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THE GREAT WEALTH TRANSFER AND ITS IMPLICATIONS ON ESTATE, TRUST, AND PROBATE LITIGATION

On August 14, 1945, Life magazine photojournalist, Alfred Eisenstaedt, captured the spirit of the nation in his photo of a sailor embracing a nurse in New York's Times Square. It was the end of World War II, and America was at the top of its game. Although the US had been late to enter the war, after the attack on Pearl Harbor on December 7, 1941, it was all-hands-on-deck. In his best-selling book, Tom Brokaw described the veterans and their peers as "the greatest generation."

When the war ended, families reunited. Sweethearts got married and spent lots of quality time together. The birth rate—dubbed "the baby boom" —became exceedingly high. The children born in the years following World War II grew up in a period of economic prosperity. Many of the children of "the greatest generation" grew rich, far beyond their parents' dreams. Decades later, Baby Boomers' wealth is now shifting to younger generations in what has been referred to as The Great Wealth Transfer.

Generation Defined

"Generation" is one of those ineffective words. It may refer to a group of people of similar age with a common philosophy or lifestyle, such as the "Hippie generation" and the "Me-generation." It may also refer to people born within the same time period of roughly 15 to 20 years—a useful basis for economic analysis. The following are popular generational terms for people living in the US today, grouped by ages from youngest to oldest:

- Generation Z (Gen Z, 10–25, born between 1997–2012)
- Millennials (26–41, born between 1981–1996)
- Generation X (Gen X, 42–57, born between 1965–1980)
- Baby Boomers (58–76, born between 1946–1964)
- Greatest Generation (77–100+, born between 1922–1945)

How Much Wealth Do the Boomers Hold?

Anyone born between the years 1946 and 1964 qualifies as a "Boomer." In 2022, the oldest Boomers will be 76 years old, and the youngest, 58. Boomers, like any other age group, consist of a diverse array of people. However, as Boomers spread their wings in the 1960s, ’70s, and ’80s, they developed common characteristics. During those times, adult Boomers had lofty expectations and sought financial stability and success far beyond the lifestyles many of them had been raised in.

Not all Boomers are wealthy, but some Boomers are extraordinarily wealthy. This wealth accumulated through a combination of personal drive and favorable circumstances, including:

- educational opportunities;
- shoulder-to-the-wheel mentalities;
- entrepreneurship and access to capital;
- ingenuity in business and technology;
- real estate appreciation;
- investment in the rising stock market (e.g., bull market of 1980’s);
- compound interest (return on savings); and
- tax advantages.

Boomers make up about 20% of the US population. The Boomer generation’s accumulated wealth adds up to roughly $35 trillion, more than a quarter of all US wealth. The Boomers own the lion’s share in various asset categories, including the following:

- real estate, 43%;
- corporate equities (including mutual funds), 55%;
- pension entitlements, 50%; and
- private business ownership, 46%.

Father Time is undefeated. As Boomers start to move into their long-awaited retirement and twilight years, Boomers are re-evaluating priorities and thinking about the legacies they wish to leave behind. Analysts estimate that between 2018 and 2042, 40 million households will transfer close to an astonishing $70 trillion dollars to younger generations. Likely beneficiaries will include children, grandchildren, and great grandchildren. Other potential beneficiaries will include surviving spouses, partners, friends, and donations. Many Boomers also wish to consider providing for loved ones or charities during their lifetimes.

Millennials Will Inherit Boomers’ Wealth

In the next 20 years—thanks to the Great Wealth Transfer—Millennials will become the wealthiest generation in US history. Millennials grew up with daycare centers and the internet. Many have divorced parents, blended families, and two-income families are the norm. Many Millennials are still paying off student loans. They are getting married later in life and having fewer kids. They are racially and ethnically diverse.

Although Millennials make up about one-fifth of the population, they control a little less than

5% of the wealth. Unlike the Boomers, Millennials got off to a slow start financially, starting their careers during a period of economic recession. In recent years, they have gained momentum, thanks to low interest rates, entrepreneurship, and homeownership. In fact, Millennials hold the greatest portion of their wealth in real estate.

Wealth Transferred, Wealth Lost

History tells us that self-made millionaires and billionaires are more likely to preserve and increase their wealth than people who inherit large sums of money. Of the wealthiest people in the world, almost 70 percent are self-made. Each successive generation of beneficiaries is more likely than the previous one to lose a substantial portion of inherited wealth.

But history is not destiny. There are several resources for managing wealth and new investment options. Millennials could be the first generation to increase inherited wealth.

Family Fights

When this amount of wealth is changing hands, family and other emotionally charged disputes are inevitable. This is particularly so as Boomers reach their 80s and 90s, many of whom, statistically, will suffer from some form of dementia or other cognitive decline. Families all have their own histories and are made up of unique relationships that are oftentimes decades in the making. Siblings and children may squabble. Step-parents and step-children do not always get along. Friends and neighbors might get their hands caught in the proverbial cookie jar. As a result, loved ones may challenge gifts, deeds, trusts, wills, and the designation of various accounts, among various other kinds of transfers. A person is allowed to do with his or her property what he or she wants. However, if that person lacks the legal capacity or was unduly influenced by a loved one or acquaintance, serious questions may arise as to the authenticity of certain transactions or estate plans.

Consult a Professional

Trevor C. Lippman is an experienced attorney at the law firm of O'Neil Cannon Trevor assists clients with all matters related to inheritance disputes, including questions surrounding the creation and administration of trusts and wills. Trevor has assisted hundreds of clients navigate the difficult waters involved in elderly financial abuse allegations and inheritance litigation. Trevor prides himself on protecting the rightful legacies of those who have passed on and seeks to understand each client's unique concerns. To schedule an initial consult with Attorney Lippman, call 414.276.5000 or email Trevor directly at trevor.lippman@wilaw.com.