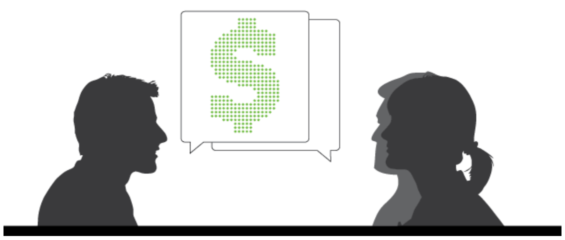
Generational Wealth Transfer

How to Talk Money with Your Family

Learn how to get comfortable with money talk…or pay the price of silence.



Start the discussion

Once you start thinking about the future and how you want your wealth to live on, it's tempting to dive right in and start putting money strategies into place immediately. However, without a comprehensive family discussion about this wealth transfer, problems can arise when it comes time to put these strategies into action. Talking about money with your family can be uncomfortable, but it is a necessary step to achieving your financial goals. It can also help create a more open and trusting relationship within your family, allowing you to pass down more than just monetary wealth.

Involving your future heirs in setting a multigenerational wealth plan can greatly improve your chances of following through with that plan. By establishing open communication from the beginning, children and grandchildren are given the opportunity to express their opinions and money values, which helps to develop mutual respect between you and your heirs. It also provides a way to teach financial management skills to children and grandchildren by involving them in processes such as family philanthropy and investment. If all family members are involved in the decision-making process, it can help avoid later arguments over who is given what. If the reasons behind financial decisions are made clear before your death, heirs are more likely to stick to the plan after your death.

Setting common goals

Before you talk to your financial planner, it's good to get an idea of where family members stand on money values. Even something as simple as an interview process with future generations can help to highlight common and differing areas of money management. More than just dollars and cents, however, it is important to get an idea of what the wealth will *mean* to the members of your family. Even with the most carefully thought out plans, without a sense of family cohesiveness and shared values, money can be lost due to arguments among beneficiaries or careless spending by descendants. Making sure your financial principles are in line with those of your future heirs, beneficiaries and trustees can help to establish the direction of your wealth transfer and prevent future conflicts.

Change your thinking

One of the hardest parts of transferring wealth can be forcing yourself to think of your money in a different way. Instead of thinking of your money as your own, you are now forced to think of it in terms of "us," and how to make that wealth live on through future generations. This can be especially frustrating since you don't know and can't control how future generations will take care of this wealth. "The denominator problem," or the fact that your wealth will be split into smaller and smaller portions as new branches of your family tree appear, is an important factor to consider when thinking about the future. The next generation will almost certainly look to you for financial guidance, whether consciously or subconsciously. However, when talking to and setting an example for the next generation in terms of spending, you must remember that their amount of family wealth may be considerably less than yours if they rely solely on inheritance. This realization allows you to be more realistic when helping the future generation plan, and can encourage the next generation to look to education or skills training to get the tools to build their own wealth.

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Non-financial wealth

When you hear the term "wealth transfer," it's easy to focus solely on financial assets—money, investments, businesses, real estate, etc. However, a successful wealth transfer should focus on money as part of a larger transition, and consider what else predecessors pass down besides financial wealth. This can include family stories, values or principles. How does this relate to keeping your money secure? If you focus on what you hope your heirs can achieve and talk with them about these hopes, it can help establish cohesiveness, which in turn can help them focus on these goals rather than squabble over money.

Planning is never truly "done"

After talking to an advisor and putting money transfer strategies into place, many people consider themselves "done" with multigenerational planning. However, changes in financial standing, health issues and gaining new family members are all natural parts of life. Each of these adjustments will affect how you want to plan for the future, so checking in with your financial advisor after a change to adjust your wealth transfer plan is important. It's equally important to do evaluations of your plan every few years, as factors like family member personal growth or attitude development aren't always obvious enough to do on an "as needed" basis. ■

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