



IN THIS ISSUE

Preparing children to manage an inheritance is a crucial part of estate planning, focusing on financial literacy, open communication and responsible decision-making. By fostering these skills, parents can help ensure their children preserve and grow the family legacy responsibly.

PREPARING YOUR CHILDREN FOR
RECEIVING AN INHERITANCE

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Estate planning is an essential part of securing your family’s financial future. While much focus is placed primarily on drafting wills and optimising tax efficiency, one critical aspect is often overlooked: preparing your children for the responsibility of managing their inheritance when the time comes.

South Africa is diverse in its dynamics which influences wealth transfer - this includes cultural, economic and legal dynamics. Teaching your children to develop a responsible attitude towards inheritance is a crucial aspect in your financial and estate planning.

It is important to prepare your children for the responsibility of receiving an inheritance, which can be overwhelming, and without proper guidance, it can lead to poor financial decisions, family conflicts, or even the rapid depletion of wealth. Preparing your children will empower them to honour your legacy and also use the resources wisely that you provided them with, to build their future.

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Preparing children for the responsibility of managing an inheritance is a vital part of estate planning, ensuring they make wise financial decisions, preserve wealth and honour your legacy.

1. START THE CONVERSATION EARLY

Age-appropriate conversations about finances and inheritance can foster a sense of responsibility. For example, with a younger child one could consider introducing basic financial concepts, such as budgeting and understanding the value of money. Whereas, for older children or adult children, you could include them in discussions around your estate plan, which will ensure that they understand the reasoning behind the decisions you are making.






Transparency about your estate plan will help your children understand your intentions and prepare them for their future roles.

- **Discuss the structure of your estate, such as wills, trusts and other arrangements.**
- **Clarify any specific expectations or conditions tied to the inheritance.**
- **Address potential conflicts to minimise misunderstandings.**



2. TEACH FINANCIAL LITERACY

Education is key to preparing your children for financial independence and managing money. Financial literacy is a skill that can be developed over time and will empower them to make informed decisions when they inherit.

	BUDGETING:	Encourage them to create and manage personal budgets.
	SAVING:	Instil the principal that saving is the cornerstone of financial well-being.
	INVESTING:	Introduce them to the basics of investment vehicles such as shares, property and retirement funds.
	DEBT MANAGEMENT:	Stress the importance of avoiding unnecessary debt and managing credit responsibly.
	EDUCATION:	Consider enrolling them in financial literacy courses or workshops.

3. INTRODUCE YOUR CHILDREN TO YOUR FINANCIAL ADVISOR AND ESTATE PLANNER

Introduce your children to your financial advisor and estate planner while you are still alive. These professionals can provide guidance and ensure that your children are well-informed about the legal and financial implications of their inheritance. They will also be able to help your children navigate any complex financial decisions they may need to make in the future.

In South Africa, specific laws such as the Administration of Estates Act and the Income Tax Act may impact how assets are transferred. Educating your children about these laws and ensuring they know where to seek advice can prevent costly mistakes.

4. PROMOTE VALUES-BASED WEALTH

Share stories about how your wealth was created and the sacrifices you had to make in order to build it.

It is important that you children understand that an inheritance is more than money - it is a reflection of a family's values, culture and history. This should encourage your children to use their inheritance in ways that align with your fundamental values, whether it be through entrepreneurship, investments, or giving back to the community.

5. ROLE-PLAYING SCENARIOS

Enacting real-life financial scenarios can prepare your children for decision-making when the time comes. Engage in roleplay scenarios with your children by asking them some of the following questions:

- What would they do if they suddenly received a cash lump sum?
- How would they prioritise spending, saving and investing?
- How would they handle potential family disputes over the inheritance?

6. EMOTIONAL PREPARATION IS KEY

Inheriting wealth often comes with emotional challenges. Parents need to equip their children with tools such as fostering resilience and offering emotional support, in order to assist them in handling these transitions. This includes preparing them to handle potential changes in family dynamics or relationships that may be influenced by money.

7. UPDATE THE ESTATE PLAN REGULARLY

Circumstantial change is inevitable, and so are your children's levels of maturity and financial understanding. Prioritising, regularly reviewing and updating your estate plan will ensure that it remains relevant, and including your children in these updates to your estate plan will lead to expanding their understanding and readiness.

Parents need to prepare children for the legacy we leave behind and the inheritance they are set to receive. All of this is achieved by fostering financial literacy, engaging in open conversations, and instilling a sense of responsibility. This gives your children the head start they need in making sure that they are equipped with the right tools to manage their inheritance wisely and sustain the family's legacy for generations to come.

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