

Family Secrets: How Much Estate Information Should You Share with Your Kids?

[00:00:00]

Herb Fineburg: Good morning! Hey Danielle and Max, today we're gonna be going over a often discussed topic between attorneys and their clients. And the question is, do they often discuss [00:01:00] what's going on with their children and their estate plan? I was reading an article written by a financial advisor, financial journalist, who said, this is why she's told her kids about everything, including her money.

Herb Fineburg: And one of the things she wrote about in her article was a following, although 89% of high net worth boomers surveyed by RBC Wealth Management in 2024 said it was important to tell heirs about their inheritances. Fewer than 40% had done so, and I would think it's actually even less than 40%.

Danielle Friedman: Yeah. I'm surprised to hear 40%.

Herb Fineburg: And now many of our clients ask us, what can they tell them? And I think, Max, you have a thought about how, look at it in tiers. What have you, determined from this discussion?

Max McCauley: I think at a big picture level, you could divide it into three levels of sharing.

Max McCauley: Level one, the essentials. Almost everyone should share these items. Level two, the structure which would really be helpful for [00:02:00] adult children. And then level three, which is very personal and optional would be disclosing your assets, the numbers, the amounts, who gets what, specifically, so we'll start with the essentials.

Max McCauley: This is the need to know so things don't fall apart tier, but I think even the bullet points in this tier are open to suggestions and discussions. So the essentials would be who your executor is, or trustees, who your guardians are, if you have minor children, where the documents are stored, who your attorney and financial advisor is, and what to do in an emergency.

Max McCauley: I don't think we have total agreement on sharing all those items, do we, Danielle?

Danielle Friedman: No. I get this question a lot. It's probably the most frequent question we get from clients after they sign their documents, they ask me, what do I tell my family? And I often advise them, tell them who your advisors are.

Danielle Friedman: Here's my business card, share my email. Do all that. Tell [00:03:00] them where the documents are stored, the originals, and usually we retain the client's originals, but sometimes the clients take them and, as long as they keep them in a safe place and let their family members know where to locate them, that's okay.

Danielle Friedman: Copies for now should be sufficient too. What I tell them not to share is who they've named as fiduciaries, whether that's executors or trustees, because those can be changed in the future. And relationships change, people mature differently. Certainly personal interactions can evolve and parents may reconsider who they named in certain roles, and if specifically, if they're choosing between different children to serve as executors or trustees. You don't want a child to come back years later and say, well, mom told me that I'm the trustee, but the document says that, my brother's [00:04:00] the trustee. What gives.

Herb Fineburg: It's hard for somebody to understand when mom said you're gonna be the trustee, and the document says something different. Is that child then accusing you of not writing down what mom wanted?

Danielle Friedman: Right. I mean, sometimes it feels that way. And you can talk to that child slowly, you're blue in the face, and even show them communications that you've had with the parent and say, no, that's no way would mom have said that and you get into this, family drama that wouldn't otherwise exist if that information had been kept private. Now, when it comes to powers of attorney, which are immediately effective, I would share those and say, okay, you're the financial agent. You're my healthcare agent. Here's a copy of the document, because that's gonna be needed most likely in the event of an emergency.

Danielle Friedman: You just have to know with the financial power of attorney that. Most of the time they're effective immediately. That agent can go and transact on your behalf. Of course, they are your [00:05:00] fiduciary and need to act in your best interest, but there is some room for wrongdoing. So you have

to really trust that person and hopefully you've named the right person in that role. If you're giving them that access and information.

Max McCauley: But to be clear, if you're just sharing the essentials, you're not discussing money or assets at this point.

Danielle Friedman: No. And I'm not discussing what's going where, who's getting what, none of that. It's really, bare minimum need to know in order to, pick up the phone if something happens.

