

# Managing emotions and finances after an inheritance

Learn to balance legacy, emotions, and financial goals effectively after receiving an inheritance.



# 1. Understanding the Emotional Impact of Receiving an Inheritance

## How emotions influence financial decisions

Receiving an inheritance is often an emotionally charged event, as it typically occurs following the loss of a loved one. These emotions—grief, guilt, nostalgia, or even relief—can profoundly affect financial decisions. It's common to view an inheritance not merely as money but as a symbolic connection to the deceased.

For instance, grief can create a sense of urgency or avoidance. Some may feel compelled to act quickly, spending the inheritance impulsively on grand gestures or fulfilling perceived obligations. Others might avoid making decisions altogether, leaving the funds untouched as they grapple with the loss.

Nostalgia often manifests in a reluctance to alter inherited assets, such as keeping a family home even when it may not serve the inheritor's best financial interests.

Understanding that emotions are a natural part of the process is key to making thoughtful, deliberate financial decisions. Awareness of these influences is the first step in ensuring that the inheritance becomes a lasting benefit rather than a source of regret.





## Common emotional challenges faced by inheritors

Inheriting assets often triggers a mix of emotions, and these can present unique challenges. One of the most common is grief, which can cloud judgment and make decision-making feel overwhelming. The inheritor may find it hard to separate their emotions from the practicalities of managing new wealth.

Another challenge is guilt, which stems from the perception that the inheritance was gained at the expense of losing a loved one. This guilt can lead to irrational or overly altruistic financial decisions, such as giving away too much money too soon without considering long-term implications.

Family dynamics can add complexity. Inheritors may feel pressure to act in a way that aligns with the expectations of other family members, leading to conflict or decision paralysis. Some may feel burdened by the responsibility of honouring the deceased's perceived wishes, even if those wishes conflict with their own needs or goals.

Fear of loss is another emotional challenge. For those unaccustomed to managing significant wealth, there can be anxiety about making mistakes, which may result in overly conservative actions or hesitation to invest.

Understanding these challenges helps inheritors prepare for the psychological hurdles they may face, reducing stress and enabling them to approach their inheritance with greater clarity.

## Strategies for acknowledging and managing these emotions

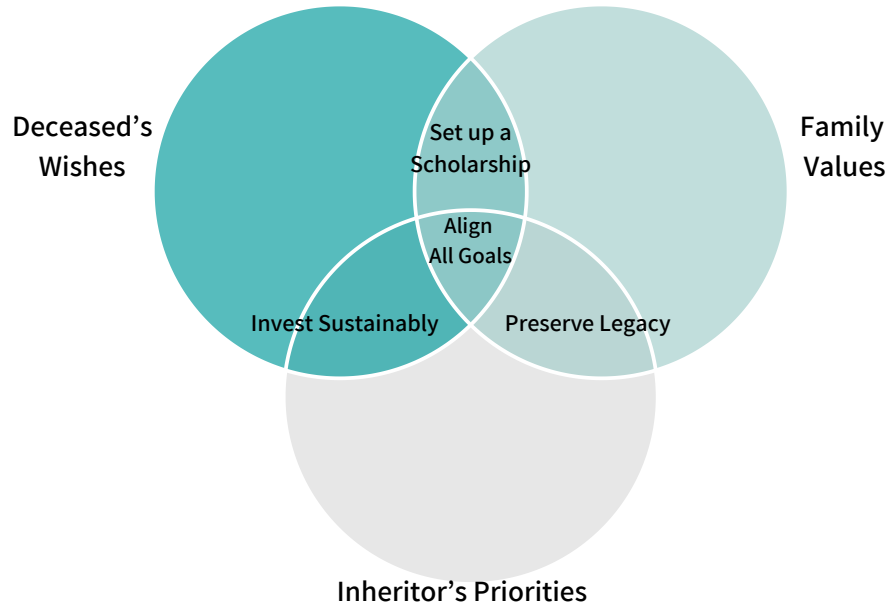
- Managing the emotional aspects of an inheritance begins with acknowledgment. Accept that these feelings—grief, guilt, nostalgia—are valid and natural. Speaking with a trusted friend, therapist, or adviser can provide a safe space to process emotions without judgment.
- Creating emotional distance is a critical step. This involves separating the memory of the loved one from the assets they've left behind. For example, while the sentimental value of an item like a family home is undeniable, it's important to assess whether keeping it aligns with your long-term goals and financial needs.
- Our team of financial advisers are experienced in working with inheritors and can provide objective guidance. We can help you understand the value of your inheritance, outline your options, and develop a tailored plan that honours your values and priorities.
- Another strategy is to set short-term and long-term goals. Short-term goals can include immediate steps like settling debts or creating an emergency fund, while long-term goals might focus on investing for the future or planning for retirement. Having clear objectives can reduce emotional decision-making by focusing on what matters most to you.

