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How to Avoid a Family Feud Over an Inheritance

by

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How to Avoid an Inheritance Feud

Why does a family feud sometimes erupt after a funeral? Maybe it's the feeling that the "black sheep" of the family doesn't deserve anything, or the "golden child" got more. Then, too, it could be the heated debate about whether to sell or keep the family home.

If you want a Molotov cocktail, combine money, grief, a surviving stepmom or stepdad, a touchy economy, and long-simmering sibling rivalry.

"Inheritance feuds can be an expensive, time-consuming, hurtful disaster," says Kay Boyd, a senior vice president and wealth consultant at Sovereign Investment Group.

Case in point: A dispute over an apartment building destroyed the relationship between two brothers. One thought managing the building was his paid job, but the other wanted to sell the property. "It ended up in court with the two brothers never speaking to each other again," says Jack Hillis, president of Hillis Financial Services.

Even if it seems like you have the perfect family, plan for the possibility that your children will fight at your death, advises Rebecca Pavese, a CPA and national tax practice manager with Palisades Hudson Financial Group.

To decrease the odds of leaving a legacy that triggers a family battle royal, read on.

Prepare for the Inevitable

For the sake of family peace, have appropriate documents in place. These include a will, trusts if appropriate, a power of attorney and advance medical directives such as a medical power of attorney and living will.

The will should name an executor and a guardian for minor children. The trust should name an independent trustee.

Update them as life changes occur, such as births, deaths and divorce. State laws differ widely regarding property ownership and probate, and every family is different.

"If you try an online forms package, your heirs might be left with a giant mess, and you won't be here to clean it up," says Boyd. "Use a board certified estate planning attorney to write your estate plan, not your family friend attorney who mostly writes contracts."

Recognize what is not ruled by a will. Assets held in joint tenancy with rights of survivorship are not disposed of in a will. Neither are assets that have named beneficiaries, such as life insurance policies, individual retirement accounts, 401(k) plans and annuities. Keep accurate records of the location and titles to all assets.

Do the 'Right' Thing

Be fair. Families are torn apart because of unequal distribution, says Barbara Walker-Green, founder of Advanced Wealth and Retirement Planning Concepts in Houston.

However, it isn't always possible to treat each child equally. The beach house you leave to one may not be the direct equivalent of the antique car collection left to the other, points out Thayer Willis, author of "Navigating the Dark Side of Wealth: A Life Guide for Inheritors." While you may not be able to treat them equally, treat them fairly.

"Each heir is different and will have different needs and financial abilities," says Willis.

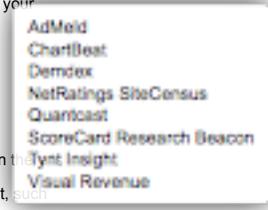
Be Upfront and Plan Carefully

Shock and disappointment can lead to litigation, says David Warren, a partner with the Blank Rome law firm, who focuses on trusts and estates law. Talk

to your loved ones in several family meetings long before you're at death's door. If they know what to expect and you share why you're allocating your assets the way you are, it can make a difference.

"Tailor your estate plan accordingly, and in a family meeting with everyone present, explain your decisions," suggests Willis.

Another way to avoid an inheritance feud: Think twice about naming any sibling or multiple siblings to a position of power, such as executor, when there is any distrust or rivalry for affection and approval among the siblings. "Appoint a third party to administer the estate to avoid any conflicts of interest, such as a sibling unjustly enriching themselves to others' detriment," says Leslie Thompson, a CPA and managing principal at Spectrum Management Group.



Leave a Legacy of Love

Grief can be expressed in many ways, especially when people are trying to avoid their feelings. All the old resentments ("Mother always loved you best") come out, and people who had unfinished business with the deceased will try to handle their feelings by becoming possessive, greedy and argumentative, says Tina Tessina, psychotherapist and author of several books including "It Ends with You: Grow Up and Out of Dysfunction."

There's a tendency to cling to someone with whom there are unresolved relationship issues by hanging onto possessions. To let go and experience the loss means that the relationship can never be repaired or fulfilled more than it was, so people cling to mementos in a physical expression of their emotional ties to the lost person.

"Brainstorm for the worst-case scenario," says relationship expert April Masini. "If you don't, you'll have it. If you do, you'll have a plan for what to do if something terrible happens."

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