The super-rich, like Bill Gates or Warren Buffett, have occasionally spoken publicly about a most intimate matter: what to leave their children when they die. It’s of some concern to them because they fear their vast riches could do their children more harm than good. While the rest of us could only wish for such problems, the same basic question - "What should I leave my kids?" - is rarely an easy one to answer. Here are the kinds of scenarios people find themselves wrestling with:

- Should I leave more money to my daughter the teacher than to my son the tycoon?
- Can I trust my two children to take care of their handicapped sister if I leave them all the money?
- Why should I leave money to my son if he’s going to squander it on some cockamamie venture?
- Should I leave as much to my stepchildren, whom I love very much, as I do to my biological children?
- Will my kids be upset if I leave half my money to charity?
- Why shouldn’t I leave all my antiques to the son who will appreciate them?
- Should I consider as part of one daughter's inheritance the enormous sums we spent on her college and medical school education and the $20,000 down payment we provided for her first house?
- Why should I leave money to a kid who hasn’t spoken to me in 10 years?
- And then there’s this very different question: What if there's nothing left to leave my kids when I die?

Law Versus Culture

Before you tie yourself in knots, however, it's important to put things in perspective. For example, a child does not have an automatic right to an inheritance. You can, if you wish, disinheret adult children-one or all so that they receive nothing from your estate. Moreover, federal and state laws are very clear that your responsibility is first to yourself and your spouse—not to your adult children. The law stipulates that you must leave your pension to your spouse unless he or she specifically signs away any rights to the money. It also says that spouses can leave each other an unlimited amount of assets, estate-tax free. One of the unstated social policies behind such laws is that the primary obligation of any married couple is to their own health and welfare first, their grown children's second.

This legal and financial equation is not exactly that cut-and-dried, of course. As Eric Silverman, Ph.D., an anthropology professor at DePauw University in Greencastle, Indiana, says: "Families in most cultures feel a responsibility for transmitting whatever resources they have to the next generation." And sometimes this feeling can transcend logic. For example, Paulette Jacobs, 57, of Taos, New Mexico, knows that it’s a mistake to deprive herself of things simply to preserve her two children's inheritance. But still she worries about spending too much on her own passions, like traveling. "My mother's whole..."
life centered around leaving a nest egg for her children,” says Jacobs. “It’s hard to shed that attitude now.” Whatever the size of your estate, here are some suggestions on how to determine the kind of inheritance that will be fair both to you and to your children.

Develop a Thoughtful Estate Plan

First and foremost, have a will drawn up if you haven’t already done so, and update it whenever tax laws or your circumstances change (for example, you retire or move to another state). If you die without this document, state laws will dictate who gets what. It could mean that your parents and siblings are entitled to a share of the estate, though you never intended that to happen. Or that your long-term companion, to whom you’re not legally married, could see the money go to adult children you haven’t had contact with in 15 years. Or that your business could be sold rather than passed to a child who has helped you build it up for the past five years. Or that your grandchildren could end up with nothing.

The process of drafting a will is relatively simple, but deciding what should go into it and why is far more difficult. It’s often been said that “money talks,” but people don’t always hear what it’s really saying. And, according to social worker Linda Perlin Alperstein, an associate clinical professor at the University of California at San Francisco, “The question that parents have to ask themselves when considering a child’s inheritance is, ‘What do we want the money to say?’ ”

In the ideal family situation, parents would doubtless like an inheritance to say: “I am leaving all my assets equally to my wonderful children as a token of my love and affection, and I know that all of them will use the money wisely.” But let’s be realistic. Jealousy and greed, favoritism and inequality, estrangement and feuds, and doubts and disappointments sometimes punctuate family life. “Thinking about inheritance forces people to reflect on the fact that their children might not like each other—or you—or that the children might have qualities you aren’t proud of,” says Boston attorney Mark Levinson of Burns & Levinson. Looking at your family honestly may tempt you to structure bequests in a lopsided fashion and that makes your true feelings about each child abundantly clear.

“It’s important to be aware of what’s motivating you,” observes Alperstein. “There’s a big difference between trying to preserve inherited money for a 25-year-old who’s not ready to handle it and trying to control that child. "If, for example, you’re worried about a child coming into a large sum when he or she is a novice at managing money, you might stagger the amounts so that the child will not get it all at once. That would be considered prudent. But if you directed the money not to be paid out until "the child" reaches age 60, that would be controlling—if not cruel.