- Finally, give yourself time and space before making significant financial decisions. Avoid rushing into actions that you might regret later. Taking this time allows you to gain clarity and ensures your decisions reflect both your emotional and financial priorities.

By acknowledging and addressing emotions, you can unlock the true potential of your inheritance—ensuring it supports your goals and honours the legacy of your loved one.



## 2. Setting goals: Aligning values with financial decisions



### Techniques to integrate family values into financial planning

- Integrating family values into financial planning starts with identifying what those values are. These could include education, community service, entrepreneurship, or financial independence. Begin by reflecting on what your loved ones prioritised and how those align with your personal goals. For example, if your family emphasised education, you might allocate a portion of the inheritance to fund your children's schooling or support scholarships in your loved one's name.

- Incorporating family values also involves ensuring that financial decisions honour shared principles. Tools like a family mission statement can help articulate these values and serve as a guide for financial decisions. For example, if sustainability is a shared value, investments might focus on environmentally responsible companies.
- Our team of financial advisers can play a crucial role by helping translate abstract values into concrete goals. For instance, we can assist in creating a diversified investment portfolio aligned with ethical or socially responsible investing principles.
- By weaving family values into your financial plan, you create a legacy that reflects what matters most to you and your loved ones.

### Balancing respect for the deceased's wishes with the inheritor's priorities

- Balancing respect for the deceased's wishes with your own priorities requires clarity and compromise. Start by understanding the intentions behind the inheritance. Were specific instructions left in a will or expressed verbally? If so, consider whether honouring those wishes is practical and aligns with your financial circumstances.
- For example, if the deceased wanted you to keep a family home, evaluate whether doing so aligns with your financial goals. If the property doesn't fit your needs, you might sell it and use the proceeds to fund something meaningful that aligns with their wishes, such as donating to a cause they supported.
- It's also important to prioritise your financial well-being. While respecting the deceased's desires, you should consider whether those wishes are sustainable or beneficial for your circumstances. Open communication with family members and a financial adviser can help navigate these decisions with sensitivity.

## Case Study demonstrating goal alignment

### Client Profile

- Name: Sarah Thompson (fictional name)
- Age: 42
- Occupation: Marketing Executive
- Family: Married with two children (ages 10 and 13)
- Inheritance Received: \$250,000 in cash and her late parents' family home in Sydney
- Financial Goals: Saving for children's education, contributing to superannuation, reducing mortgage debt

### The Challenge

Sarah inherited her childhood home in Sydney's Inner West after her parents passed away. The property held deep sentimental value—it was where she grew up, where her children had spent summers with their grandparents, and it was full of family memories. However, the house was aging and required substantial renovations, including roof repairs, and plumbing upgrades. The estimated cost of repairs was around \$180,000, with ongoing council rates, land tax (if used as an investment property), and maintenance expenses of approximately \$12,000 per year.

