Bank of America today announced the findings of a new study conducted by Merrill Private Wealth Management, which found that 64 percent of wealth holders have never talked with family members about how or why they intend to pass on their assets. While 48 percent plan to communicate this information eventually, or assume family members already know, 10 percent vow never to divulge details of their estate plan primarily because they consider it personal and no one else’s business. But is that a good decision?

“This research is designed to help families make better decisions and secure the promise of wealth, including the impact it can have within and beyond one’s family and lifetime,” said Andy Sieg, president of Merrill Lynch Wealth Management.

For this study, Merrill asked more than 650 high net worth people across the country how different types of financial decisions are made and communicated within their family. Part of an ongoing series of white papers on wealth sustainability from the Merrill Center for Family Wealth™, findings from this study were published today in a new report, "How do families make effective wealth decisions?" including:

- Decisions about family money, such as gifting to family and charities, dividing assets among heirs and establishing trust provisions or limitations, ranked as the most important and hardest to make, compared to decisions about saving, investing, spending and other day-to-day finances.
- Just 33 percent of people have informed their family of lifetime gifts
already made or committed to, such as assets held in a trust or funding of education, a down payment on a first house or another purpose.

- Seventy-two percent have not discussed their philanthropic commitments.
- When asked what they consider to be the most important idea to communicate when discussing wealth with family, the top response was to be a good steward and handle family money wisely. However, only 46 percent have talked with heirs about fundamental family values and operating principles.
- On the distribution of their estate, 69 percent of wealth holders plan to divide their assets equally among heirs while the rest say allocation decisions are based on specific criteria, such as merit for individual contributions (11 percent) or need (8 percent).
- While 22 percent plan to openly share details of their estate plan with the whole family, 17 percent would share information only as it applies to each person.

<table>
<thead>
<tr>
<th>Disclosure of family wealth decisions</th>
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<tr>
<td>Percent who have or haven’t directly discussed decisions with family members</td>
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<td></td>
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<tr>
<td>Distribution of assets upon passing</td>
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<tr>
<td>Have discussed</td>
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<tr>
<td>36%</td>
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<tr>
<td>Assets already gifted during lifetime</td>
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<tr>
<td>Have discussed</td>
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<td>33%</td>
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<tr>
<td>Philanthropic commitments</td>
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<td>Have discussed</td>
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<tr>
<td>27%</td>
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<tr>
<td>Family values / principles</td>
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<tr>
<td>Have discussed</td>
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<td>46%</td>
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*Haven’t made decisions or done

Source: Merrill Center for Family Wealth, Merrill Private Wealth Management. June 2019

“Decisions about family money have the potential to change lives, yet the outcome depends on how well the purpose and reasoning behind those decisions are understood, and too often that is left unsaid,” said Stacy Allred, head of the Merrill Center for Family Wealth.

“Misunderstanding can lead to family conflicts, resentment and other unintended consequences including the misuse or loss of family wealth.”

Understanding how family wealth decisions are made (or not)

The Merrill Center for Family Wealth specializes in helping families define the purpose of their wealth. This study found that in six in 10 families, there is no formal structure or rigorous process in place to ensure family wealth decisions are made and communicated effectively. When asked how wealth decisions are typically made, the most prevalent response was an autocratic and top-down approach whereby one person makes decisions with little or no input from anyone else. Seventeen percent of families make financial decisions democratically with collective input or representation of all members.

Limited collaboration on family wealth decisions may reflect the high degree of confidence most people have in their own financial decision-making.

- Three-quarters of participants, including more men (79 percent) than women (68 percent), report complete confidence in their financial decisions.
Looking back on decisions they've made, however, just 56 percent of people said their decisions always turned out well. The rest reported mixed results, including 21 percent who said all their decisions turned out badly or they delayed making decisions because they were unsure of the outcome.

“The best form of financial parenting and a big part of improving the outcome of decisions involves putting more care into the decision-making process itself,” added Matthew Wesley, director, Merrill Center for Family Wealth. “Family wealth decisions can be complicated by family dynamics, a long-time horizon and unrecognized biases that call for a deliberate and disciplined approach.”

Methodology
The study is based on an independent survey of 656 high net worth and ultra high net worth adults with at least $3 million in investable assets, not including the value of their primary residence. The online survey was managed by the independent research firm Phoenix Marketing International and completed in 2018. All data have been tested for statistical significance at the 95 percent confidence level.

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