



A DIVISION OF COWLITZ BANCORP

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## How to avoid inheritance fights

In a desire to be fair to everyone, some parents assume that the solution is an equal division of what they own among their offspring. Too many times chaos ensues. Here are the stories of two families with whom we are familiar. They are based upon real situations, but the names are fictitious and some facts slightly altered.

### **Story one: Home front as war front**

Alden left the family home equally to six children. Cassie has lived there her whole life, caring for her widower father and disabled brother. She wants to stay there. Two siblings flew in from across the country for the funeral, almost literally expecting to go home afterward with checks in their pockets from the sale of the house. The other two just want peace in the family.

Did we mention that Cassie is the executor of her father's estate?

The battle lines were drawn even before Alden passed on. Cassie doesn't have the funds to buy the others out. The others are half convinced that Cassie's actions over the years prove her incapable of "thinking straight" about the house or handling the division of family assets properly. Everyone is contacting lawyers.

*Is it too late?* Cassie herself actually does understand that she cannot manage the settlement of her father's estate alone. Her thinking is clearer than her brothers and sisters believe. She has enlisted a corporate fiduciary (in the role of "agent as executor") to handle the administrative and investment responsibilities involved in settling her father's estate.

Otherwise, it is too late to satisfy everyone in Alden's family. This story, then, can serve only as an object lesson.

## **Story two: Don't invite them all to dinner**

Beatrice made offhand remarks such as these all the time: "You may want the pearls when I'm gone." "The china should stay in the family, it goes back generations." "Dad's matchbook collection reminds me of our best times together." The comments raised expectations about inheritances, and paved the way to conflicts.

Beatrice's will divide her estate "equally" among her four children. The failure to identify who was to get what from a substantial estate that included valuable antiques, works of art, and jewelry (not to mention items of sentimental value) was disastrous, leading to arguments so fierce that one sibling remarked to another, "At least after this is over, we won't have to see each other again."

*A more formal approach.* There are no simple solutions when it comes to the division of personal property among heirs. Beatrice could have used the annual Christmas gathering to give everyone the opportunity to discuss inheritance preferences. She could then have been the arbiter, with specific will instructions (Suzy gets the pearls; Arthur takes custody of the matchbooks; etc.). Alternatively, they could have come up with a process to resolve conflicts amicably. It also would have been a good time for Beatrice to make "annual exclusion" gifts (up to \$12,000 per child in 2008), removing the gift amounts from her estate and from potential taxation.

*A glimmer of hope.* Beatrice's sister, unhappy with how things have turned out, has "brokered a deal" with her nieces and nephews. Everyone has agreed to formal appraisals of the most valuable items and informal prices for other pieces.

Prior to a get-together, everyone will receive a complete inventory of Beatrice's possessions (including those with sentimental value). They may hold an "auction," with each of them having "bidding money" that is equal to one-fourth of the value of the appraised items. The winner of each item has its value subtracted from his or her inheritance. (Online auctions are possible when beneficiaries are far-flung.)

Another option that some families consider is to pull numbers from a hat. Number one chooses what he or she wants and then on down the line. After the first round, the order is reversed.

Foolproof? No. But if everyone perceives that the process is fair, who knows? The process of estate settlement could put the heirs on the way to mending some fences, rather than exacerbating divisions.

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