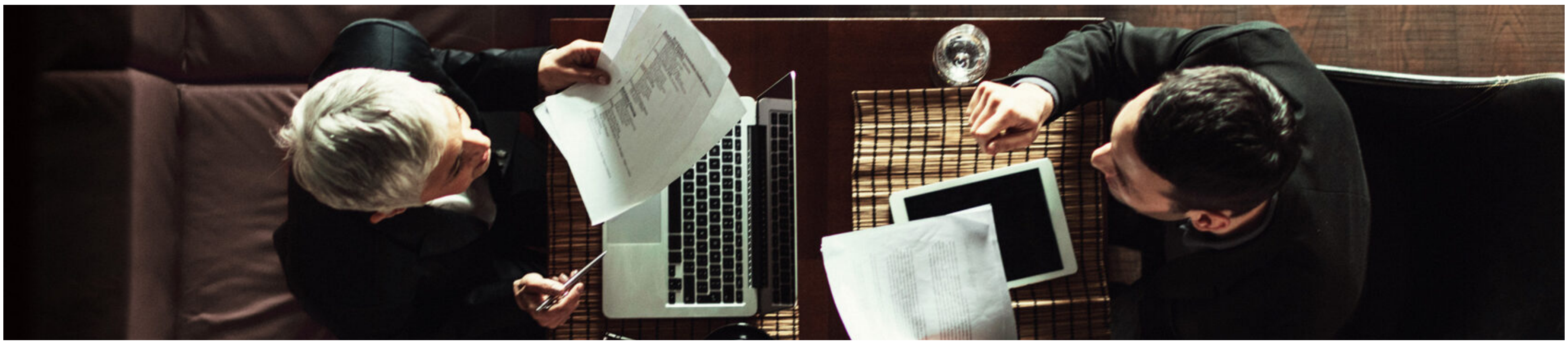
# Who gets the money if you don't want to give it to family?

By: Kari Smith 11/10/2023



**If you're considering leaving your assets to a person — or organization — outside your family, consider these planning tips to help avoid conflict.**

One of the biggest decisions regarding estate planning is how to divide your assets — who gets what? The choices you make today can greatly impact the legacy you leave, which is why it's important to weigh your goals and concerns. You also have lots of options. Individuals have the freedom to choose who does — or doesn't — receive an inheritance.

"You can do pretty much whatever you want with your estate, as long as it doesn't go against the law," says Sandy Cairns, senior wealth strategist at Wells Fargo Bank, N.A. There may be very specific reasons why you choose one path over another. Whatever you choose, communicating the reasons why is key.

Some clients ponder how much is enough and decide to leave the exemption amount (currently $12,920,000 per person, $25,840,000 for a married couple) to family and/or charity. That's where Maria Kildall, senior philanthropic trust advisor at Wells Fargo Bank, comes in – "I work with clients to help them define their charitable vision and goals, create an intentional giving plan, and select an appropriate philanthropic vehicle—a donor-advised fund, private foundation, or charitable trust– through which to accomplish their goals."

Here, Cairns and Kildall explore more of the reasons you might choose alternative options for your assets in your estate.

## Considerations for family inheritance

While some people prefer to direct their assets to a descendant, there are situations — like the ones below — that may warrant an alternative approach.

- **For children with special needs:** If your child receives Social Security Disability Insurance (SSDI) income, they could potentially lose that benefit if they receive an inheritance outright.
  **What to consider:** "It is common to use a special needs trust to provide for a special needs child, giving the trustee complete discretion over distributions, to avoid disqualification from public assistance," says Cairns. When planned this way, the person with special needs could continue receiving public benefits but with the added benefit of supplemental income from the trust. Cairns advises that beneficiary designations should be coordinated with special needs trust planning.

- **Addictions:** Parents may be concerned about leaving money or assets to a child who is battling an addiction, like drugs or gambling. They may be concerned the child might use the inheritance to fuel their addiction.
  **What to consider:** While you do have the option to disinherit, another option may be to create a trust and name a responsible relative, friend, or professional to distribute at their discretion. You could set parameters for these distributions, such as adding a drug testing requirement. This would allow the child to receive benefits while also incentivizing a healthier and more responsible lifestyle.

- **When one of your children is wealthy:** Perhaps you have adult children who are independently successful and don't need an inheritance. Should you direct your assets elsewhere in this situation? While it might be tempting to give to your other child(ren), who may need the money more, unequal giving could lead to resentment or strife within the family. "And what if that successful child had their fortunes reversed?" Cairns asks. On the other hand, what if your successful child already has a taxable estate? If they receive an outright inheritance, that could potentially exacerbate their tax liability.
  **What to consider:** Cairns says leaving the inheritance in a trust could help. Your wealth planning team can help you weigh your options and determine the best solution.

## Considerations for inheritance outside the family

Cairns says it's not uncommon to encounter a client without lineal descendants. "Sometimes they have more distant relatives they want to benefit, such as funding education for nieces and nephews," says Cairns.

More often, the bulk of the estate is directed to charities. But where does one start? Kildall recommends connecting with a philanthropic specialist to help guide you through the process. Here's what that might mean.

- **Find your focus:** The conversation usually starts with examining your values to narrow your focus areas and to create an intentional giving plan. This is a time for self-reflection — what issues matter most to you? Your charitable giving may feel more fulfilling and impactful when it aligns well with your interests and priorities.
- **Explore charitable giving vehicles:** There are a number of ways to leave your money to a nonprofit group including donor-advised funds, a private foundation, charitable lead trusts or charitable remainder trusts, to name a few.

In the end, the right decision for your legacy depends on you. Work closely with your estate planning team, and be open about family relationships, personal goals, and philanthropic aspirations. Plan ahead, put your wishes in writing, and discuss your plans with your beneficiaries, if applicable. “The sooner the message can be delivered, the better for all involved,” advises Kildall.

Your planning team can work closely with you to find a solution that satisfies your wishes and helps to maintain family harmony.