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FROM JOEL BERNSTEIN

Seven Ways Kids Lose Their Inheritance

How smart Massachusetts families accidentally destroy their children's future

Most people think inheritance problems happen to "other families" - the ones who don't plan ahead or make poor choices. After 32 years of practicing estate law in Massachusetts, I can tell you that's completely wrong.

The families who lose the most money are often the smartest, most successful people you'd meet. They're doctors and engineers, small business owners and teachers. They love their kids and want to do the right thing.

But they make predictable mistakes that cost their children hundreds of thousands of dollars.

Here are the seven most expensive ways it happens, starting with the problems I see most often.

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1. No planning (or planning that doesn't work)

This destroys more family wealth than everything else combined.

Most people think having "some" estate planning is good enough. They're wrong. Having bad planning is often worse than having no planning at all, because it gives families false confidence while creating expensive problems.

The Massachusetts Reality:

- Only 31% of people have wills (even though 83% know they need them)

- 55% have zero estate planning documents
- Even wealthy families mess this up: 52% have no basic estate plan

Illustrative Example for Massachusetts Families: *Dr. Peterson from Concord had a $2.2 million estate but never made a will. He'd been married to his second wife Janet for 8 years. His three kids were from his first marriage. When he died suddenly, Massachusetts intestacy law gave Janet the first $100,000 plus half of the remaining estate ($1.05 million total). His kids from his first marriage had to split the other half - only $350,000 each instead of the $733,000 they would have gotten if he'd made a will. Plus the family paid $30,000 in probate legal fees and court costs (no estate tax was due because of the marital deduction). If he'd used a living trust instead, post-death administration would have cost only about $5,000. Janet felt terrible, the kids felt cheated, and nobody spoke at Christmas. (This example is fictional but shows common patterns I observed.)*

Why this happens: People procrastinate on uncomfortable topics. They think they have time. They worry about making the wrong choice, so they make no choice at all.

What smart families do: They get proper documents while healthy. They review and update plans when major life changes happen. They talk to kids about their wishes before it's too late.

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2. Spending inheritance money too fast

When people suddenly get money, they spend it like lottery winners.

Research shows people now spend 34 cents of every dollar they inherit - four times more than 20 years ago. It's like eating your seed corn. Feels good now, but you'll be hungry later.

The numbers are brutal:

- 37% use inheritance to pay off debt
- 35% put it toward retirement
- Only 26% save it for the next generation

Illustrative Example for Massachusetts Families: *The Johnsons from Cambridge inherited $1.5 million when Tom's father died. Tom's stepmother got the other half under Massachusetts intestacy law since his dad never made a will. They'd been living in a small apartment, so they bought a $900,000 house in Wellesley. Then they needed furniture to fill it ($50,000). Then a pool ($75,000). Then private school for the kids ($40,000 per year). The money seemed endless until suddenly it wasn't. Five years later, they're struggling to pay the mortgage while Tom's stepmother lives comfortably in the family home. (This example is fictional but shows common patterns I observed.)*

Why this happens: Inheritance feels like "found money" instead of family wealth that took generations to build. People upgrade their lifestyle to match their new net worth, not realizing the money needs to last forever.

What smart families do: They create spending rules before money changes hands. They separate "play money" from "forever money." They teach kids about wealth preservation before they inherit.

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3. Family members constantly asking for money

This might be the hardest problem to handle.

About 83% of wealthy families give ongoing financial support to adult children. It starts with helping with a down payment or business startup. Then it becomes a monthly allowance. Before long, grown children expect financial help as a normal part of life.

Illustrative Example for Massachusetts Families: *Maria from Springfield inherited $800,000 when her mother died. Her stepfather got the other $800,000 under Massachusetts law since mom had no will. Maria's brother lost his job and needed help with his mortgage ($3,000/month). Her sister was getting divorced and needed a lawyer ($15,000). Her adult son wanted to start a business ($50,000). Maria couldn't say no to family. Three years later, she'd given away $400,000 and family members still kept asking for more help. Meanwhile, her stepfather remarried and his new wife's kids started asking him for money too. (This example is fictional but shows common patterns I observed.)*

Why this happens: It's hard to say no to family when you have money and they're struggling. Parents feel guilty about their success. They worry about their children's future and think money will solve their problems.

What smart families do: They set clear rules about financial help before money is inherited. They make family members meet goals (education, employment, financial responsibility) before getting help. They use trusts that limit access to prevent enabling.

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4. Bad investment choices

Most people aren't prepared to handle sudden wealth.

Only 42% of people feel ready to manage a large inheritance. The rest make expensive mistakes - often immediately. They invest in things they don't understand, trust the wrong people, or put all their money in risky investments hoping to get rich quick.

The gender gap is real:

- 23% of women feel scared about managing inheritance money
- Only 12% of men admit to the same fear

- This matters because women often outlive their spouses and end up managing family wealth

Illustrative Example for Massachusetts Families: *Tom from Worcester inherited $450,000 when his dad died (his stepmother got the other half under Massachusetts intestacy law). His friend convinced him that cryptocurrency was "the future." Tom put $200,000 into something called "MoonCoin" that promised 50% returns. The coin turned out to be fake. Tom also invested $150,000 in his buddy's restaurant that closed after six months. Within two years, his inheritance was down to $25,000. His stepmother, meanwhile, put her half in boring CDs and still has most of her money. (This example is fictional but shows common patterns I observed.)*

Why this happens: Sudden wealth creates overconfidence. People think having money means they're good with money. They get advice from friends instead of professionals. They chase returns instead of preserving wealth.

What smart families do: They require financial education before inheritance is distributed. They hire qualified advisors. They diversify investments and avoid get-rich-quick schemes.