Herb Fineburg: Can I throw in a couple of other things for essentials? What might be an essential also would be where the life insurance policies are 'cause those oftentimes aren't easily found. Another one would be, is there long-term care insurance? Those might, those should be somewhere, and one that, I've seen in articles is to tell your kids what your preferences are if you need to be taken care of full time. Some people just say, I don't expect you to take care of me. Put me into a nursing home. [00:06:00] This is what my preferences are. I have a long-term policy, should take care of it, or I have enough money to take care of it. Those kind of conversations might be in the essentials without disclosing a whole lot.

Max McCauley: Would you recommend they prepare a list of those policies and accounts and tell the children where to, or the beneficiaries where to find the list in the event of their death?

Herb Fineburg: We as practitioners often ask the client to put together a list of assets which aren't necessarily always updated because it's difficult for the client. But we like to keep, as you know, Max the list of the policies, policy numbers, long-term care policies. Obviously if they have a burial plot, somebody has to know this. If they have pre paid period funeral, they have to know that. Those are the kind of essentials. I think all of us, all three of us sitting here agree. Let's share that stuff.

Danielle Friedman: I think that, between the attorney, the financial advisor, there should be enough information for the children to get started when crisis [00:07:00] strikes, or when a death occurs. One thing that the attorney may not have or the other advisors may not have is funeral wishes and burial instructions. Sometimes that's contained within the estate planning documents, but sometimes those arrangements are being made before the estate planning documents are even located or, before we're called. So I think you should let your kids know generally, if you have religious preferences, if you have, certainly if you have a prepaid funeral or a prepaid burial plot, but if you just

have a space that you want to be buried or if you wanna be cremated and your ashes scattered somewhere, and we have instruction letters that clients can complete if they have strong wishes. Otherwise, clients need to know that whoever is making decisions after their death, that's gonna be the person who is planning their funeral.

Herb Fineburg: This is a lot of information to share with the kids at level one?

Danielle Friedman: Yeah.

Max McCauley: Yes.

Herb Fineburg: What happens? What is level two again, Max?

Max McCauley: The structure. So this is about how things work, [00:08:00] not how much you have. So items under this category would be whether your assets passed through a will or a trust, whether inheritances are outright or protected in trust. Your general philosophy. In other words, are the assets distributed fairly or equally? And do you have an interest in charitable giving? Another item that you could consider, and we spoke about this briefly earlier, any responsibilities that children, or your beneficiaries might have as a trustee?

Max McCauley: Executor or the agent under the power of attorney. This is all done to help them understand your intentions and reduce surprises, but again, still not disclosing how much you have or what those assets are.

Danielle Friedman: I've had those conversations with clients. Definitely sat around the table with the clients, their children, and explained with the client's blessing, of course, here's what mom and dad have set up. If they have a will, they have a trust generally. Here's how it works. Everything is passing to the children in trust not outright, and here's why. [00:09:00] And I think that gives the children a good idea about the parents' intentions. I think if you just learn without having any context that assets are being held in trust for you. Some people might think, oh, mom and dad didn't trust me to handle my financial affairs. But if you're given a little more context, well listen, we wanna make sure that the assets are preserved for the grandchildren. We wanna protect you in the event of a divorce or you're, you have a higher risk profession, right, like you're a physician daughter.

Danielle Friedman: We wanna make sure you don't get sued for malpractice and that these assets are protected. I think all of that is very helpful, depending of course on the children's maturity level. I still hesitate to go into trustees for

the reasons above. But if you are confident that, your overall disposition of your estate is not gonna change significantly, you're not gonna go from 50/50 to, 75/25 split, I'm assuming a family with two kids, then okay, fine.

Danielle Friedman: [00:10:00] Another thing that, clients often ask me is, can I write a letter to my kids or can I write a letter to my family, explaining the decisions I made? And I said, sure, just give me a copy. I wanna make sure that it's not gonna conflict with your will in any way and doesn't somehow constitute a holographic will.

Danielle Friedman: But as long as you are, it's just an emotional, here's why I did what I did. Here are my beliefs. Absolutely, feel free to write that letter and know that, it will be disclosed to your family.

Max McCauley: So this would help them understand your intentions and reduce surprises. Would you agree?

