
The kids are not alright... as prospective heirs

By Editor Test Tue, Nov 15, 2011

The wealthy have mixed feelings about passing money to the next generation and about the link between money and happiness, according to a new Barclays Capital survey.

A significant minority of rich Americans (23%) don't trust their children or stepchildren to safeguard their inheritance, according to a new report from Barclays Capital. Among wealthy individuals worldwide, the figure was over one-third (35%).

The report, *The Transfer of Trust: Wealth and Succession in a Changing World*, is based on a survey of some 2,000 high net worth individuals in 20 countries. It examines wealthy investors' attitudes towards wealth transfer and succession planning.

The study reinforced some common perceptions: that families tend to quarrel over money inheritances and that people experience more satisfaction from earning wealth than having it handed to them.

Thirty-six percent of wealthy Americans surveyed told Barclays that they have personally experienced family disputes caused by wealth and 21% believe that wealth places an unnecessary burden on the next generation.

About two-thirds of U.S. respondents said their values were very similar to their parents and 82% said they were more likely to allocate assets to children whose values are most similar to their own.

Apprehension about passing considerable wealth is a common rationale for establishing a trust to manage distributions, while still allowing a child access to substantial inheritance. Wealthy individuals may even consider incorporating an "incentive clause" into a trust structure.

Virtually all (97%) of U.S. respondents to the study were nonetheless committed to passing their money to their children. But 68% of American respondents say that they require a great deal of professional advice when deciding on an inheritance plan for their children/stepchildren.

Prenuptial agreements are more talked about than actually used. Over three-quarters (76%) of wealthy Americans think that a prenuptial agreement is important for the protection it affords, but only 11% actually have one in place. An alternative to a "prenup" is a "lifetime trust" that segregates the legacy wealth from the newlyweds' marital assets.

Nearly all (94%) wealthy Americans currently have a will in place. Half (50%) of U.S. respondents have revised their wills at least once and over one-third (35%) has revised them three or more times. In the U.S., the primary trigger for a will revision is tax efficiency/planning (23%). Abroad, the primary trigger is an increase in wealth (19%).

The "inherited dollar" seems to be treated differently than the "earned dollar." Although it varies by family,

high net worth individuals often prefer to preserve inheritance money and often keep their inheritance separate from wealth they earned themselves. Inheritances are sometimes seen as an embodiment of the character of the deceased, and the money is perceived as having “personality.”

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