an eye-opener that will encourage you to think more about whether to restrict access to the family's wealth by future generations.

Your children, if not already adults, will grow to where they're old enough to have roles in administering your estate plan. It will be important that they have the tools to fulfill those responsibilities.

A common question is at what age children should have unrestricted access to their inheritance. The answer depends considerably on the child, their level of maturity, the level of wealth involved, and the parents' goals in passing on wealth. A family advisor can help you in considering what's appropriate for your children.

Family Communication

Open communication is important not only between spouses but among the entire family. Intergenerational communication when a family business is involved is no exception. Making decisions for your family and business is best accomplished with as much information as possible, but you and your spouse have two main options in approaching those decisions.

In option A, the business owner and spouse take the position, "This is our money and our company. We're going to move forward and make the choices we think are best for everyone involved."

In option B, you can engage the family. You may want to ensure that you have a good understanding of what expectations they have. Prior to these conversations, you make it clear that you're in the process of creating, or updating, your estate plan. You're going to be making decisions about how the family wealth will be handled, and you're considering where it will go. You reserve the right to make final decisions yourself, but you want to engage the family and plan to align your expectations and interests with theirs wherever possible.

While you can't align everyone's expectations and interests, at least they can be assured that they will be heard, respected, and considered.

What to Consider and Discuss

Not only do families have different requirements, but there's also a need to respond to changing expectations. Business-owning families with substantial assets rarely leave the transfer of wealth until death. Families want to see their heirs, whether children or grandchildren, benefit

from their wealth while they are alive and learn through experience the responsibilities that go with it.

Ask yourself the following questions:

- How do you want to use your wealth for the benefit of your children or grandchildren? Do you want to watch them benefit from access to the funds and learn how to manage wealth?
- How will you communicate your expectations?
- What wealth transfer structure will best meet your goals—and theirs?
- Might you create a family bank where the family members have the use of some capital, but it's not necessarily gifted to them?
- Will there be responsibilities associated with using some of that family capital for their individual or the next generation's benefit?

By keeping the lines of communication open with your children about your expectations for the transfer of wealth, you can reduce misunderstanding and ensure that everyone benefits from the process.

For more advice on business transitions, you can find [Your Next Adventure on Amazon](#).

Marshall Rowe, President, CEO, and founder of Harvest Capital management, has over thirty years' experience developing portfolio strategies and analyzing investment opportunities.

James Fitts, CFP, Managing Director, and Chief Planning Officer, has been assessing personal and business financial positions and advising family-owned businesses on ownership and succession for almost forty years.

John Weeks, CExP, Managing Director of Family Wealth and Business Transition planning, is a financial service professional who has been working in wealth management, commercial banking, and family business for over thirty years.

Together, at Harvest Capital, they help clients attain life goals, as well as financial objectives.