Danielle Friedman: I think so. I think that's meaningful. If you're at a certain point in your life where you know your plan is not gonna change significantly, you know who your kids are, their personalities hopefully you're not gonna change significantly and your family structure is relatively stable. Please, by all means.

Danielle Friedman: We can be part of those conversations, which is nice too. I think sometimes it's difficult even to explain the technical [00:11:00] aspects of certain parts of the planning, but the kids can ask the advisor, Hey, what does this mean?

Max McCauley: And it would be good for them, as we said, under level one for them to know who their advisors are, get to meet them, and how to contact them, where to find it.

Danielle Friedman: Yep. Forming that relationship early. And, and establishing that level of trust is really important because ultimately you're really gonna spend a lot of time getting to know one another after mom and dad die. If you're handling the estate or trust administration.

Herb Fineburg: Just like everything in law what becomes most important is what is written down.

Herb Fineburg: People have to understand that conversations, literally don't count. I've had clients, former clients who passed away and come to find out

they've been telling, their neighbor, they left the money or cousins that they're gonna take care of them and things like that. And that when they pass away, they come to us and they say, well, Aunt Rosie said I'm gonna be taking care of, and I'm not even mentioned in the will.

Herb Fineburg: And we have to [00:12:00] tell them that discussions don't count. It's what is written down that's the point of everything in the law is are that people willing to sign the written document that's presented to them. One of the things we talked about is maturity, age, and they're not necessarily the same thing.

Herb Fineburg: 'cause we have seen people who are in their fifties and they're simply not mature. They're spend thrifts, right?

Max McCauley: Not financially mature.

Herb Fineburg: Not financially mature. Are there any guidelines we can tell people about when you start telling people about level three?

Herb Fineburg: And, remind me, Max, what's level three?

Max McCauley: The numbers. So sharing exact amounts is where many parents hesitate and that's normal. And there are many reasons to share the numbers and many reasons not to share the numbers. But that's, the level three, that's the end of the row. So some of the reasons we've already spoke about, not to share.

Max McCauley: They're either children or they're not financially mature. You don't want your decisions to affect their motivation, their job choices, their life choices. They might not understand that although [00:13:00] you're leaving a million dollars to them, they're still gonna need to work. That the million dollars want to carry them for the next 30 years.

Max McCauley: Your parents' estate, whoever's estate it is, might change significantly over time from the time it's drafted to the time they die. It might dwindle significantly. There might not be the assets there that they've told your children about when they signed the will. It died 10 or 20 or 30 years later.

Max McCauley: Those assets might be gone. Reasons to share. You want them to be able to plan for their own financial future to avoid shock or resentment among the children, and if you had a complex estate plan, you want them to have clarity. I think that might be one of the biggest reasons. If it's a very

complex plan involving irrevocable trusts and a revocable living trust, a lot of, other items that might overwhelm them.

Herb Fineburg: What's a good age? Is there an age?

Danielle Friedman: I don't think there's an age. Certainly I think there's an age where you definitely don't tell it, which if your kids are in college or younger, I don't think there's, [00:14:00] unless you are, facing some sort of terminal illness or something like that, I really wouldn't share anything with them.

Danielle Friedman: They're not even at an age where they're legally allowed to make decisions for themselves.

Herb Fineburg: You want them to really build a path for themselves, build a career. You don't want to interfere with their desire to better themselves by telling them, oh, you're gonna inherit \$5 million and then the next thing you know, they've left college.

Danielle Friedman: Yeah.

Max McCauley: I would never share the numbers. I just think they're subject to change and there's too many pitfalls.

Herb Fineburg: Never share. Okay.

Max McCauley: Not the numbers. I think you share everything else.

Herb Fineburg: Okay.

Max McCauley: Especially if it's a complex estate plan. I think you really need to get into the weeds with the mature children, but I still wanna share the numbers, the specific assets, the values, who gets what.