Next, consider what you’d like the inheritance to accomplish for your kids. ”Some people have general goals, like wanting to provide children with a safety net or a leg up,” notes David Geller, president of Geller Financial Associates in Atlanta. ”Others have a specific goal, like leaving their children enough money for a down payment on a house or start-up capital for a business. Sometimes parents just want their kids to have a little fun.”
If you're worried about a particular situation, it's probably best to consult with an estate attorney and discuss your goals, misgivings, and the possible consequence of each action you're contemplating. Trusts, insurance policies, and various inheritance techniques can be used to resolve some of your concerns (see box on page 36). Review other aspects of your estate, too, such as who the beneficiaries are on your IRAs or other retirement accounts, and how property you own is titled. If you expect that the IRS might make some claims on the money you're leaving the children, your attorney or accountant should have suggestions on how to minimize estate taxes.

Talk to Your Children About What You're Doing

It's important for adult children to know about your inheritance objectives (not necessarily how much money there is, for that will fluctuate over the years) and how you've set up your estate to accomplish these goals. Because you don't want your children overwhelmed with sleuthing chores after you die, it's also a good idea to tell them who your lawyer is and where to find your relevant financial papers. Sharing information with children is especially important when you're doing something out of the ordinary with your assets—like leaving more to one child than another.

In some cases, the reasons for treating children differently are quite obvious. One Philadelphia couple in their early 60s, for example, had always made certain that their son and daughter, now in their 30s, were given comparable educational opportunities and gifts pretty much equal in value. But now they're changing their wills to give the bulk of their estate to the son. "He has muscular dystrophy and is nearing the time when he'll be in a wheelchair," explains the father. "We don't know how the disease will progress or what special care he will need in the future. We were nervous about taking this action because we didn't want our daughter to feel slighted. So we decided to talk to her about our idea first and base our decision on her reaction. She was all in favor of it and just asked if she could have her mother's jewelry, which, of course, we were happy to do. I had the feeling that in some strange way she was relieved that it was our money, not hers, that will be used to care for her brother one day.

"Interestingly," continues the father, "our son was the one who had the objection. 'What if she needs money?' he wanted to know. We told him that if that were the case, we would expect him to share whatever he had with her. "Inheritance arrangements can take into account almost any conceivable scenario. For example, you might plan to give money outright to your son but put your daughter's money in trust because you fear that one day she'll divorce her husband and that he may, as part of the settlement, make a play for the inheritance. Or, to sidestep the possibility of your son's creditors eating up the money you leave him, you could set up a generation-skipping trust for your grandchildren. In cases like these, if you don't explain the reasons for your actions, the child treated differently will be left wondering if you trusted or loved the other sibling more.

"The value of these discussions is that they can clear up misunderstandings and mistaken expectations that can't be resolved at the time of the reading of a will," comments David Gage, Ph.D., a clinical psychologist for BMC Associates in Washington, D.C. If you're not around to participate in the discussion, the anger, hurt, and unresolved feelings become the legacy, rather than the money you
were trying to protect for the family.

Discussing plans with your children while you're alive can certainly spark controversy, but at least you have time to try to iron out the conflicts. "Bringing the issue out into the open gives your kids venting time and allows you the opportunity to gauge their reactions," says Gerald M. Condon, co-author of Beyond the Grave (Harper-Business, $15) and a partner in the law firm Condon, Condon & Festa in Santa Monica, California. "I've even seen parents reconsider their actions after talking to children about their plans."

Don't Create or Exacerbate Conflicts Among Children

Unless there's an obvious reason for doing so, think very carefully before you decide to leave differing amounts to children or cut one of them out of an inheritance. Such a step can lead to many complications down the road. Say you opt to leave more to a daughter who's a social worker than to a son who's a partner in a thriving consulting firm because she can use the money for a down payment on a house while he would only use it to enlarge his wine cellar. This kind of apportioning may seem fair because she'll never be able to accumulate his kind of wealth. "But nine times out of 10, the financially successful child will wind up angry at the sibling and incredulous that this happened," says Condon. "He is penalized for being successful."