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5. Family fights that destroy relationships

More wealth gets destroyed by family conflicts than market crashes.

When parents die, kids often discover they had very different ideas about what was "fair." Someone feels cheated. Old sibling rivalries explode. In-laws take sides. Before long, the family that used to celebrate holidays together can't be in the same room.

The research is sobering:

- 60% of family wealth gets lost due to communication breakdowns

- 78% of family money conversations happen by accident instead of being planned
- Family fights cost more than bad investments or high taxes

Illustrative Example for Massachusetts Families: *Bob from Newton had a $2.5 million estate. He'd been married to his second wife Carol for 12 years. His three kids were from his first marriage. When Bob died without a will, Massachusetts law gave Carol $100,000 plus half of the rest ($1.2 million total). His kids got $433,000 each. The kids felt cheated because Carol was only 52 and would probably remarry. They sued, claiming Carol influenced their dad not to make a will. Carol counter-sued. They spent $200,000 on lawyers over three years. The family home had to be sold to pay legal bills. Nobody speaks anymore, and Carol did remarry - a man with his own kids who now live in what used to be the family home. (This example is fictional but shows common patterns I observed.)*

Why this happens: Parents don't explain their reasoning while they're alive. Kids learn about inheritance plans at the worst possible time - while grieving. Different treatment feels like different love.

What smart families do: They have honest conversations while parents are healthy. They explain why money gets divided certain ways. They use professional mediators when needed. They put relationship preservation ahead of perfect fairness.

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6. Scams and people stealing money

Criminals target people who just received inheritance money.

In 2023, Americans over 60 lost $3.4 billion to scams. Inheritance-specific scams caused $67.4 million in losses from over 1,700 complaints. The worst part: most people never get their money back.

Illustrative Example for Massachusetts Families: *Eleanor from Lexington inherited $375,000 when her husband died (his ex-wife got the other half under Massachusetts intestacy law since he never updated his will after their divorce 20 years ago). Eleanor was bitter about losing half the money and desperate to make more. She got a call saying she'd won the "Massachusetts Heritage Lottery" but needed to pay $15,000 in taxes first to claim her $2 million prize. The caller knew about her husband's recent death and had details about her inheritance. Eleanor was grieving and angry. She sent the money. Of course, there was no lottery. Meanwhile, the ex-wife put her inheritance in a boring savings account and kept every penny. (This example is fictional but shows common patterns I observed.)*

Why this happens: Grief makes people vulnerable. Scammers are getting more sophisticated and have access to public death records. People who feel cheated by inheritance distribution become easy targets for "get rich quick" schemes.

What smart families do: They educate family members about common scams before inheritance is distributed. They use trusts that require multiple people to approve large transactions. They work with financial institutions that watch for unusual activity.

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7. Addiction problems

Money doesn't solve addiction - it makes it worse.

Some people can't handle having access to large amounts of money. They develop gambling problems, drug addictions, or compulsive spending habits. Rich people can hide these problems longer because they have more money to lose, but the ending is always the same.

The statistics are scary:

- 9% of business executives have substance abuse problems

- 2 million Americans lose serious money gambling each year
- The worst gamblers spend 58% of their income on betting
- Less than 15% of people with gambling problems get help

Illustrative Example for Massachusetts Families: *Sarah from Brookline inherited $600,000 when her father died (her stepmother got the other $600,000 under Massachusetts intestacy law). Sarah had always felt replaced by her stepmother and was angry about getting only half. She'd always liked going to Foxwoods for fun, but now gambling became her way to cope with anger and loss. She convinced herself she could win enough to get back what her stepmother "stole." Within 18 months, she'd lost all $600,000. Her brother found out when she asked to borrow money for rent. Her stepmother, who barely gambled, still had most of her inheritance. (This example is fictional but shows common patterns I observed.)*

Why this happens: Sudden wealth can trigger addictive behaviors in vulnerable people. Money becomes a way to cope with other problems. Family dynamics around inheritance can create resentment that leads to self-destructive choices.

What smart families do: They don't give all inheritance money at once. They use trusts that can stop distributions if addiction problems develop. They require treatment as a condition for receiving money. They watch for warning signs and intervene early.

How to protect your family

These seven problems happen to most families, usually in this order. But they can be prevented with good planning and honest communication.

The most important thing: Start talking to your kids about money while you're alive and healthy. Don't wait until it's too late.

For Massachusetts families with second marriages: Our state's intestacy law assumes your surviving spouse needs half your money, but that might not match what you want. If you want your kids from your first marriage to get more, or if you want your second spouse to be comfortable but not wealthy, you need a will. Otherwise, Massachusetts decides for you.

The bottom line: Families who communicate well, educate their children about money, and set up proper legal protections keep their wealth much longer than families who don't plan ahead.

Need help?

If you see your family in these examples, don't panic - but don't wait either. Since I retired in early 2025, I can't take new clients, but I'm happy to refer you to excellent Massachusetts estate planning attorneys who will take great care of you.

Go to my webpage at www.livingtrustma.com/contact for a referral to someone who understands these problems and knows how to solve them.

References

- Trust & Will 2025 Estate Planning Report: https://trustandwill.com/
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- FBI fraud statistics: https://www.fbi.gov/how-we-can-help-you/scams-and-safety/common-scams-and-crimes
- Consumer Financial Protection Bureau: https://www.consumerfinance.gov/
- C-suite executive research: Various business and health journals
- Gambling addiction statistics: National Council on Problem Gambling and related research
- Compulsive Buying Disorder studies: Psychology and behavioral research journals

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Important Note: All family examples are fictional illustrations created to demonstrate common inheritance problems. These stories are based on patterns observed during 32 years of estate planning practice but do not represent any actual Massachusetts families.