

# Helping Clients Pass on Their Wealth

## Is Outright Distribution the Right Choice for Your Clients?

An inheritance can be life-changing. Many younger Americans, stuck in a cycle of debt and rising costs, are anticipating their cut of the \$84 trillion “Great Wealth Transfer”—a term financial experts use to describe the massive shift of wealth from older generations to younger ones that is expected to occur over the next two decades.<sup>1</sup> Most of these potential inheritors say that the inheritance they expect is more than just a cushion—they are counting on it to achieve their long-term financial goals.<sup>2</sup>

When handing down wealth, your clients have two main options: leaving it outright to their beneficiaries or placing it in a trust so it can be distributed to the beneficiaries over time. An outright distribution is by far the simpler option, but it comes with risks for the unprepared. For example, many inheritors-to-be may not be ready to handle a direct inheritance.

### Great Wealth Transfer Hope versus Hype

According to a USA Today survey, about two-thirds of younger Americans expect to receive an average inheritance of around \$320,000.<sup>3</sup> More than three-quarters say they plan to save or invest that money, and 40 percent say they will use it to pay off debt.<sup>4</sup>

There can also be an assumption that inheritors will use the money as your clients intend (i.e., responsibly), when experience, data, and the recipients themselves tell a different story.

A national study indicates that adults who receive an inheritance save only about half and either spend, donate, or lose the rest, and more than one-third of all inheritors saw a decline or no change in their wealth after getting an inheritance.<sup>5</sup>

Citizens Bank polled Americans about inheriting wealth and found that 72 percent say they are not prepared to manage an inheritance.<sup>6</sup> Parents may not be ready to leave an inheritance, either. Only about a quarter of adults feel prepared for and confident in the wealth transfer process, Edward Jones research finds.<sup>7</sup>

---

<sup>1</sup> Julie Sherrier et al., *Study: Gen Z and millennials plan to use inheritances to invest, pay off debt*, USA Today (June 6, 2024), <https://www.usatoday.com/money/blueprint/credit-cards/study-great-wealth-transfer-plans>.

<sup>2</sup> *As \$90 Trillion “Great Wealth Transfer” Approaches, Just 1 in 4 American Expect to Leave an Inheritance*, Northwestern Mutual (Aug. 6, 2024), <https://news.northwesternmutual.com/2024-08-06-As-90-Trillion-Great-Wealth-Transfer-Approaches,-Just-1-in-4-Americans-Expect-to-Leave-an-Inheritance>.

<sup>3</sup> Julie Sherrier et al., *Study: Gen Z and millennials plan to use inheritances to invest, pay off debt*, USA Today (June 6, 2024), <https://www.usatoday.com/money/blueprint/credit-cards/study-great-wealth-transfer-plans>.

<sup>4</sup> *Id.*

<sup>5</sup> *Most Americans Save Only About Half Of Their Inheritances, Study Finds*, Ohio State News, OSU.EDU (Mar. 4, 2012), <https://news.osu.edu/most-americans-save-only-about-half-of-their-inheritances-study-finds---ohio-state-research-and-innovation-communications>.

<sup>6</sup> *Most Americans aren’t ready for the ‘Great Wealth Transfer,’ Citizens*, <https://www.citizensbank.com/learning/great-wealth-transfer-survey.aspx> (last visited Mar. 21, 2025).

<sup>7</sup> *The Great Wealth Transfer Starts with the Great Wealth Talk, Edward Jones Research Finds*, Edward Jones (Feb. 27, 2024), <https://www.edwardjones.com/us-en/why-edward-jones/news-media/press-releases/great-wealth-transfer-research>.

Six in 10 parents told Northwestern Mutual that their children do not value financial responsibility the same way they do, with more than half expressing concerns that this difference in values could negatively impact the family's assets when they pass from one generation to the next.<sup>8</sup>

### **Pros and Cons of an Outright Inheritance**

No matter how much a client plans on leaving to a beneficiary, knowing they are making a difference in a loved one's life can be a source of pride and fulfillment. However, they may also feel pressure to make a lump-sum bequest, especially if their child or another beneficiary is struggling financially.

An outright distribution is quick, requires no oversight after it has been handed over, and usually has no fees associated with it. There are also no strings attached. The recipient can use the money any way they want.

However, an outright inheritance may not be in the beneficiaries' best interests and could fail to solve their financial problems in the way the client might expect. For those beneficiaries who are unprepared to handle it, an inheritance could do the opposite by worsening financial problems or creating new ones.

Despite their best intentions to budget, invest, and responsibly spend an inheritance, beneficiaries could just as easily squander it on impulse purchases, risky investments, or financial scams. More than a quarter of respondents admitted to USA Today that they plan to use their inheritance for travel or luxury spending.<sup>9</sup> In addition, if an inheritance is distributed outright to a beneficiary who has outstanding debt, creditors could claim the money before the beneficiary can use it.

These downsides assume that the beneficiaries can legally accept their inheritance, which may not be true. If the recipient is a minor child, for example, or is incapacitated and does not have an agent under a financial power of attorney, a court-appointed conservator may be necessary.

### **Your Role as an Advisor**

None of this means that an outright inheritance is inherently bad. Advisors think in terms of costs versus benefits, not in absolutes. We also understand that there is often a gap between a client's expectations and economic realities. Part of our job is to offer advice that helps clients balance what is desirable with what is achievable. We do that by presenting information and options.

Here is where advisors come in: Fifty-seven percent of Americans believe professional guidance around wealth transfer and inheritance would make planning and reaching a family consensus easier.<sup>10</sup> Sixty-one percent said they would turn to a financial advisor for guidance if

---

<sup>8</sup> Northwestern Mutual, *supra* n. 2, <https://news.northwesternmutual.com/2024-08-06-As-90-Trillion-Great-Wealth-Transfer-Approaches,-Just-1-in-4-Americans-Expect-to-Leave-an-Inheritance>.

<sup>9</sup> Julie Sherrier et al., *Study: Gen Z and millennials plan to use inheritances to invest, pay off debt*, USA Today (June 6, 2024), <https://www.usatoday.com/money/blueprint/credit-cards/study-great-wealth-transfer-plans>.

<sup>10</sup> *The Great Wealth Transfer Starts with the Great Wealth Talk, Edward Jones Research Finds*, Edward Jones (Feb. 27, 2024), <https://www.edwardjones.com/us-en/why-edward-jones/news-media/press-releases/great-wealth-transfer-research>.

they received a windfall,<sup>11</sup> while three in four parents say they would feel comfortable including their teenage or young adult children in their financial advisor meetings.<sup>12</sup>

Findings like these show how advisors can work with clients and their loved ones—and with each other—to help families transfer and protect their wealth. The advisor-client relationship should include a conversation about estate planning. An increase in assets, such as an inheritance, is a major reason to revisit or begin creating an estate plan.

The Great Wealth Transfer may be hype to some extent, but the opportunities it presents for advising and collaboration cannot be understated. To discuss inheritance and estate planning strategies, please reach out.

---

<sup>11</sup> *Most Americans aren't ready for the 'Great Wealth Transfer,'* Citizens, <https://www.citizensbank.com/learning/great-wealth-transfer-survey.aspx> (last visited Mar. 21, 2025).

<sup>12</sup> Northwestern Mutual, *supra* n. 2, <https://news.northwesternmutual.com/2024-08-06-As-90-Trillion-Great-Wealth-Transfer-Approaches,-Just-1-in-4-Americans-Expect-to-Leave-an-Inheritance>.