In this scenario, says Alperstein of UC San Francisco, the inheritance "doesn't help the social worker's self-esteem either. She may be appreciative at first, but it could reactivate any existing self-doubts. She might wonder if the extra money meant that you didn't think she was capable of succeeding on her own." Because you're no longer around to take the heat or explain your decision, one child's resentment could be turned on the other.

If one child needs more financial help or, in your eyes, is more deserving of financial assistance than another, it may be better to provide it while you're alive than to leave disproportionate sums in your will, advises Boston attorney Levinson. Consider the case of a 52-year-old daughter who took a leave of absence from her job as a store manager after her parents had a serious automobile accident. She used the two unpaid months to be with them in the hospital and then, when they got home, to take them to doctor appointments and set up nursing care. Her parents wanted to change their wills and leave more to her than to their son. Although she hadn't helped them for the purpose of being compensated, the daughter understood their need to say "thank you." But, as she explained to them, the inequality in the bequest might threaten the relationship she had with her brother. After some discussion, the parents decided the daughter was right and instead helped her finance a new car as a way of showing their appreciation.

Even a perfectly even split of assets can stir up conflict among children. Suppose you own a piece of real estate and, in an effort to be fair, leave it equally to your son and daughter. Let's say your daughter is a sophisticated Wall Street banker, while your son is an artist who hasn't balanced his checkbook for years. As psychologist Gage explains: "All of a sudden two people who don't have much in common and never thought of being business partners have to make joint decisions. It's a situation that could cause
stress and hostility." A better strategy might be to leave the daughter the property and the son a sum of equal worth. Or you could set up some mechanism for one to buy out the other, if desired, or even authorize them to sell the property and share the proceeds.

Sometimes it's the small things-personal items without much intrinsic value-that cause the most conflict among siblings. "I've seen it happen in other families, and I didn't want that happening in mine," says Linda Sweedler, 61, of San Diego. So when her two children visited her a couple of years ago, she reviewed the possessions of hers that they might like to have some day. "They both wanted a metal sculpture I have over the fireplace " recalls Sweedler. "So my son, David, started negotiating. What we decided was that he would take the sculpture, and his sister, Julie, would have a less expensive piece of sculpture that she liked plus a few smaller things.

Deciding who will be the executor of your estate can also cause problems, says Condon. "Almost inevitably, the children not chosen to assume that responsibility are likely to be suspicious of actions the executor takes, even if everything is on the up and up. Or they may feel you didn't trust them or didn't think they were as smart as the sibling you named." To avoid friction, Condon suggests appointing all your children as co-executors. "If they want to decline, withdraw, or resign from the obligation, that's their decision, not yours," he says. "And since none of them will want to delay the distribution of the inheritance, they'll be more likely to be cooperative rather than combative during the process."

Leave a Legacy That's More Important Than Money

In the final analysis, however, the way you live can be a more important legacy for your progeny than how much money you leave them. Financial planner Geller urges his clients to round out a thoughtful estate plan with a letter to their children, sharing the beliefs the parents feel are most important in life. "Another wonderful way of doing this is through a videotape where you talk about your life and share the experiences that shaped your values," he says.

You can even use your will to reconfirm these values. For example, some of the most gratifying times one Illinois couple had during their 41 years of marriage involved deciding how much to give to various charities. So after her husband died two years ago, the wife put a provision in her will that perpetuates the couple's tradition. "They are to take a percentage of whatever is in my estate and donate it to the charity or charities of their choice," she says. "I know they're in early stages of their careers, and making $1,000 or $5,000 contributions isn't something in their budgets. But I want them to learn that you should share with others and to experience the joy you get when you feel you're making a difference in the community." When she told her children what she had done, they were quite touched and delighted with the idea.

Or you could forget about the future and just concentrate on the here and now. "While it would be nice, I don't honestly are whether there's money to inherit or not," says Elyse Bencivenga, 50, of Brooklyn, New York. "And I don't think the kids do, either." She and her husband, Steven, 53, focus instead on helping their three children launch their careers now so they can become totally self-sufficient later. "They don't expect handouts, but they know if there's a money problem they can come to us, and we'll
do what we can. And that’s good. I want them to know that families share their resources and help each other out."