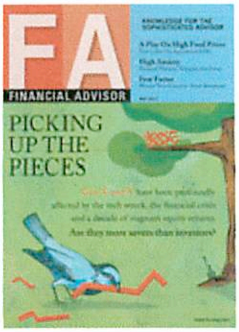

January 17, 2011

ADVISORS TRY TO KEEP HEIRS' HOPES IN CHECK

(Dow Jones) The prospect of an inheritance may loom large in the financial planning of many baby boomers, especially for those hoping to make up for lost time and savings.

It shouldn't, according to financial advisors.

Advisors routinely warn clients, even those in wealthy families, not to bank on family money they haven't received yet because of unpredictable factors: how markets will affect the future value of an estate, how long parents or other relatives with an estate will live, and whether relationships change. Dad or mom could remarry, or write an heir out of a will.

The 2008 financial crisis, which hit investments and real-estate prices hard, has reduced the value of many estates. As a result, many advisors are working with clients who are parents to dampen their children's expectations of a big windfall.

"It causes a little awkwardness" when children get told to expect less, says Rand Spero, a financial advisor in Lexington, Mass. "But then there are no surprises down the road."

Some of Spero's clients have seen significant decreases in real estate values. One couple had planned to leave a Florida vacation home to their three children, and the property is now worth 30% to 40% less than a few years ago.

"I thought it was important that the parents explain to their children that they're uncertain what will happen [to the house], and the children should plan conservatively," says Spero.

All told, boomers will wind up with about $8 trillion in inheritances, according to a report released this month by the Center for Retirement Research at Boston College. But that big number becomes much, much smaller when divided per household: The median amount of an inheritance is projected to be $64,000, among the two-thirds of boomer households expected to receive an inheritance. Less wealthy households will get an average $27,000, while the wealthier will get an average $1.5 million.

The question for many of these heirs is not just how much they'll get, but when.

"Can inheritances bail out boomers?" says Alicia H. Munnell, the center's director. "The answer is, probably not."

A survey of individuals with at least $500,000 in investable assets by Cisco IBSG found that 39% expect a major gift or inheritance in the next 10 years. Of those under 50, 67% expect something, as do 31% of boomers and 21% of seniors.

Some are likely to be disappointed.

"I think many boomers are likely to inherit not nearly as much as they anticipated," says Terry A. Donahe, a financial advisor in Lake Oswego, Ore. "We collectively have exaggerated how much boomers will see."

People are living longer and, in their later years, are facing rapidly rising costs for things like health care. Because of that and other factors, Roger Wohlner of Arlington Heights, Ill., is like other advisors who disregard potential inheritances in financial planning for clients.

He has one wealthy family for which he advises multiple generations, and even though it is likely that the heirs will receive something, Wohlner excludes it from the planning equation. "There are a lot of things that can happen," he says.

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