

Limiting a Child's Inheritance

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Determining a child's inheritance is a crucial parenting decision. Most parents create estate plans under which all of their wealth will ultimately pass to their children. However, some parents choose not to do so, for a variety of reasons. The most common reasons are discussed in this article.

Independent Relationships With Grandchildren. Many grandparents leave gifts to grandchildren in recognition of their independent relationship with them. Sometimes such gifts involve only sentimental items or small amounts of wealth. However, in other cases grandparents may treat grandchildren as substantial beneficiaries of the estate plan. This may be the case where, for example, there is a very strong grandparent-grandchild relationship, the grandchild's parent is deceased, or the grandparents do not trust the grandchild's parent to properly provide for the grandchild.

The Needs Of Other Loved Ones. Some parents would like to leave all their wealth to their children, but feel it is more important to assist other family members or loved ones whose need is greater.

Limits For The Benefit Of Children. Some parents limit the amount passing to their children in order to help their children. Such parents often fear that too much inherited wealth will affirmatively harm their children (for example, by depriving them of the opportunity to be responsible for their own financial success or failure, or by creating a situation in which they never have to maintain employment).

Children Who Do Not Need To Inherit. Some parents of independently wealthy children do not feel that an inheritance would harm those children, but instead feel that the children will simply be indifferent to receiving more money. Such parents tend to leave money to beneficiaries whose lives will be more meaningfully improved by receiving the gift.

Poor Relationships. Some parents simply are not on good terms with their children and do not want to leave wealth to them.

Competing Moral Obligations. Some parents feel a sense of moral obligation to leave part of their wealth to recipients other than their children. Typically this involves a gift of a portion of their estate to charity. Occasionally it involves voluntary payment of estate taxes (i.e., refraining from using planning devices to prevent or minimize estate taxation).

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