SUCCESSION PLANNING, LIFE INSURANCE, AND CORPORATE STRUCTURES: FINANCIAL AND LEGAL MECHANISMS FOR EFFICIENT INTERGENERATIONAL WEALTH TRANSFER

https://doi.org/10.56238/rcsv6n2-011

Submitted on: 12/15/2021 **Approved on**: 01/15/2022

Aline Caroline Moraes Oliveira

ABSTRACT
Intergenerational wealth transfer requires the integration of financial tools, corporate structures, and behavioral insights to preserve assets and minimize family conflict. This article examines how life insurance, probate procedures, and family holding companies contribute to efficient succession planning. Empirical evidence shows that life insurance provides essential liquidity, preventing forced asset sales and facilitating inheritance equalization, while holding companies reduce legal uncertainty, administrative costs, and procedural delays associated with traditional probate. Nonetheless, psychological and identity-based barriers often prevent families from engaging in timely planning, as incumbents struggle with relinquishing control and successors face identity challenges in assuming leadership roles. By synthesizing findings from family governance, behavioral psychology, and legal literature, this study highlights the importance of combining technical instruments with relational and communication strategies to ensure long-term continuity and effective wealth transfer across generations.

Keywords: Succession Planning. Life Insurance. Family Holding Companies. Probate. Intergenerational Wealth Transfer. Behavioral Finance. Inheritance Equalization. Family Business Governance.

INTRODUCTION

Intergenerational wealth transfer remains one of the most complex challenges faced by high-net-worth and business-owning families, as it requires the integration of legal, financial, and behavioral dimensions to preserve assets, minimize conflict, and ensure business continuity. Succession planning is more than a technical exercise: it involves the orchestration of mechanisms such as life insurance, corporate structures, and inheritance procedures, while also addressing the psychological reluctance of individuals to confront mortality or potential family disputes. The literature consistently demonstrates that families who proactively adopt structured succession mechanisms experience lower wealth dissipation and higher intergenerational continuity (Li, Wang & Cao, 2023). Despite this evidence, empirical studies show that a significant proportion of households delay or neglect planning, resulting in higher legal costs, decreased asset value, and prolonged conflict during estate settlement (Soares de Albergaria Neto & Resende, 2021).

Life insurance has emerged as a key instrument within succession strategies, functioning both as a liquidity-generation tool and as a mechanism of inheritance equalization. Research in economic optimization shows that individuals can use term life insurance to maximize the probability of reaching a bequest goal, balancing insurance premiums, consumption, and investment. For example, Bayraktar, Promislow and Young (2014) develop a mathematical model in which life insurance is purchased optimally to achieve a predetermined bequest objective. In contexts of estate planning, including life insurance in the plan can prevent forced liquidation of assets at death and ensure that heirs receive sufficient liquidity.

From a legal and patrimonial planning perspective, several authors emphasize the importance of life insurance in mitigating procedural risk. Soares de Albergaria Neto and Resende (2021) argue that life insurance helps alleviate the bureaucratic burden of probate, providing stable funds to beneficiaries and covering unexpected costs related to asset transfer. This liquidity is particularly valuable in jurisdictions with complex succession laws or high administrative delays.

A central decision in succession planning concerns whether families pursue traditional probate or adopt organizational structures—particularly the family holding company—to consolidate and manage assets. The Brazilian legal literature has devoted particular attention to holding companies: Siqueira and Cardoso (2025) analyze how holding companies serve as an effective succession planning measure under Brazilian jurisprudence, highlighting their role in simplifying the transfer of wealth and reducing litigation risk. Moreover, Teixeira and

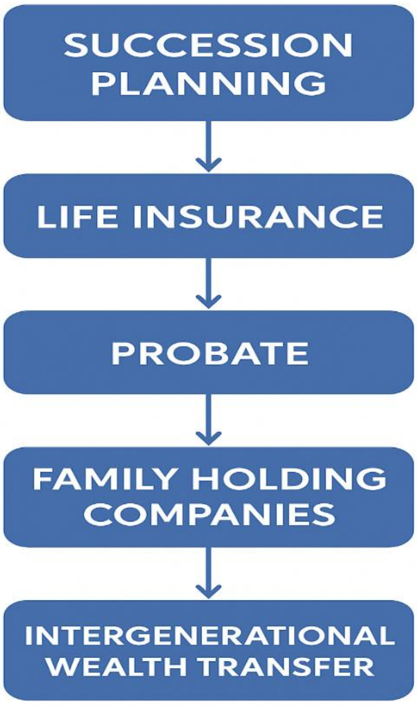
Ferreira (2024) examine the cost-effectiveness of family holdings compared to traditional probate, arguing that holdings offer greater speed, reduced legal costs, and more predictability. In addition, from the Brazilian tax and corporate law perspective, Santos, Silva and Liebl (2025) discuss how family holdings can protect wealth, optimize taxes, and preserve family control. Furthermore, Rodrigues (2024) explores how life insurance contracts, when combined with a holding company structure, can provide a dual layer of protection: the holding concentrates governance, while the insurance offers liquidity in the event of death.

