

# Breaking the silence: An estate plan is just the beginning; talk about it.



Successful wealth transfer is a process—a long-term process that does not end with a well-crafted, tax-efficient estate plan—it begins there, and then grows through thoughtful communication among your family members about the estate planning intentions.

The discipline of communicating the intentions of your estate plan proves to be a powerful practice and one that we at Truist Wealth's Center for Family Legacy believe to be crucial for successful wealth transfer from one generation to the next.

Why? Consider the following:

## “Shirtsleeves to shirtsleeves in three generations”

Common experience confirms that most families fail to sustain wealth across multiple generations. An almost universal proverb reminds us that the third generation of a wealthy family is ill-advised to rest on its ancestors' laurels:

- In Italy, the expression is “from the stable to the stars and back again”
- In China it is “from peasant shoes to peasant shoes in three generations.”

Empirical research helps us understand the underlying reasons. One study of 3,500 families found that 70% failed to sustain wealth across generations. Interestingly, the study concluded that errors in financial planning or taxes accounted for less than 3% of the failures. By contrast, 60% of the failures were found to result from lack of communication and trust in the family and 25% from “unprepared heirs.”<sup>1</sup>

It is our view, that this information—this realization of a critical lack of communication and trust—presents a terrific opportunity for you and your family to broaden and deepen your relationships with each other, your family heirs and your advisors.

Our research on the “25 best practices of successful families” is consistent with both the earthly proverbs and empirical research cited. Take a look at the best practices on the following page and you'll see communication is a common theme—and a powerful best practice.

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# 25 best practices for multi-generational families



## Family cohesiveness

- Family history & culture
- Shared values
- Family mission statement
- Teamwork & communication
- Family member well-being



## Mentoring

- Financial education
- Parenting skills
- Support for entrepreneurship
- Family support network
- Money smarts



## Governance

- Family governance
- Family meetings
- Family policies
- Conflict resolution
- Succession planning



## Trusts & estates

- Communicating intentions
- Grantor & beneficiary mentoring
- Selection of trustees & advisors
- Trustee & beneficiary relationships



## Strategic planning

- Understanding of economics
- Wealth objectives
- Planning for major life events



## Philanthropy

- Support for philanthropy
- Shared philanthropy
- Strategic philanthropy

## Why is this all so hard?

If the stakes are so high, why is communication around your wealth so difficult? The answer, most often, is fear.

- Families worry their children will feel entitled to the wealth, become spoiled, unmotivated and isolated by envious peers.
- They worry children might tell outsiders who will exploit the knowledge to harm the family, or that disclosure will trigger conflict, such as sibling rivalry, years before the estate plan is even relevant.
- Families worry disclosure today will limit their flexibility if they want to make changes in the future.

These fears are not entirely unfounded. We've all heard painful stories of family feuds over money. But the point here isn't to dwell on unsuccessful stories, it's to take note of the more non-sensational ways in which silence around estate planning can result in long-lasting problems—and unsuccessful stories.

## Knowledge knocks out discomfort

Choosing to remain quiet about your estate plans adds to another issue: discomfort with wealth. Psychotherapist and author Jessie H. O'Neill notes that without open communication about the social and emotional implications of having wealth, inheritors can, among



We mentioned earlier that advisors and professionals have knowledge of a variety of tools to assist you with expressing your intentions of your estate plan. One such tool is an ethical will.

An ethical will, or letter of wishes, is a non-binding legal document in which you express your values, wishes, stories, insights, love and affection to your family and heirs in a way that your legal will and trusts may not be able to express. While your other estate planning documents address what assets you want your heirs and loved ones to receive, an ethical will provides an effective and tangible way to express your values and the motives behind your intentions.

other things, feel “ashamed of receiving handed-down wealth, guilty because they had so much and inadequate when compared to the people in the family who made the fortune.”<sup>2</sup>

Consider for a moment how wealthy people are often characterized in the movies your children are watching. Open and honest communication around your wealth and your intentions behind the estate plan can not only ease discomfort but can also help to neutralize negative messages your children receive from an array of areas: less fortunate peers; jealous relations; politicians and pop culture.

Healthy, candid dialogue regarding your family money and your intentions around your estate plan can eliminate distortions about wealth and instill a feeling of trust in your children while building their self-esteem. Wealth can be a very sensitive topic and discussing it honestly, extremely uncomfortable. Ultimately, however, this practice of engaging in open, honest conversations about your motivations for an estate plan will lead to not only a clearly defined blueprint that truly aligns with your intentions, but deeply informed heirs.

We are well aware that this can be tough and difficult work. We have found that working with a thoughtful advisor can help both you and your family honestly assess motives and help you develop the plan that aligns your giving behavior with your underlying intentions. It’s vital to include your advisor(s) in these communications regarding your intentions. After all, they are in charge of drafting and implementing your estate plan.