While the Sydney property market was strong, keeping the home would mean diverting funds away from Sarah's key financial priorities:

- Saving for her children's education (potential private school fees or future university tuition)
- Contributing to her superannuation for a secure retirement
- Reducing her own mortgage on her family home in the Northern Beaches

### The Emotional Conflict

Sarah faced conflicting emotions:

- Guilt: She felt she would be dishonouring her parents' memory by selling the home.
- Family Expectations: Some extended family members felt she should keep the property "in the family."
- Fear of Making the Wrong Decision: She wasn't sure if selling was financially wise given Sydney's rising property values.

## Healthy Wealthy Happy

### The Financial Evaluation

Sarah consulted a financial adviser and tax accountant to assess her options:

1. Keep the Home and Renovate – This would require using most of her inheritance and taking out an additional loan. She would also need to consider potential capital gains tax (CGT) implications if she later sold the property after renting it out.
2. Rent Out the Home – While Sydney's rental market was strong, the renovation costs meant it would take years to recoup her investment, and she would have ongoing land tax and maintenance costs.
3. Sell the Home and Invest the Proceeds – Selling would allow her to reinvest the funds in ways that aligned with her financial goals while still honouring her parents' legacy.

### The Decision: A Balanced Approach

After weighing her options, Sarah chose to sell the home, but found meaningful ways to honour her parents' memory while addressing her personal lifestyle and future goals:

- She used part of the proceeds to establish a charitable education fund in their name through an Australian foundation.
- She contributed \$50,000 to her superannuation, taking advantage of concessional tax benefits to save for her retirement.
- She paid off a portion of her mortgage, reducing her financial stress and increasing long-term stability.

### The Outcome

By making a rational yet emotionally respectful decision, Sarah achieved:

- ✓ Financial security: Avoided costly renovations and positioned herself for a stable future.
- ✓ Tax efficiency: Took advantage of superannuation contribution benefits and avoided unnecessary CGT liabilities.
- ✓ Legacy preservation: Created a meaningful tribute to her parents without financial strain.

### Key Takeaways for Australians Inheriting Property

- Understand capital gains tax implications when inheriting or selling property.
- Assess renovation costs vs. financial priorities, including mortgage repayments and superannuation.
- Explore legacy options such as charitable giving or educational funds.
- Consult financial and tax professionals before making major decisions.

## 3. Practical steps to take when receiving an inheritance to maximise its potential

### 1. Pause and Assess Before Making Major Decisions

- Take time to process emotions before making any financial commitments.
- Avoid impulse spending or quick investment decisions.
- Consult a financial adviser to evaluate options objectively.

### 2. Understand Your Inheritance

- Identify all assets received (cash, property, shares, superannuation, business interests).
- Collect as much information as possible to calculate the cost base of assets.
- Review any legal conditions in a will or trust related to the inheritance.
- Understand tax implications (e.g., capital gains tax on property or investment income tax).

### 3. Pay Off High-Interest Debt

- Prioritise paying off credit cards, personal loans, or other high-interest debts.
- Consider making extra repayments on a home loan to reduce long-term interest costs.

### 4. Build a Financial Safety Net

- Set aside an emergency fund (3–6 months of living expenses) in a high-interest savings account.
- Review insurance coverage (income protection, life insurance) to protect your financial future.

### 5. Invest Wisely for Long-Term Growth

- Explore the investment options for building wealth in line with your priorities, lifestyle and longer-term goals.
- Take advantage of superannuation contributions for tax-efficient wealth growth.

### 6. Property Decisions: Keep, Sell, or Rent?

- Assess if keeping an inherited home aligns with your financial and lifestyle goals.
- Factor in maintenance costs, council rates, and tax obligations before keeping a property.
- If selling, research capital gains tax (CGT) implications and market conditions.

### 7. Plan for the Future and Legacy Building

- Update your will and estate plan to reflect your new financial situation.
- Consider charitable giving (setting up a family foundation or donations).
- Discuss inheritance planning with your own beneficiaries to ensure smooth wealth transfer.

