

Families Are Not Talking About Inheritance, New Study Finds

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Even though it is estimated that trillions of dollars will be passed down from the baby boomer and silent generations through 2045, a high percentage of families are not having conversations about what that wealth transfer will entail, according to new research published by Edward Jones.

In partnership with Morning Consult, the company surveyed more than 2,200 adults in December and found that even though 71% of adults with children said they felt comfortable having the discussion about wealth transfer, only 27% reported that they'd had the talk, according to the study.

Cerulli estimates that more than \$80 trillion will be passed down from the older generations to the next in what many are referring to as the "Great Wealth Transfer." However, despite that significant amount, 35% of those surveyed said they have no intention of discussing that transfer of wealth with their families.

There are several reasons for that, and one is that they are simply avoiding the discussion, according to Lena Haas, head of wealth management advice and solutions at Edward Jones. Many families believe they have time to have the conversation and they can put it off until later.

Another reason is many families are under the impression they they've already had the talk, Haas said. The parents may think they talked about it, yet the children don't remember. Or the discussion was years ago, and circumstances have changed. That's why families must have ongoing talk, Haas said.

"The wealth transfer conversation shouldn't be a one-and-done," she said. "Circumstances change, [so] it's really important to have the talk and do that regularly as part of regular general financial planning."

Finally, while families may talk about inheritance, there are aspects of it left unsaid. Nowadays, inheritance is more than just money. It includes real estate, a family business, and intangibles such as values and how the recipient plans to live.

The study found that 40% of the respondents have already discussed saving for retirement, and 36% have talked about managing personal finances. However, important topics have gone undiscussed, as 21% said they have not talked about charitable giving with their family and 23% have not discussed family business succession, the research found.

"Beyond the tangibles, oftentimes people really want to have the conversation about values, about how to live your life, and those conversations are not happening either," Haas said.

When a person is drawing up their plan to determine how they wish their wealth to be distributed, it can lead to complicated and stressful conversations. Multiple family members may feel deserving of a certain percentage more than others. Givers may also wish to donate to a charity that their heirs disagree with.

When navigating those difficult waters, Haas said family members should have someone not emotionally invested in the situation run the meeting—namely, a financial advisor.

"These are deeply personal decisions and there is not a right answer, but that's why oftentimes there's the sense of dread of having the conversation," she said. "That is why having it with someone who you trust, who can guide you through it in a much less emotional way, becomes so important."

The advisor can serve multiple functions before, during and after the meeting. First, they set the agenda by speaking with family members to learn their intentions as well as their values and what is important to them.

During the meeting, they moderate the discussion to ensure that the topics the family wishes to bring up are discussed and nobody gets off track. Planners can also organize and gather other industry experts who might be helpful, such as lawyers or CPAs.

Finally, they can help execute the will and work with the recipients to manage the inheritance.

When a third party is involved, it increases the confidence of the family members in the discussion, the study found. Of those surveyed, 57% said they believe the family can reach a consensus earlier when a professional is involved.

The study found that many adults do not feel prepared for the wealth transfer; only 23% said they felt prepared, and only 25% said they felt confident in the process. Nor did the confidence levels improve for those who received instructions about the inheritance, as only 25% felt prepared while 19% said that they felt anxious.

No one wants to think about losing a loved one, but Haas said that this should not be a reason for families to shy away from the important conversation about wealth transfer. While aspects of it can be difficult, the family members left behind will be grateful when they know what to do when the time comes.

"This kind of wealth transfer conversation is never urgent until it is, so don't put it off and have the conversation," Haas said. "Going through various scenarios in advance can actually give people a shared understanding and peace of mind, as opposed to this unexpected life event [where] they're dealing with the actual situation and [have to] discuss the financials."