



How Can Inheriting “Life Changing Assets” Affect Your Heirs?

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Most people don't consider what will happen after death. Why? Because it is scary. People don't want to think about what will happen when they are not around and cannot influence whatever is going on in their environment. For this reason, many people do not have a will, funeral arrangements or a plan as to what will happen to their estate.

Aside from the tax consequences and keeping files organized, what else should you consider in terms of estate planning? There is a large personal element to estate planning because the effects of inheriting assets can be significant. This article focuses on how a large inheritance can affect someone receiving it.

Life Changing Assets

Does it matter what someone receives or how much it is worth as an inheritance? People think there are no consequences to inheriting large sums of money, businesses or real estate. This is not true! Larger assets or “complex” assets – things that need to be looked after - take energy and time to be managed, and some degree of knowledge. You can hire someone to do almost anything, but then there is the element of trust and fairness if there is more than one person who will inherit the asset. The ability to make decisions and have a degree of control is very important to a lot of people, and having to share this with another person (including spouses or family members) is challenging.

There is also the effect that comes from the inevitable changes that a business or sum of money can bring with it. Why? These things can be a permanent lifestyle changer. Inheriting a large sum of money is liked forced retirement. Would you like to be forced into having fun? Yes, it can be argued that you will continue your lifestyle as it was prior to the inheritance, but this rarely happens because it takes a lot of discipline. One of the key characteristics of something that is fun is that you have chosen to do it. If you have to run a business or a stock portfolio and you know nothing about it and do not like doing it, this can be a problem.

Quotations from the 1%

Looking at the quotations below gives you an idea of the issues involved in inheriting “life changing assets”.

“The first generation builds wealth, the second generation keeps the wealth, and the third generation spends the wealth. The fourth generation would have to start over again.”

“Leaving enough of an inheritance for someone to do something, but not to do nothing.”

“With more money comes more headaches.”

“You will have to spend as much time keeping the money as you did creating it.”

“You will not get rich working for someone else.”

“Owning things is not as wonderful as people think. The real symbol of power is how much control you have over these things. From a tax and estate perspective, owning things is quite a burden.”

“You don’t own things. The things own you.”

“Hold your friends close, and your enemies closer.”

Running a business or inheriting a large sum of money is a lifestyle. It is not just how much you can spend and what image to uphold, it is also how you can preserve your wealth, what legacy you will leave behind, who you will trust and how to make sure you are not a target of thieves, mostly from people closest to you. People are affected by large inheritances not just by what happens internally to them, but how other people perceive them. Evidence of this comes from big lottery winners. If you are not ready for a large lottery win, the typical outcomes are greed followed by bankruptcy, alienation due to jealousy, a total reinvention of one’s lifestyle and relationships, or perhaps a giant ego trip. Like most things, you need to be prepared to know what to do when a large asset arrives.

To Whom Do You Leave Your Estate?

Do you want to bypass family altogether and leave things to friends, charities, institutions etc.? There is a money and tax component to this decision, but the real driver would be: What is the purpose of including such and such a person or organization in my estate? There is typically something personal or special that is behind this type of decision. If someone is not inheriting something, why would that be? The consequences of both of these decisions will have lasting effects. Keeping things fair and justifying your decision will likely be the key to keeping your soul at rest when the time comes. Visualizing who will actually manage the assets and for what purpose may be helpful in determining how to lay out the estate.

Contact me, Joe Barbieri by email at joetheinvestor.today@gmail.com, or by telephone at 647-286-8020 for an independent consultation on what your options are. **Note: This site is intended for people who want to learn about the world of investments and how to research for themselves. If you would like to buy or sell investment products, or specific advice on investment products, tax or legal issues, please consult your investment advisor, accountant or legal counsel.**