## Get everyone on the same page

Families and advisors have historically existed within the legal realm of estate planning. Unfortunately, this relationship has often put what we are talking about—honest expression of values, feelings, love and intentions about the transference of wealth—on the sidelines. The unintended consequence of this relationship results in misunderstandings, loss of love and an ineffective relationship between families and advisors.

Thoughtful advisors have access to a variety of tools that not only bring your estate plans to fruition but bring your family along in the process, thus eliminating any unwanted surprises. Including your advisors, executors, trustees, and guardians in conversations about your goals and intentions can help to ensure the successful transfer of your wealth will be packaged in your values.

By expressing those intentions and values to your family and your advisors during your life, you put everyone in a much better position to execute those intentions.

## Steps to success

The Center for Family Legacy is here to help with these conversations and provide useful perspectives. Specifically, we have found that it is often useful for you and your advisory team to take a collective breath and a deliberate step back in order to view the communication issue as part of a much broader analysis of the family's non-financial makeup. Often, the first step is the discussion of your "money history."

The detailed questions in the accompanying chart are designed to help uncover, and critically consider, five core issues:

- What childhood influences color your current concepts about wealth?
- What is your current attitude towards wealth?
- What are your beliefs about how money should be used?
- What are your beliefs about how money affects relationships?
- What are your initial thoughts about communicating money issues to your family?

This exercise can help you and your family consider the messages you are passing on to your heirs—consciously or otherwise—and whether some of those should be revisited. The objective is to learn from the past both what has worked and what you want to do differently.

Inevitably, families who pursue this exercise and see the importance of communicating more directly with their family members will ask: When, what and how to communicate?

## When should we start?

Quite simply, the best time for you to talk about your estate plan is "now." Ideally, this communication is a process, rather than a one-time event, as it needs time to unfold.

The most effective approach is to start with an introduction of basic financial concepts when your children are young and then introduce more sophisticated topics, such as trusts and taxes, at appropriate ages.

Obviously the nature of your family's relationships will affect what is said at any time, but some additional communication is usually helpful at every stage. The tax and financial topics are often unfamiliar to at least some family members, and take time to sink in.

The emotional issues that underlie the entire topic often need to be identified and fully expressed before the content can truly be absorbed. And, overcoming the misconceptions left by the powerful negative messages about wealth delivered by society and extended family may require consistency and repetition.

The most successful families view the communication process as iterative and learn from the reactions of their family members at each stage of the process.

## What do we say?

Families who center the communication on shared family values have the best experiences. The “money history” discussed above is a good place to start, since it is impossible for you to communicate your values around wealth until those values are first fully understood.

Productive discussions about shared values include those that reveal the meaning of money to each of your family members. The discussions also celebrate the history of both your family and the wealth, with a special focus on the hard work and accomplishments of those who created your family fortune.

Children who understand their family’s history and values can more readily see the estate plan as a manifestation and continuation of those values. They can accept the plan more authentically and are more likely to adopt the shared family values in their own subsequent planning.

According to author and family governance expert Jay Hughes: “To successfully preserve its wealth, a family must form a social compact among its members reflecting its shared values and each successive generation must reaffirm and readopt that social compact.”<sup>3</sup>

## How does this all work?

Once your family agrees to communicate early and often, and to center the discussion on shared values, a few helpful guidelines can facilitate the process.

- To begin, everyone involved should have an idea of the overall flow of the plan, rather than the details, in order to give all of your family members an opportunity to react, perhaps first emotionally, but ultimately more thoughtfully, to the process.
- As children mature and demonstrate they can handle information responsibly, you can begin to share more details as part of the ongoing dialogue.

- We recommend that the conversations be formal and structured, since the issues often involve technical, seemingly inaccessible concepts that can be glossed over in more casual conversation. Formality also reinforces the seriousness of stewarding your assets, history and values.
- At all stages, it is critical to emphasize that the current plan can, and likely will, change, and that any expectations formed at the start may also change. Nonetheless, the conversation should be very open and all family members should be encouraged to offer authentic reactions and ask uncomfortable questions.
- Finally, and not surprisingly, we believe it crucial to have your advisors, along with a neutral family meeting facilitator, present for the conversations. This reinforces the seriousness of the discussion in a safe space and permits real-time clarification of technical issues. It also allows your children to form their own relationships with your advisors.

## Summary

As we said at the beginning of this paper, successful wealth transfer is much more than a well-thought-out estate plan. It is an on-going, long-term process based on communication.

Regardless of the form your estate planning takes, taking the time to express your intentions to your family members and advisors can help ensure the successful transference of your wealth to your loved ones in a way that aligns with your goals and objectives.

Perhaps more importantly, it also helps to avoid misunderstandings, hurt feelings, and the loss of love among your heirs and loved ones, and puts your advisor in a better position generally to assist with the successful creation and implementation of your estate plan.

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# References

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2. *The Golden Ghetto: The Psychology of Affluence*, Affluenza Project, Dec. 1997.
3. James Hughes, *Keeping it in the Family: How Family Members and their Advisors Preserve Human, Intellectual and Financial Assets for Generations*, Bloomberg Press, 2004.

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