

Are Your Heirs Ready To Receive an Inheritance?

In the popular imagination, receiving an inheritance always sounds like a good thing — after all, who doesn't want a financial windfall? And inheritances can certainly be life-altering events. But they can cause challenges, so you'll want to help your heirs be prepared.

To assist in this preparation, try to address some key questions affecting your heirs:

- *Do they know what's in your estate plans?* Your family and other heirs will be much better prepared to deal with an inheritance if they know what to expect. That's why it's so important that you share your estate plans with everyone involved. You need to let them know the wishes and decisions you've expressed in your will and other legal arrangements, such as a living trust. Of course, sharing this information doesn't necessarily mean that all your heirs will be completely satisfied with your choices — but at least they won't be surprised, and perhaps will be less likely to cause disputes when the time comes to settle your estate.

- *Will they know what to do with the money or other assets?* You may be planning to leave your grown children a sizable amount of assets, possibly including cash, stocks, real estate, IRAs, 401Ks or other types of valuable personal property. But this inheritance brings with it several possible questions: Do your heirs already have an investment platform ready to accept inherited stocks? If you do leave behind rental property or a vacation home, can it be easily sold? These types of issues are generally not hard to resolve, but the more prepared your heirs are for their inheritance, the quicker they can take whatever actions are needed.

- *Are they prepared to handle any taxes that may result from the inheritance?* Unless you have a very large estate, your heirs likely won't face federal estate taxes.

(In 2024, the first \$13.61 million of an estate is exempt from federal estate taxes.) However, other types of taxes may apply. A few states assess state inheritance taxes, and your heirs could incur federal and/or state income taxes when they withdraw money from inherited assets funded with pre-tax dollars, such as some retirement accounts. They could also face capital gains taxes when they sell inherited assets, such as stocks, for more than they were worth at the time of the inheritance. In any case, inheritance-related taxes can be complex, so you and your family and other heirs should discuss these issues with your tax advisor.

- *Will they be liable for any outstanding expenses?* If you have developed a comprehensive estate plan, it's unlikely your heirs will be on the hook for any outstanding expenses, such as credit card balances or funeral costs. If you do still carry a mortgage, though, and you are planning on leaving your house to your heirs, they may want to be prepared to act quickly to sell it.

When leaving an inheritance, there's a lot involved — emotionally, financially and legally. So, do whatever you can to make the entire process as easy as possible for your loved ones. By communicating your wishes regarding the inheritance, and by considering all the issues that may arise, you can go a long way toward achieving the outcomes you desire.

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