

“The Family that Meets Together...”

It's Your Money
Verlyn De Wit, CLU, ChFC

Here's the scene: The family (some more bereaved than others) gathers in the attorney's walnut-paneled conference room. Hopeful, nervous heirs whisper as they wait for the reading of the will. Tension reigns as the secrets of the brittle, sacred document are disrobed under bright lights.

This drama may be must-see TV, but it's a terrible way to run a family!

I'm blessed to have a clientele which places an extremely high value on family harmony. To the wise ones, it's more important than taxes (in spite of our pledge to pay the minimum tax and not a guilder more). It would be unthinkable for these fine folks to leave children in the lurch on such an important issue.

Many parents face a difficult challenge: How do you keep one child in business while being fair to the other kids? If this one has you puzzled, contact me for a reprint of the article, “Planning for Family Harmony”.

Fewer wills/trusts are distributing property “to the kids in equal shares” simply because today's young dairy operator needs a massive capital base to have a viable operation. (See insert) Children are often treated differently, albeit fairly, in a well-planned estate. Some heirs may benefit from an irrevocable life insurance trust while others become part of a family limited partnership. As estate plans move away from “equal shares” to something more complex it becomes prudent to explain the plan to the kids.

Family harmony suffers when kids realize they are treated differently and don't know why. Old rivalries and jealousies are rekindled. Since mom and dad are gone now, a child can only speculate why he/she wasn't treated like another sibling.

A professionally crafted plan, rising out of intense love for all the kids may create a family relationship disaster if it is not properly explained. Talking about your plan with the kids it isn't easy, so I'm urging you to consider a formal family meeting.

The following guidelines have worked well for me in conducting family meetings:

- Parents should have their basic plan in place before staging the event. You may want to ask for input, but I wouldn't recommend it. This is the stuff over which you are the steward. The purpose of the meeting is to explain what you've decided to do and why.
- Have one of your professionals (attorney, accountant, financial consultant) lead the discussion. Your plan will have more credibility when it comes from the lips of a professional. Besides, you may be a little sketchy on some plan details. Your kids may come up with questions you haven't thought of, and the advisor should be able to answer those questions for you.
- Explain the plan in general concept only. The numbers will change dramatically over time. Children should also understand that while the child who follows you in business may seem to be receiving more, he/she will also be vulnerable to greater risk.

- Involve your children in your charitable plans. Consider designating a percentage of your estate to the charities chosen by your children at the time of your death.
- What about the in-laws? These are the wild cards in every family. We are generally more willing to overlook the imperfections of our parents than those of our spouse's parents. Your sons-in-law and daughters-in-law are probably the same way. Take inventory of your family's interpersonal chemistry before organizing your family meeting. I've had some families insist that all spouses attend, and others had just the immediate family present. One family meeting I conducted was without the parents present. There were eight children, all of them married, and they took their spouses along. However, the rule was that while the children sat at the kitchen table with me, the spouses had to sit in chairs around the outside of the room and couldn't speak! It felt strange, but it worked.

Get ready for some pleasant surprises! Your children will appreciate your thoughtfulness. The family meeting is usually a happy, heart-warming event. I've heard many children tell their parents, "you don't owe us anything—try to spend the money". A family meeting won't turn a greedy child into a philanthropist, but there is a good chance you'll say, "I should have done this a long time ago."

A final related note

The Tax Relief Act of 2010 signed by the President in December, along with our current depressed dairy values provides unprecedented planning opportunity for large estates. The planning strategies I wrote about in the January issue become significantly more powerful under the 2010 Act. Call or email me if you would like a reprint.

Verlyn De Wit helps successful dairy producers make smart decisions about their money. He can be reached toll-free at 1-888-468-1728 by email at vdewit@sammonsrep.com or "snail-mail" at 1270 Eastside Dr., Sioux Center, IA 51250. Securities offered through Sammons Securities Co., LLC. Member FINRA and SIPC. 4261 Park Road, Ann Arbor, MI 48103

Neither Western DairyBusiness nor Verlyn De Wit is qualified to offer legal or tax advice. Consult your attorney and/or tax professional for a qualified opinion regarding your personal situation.