Family meetings help ensure estate planning success

You've spent countless hours working with your attorney to design an estate plan that provides for your family, protects your business and satisfies your charitable goals. Now it's time to put it on a shelf and forget about it, right? Wrong. Unless you communicate your plan — and the principles behind it — to your family and to your executors, trustees, guardians and agents, your plan is at risk.

By holding one or more family meetings, you can help ensure that your representatives understand and accept their responsibilities and that your loved ones understand your reasons for distributing your wealth in the manner you've chosen. Lack of communication leaves the people affected by your plan in the dark, inviting misunderstandings, hurt feelings, conflict and even legal action after your death.

Whom should you invite?

Invite your spouse, children and other family members who'll be affected by your plan (either by their inclusion or exclusion). You should also invite any nonfamily members you have asked (or will ask) to serve as executors, trustees, agents or guardians of minor children.

It's a good idea to include your attorney for two reasons: First, your attorney can help answer questions about how your plan works. Second, creating an opportunity for your family, representatives and your attorney to get to know one another will help build trust and improve the chances that your plan will operate smoothly when the time comes.

What should you discuss?

For starters, you should review the key documents that make up your plan and let everyone know where they're located. In addition, provide an overview of the estate planning decisions you've made so far and — most important — the reasoning behind them.

Many people simply divide their assets equally among their heirs. But in estate planning, equal isn't necessarily fair. For example, let's suppose Mike has adult children from a previous marriage and younger children from his current marriage. Mike put his older children through college years ago and now they're gainfully employed and financially independent.

Fairness would dictate that Mike's estate plan favor his younger children, who'll need the money for tuition and living expenses. But Mike's older children may not see it that way unless he explains it to them. A family meeting provides an opportunity for that discussion.

Other issues to discuss include charitable giving, the treatment of assets with special significance — such as vacation homes or family heirlooms — and decisions about which family members are chosen to be guardians, executors and so on.

Is there a business involved?

Family meetings are particularly valuable when a family business is involved. It may seem fair to provide a greater share of business assets to family members who work in the business.

But what if most of your wealth is tied up in the business? How do you provide for family members who don't work in the business while still rewarding the "sweat equity" of those who do?

One option is to divide ownership equally but to use voting and nonvoting stock to give management control to family members who work in the business. Another option is to leave the business to those who work in it and use life insurance or other assets to create an inheritance for other family members. Whatever the solution, the best way to avoid conflict and resentment is to discuss the issue with all interested parties and get their input.

Talk about it now

Estate planning may require you to make some tough decisions about how your wealth will be distributed. Often, the easiest way to avoid misunderstandings, hurt feelings or conflict is to explain your reasons in person — and family meetings provide an opportunity to do just that. After all, when your plan is implemented after your death, it will be too late.

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