Despite the technical appeal of insurance and corporate structures, behavioral and identity-based factors often complicate succession planning. Li, Wang and Cao (2023) conduct a systematic literature review grounded in social identity theory and role identity theory, highlighting psychological dynamics between incumbents and successors. They find that identity challenges—particularly the tension between family roles and firm leadership roles—significantly influence whether succession plans are developed. Many founders resist relinquishing control due to deeply embedded role identity, while successors may struggle to internalize a leadership identity, inhibiting effective transfer. Similarly, Ye et al. (2022) examine how intergenerational succession affects the financialization of family firms in China, finding that successors' education and international experience influence their strategic decisions, leading to asset reallocation that reflects their own identities and preferences. These findings demonstrate that succession is not purely legal or financial: it is shaped by personal histories, identity work, and family dynamics.

The flowchart illustrates the logical progression of succession planning within family-owned wealth structures, emphasizing how financial and legal instruments interact to ensure an orderly transfer of assets. It begins with the identification of family objectives and existing assets, followed by an assessment of potential risks and liquidity needs. From there, the process diverges into two complementary pathways: the implementation of life insurance to provide liquidity and equalize inheritances, and the evaluation of legal structures—such as traditional probate versus the creation of a family holding company—to optimize tax efficiency, reduce administrative delays, and preserve asset continuity. The chart then integrates these pathways into a unified succession strategy, culminating in periodic reviews that ensure the plan remains aligned with evolving family dynamics, regulatory frameworks, and long-term financial goals.

Figure 1

Succession Planning Process Flowchart



Source: Created by author.

Overall, the evidence underscores that the integration of insurance solutions, legal structuring, and a clear understanding of psychological dynamics significantly enhances the efficiency of succession planning and intergenerational wealth preservation. Life insurance provides essential liquidity, helping to smooth transitions and equalize inheritors, especially those outside active business roles. Family holding companies reduce procedural risk, offering a pre-arranged, governance-oriented framework for wealth transfer. Yet, the persistent behavioral tendency to avoid or postpone succession planning—rooted in identity conflicts, emotional barriers, and misperceptions—remains a major obstacle. Therefore, successful succession advisory must combine technical planning with psychological and relational work: facilitating conversations about role identity, preparing successors, and building governance mechanisms that reflect both family values and long-term strategic goals.

REFERENCES

Bayraktar, E., Promislow, D., & Young, V. R. (2014). *Purchasing Term Life Insurance to Reach a Bequest Goal while Consuming*. arXiv.

Li, W., Wang, Y., & Cao, L. (2023). Identities of the incumbent and the successor in the family business succession: Review and prospects. *Frontiers in Psychology*, 14, 1062829.

Rodrigues, A. L. (2024). A contratação do seguro para a proteção patrimonial no planejamento sucessório familiar: holding familiar. *RECIMA21*, 5(3).

Santos, V. G. G. dos, Silva, S. C. da, & Liebl, H. (2025). Holding familiar como estratégia para planejamento sucessório. *Revista da ESMESC*, 32(1).

Siqueira, L. E. de, & Cardoso, G. dos S. (2025). Holding como medida de planejamento sucessório à luz da jurisprudência paulista e do STJ. *Ponto de Vista Jurídico*, 7(1).

Soares de Albergaria Neto, J., & Resende, M. C. de P. (2021). O seguro de vida como ferramenta de planejamento sucessório patrimonial. *Revista Jurídica Luso-Brasileira*, 7(5).

Teixeira, G. H. M., & Ferreira, A. P. de J. (2024). Holding familiar: planejamento sucessório. *Raízes no Direito*, 10(1).

Ye, S., Wang, W., Li, Y., Wang, H., & Zhou, X. (2022). The intergenerational succession and financialization of Chinese family enterprises: Considering the influence of heirs' growing experience. *Frontiers in Psychology*, 13, 1004997.

SANTOS,Hugo;PESSOA,EliomarGotardi.Impactsofdigitalizationontheefficiencyandqualityof publicservices:Acomprehensiveanalysis.LUMENETVIRTUS,[S.l.],v.15,n.40,p.44094414, 2024.DOI:10.56238/levv15n40024.Disponívelem:https://periodicos.newsciencepubl.com/LEV/article/view/452.Acessoem:25jan.2025.

