

WEALTH ADVISER

## Preventing a Rift Among Siblings

By JESSE SUNENBLICK

Jan. 14, 2014 10:05 a.m. ET

The client, an 80-year-old married man with \$12 million in assets, was reviewing his estate plan with his adviser, Jarrett Solomon, when the subject of his five children came up.

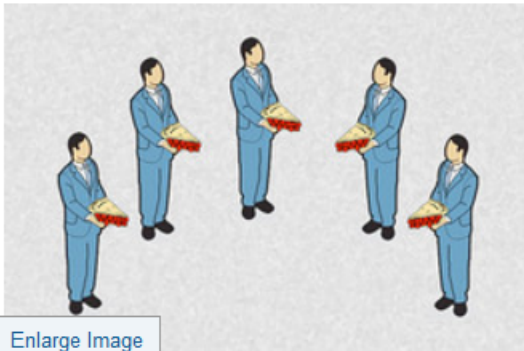
---

### Also in Wealth Adviser:

[Expectations for MLPs in 2014 Lowered](#)

[Rising Valuations: Time To Sell the Firm?](#)

[Visit the Wealth Adviser Page](#)



[Enlarge Image](#)

They were all in their 40s and doing quite well, with the exception of one son who had fallen on hard times. He had no income, and was relying on the "bank of mom and dad" for around \$4,000 a month, the adviser says.

His siblings feared that those gifts were eating into their inheritance, and they began to resent their brother. Concerned about this growing rift between his children, the father asked Mr. Solomon if he could earmark and preserve separate inheritances for each child.

"The client's issue was more about psychological and personal factors than financial factors," says Mr. Solomon, a

senior financial adviser with Connecticut Wealth Management, which manages \$430 million for 300 clients in Farmington, Conn. "We worked to alleviate tension on parents' end, so the support they were giving to one of their children wouldn't affect the others."

Mr. Solomon first ran a cash-flow projection and determined that the client and his wife would need \$2 million to live comfortably for the rest of their lives. That left \$10 million to be passed on to his children, \$6 million of which was held in an IRA that named all five children as beneficiaries.

Instead, Mr. Solomon suggested rolling the assets from that single IRA into four new IRAs that held \$1.5 million each for the four employed children. That way, each would have a portion of the estate set aside for them and protected from the father's financial support of their unemployed brother, who would continue to receive payments from the father's non-IRA assets.

The client was over age 70 and still would have to take required minimum distributions from each IRA. However, because he had enough savings in taxable accounts to cover his expenses, he would simply funnel those distributions back to his four children in the form of gifts while he is still alive.



Jarrett Solomon

The IRA strategy offered another benefit for the children: They could help direct the investment strategy for their earmarked account. The elderly client had invested his single IRA account conservatively, but the children could afford to pursue growth with more aggressive investment strategies. Mr. Solomon helped each child choose investment options which made the most sense given their goals and time horizons.

And because the four children were financially stable, they viewed their future inheritance as a supplement to their own retirement savings. That meant they could plan to stretch out IRA distributions from their inherited IRAs over their lifetime. "This allowed them to keep dollars in that tax-sheltered environment for a longer period of time," says Mr. Solomon.

The remaining son's financial needs were more immediate, so the father treated his inheritance differently. Mr. Solomon advised the client to earmark \$1.5 million from his estate for that son--but to hold those funds in a taxable investment account. That way, whenever the son needed money his father would simply write a check and deduct the amount from his original inheritance. While this approach might occasionally expose the son to taxes, Mr. Solomon would advise his client on making the gifts in the most tax-efficient way possible.

The solution benefited all parties and eliminated concern among the siblings that their father's support of one child would affect them all. "Holidays like Thanksgiving will have less tension," says Mr. Solomon.