### 8. Seek Professional Advice

- Consult a financial adviser to create a personalised holistic plan.
- Work with a tax accountant to minimise tax obligations.
- Engage an estate planning lawyer to ensure your assets are protected for future generations.

By following these steps, you can ensure your inheritance not only honours your loved one's legacy but also strengthens your long-term financial security.

# What to do with your inheritance



**PAUSE, PLAN &  
SET GOALS**



**PAY OFF HIGH  
INTEREST DEBT**



**BUILD AN  
EMERGENCY FUND**



**MAXIMISE YOUR SUPER**



**INVEST FOR LONG-  
TERM GROWTH**



**MINIMISE TAXES**



**CONSIDER  
CHARITABLE GIVING**



**FINANCE  
EDUCATION**



**CONSULT A QUALIFIED  
FINANCIAL ADVISER**



**LEAVE ROOM  
FOR ENJOYMENT**

## 4. Navigating family dynamics and communication

### Tips for open communication with family members about the inheritance

- Start by fostering a sense of transparency.
- Choose the right time and place for these conversations.
- Active listening is another critical component.
- Be clear about your own intentions and needs.
- When disagreements arise, focus on shared values or goals.
- Finally, document agreements in writing if decisions involve shared assets or responsibilities.

### Mediation techniques for potential conflicts

- Inheritance often brings emotional and financial complexities that can lead to conflicts among family members.
- Mediation techniques can help navigate these challenges and find equitable solutions.
  - Engage a neutral third party.
  - Encourage all parties to express their concerns and desired outcomes.
  - Focus on interests, not positions.
  - Use written agendas to guide discussions.
  - Agree on actionable steps and document decisions.



## Establishing boundaries while honouring family legacies

- Balancing personal priorities with honouring a family legacy requires setting clear boundaries.
- Communicate your boundaries with empathy and respect.
- Honour the family legacy by incorporating meaningful elements into your plans. For example, if a loved one was passionate about charity, consider donating part of the inheritance to a cause they supported.
- When family expectations become overwhelming, you can contact our team of financial advisers to provide an objective input.
- Ultimately, setting boundaries while honouring family legacies is about balancing respect for your loved one's memory with the need to make choices that reflect your priorities.

## 5. Future planning: Turning inheritance into a legacy

- Building a sustainable financial future
  - An inheritance provides a rare opportunity to create a foundation for long-term financial stability and security. However, achieving a sustainable financial future requires strategic planning and disciplined execution.
- Charitable giving or social impact investments
  - Turning an inheritance into a legacy often involves giving back to the community or supporting causes that align with your values. Charitable giving is a meaningful way to honour a loved one's memory while making a positive impact.
- Estate planning to pass on wealth effectively
  - To ensure your inheritance contributes to a lasting legacy, estate planning is essential. This involves structuring your assets in a way that preserves and transfers wealth to future generations efficiently and according to your wishes.
  - Start by drafting or updating a will. This document outlines how your assets should be distributed and can help prevent disputes among heirs. Without a will, your estate will be distributed according to intestacy laws, which may not align with your intentions.

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## A meaningful inheritance deserves a thoughtful approach. We're here to guide you with care.

Receiving an inheritance is not just about the money—it's about thoughtful planning and responsible management of the assets.

By following these steps and seeking our advice, you can make informed decisions that align with your financial goals and secure a brighter financial future.

Remember, everyone's situation is unique, so tailor these steps to fit your specific circumstances and priorities.



**Melody Edwards**  
Senior Financial Adviser



**Amber Lin**  
Associate Adviser

Receiving an inheritance can be life-changing, but navigating the financial landscape can be daunting. As your trusted financial adviser, we can help you make informed decisions, maximise your inheritance and secure your financial future. Let us help you honour your inheritance by building a foundation for lasting success.

We are just an email or phone call away, if you have any questions.

To arrange an obligation-free consultation with an Evaluesco Financial Adviser call (02) 9232 6880 or email us on [admin@evaluesco.com.au](mailto:admin@evaluesco.com.au)

