Lessons in Estate Planning from *Rain Man*

Rain Man, starring Tom Cruise and Dustin Hoffman, was a critical and commercial success, winning four Academy Awards and two Golden Globes while becoming the highest-grossing film of 1988. A drama about odd-couple brothers and personal transformation told through a road trip motif, *Rain Man* also raises some estate planning issues in an entertaining way.

Because it is a Hollywood movie, many of the legal issues are glossed over. Regardless, an important subtext of the film is how an estate plan can affect family dynamics—and the difficult decisions parents face when planning for children who have very different personalities and needs.

Two Brothers and an Inheritance

Charlie Babbitt (Cruise), the estranged son of a millionaire, is dismayed to learn that his late father left him only a ’49 Buick Roadmaster and some rose bushes. The rest of his father’s $3 million estate is left in a trust for the benefit of a mystery person.

That person turns out to be Raymond Babbitt (Hoffman), Charlie’s long-lost, autistic-savant brother who is institutionalized at a facility for people with developmental disabilities. The trustee of the trust, Dr. Bruner, is the director of the facility and Raymond’s doctor.

Charlie attempts to convince Dr. Bruner that he is entitled to half the money in the trust. When that strategy fails, Charlie takes Raymond out of the facility without permission in an effort to use him as a bargaining chip.

On a weeklong road trip from Cincinnati to Charlie’s home in Los Angeles, Charlie bonds with his quirky brother and has a change of heart. Upon arriving in Los Angeles, Charlie finds that he is more interested in caring for Raymond than getting the money and gives up his fight for the inheritance.

Estate Planning Issues and Lessons

For parents, ensuring that children are provided for in an estate plan is top of mind, but estate planning is not one-size-fits-all. What makes sense for one child may not be suitable for another.

Sanford Babbitt, the father of Charlie and Raymond, never appears in the movie, but his actions loom large.

We know that Charlie spent time in jail and that Sanford and Charlie had a falling out. Reading between the lines, it seems that Sanford viewed Charlie as too immature to handle a large inheritance. Charlie’s kidnapping of Raymond would seem to prove him correct.

What to do when a child cannot be trusted with an inheritance is a common issue that parents face. It can lead to disinheritance or, in Charlie’s case, a small or insignificant gift.

While Sanford probably could not have predicted that Charlie would find Raymond and hold him for ransom, he could reasonably have anticipated that Charlie would search for the money and that trouble would follow. He might have prevented this by sharing his plans with Charlie before he died. Instead, the news came as a total shock to Charlie and may have pushed him to act irrationally.

Sanford and Raymond Babbitt

Another of Sanford's actions that echoes from beyond the grave—and one that appears much more reasonable in retrospect than how he handled things with Charlie—is his decision to place money in a trust with a trustee, ensuring that Raymond would be taken care of for life while not giving Raymond direct access to the funds.

It is not directly stated in *Rain Man* that the money left to Raymond is held in a special needs trust. In real life, this is probably how the plan would be set up. A special needs trust can hold assets for a beneficiary without disqualifying them from receiving means-tested government benefits.

The Babbitt Brothers

Raymond, like Charlie, could not handle a large inheritance, although not for the same reasons as Charlie. If a child does not have a disability but a parent wants to provide for them in a specific way with terms attached, they can instruct a trustee to make distributions only when those terms are met, such as reaching a certain age, remaining employed, staying out of jail, or getting sober.

For example, Sanford could have set up a trust to benefit both of his sons and demanded that Charlie only receive distributions if he helped to care for Raymond. Becoming active in Raymond's life could have incentivized Charlie to take a more mature course of action while bringing the brothers together.

Charlie's surprise at learning about a brother he did not know existed set the stage for dramatics that befit a Hollywood movie. And, while it worked out in the end for the Babbitt brothers, in reality, most parents would want to avoid such theatrics. Careful estate planning can not only help stave off family conflicts but also strengthen family bonds.

Trust Privacy

Charlie demands that his father's attorney reveal the identity of the mystery beneficiary but is stonewalled. He only manages to learn the truth by sweet-talking an employee at the trust office. This sequence of events touches on the privacy offered by a trust and a beneficiary's rights, including the "right to know" (or the right **not** to know) certain information about the trust.

Since Charlie is no longer a beneficiary of the trust after his specific distributions are made, he is not entitled to know anything else about it. Privacy is a major benefit of trusts. Trusts are not subject to the probate process. Wills, however, go through probate and become part of the public record. Anyone can view them and find out what assets were left to whom. Also, most states require a will and other probate documents to be served to interested parties, which usually include heirs (also referred to as *next of kin*).

Make It Rain for Your Clients

You can play a key role in your clients' legacy planning by instructing your clients on how to fund a trust with sufficient assets to provide for their loved ones as they intend. You can craft different inheritance distribution plans for each beneficiary, tailored to their individual needs and situation. You can also help clients select the right trustees to manage assets for an adult child and advise the trustees in the administration process.

To discuss specific issues and strategies involving the intersection of trusts and financial planning, please contact us to schedule a time to talk.