GOT A BIG INHERITANCE COMING YOUR WAY? YOU MAY WANT TO JUST SAY NO. HERE'S WHY.

By: Medora Lee - June 27, 2025

An inheritance often is seen as a financial windfall, but there are times when people may want to consider saying thanks, but no thanks.

Receiving a sizable gift, if not structured properly, can have unintended consequences that may upend your financial situation or cause friction between family members. If either of those is the case, consider refusing it, experts said. It may not be worth your time, money or emotions.

"It's very important what type of asset you're inheriting -- what it can do for you and if it fits into your universe, and are you the best custodial of those assets," said Miklos Ringbauer, certified public accountant in Southern California.

Why should people think about inheritance now?

The so-called great wealth transfer has begun. Nearly $124 trillion in assets will change hands through 2048, according to estimates by the consulting firm Cerulli Associates. Recipients are expected to inherit some $106 trillion of that amount, mainly from baby boomers, with the rest going to charity.

Assets passed down will include cash and other liquid assets, stocks and bonds, real estate, business interests, retirement accounts, other investments, and personal property.

When might you want to say no?

Saying no to an inheritance isn't typical, and experts suggest you consult with a financial planner and an accountant to help you determine if it's right for you.

However, some instances in which you might want to consider refusing an inheritance include if:

- Inheriting assets would increase the size of your estate and potentially create tax planning complications for your own heirs once it's time to pass your assets on.
- Accepting certain assets, such as money in an IRA or 401(k), leaves you with a big tax bill because you'd have to pay taxes on distributions, Ringbauer said. Distributions from accounts like a 401(k) or IRA are considered income, not capital gains, and could push you into a higher tax bracket. They also do not receive a step-up basis, meaning the cost basis would remain the same as the original owner.
- Inheriting assets causes a rift in the family. "If mom has four kids and leaves a daughter a little bit more, if daughter takes it, people will say she stole it or mom doesn't love me as much," said Patrick Simasko, elder law attorney and financial adviser at Simasko Law. "If she loses relationships with her siblings, she shouldn't take it because of the emotional drama."
- Accepting property that's too hard to manage or unsellable. "Look at it before you accept," Simasko said. "You may not want it." Examples include large vacant lots in isolated areas and timeshares. Neither are easy to sell but will cost you annual fees the rest of your life, he said.

Beware, tricky government benefits

Claiming an inheritance can push you above income and asset limits to qualify for government programs like Medicaid or Supplemental Security Income (SSI). However, it isn't as simple as disclaiming an inheritance to stay within the limits because refusing an inheritance is seen as gifting, which also isn't allowed.

Because disclaiming an inheritance can still hurt you, some experts suggest you take the inheritance and spend it down immediately to requalify for benefits.

Medicaid recipients can use their inheritance to pay off debt, pay for long-term care, make home modifications for safety and accessibility, prepay funeral and burial expenses via an Irrevocable Funeral Trust, or buy assets that are exempt from Medicaid's asset limit such as furniture and appliances for one's home, clothing, or upgrading a vehicle, according to the American Council on Aging.

The best way to avoid this is to ensure the "parent doesn't leave the person money," Simasko said. "Use a special trust instead and the person can draw from it."

For example, assets to a beneficiary of an irrevocable trust don't affect the beneficiary's assets and wouldn't count against their qualification for government benefits, Ringbauer said. Yet, the beneficiary would be able to tap those assets.

How to decline an inheritance

The legal process is "disclaiming" an inheritance, which means you're refusing to accept the rights to the assets you were supposed to inherit. Here's generally how it would work:

- **Nine months to disclaim.** Since it can sometimes take up to six months to get all the paperwork – letter disclaiming, signed, and maybe notarized and witnessed, and delivered -- there's no time to waste once you discover there's an inheritance out there you don't want your name on, Ringbauer said.
- **Disclaiming is irreversible.** Once disclaimed, you can't change your mind.
- **You must not have received any benefits or taken possession** of the asset before disclaiming.
- **Check state rules.** Every state has its own rules on inheritances so you need to check those to make sure you're compliant.

What happens to the disclaimed inheritance?

Disclaimed inheritances will go to the next person, or beneficiary, in line. You can't choose the person to receive the asset.

If there isn't another person named as a next beneficiary, the asset would go through the probate process to be left to someone related to the deceased.