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March 6, 2011

Looking at inheritance for boomers

Baby Boomers, according to a December, 2010 study by MetLife Mature Market Institute, stand to inherit $8.4 trillion at 2009 levels. This study, *The MetLife Study of Inheritance and Wealth Transfer to Baby Boomers,* was prepared by the Center for Retirement Research at Boston College, and reported in Elder Law FAX by Timothy Takacs, Esquire (www.tn-elderlaw.com). The study results, while interesting and exciting for Baby Boomers, has important implications.

Baby Boomers, per the U.S. Census Bureau, are persons born between 1946 and 1964. The first persons in the Baby Boomer generation attain age 65 years in 2011, and become eligible for Medicare. Two thirds of Boomers, according to the study, will receive some inheritance over their lifetimes, although only 17 percent had received an inheritance by 2007. It is predicted that most people will receive their inheritance in late middle age, when the surviving parent dies. Few Boomers have living grandparents, but the majority of them have at least one living parent. The overwhelming majority of inheritances are passed from parents to children.

However, considering only past inheritances, the median amount Boomers received by 2007, when adjusted for inflation, is about the same that was received by the preceding birth cohort (1927-1945) at the same ages. Furthermore, while high wealth households will receive much larger inheritances in dollars, these sums represent a much smaller share of their wealth, i.e. 22 percent for those in the top tenth, as compared to 64 percent in the second-to-bottom tenth.

The study authors list three important implications of this study. While the projection of over $8 trillion in inherited money is a lot of money, relying on an inheritance does not substitute for an adequate retirement plan. The timing of receipt and the amount to any particular household is uncertain. Parents' wealth may be consumed by medical and long term care costs, or just by the fact that people are living longer than they expected. Stock market fluctuations, as well as changes in the housing markets can affect the elder's overall wealth, thus impacting on inheritance. Most Boomers who will receive an inheritance will do so in late middle age, and the amount received is unlikely to be life altering.

Another important implication is that this potential for an inheritance can and should be used to generate family discussions about estate planning, both for the Baby Boomers and the previous generation. Long term care planning may be able to preserve some wealth that might be lost to long term care costs. It is not a comfortable topic for discussion, per study co-author, Alicia H. Munnell, but "those who do so will likely find it helpful. A trusted family advisor may be useful in this regard."

Finally, the report concludes that policymakers should be warned the study results should not permit a free pass to avoid engaging in initiatives to boost Americans' savings and to promote longer working lives. The Boomers' inheritance is a significant portion of overall American wealth, in addition to lifetime gifts made to Boomers during their parents' lives. However, the adage "not to count your chickens before they are hatched" is particularly appropriate in this context.