Protecting Your Loved Ones… After You're Gone
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My client, Mr. B, was an artist in his late 50's. His late wife had been the decision maker, as well as the primary income earner. I had been the family's advisor for a few years at the point of her sudden death. Mr. B wasn't just devastated. He was in shambles, paralyzed by the multitude of decisions he needed to make.

Over the years, I made a few attempts to convince him that he needed to have a greater role, or at least understand, the family's financial management. But he didn't have much interest in finance or planning. And they seemed to get along fine that way. He was the imaginative abstract thinker who lived for European art tours, fine wine, and long philosophical discussions. Mrs. B, a partner at a prestigious law firm, was the pragmatic planner. She could take in multiple layers of complex information, then quickly synthesize and comprehend as well as anyone.

Mrs. B carried substantial life insurance, designed to replace her income and sustain the family. Initially, Mr. B only used what was needed. He paid off the mortgage along with a few other smaller debts, and used some funds for basic living expenses. But after about 18 months, Mr. B said he was lonely and exhausted from having to take on various life and family decisions. He met someone at an art gala a few months earlier and they were discussing marriage.

Then it happened. Mr. B and his new wife tied the knot and began their new life together. And with their new marriage came new spending habits. After a few trips to Europe, college tuition payments, buying a home and car for the new mother-in-law, and numerous other expenditures, it was clear that the roughly $5 million from life insurance proceeds and retirement funds wasn't going to last. Less than three years after Mrs. B's death, the funds had been depleted to just over $2 million.

We had many conversations over that period as I attempted to help them plan, but they had other ideas, until it was nearly too late. The new wife had never had much money. Mr. B [harmlessly] wanted to give her everything she'd never experienced. And she accepted. He was now in his early 60's as it became evident that this lifestyle couldn't last. He felt embarrassed and ashamed. His adult children had tried to warn him against spending so much so fast, but there was an unspoken tension because they were less than enthusiastic about the quick marriage from the beginning. Now Mr. B realized things had to change. But that involved many decisions to be made, of which Mr. B quickly became overwhelmed. He was back at square one…

After this experience, I began to think about my own family. *What did I want my legacy to be? How would I want to leave my wife and kids (or someday, grandkids) when I sailed away from this life?* I have no advice about what your answer should be to those questions. However, we likely agree that Mr. and Mrs. B's story makes it is clear what the answer *should not* be. No one makes smart financial decisions with the hope that one day their heirs will be in a position they are completely unprepared for.

In thinking through the experience with the B's, it dawned on me that I was missing the mark. Rather than trying to force something that clearly wasn't going to happen, it would have been better to accept it and create a plan to address Mr. B's lack of financial management acumen. Today I advise families to go beyond basic insurance planning and create a trust to outline how funds will be invested and distributed upon the death of a spouse. Mr. B was a good person. He didn't mean to throw away nearly $3 million. It just happened. And that's how it usually works when a person receives large lump sums.

Some clients are hesitant to do this type of estate planning. Beyond procrastination, to have a detailed plan (e.g. how inherited funds can be invested, distributed, or spent) seems to imply that the beneficiary is not capable of handling the money. But I believe that is the wrong inference. This extra step simply mitigates potential undesirable consequences by *ensuring* the funds are used wisely. We all know that receiving a large amount (without earning it) generally doesn't lead to productive outcomes. My experience has been that it is unhealthy for people to receive without earning. Hence, having a plan makes sense; a framework for how the funds will be distributed over time or how much may be used for higher education, philanthropic efforts, investing in a business, or other industrious uses.

In the end, no matter how good people are, large amounts of sudden money attracts less than ideal situations. I have repeatedly witnessed the unnecessary issues that arise after the death of a spouse – most often, having to make life-altering decisions *for* money or attracting inauspicious attention *because of* money. In this case, leaving a windfall without a plan transfers all sorts of avoidable risk to the heir. When I think of my wife and children; when I think of my clients, who I consider family - I am simply not willing to pass on that risk.