

# Beyond Cash: 4 Steps to Follow When Your Inheritance is More Than Money

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Many individuals are not fully prepared for the day they get an inheritance. In fact, only 35 percent of inheritors said they were even aware they would be getting an inheritance, according to the RBC Wealth Transfer Report. While getting a windfall is a great surprise, it can also cause tension and friction — particularly if the beneficiaries have not been adequately prepared for managing the inheritance, which can include stocks, bonds or non-cash assets.

Aside from money, you can also inherit assets like a vacation home, family business or commercial real estate portfolio. When the ownership of the inherited assets is shared with other family members, it can create an additional layer of complexity that the beneficiary may not be prepared to handle.

Wealth transfers involving shared assets can be especially complicated and overwhelming. Consider the situation of inheriting a family vacation home with a sibling. If one sibling's children use the vacation home more often than their cousins and there isn't a clear agreement on how to share the expenses, friction and conflict may arise in the family. Given the nuances involved in this type of inheritance, we outlined four steps to follow when an inheritance is more than cash.

## TAKE IT SLOW

From the outside, most assume that anyone who inherits a valuable asset — a vacation home in a desirable area, a healthy stock portfolio, or even a nice car — should consider themselves lucky. And while that's certainly true, gratitude isn't usually the first emotion witnessed when working with clients.

You expect people to be elated, but our experience has shown that people often feel anxious or confused. Often, they are ill-prepared to manage the inherited assets and feel pressured to ensure that the asset or business will continue to grow in value. After receiving a significant inheritance, we suggest taking it slow, refraining from making any hasty decisions, and working through the emotions of an inheritance.

Oftentimes when one receives an inheritance, there are a lot of mixed feelings — the loss of a loved one, the pressure to maintain wealth, and anxiety about the impact of the inheritance on their own children. We suggest that people take stock of how they're feeling. Emotions are not necessarily bad or invalid, but acting on them without thinking may lead to unanticipated adverse consequences.

## PLAN AHEAD

After taking stock of your initial emotions, you'll need to understand what the inheritance entails, as well as the financial and non-financial impact of the inheritance on your lifestyle and current estate plan. We recommend that clients seek advice regarding asset protection, minimizing income and estate tax liabilities, lifetime gifting and charitable planning.

When our clients receive an inheritance, the assets are often held in trusts. Once the assets are distributed outright, they may want to discuss establishing a separate property trust with their financial advisor, wealth planner and estate planning attorney, which keeps that inheritance separate from community property in a marriage. This can prevent your ex-spouse from having the right to a vacation home that's been in your family for decades, for example, or other wealth that your family has earned outside of your marriage.

With respect to a family business, it is important to fully understand exactly what your stake is in that business and what role you will play going forward. Or if you inherited a vacation home, consider how many days of the year you will stay there and who will pay for the expenses. You can then put a plan in place that takes into account the impact of the inheritance on your current lifestyle and create policies and procedures that outline the use of those shared assets with other family members.

## **BUILD A TEAM**

Clearly, it's difficult to do all of this analysis and work without guidance and support. If you have just received a significant inheritance or are sharing a substantial inheritance with other family members, you'll likely need professional help.

We identify the third step as "build a team." This would include a financial advisor, a wealth planner, an attorney, a CPA, and potentially a family and business wealth consultant. Those who inherit more complex or specialty assets, like a commercial real estate portfolio or art collection, will also need support from industry professionals who can educate them on how to preserve the wealth and how to best leverage it.

Remember that professional insight should include deciphering your own short- and long-term financial goals in relation to an inheritance. While most clients immediately start thinking about their own lifetime gifting plans, it may be in your best interest to use a portion of the inheritance to pay off debt, plan for a child's education or contribute to a nonprofit cause.

It's very important to think about both current and future goals in regard to this inheritance, and ask the team for guidance.

## **COMMUNICATE EARLY**

For those who plan to make lifetime gifts or leave an inheritance for their own children and grandchildren, we stress the importance of open and honest communication. Beneficiaries who are aware of and well-prepared for an inheritance have a higher likelihood of preserving its value. So be as upfront and transparent about your intentions as possible – and start talking about them early on.

This conversation about a potential inheritance isn't just one conversation. This is something that should happen on a regular basis so that there aren't any surprises when the matriarch or patriarch pass away. Setting expectations in advance can save time, money and reduce family discord. After all, you don't want your wealth to feel like a burden to your family; you want it to be a meaningful and welcome gift.

To learn more contact your Financial Advisor or CNR Senior Investment Consultant or Portfolio Manager, visit us at [CNR.com](http://CNR.com), or email us at [citynationalrochdale@cnr.com](mailto:citynationalrochdale@cnr.com).

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