



# Put the ‘success’ back into succession

A FOCUS ON THE ‘SOFTER’ ISSUES CAN ENSURE A MORE BALANCED APPROACH TO PASSING ON WEALTH, WRITES MARGARET O’SULLIVAN

ONE OF THE increasing challenges facing parents and other family members today is achieving success in their estate planning – passing on their wealth well. But how should we define ‘success’? From a professional viewpoint, much of estate planning focuses on the financial aspects: ensuring a tax- and cost-efficient transition of wealth to future generations. But, in doing so, have we lost sight of what is most important? What is the overarching purpose of passing on wealth? Is it just about the money?

Given the abundance of ‘affluenza’, those planning their estates are increasingly concerned that focusing solely on ways to increase the amount of wealth passed on to children and family members results in a lack of focus on the key issue of whether or not leaving a substantial inheritance to a child or family member is a good thing. As parents, we want to do the best for our children. Many are concerned that leaving a large inheritance to their children will be harmful, and even destructive – that it will decrease their self-reliance, ambition and, ultimately, their self-esteem if not handled correctly.

These concerns are not new. The great industrialist and philanthropist Andrew Carnegie said at the beginning of the 20th century: ‘Why should men leave great fortunes to their children? If it is from affection, then it is misguided affection, because great sums bequeathed often work more for the injury than the good of the recipients.’

The modern-day financial prophet Warren Buffett is well known for subscribing to a similar view and he, along with Bill Gates, has established the Buffett-Gates Giving Pledge, which has resulted in scores of billionaires pledging most of their wealth to charity.

As the saying goes: ‘It is easy to give away money; what is difficult is to give it away well.’ The values we pass on to our children, and the education and life experiences we encourage them to have, including learning how to become

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MARGARET O’SULLIVAN TEP  
IS MANAGING PARTNER  
AT O’SULLIVAN ESTATE  
LAWYERS, TORONTO



financially savvy and astute, are all part of this challenge. The lack of a balanced approach and the pursuit of money as an end in itself – as opposed to a means to provide opportunity for growth and to explore and enjoy all that life has to offer – are challenges in our competitive society, which often measures success by financial achievement. We need to go back to fundamental principles and have clarity on our values when planning to pass on our wealth.

Family meetings, family mission statements and a re-emphasis on values important to each family are becoming a part of the wealth planning and succession discussion. In a previous opinion article,<sup>1</sup> I discussed the importance of financial literacy, breaking the silence on talking about money and inheritance, and preparing our children and other family members to handle and manage their inheritance.

There is an increasing amount of literature on these topics. One of my favourite books, because of its clear and succinct messages, is *Wealth in Families* by Charles Collier. Chris Clarke’s latest book, *True Family Wealth: Love, Money and an Inspired Life*, provides a road map for goal-based wealth planning, and drills down into the financial and non-financial meaning of wealth and its importance in achieving a fulfilling life.

Going forwards, it seems there will be an increasing focus on what are sometimes dismissively termed the ‘soft’ issues of estate planning, in contrast to the so-called ‘hard’ issues, which deal primarily with tax minimisation and financial optimisation. Paradoxically, the ‘soft’ issues are often harder to solve than their ‘harder’ counterparts. All of which is good news, as estate planning will become more balanced and holistic, and in doing so, we will put the ‘success’ back into succession planning.

<sup>1</sup> STEP Journal (Vol25 Iss8), pg 19