Family Business

Estate Plans Transfer Wealth. They Rarely Transfer Values.

When heirs inherit assets without ever understanding the purpose behind them, they're unable to build the judgment to manage those assets well. Done correctly, legacy letters can help avoid this mistake.

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We have spent our careers around families who plan carefully. They hire the best attorneys, build sophisticated trust structures and document almost everything. And yet, when we sit down with the next generation after a transfer, the questions we hear most often are the ones none of those documents answer. Why was it set up this way? What did the parents actually want this money to do?

Their estate plans told them exactly what would happen. They never explained why.

That missing piece does more damage than most families realize. In our experience, the cause is rarely a bad investment or a tax mistake. It is that heirs inherited the assets without ever understanding the purpose behind them, so they never built the judgment to manage them well.

Why this matters now

The timing is not incidental. Cerulli Associates, which conducts market research on the wealth management industry, projects that approximately $124 trillion will change hands through 2048, the largest wealth transfer in history, with more than half of it originating from high- and ultra-high-net-worth households. As that wave accelerates, two things are happening at once in the families we work with: the structures are growing more sophisticated — more trusts, more entities and more governance scaffolding — and the next generation is increasingly making requests for which those structures fail to provide context.

This is the case for the legacy letter, which is sometimes called an ethical will. It is not meant to be a sentimental keepsake, but rather a governance guide or wish that does the work that the trust and the family constitution cannot. While these types of writings are not legally enforceable — they're what is known as "precatory language" or "precatory documents" — they serve as a guide to give the perspective of the wealth creator's hopes, dreams, fears and aspirations.

What the legal documents can't do

A trust dictates control. A family constitution sets rules. A philanthropic mission statement defines priorities. Each is essential, and each is silent on motive. They tell the next generation what to do without telling them why it matters, so the moment circumstances shift in a way the documents didn't anticipate, heirs are left to guess at the principles behind them.

Several common real-world situations come to mind. They typically involve language that sounds simple and positive on the surface — aspirational terms like "qualified" or "successful" — but over time, as circumstances and societal norms change, this language often leads to confusion, family conflict and, worst of all, litigation.

One family trust, drafted in the mid-1950s, restricted distributions to beneficiaries with "productive, meaningful, full-time employment." The G1 founder, who had four sons, intended the provision to ensure his heirs stayed motivated and contributed to both family and society.

Controversy arose as later generations reinterpreted what that meant. Some beneficiaries, men and women alike, chose to be stay-at-home parents. Others were accused of holding "fake jobs," coasting or working "cushy" positions that didn't meet the trust's spirit.

Without a clear definition of "productive, meaningful, full-time employment," and with societal norms around work and family roles shifting dramatically since the 1950s, this family ended up in court.

A legacy letter closes that gap. It records the reasoning, the values, the experiences and the trade-offs that produced the structure. Done well, a legacy letter functions less like a farewell and more like an operating rationale future decision-makers can return to when the documents alone don't settle the question.

What it should actually address

The generic advice of "write in your own voice" or "keep it real" should not be applied to legacy letters. The ones that hold up are specific, and they tend to address a consistent set of questions:

- **The principles behind major decisions, why wealth was concentrated, divided, restricted or given away.**
- **The thinking behind philanthropic priorities, so future giving stays aligned with intent rather than drifting toward whatever feels current.**
- **The family's definition of stewardship, what it considers responsible use of capital and what it does not.**
- **The honest history of the family enterprise, including setbacks and mistakes, which does more to build credibility with heirs than any polished account.**

A G4 family leader, part of a five-branch family, watched his cousins mishandle their distributions generation after generation. Some bought aircraft without understanding the associated costs and upkeep. Others made poor investment decisions that led to financial ruin. Some remained unemployed, lacking motivation, purpose or productivity. Still others struggled with addiction to drugs, alcohol or gambling. This family had seen it all.

Determined to keep his own branch financially healthy and prosperous, this grantor built a set of "prohibitions" into the distribution terms, specific rules alongside a catch-all clause allowing him to deny distributions that "did not meet his expectations." At every family meeting, he reinforced to the G5 and G6 generations what *not* to do with the money.

Eventually, someone asked the obvious question: "What *can* we do with the money?" Another followed with, "What's the purpose of this wealth if we can never use it?"

The grantor had no answer. He couldn't articulate what he actually wanted the wealth to accomplish. This led to a family impasse, with sharp disagreements over control, greed, purpose, independence, dependence and interdependency. Only then did the family begin working through these questions together, as a collective.

When to write it and who should be in the room

Timing matters more than most families assume. A legacy letter written once and sealed alongside the estate documents is the least useful version. The families getting real value treat it as a living document: drafted earlier than expected, revisited at milestones such as a liquidity event, a marriage or a generational transition, and, increasingly, discussed openly rather than discovered posthumously. The act of writing it, and the conversations it forces, often does as much for family alignment as the finished document.

It also shouldn't be a solo exercise hidden from the people it concerns. More principals are now drafting these with the next generation present, which turns a one-way message into a governance conversation and surfaces misunderstandings while they can still be corrected.

Where families go wrong

The most common failure is vagueness — letters long on sentiment and short on substance. "Work hard and be kind" tells an heir nothing about how to weigh a hard decision involving the family enterprise. The second most common failure is treating the letter as an afterthought to the legal work, when it actually should inform that work from the start. The third is simply waiting too long so the letter becomes a posthumous artifact instead of a tool the family can use while the guidance still matters.

The instinct to treat legacy letters as the soft, optional complement to the "real" planning gets the order of priorities backwards. The structures move the assets. But whether those assets still serve the family's purpose in 30 years depends almost entirely on whether the next generation understood what they were for. That understanding doesn't transmit through a trust. It has to be written down, and increasingly, families that take governance seriously are treating it that way.

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