Filho, W. L. R. (2025). The Role of Zero Trust Architecture in Modern Cybersecurity: Integration with IAM and Emerging Technologies. Brazilian Journal of Development, 11(1), e76836. https://doi.org/10.34117/bjdv11n1-060

Oliveira, C. E. C. de. (2025). Gentrification, urban revitalization, and social equity: challenges and solutions. Brazilian Journal of Development, 11(2), e77293. https://doi.org/10.34117/bjdv11n2-010

Pessoa, E. G. (2024). Pavimentos permeáveis uma solução sustentável. Revista Sistemática, 14(3), 594–599. https://doi.org/10.56238/rcsv14n3-012

Filho, W. L. R. (2025). THE ROLE OF AI IN ENHANCING IDENTITY AND ACCESS MANAGEMENT SYSTEMS. International Seven Journal of Multidisciplinary, 1(2). https://doi.org/10.56238/isevmjv1n2-011

Antonio, S. L. (2025). Technological innovations and geomechanical challenges in Midland Basin Drilling. Brazilian Journal of Development, 11(3), e78097. https://doi.org/10.34117/bjdv11n3-005

Pessoa, E. G. (2024). Pavimentos permeáveis uma solução sustentável. Revista Sistemática, 14(3), 594–599. https://doi.org/10.56238/rcsv14n3-012

Pessoa, E. G. (2024). Pavimentos permeáveis uma solução sustentável. Revista Sistemática, 14(3), 594–599. https://doi.org/10.56238/rcsv14n3-012

Eliomar Gotardi Pessoa, & Coautora: Glaucia Brandão Freitas. (2022). ANÁLISE DE CUSTO DE PAVIMENTOS PERMEÁVEIS EM BLOCO DE CONCRETO UTILIZANDO BIM (BUILDING INFORMATION MODELING). Revistaft, 26(111), 86. https://doi.org/10.5281/zenodo.10022486

Eliomar Gotardi Pessoa, Gabriel Seixas Pinto Azevedo Benittez, Nathalia Pizzol de Oliveira, & Vitor Borges Ferreira Leite. (2022). ANÁLISE COMPARATIVA ENTRE RESULTADOS EXPERIMENTAIS E TEÓRICOS DE UMA ESTACA COM CARGA HORIZONTAL APLICADA NO TOPO. Revistaft, 27(119), 67. https://doi.org/10.5281/zenodo.7626667

Eliomar Gotardi Pessoa, & Coautora: Glaucia Brandão Freitas. (2022). ANÁLISE COMPARATIVA ENTRE RESULTADOS TEÓRICOS DA DEFLEXÃO DE UMA LAJE PLANA COM CARGA DISTRIBUÍDA PELO MÉTODO DE EQUAÇÃO DE DIFERENCIAL DE LAGRANGE POR SÉRIE DE FOURIER DUPLA E MODELAGEM NUMÉRICA PELO SOFTWARE SAP2000. Revistaft, 26(111), 43. https://doi.org/10.5281/zenodo.10019943

Pessoa, E. G. (2025). Optimizing helical pile foundations: a comprehensive study on displaced soil volume and group behavior. Brazilian Journal of Development, 11(4), e79278. https://doi.org/10.34117/bjdv11n4-047

Pessoa, E. G. (2025). Utilizing recycled construction and demolition waste in permeable pavements for sustainable urban infrastructure. Brazilian Journal of Development, 11(4), e79277. https://doi.org/10.34117/bjdv11n4-046

Testoni, F. O. (2025). Niche accounting firms and the brazilian immigrant community in the U.S.: a study of cultural specialization and inclusive growth. Brazilian Journal of Development, 11(5), e79627. https://doi.org/10.34117/bjdv11n5-034

Silva, J. F. (2025). Desafios e barreiras jurídicas para o acesso à inclusão de crianças autistas em ambientes educacionais e comerciais. Brazilian Journal of Development, 11(5), e79489. https://doi.org/10.34117/bjdv11n5-011

Silva, E. N. da. (2025). Urban circular microfactories: local micro-plants for regenerative urban economies. *Brazilian Journal of Development*, *11*(9), e82335. https://doi.org/10.34117/bjdv11n9-059

DA SILVA, Eduardo Nunes. GREEN NANOTECHNOLOGY APPLIED TO CIRCULAR MANUFACTURING. **LUMEN ET VIRTUS**, *[S. l.]*, v. 14, n. 32, 2024. DOI: 10.56238/levv14n32-029. Disponível em: https://periodicos.newsciencepubl.com/LEV/article/view/AEW09. Acesso em: 4 nov. 2025.

Recycling of Rare Earth Elements Using Ionic Liquids for Regenerative Manufacturing. (2023). *International Seven Journal of Multidisciplinary*, *2*(5). https://doi.org/10.56238/isevmjv2n5-037

.