

Are Your Kids Really Getting an Equal Inheritance?

Q: My mother died four years ago and her estate plan said that both my sister and I would split everything equally. But my mother had given or loaned my sister (and my sister's children) a substantial amount of money through the years for a variety of reasons. Therefore, my inheritance was really far less than my sister's and this is not what my mother wanted. My sister and I haven't talked in two years -- how can I prevent this from happening to my kids?

A: You are not alone. I met a man recently who had not talked to his brother in over 35 years. All because their father's estate was not set up properly to accommodate this same problem!

You can easily prevent this from occurring by including an "Equalization Clause" in your estate plan.

An equalization clause allows a person to declare that an amount of money given to another individual (either as a gift or an informal loan), shall reduce that individual's inheritance by the amount of the gift or the loan.

For example, your mother could have declared some (or all) of the money she was giving to your sister (or your sister's children) as an "advancement" of your sister's inheritance.

That way, upon your mother's death, the inheritance would be "equalized" so that both you and your sister would ultimately get an equal share (and hopefully you would still be speaking to one another).

As far as your own kids are concerned, remember that it is prudent to include an equalization clause in your plan even if you never intend use it. If you do need to invoke it to equalize the inheritance, however, you will be glad you included it in your plan.

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