

WELL-BEING & INHERITANCE

Developing the intersection of well-being science and trust & estate planning



INHERITANCE PLANNING SUPPORTING FINANCIAL WELL-BEING




The focus of the estate planning should be to inspire, encourage, and support autonomous motivation by facilitating autonomy, competence, and relatedness[1] – the three basic psychological needs we presented in our December 2023 Bulletin.

However, estate planning that fosters a controlled environment because it limits individuals' access to wealth, or creates unreasonable conditions and expectations for the inheritors, will likely hinder beneficiaries' interest in learning about and effectively managing their finances, as well as their financial well-being and overall well-being.




Through the lens of Self-Determination Theory (SDT), financial well-being depends on the quality or type of motivation individuals experience. For parents, their efforts are better off supporting autonomous motivation.

SELF DETERMINATION THEORY

THREE TYPES OF MOTIVATIONS:[4]

-  AUTONOMOUS (self-oriented, in line with individual's own values and interests)
-  CONTROLLED (imposed by others, with a sense of obligation)
-  AMOTIVATION (no motivation, with a sense of incompetence)

THREE BASIC NEEDS for motivation:[5]

-  AUTONOMY (a sense of being the author of one's behavior)
-  COMPETENCE (feeling capable of performing effective behaviors and tasks)
-  RELATEDNESS (feeling connected, cared for and belonging with significant social network)

All three basic needs are essential and equally important. When any of them is frustrated or neglected, individuals suffer motivational decrements of some nature and ill-being. [6]

This is the domain of action and influence for parents: to

SDT research[2] on individuals' habits and behaviors towards managing their wealth and finances shows that:

Autonomous motivation is positively associated with saving and investing, financial self-awareness, financial self-efficacy, and financial well-being. [3]

Controlled motivation is negatively associated with financial well-being.

Amotivation is negatively associated with financial knowledge, and financial self-efficacy as well as income, and household wealth.

Amotivation is positively associated with overspending.

Estate planning and productive children

Below is an overview of the relationship between estate planning documents and beneficiaries' motivation.

When **autonomously motivated**, individuals engage with full intention with what they do because they find it enjoyable, interesting, or consistent with their own values.

Our well-being trust incorporates goals and provisions allowing beneficiaries the autonomy of decision in using the money. It also manifests parents' confidence in their children and their capacities to make the best use of the wealth, including for charitable purposes that the children find meaningful. Perhaps most importantly, it encourage beneficiaries to become their true self.

The well-being trust language also plays a motivational role in identifying and suggesting a non-pejorative well-being-oriented life. The beneficiaries have the freedom to identify and integrate these ideas as their own, exercising their own self-determination. For example, art and creativity are encouraged because of the positive impact they have on well-being. Beneficiaries who identify with art as an important source of good and personal satisfaction can develop a personal motivation for it and integrate it as their own.

support psychological needs and to facilitate autonomous motivation in their children and descendants. This support is embodied in many ways starting from their relationship with the children (relatedness and autonomy), their language and other communication ways (competence and relatedness), and the access to family wealth and inheritance planning (autonomy, competence and relatedness).

AUTONOMOUS MOTIVATION

Three types of autonomous motivation include:

Intrinsic motivation is driven by a personal interest or the experience of satisfaction such as pursuing a hobby.

Identified motivation is driven by the appreciation of the activity and its underlying goals such as exercising to support a healthy life.

Integrated motivation takes place because of individuals having integrated new identifications with other aspects of their own integrated sense of self and act with a full sense of volition and choice.

CONTROLLED MOTIVATION

Two types of controlled motivation:

External motivation refers to activities oriented to obtain an external reward or prevent a punishment.

Introjected motivation describes behaviors driven by a sense of obligation and oriented to obtain external approval.

AMOTIVATION

Individuals have no intentionality or motivation. They do not feel competent for a behavior or do not value the outcomes that are likely to follow from the behavior. These individuals make choices focused on cues in the environment and within themselves that highlight their incompetence and inability to succeed at what there are considering.

Similarly, educational trusts – a particular form of well-being trust – help beneficiaries identify the importance of education and training as well as facilitating the pursuit of it.

Under **controlled motivation**, individuals act out of coercion, seduction, or obligation and tend to experience pressure and compulsion for who they should be, rather than deep engagement and a sense of choice.

Incentive trusts, for example, pose conditions and

external expectations in beneficiaries about who they should be and what they should do in order to access family wealth. Likewise, threads of excluding a child from inheritance would impose controlled motivation.

Charitable goals can also be motivated by a social obligation to give back, or out of a sense of shame or guilt about wealth. This goes against an individual's well-being.[7]

When **amotivated**, individuals have less intentionality or motivation. They do not feel competent for a behavior or do not value the outcomes that are likely to follow from the behavior.

Incentive trusts can also generate amotivation if they impose unreasonable conditions for the beneficiary, particularly, if they are attempting to "correct" individuals from who they are or to deter them from particular inclinations such as leaving

money-making job for a career in art. Desinheritance can also trigger amotivation.

Inheritance planning, motivation, and financial well-being

Estate planning that supports autonomy of beneficiaries' spending, educates and advises inheritors on well-being matters, and supports well-being centered behavior and spending will likely cultivate financially aware and effective wealth management beneficiaries.

Our well-being trust goals as well as the lifetime inheritance model, or giving over the arc of life, are intentionally designed to support autonomy, competence and relatedness in a way that encourages financial well-being.

Please contact us if you wish to learn more about how to design your estate planning to support financial well-being.

REFERENCES

- [1] Deci, E. & Ryan, R. Self-Determination Theory. Editor(s): James D. Wright, International Encyclopedia of the Social & Behavioral Sciences (Second Edition), Elsevier. Pages 486-491. (2015).
- [2] Stefano Di Domenico, Richard Ryan, Emma Bradshaw & Jasper Duineveld. Motivations for Personal Financial Management: A Self-Determination Theory Perspective. Frontiers in Psychology. (2022)
- [3] Supra Note 2. Financial self-awareness measures individuals' awareness of their net worth, debt, savings, etc. Financial self-efficacy measures how confident individuals feel about successfully managing their finances. Financial well-being is measured following the Foundation's National Financial Capability Studies (FINRA). It is a self-assessed survey about how individuals feel about their own financial management in five domains of actions.
- [4] Supra Note 1, p71.
- [5] Richard Ryan and Jennifer La Guardia. What is being optimized? Self-Determination Theory and Basic Psychological Needs. American Psychological Association. Pps145-172. (2000).
- [6] Richard Ryan & Edward Deci. Self-Determination Theory and the Facilitation of Intrinsic Motivation, social Development, and Well-Being. American Psychologist Association. Vol.55, No1, pps68-78. (2000).
- [7] See Claudia Tordini & Richard Franklin. How Can Charitable Giving Support Donor Well-Being? Well-Being & Inheritance Bulletin. December 2023 for more detail about how charitable giving supports individual's motivation and well-being.

More information

For more information on how to positively use family wealth and inheritance to foster family well-being - thriving in multiple domains of life, see our Family Wealth and Inheritance Services page or contact Richard Franklin, rfranklin@fkl-law.com, (202.495.2677), Claudia Tordini, ctordini@fkl-law.com or your FKL attorney.

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