ArchBridge Family Office

How Do You Fairly Divide Grandma's "Stuff" After She Passes?

After living a long and blessed life, a dear family friend passed away just after her 95th birthday. Living with an aura of grace, she made an everlasting imprint on those who knew her. She was very fortunate during her lifetime and passed away with significant assets. She hoped her belongings would be a source of happiness for her children and grandchildren after she passed. She did not imagine these items would instead create anxiety.

Looking back, she should have written a letter of wishes that clearly outlined who would receive which belongings, especially her vintage pearl earrings and Monet painting. Instead, her family is now confronted with the difficult task of figuring out how to divide her "stuff" fairly. Some of her belongings have shared sentimental value, others have monetary value, and a few pieces have been in the family for several generations. Despite knowing that some items have *de minimis* value, her children worry that dividing the property may create tension or even ruin their relationships with each other.

Working for a multi-family office, I know this is not a unique situation. When a deceased family member does not specify his/her wishes in a will or other documents, a family has multiple options to consider for dividing the decedent's personal belongings fairly. The key to mitigating the uncertainty (and accompanying anxiety) is for all family members to agree to a fair process upfront. I strongly recommend the family not rush too quickly into their chosen process because some family members' emotions will remain intense longer than others after their loved one's passing. Once adequate time has passed, and everyone feels ready, they should begin moving forward with one, or a combination of, the processes that follow:

Option 1: Sell Everything

If family members are not attached to any of the personal items, the best option usually is to sell all the personal property and distribute the proceeds according to the decedent's estate planning documents. This is the most straightforward process, ensuring everyone receives an equal value. If there are a few sentimental items of little monetary value, keep those items and sell everything else.

I recognize it is usually not this easy. What if multiple people want the same item? Are there more sentimental versus non-sentimental pieces? What if you desire to keep things within the family? This is where the process becomes more of an art than a science.

Option 2: Draft Selection

Fantasy football fans are pretty clever in scheming draft selection processes. Some of their creative ideas can be applied to this type of situation. The most common draft method is a *snake draft*. It's called a snake draft

because the picking order starts with a randomized draw (i.e., picking names out of a hat or using a random generator online) and moves like a snake, winding back and forth throughout the rounds. The benefit of using a snake draft is that the individual who picks last in the first round is the first to pick in the second round.

This draft method may feel unfair if there is one item that is (or a few items that are) worth significantly more than the other items. Usually in this situation, the individual fortunate enough to be granted the first selection chooses the item of the highest value, leaving the other family members feeling slighted and thinking the entire process is unfair. Randomness does not necessarily feel 'fair.' Therefore, before proceeding with the snake draft method, it is essential to develop a comprehensive list of items to be distributed and an approximate value of each item. It may become evident that everyone wants one specific item, and if that's the case, you may not want randomness to be the deciding factor.

If your intention is for everyone to end up with an equal value of personal items, the snake draft may not be your best option. Some people may choose sentimental items, while others may select valuable items. Some people will be lucky, and others will not be so lucky.

Option 3: Appraisal Selection

The *appraisal selection* process is a two-part process; first, obtain a value for all the items, and second, each person selects the items he/she wants within an assigned budget.

To start the process, you must finalize your comprehensive list of items to distribute and determine those items' value. You do this by utilizing a third-party appraiser, or if available, the personal article insurance schedule for items listed. The critical factor in this process is that everyone must agree on the method for assigning values. Once values are agreed to, tally up the total value of all the items on your comprehensive list, deduct the appraisal fee, and divide that by the number of participating family members. The number you calculate represents each person's budgeted amount to 'spend.' Family members can select items up to or less than their budgeted amount, but cannot go over budget. Everyone tags their names to their desired items, either physically or virtually. Assuming no two people pick the same thing, the remaining items are sold. The executor then will distribute cash proceeds to cover the difference between the 'budgeted' amount and the value of items picked.

If two or more people want the same item, a random draw or bidding may need to occur. This could entail randomly picking a name out of a hat or conducting a silent bid auction where the item goes to the family member who submits the highest bid. Again, before it gets to this point, make sure everyone agrees on how to handle this type of situation.

Option 4: Appraisal Auction

This process is similar to Option #3, where the executor has the items appraised and gives everyone an equal virtual budget. However, instead of family members picking items and hoping nobody else selects the same thing, the entire distribution process is conducted via an auction. All the appraised items are auctioned off, and individuals can 'spend' their allocated virtual dollars. The individual who submits the highest bid receives that item, but everyone is limited to their virtual budget.

Practical Considerations

At the end of the day, there are several good options for dividing a loved one's personal belongings. Families should pick the process that works best for them. If there are a few especially prized items, consider using one of the appraisal methods, combined with drafting the less popular items and then selling the items nobody wants. Whatever process you select, make sure everyone agrees upfront that it feels fair. During the difficult time following the loss of a loved one, the goal for determining how to split the loved one's belongings should be to choose the methodology that provides the most harmony for the family.

To avoid some of these challenging circumstances that arise when a family member dies, consider asking elderly family members to write letters of wishes, clearly outlining who should receive which cherished items. If you are fortunate enough to be in this situation, this may be the easiest option of them all.

ArchBridge Family Office is an independent, multi-family office and trust company that advises 65 clients on more than $13 billion of investment assets and more than $16 billion of total wealth. Founded in 2002, ArchBridge Family Office provides holistic, high-touch client service including customized, independent investment management and a full range of family office and fiduciary services. The firm serves a limited number of clients with substantial wealth in order to maintain very low client-to-employee ratios. Visit archbridge.com to explore how the firm manages complexity with unmatched expertise and a Family, Forward focus.