Herb Fineburg: It's funny, I talked to, parents about that and one of the ways that people distinguish between a mature child and a child that's not mature is they'll say, well, you know, Jane still has the first dollar I gave to [00:15:00] her and a savings account while Susie doesn't have a dime.

Herb Fineburg: She spends everything I give to her within a week of receiving it. I don't know if that's necessarily an indication of maturity, but that's how

some parents analyze, what they might call maturity, whether somebody's frugal.

Danielle Friedman: Yeah. And I think, is your child living independently? Are they working, are you still paying their bills or are they paying their own bills?

Max McCauley: Who's paying their cell phone.

Danielle Friedman: Yeah. Are they on your cellphone plan was gonna be my next question, but there's a lot of convoluted cell phone plans that I'm aware of. So I'm not gonna, I won't use that as the determining factor, but certainly, do they have a mortgage that they're responsible for?

Danielle Friedman: Do they have children that they're caring for, that they can, are they self-sufficient? Because if they are, then maybe, you can share some of it. I've talked to children where the parents have shared the numbers and then they've said, , still gonna work of course, but maybe a little bit of the pressure is off if they know that at some point [00:16:00] down the road there will be an inheritance.

Max McCauley: Sure. There's no obligation to share.

Danielle Friedman: There's no obligation. We've had clients who have been parties to trust reveals where, mom and dad are really proud of all the planning that they've done because, oftentimes we tell our clients, especially if it's a complex plan with significant estate tax savings, this isn't really for you, this is for your kids, all these tax savings. mom and dad aren't gonna recognize any benefit when they die to a, savings of 40% on their death taxes. It's really what are the kids gonna inherit as a result of all the planning?

Danielle Friedman: And so mom and dad reveal these plans to their kids saying look at this amazing gift we have given you by doing all this planning and all these potential savings and taxes that are gonna be recognized at our deaths. I think, giving them a ballpark idea. The other thing that's interesting is with families, some families you can tell they're [00:17:00] wealthy just by their lifestyle and by looking at them, although sometimes that's a charade too., Other families, it could be worth hundreds of millions of dollars, you couldn't tell by looking at the family members, the car they drive. They live a very modest lifestyle. Sometimes kids may not know that there is this potential wealth waiting for them when mom and dad die, because, they've lived a very modest life. They haven't gone on extravagant vacations. They live in a typical home, drive a regular car.

Danielle Friedman: It can be a big surprise to them if all of a sudden they're multi-millionaires or they have a trust that has millions of dollars in it.

Herb Fineburg: Or they have nothing.

Danielle Friedman: Or they have nothing. That's the even bigger surprise, right. When mom and dad were, had a quite the lifestyle and then it's all gone by the time they're dead.

Herb Fineburg: One of the suggestions is, because you could have a couple and completely different attitudes about what should be shared. So one of the [00:18:00] suggestions, I've often, heard, made is that you should rehearse together what you're gonna tell the children, so you're in agreement on what you're gonna tell them, and also anticipate what kind of questions are gonna ask so that you have an answer to their questions. As far as you wanna share that with them.

Danielle Friedman: I think that's a great idea. I don't think you wanna be caught off guard. And I do think that, spouses should be on the same page about what they're gonna share with the kids. You don't wanna have side conversations after the fact, oh yeah, dad told you this, but really it's this.

Danielle Friedman: Honesty is the best policy, but once the toothpaste is outta the tube, you can't put it back in. So make sure you're telling your kids as much as you want them to know, and nothing beyond that.

Max McCauley: So it sounds like there's no one size shoe fits all. Every family will have a different, idea about what to share and how much to share.

Max McCauley: We will guide them on that, but it also could be evolving, correct over time. Start with the essentials and [00:19:00] then maybe you share more as time goes on.

Herb Fineburg: Great.

Danielle Friedman: Yep. Absolutely. I think this is like everything, it's never black and white and it is a continuing conversation, certainly a conversation that the three of us will continue to have.

Herb Fineburg: Well, thanks.

Max McCauley: Thank you.

