

Money Talks: Strategies to Help Clients Open Up with Family About Purpose of Wealth

For many families, money is still a taboo topic. It can be even more difficult for clients to talk with family members about the kind of legacy they wish to leave. The conversation brings together three of the most emotional subjects of all: family, money and aging.

Discussions about family money are more important than ever — especially given that financial forecasts estimate that tens of trillions of dollars will be passed from baby boomers to their heirs over the next several decades.¹ How much to disclose — and when — will depend on each family's dynamics and wealth situations. These are critical conversations that should take place in stages, over a number of years, addressing both financial and non-financial factors. Yet, research shows nearly half of families are staying mum on the topic.²

45%

Wealth is not discussed openly in the family

4%

Hold regular family meetings to discuss wealth matters

Q: How much is wealth planning discussed within your family?
Source: State Street Global Advisors' Survey, Money in Motion, 2015.

Being open and honest may seem daunting, but it's necessary for financial wellness. Without communication, misunderstandings can easily occur. Financial advisors have an instrumental role to play when it comes to helping investors be more comfortable talking about money. After all, managing family dynamics is part of managing money. Clarity equals confidence, and being financially confident empowers family members to own their worth.

The idea is to help clients think more broadly about family wealth planning and put a framework in place to help foster a more collaborative environment. This platform can help families make decisions better aligned with their desired outcomes, from distributions to saving and spending goals.

Money Alone Does Not Create Ties That Bind

The way individuals and families perceive their wealth has profound impact on how money is valued and used. The combination of transferring wealth to the next generation and teaching issues of money management can raise a variety of questions.

“How do the **financial decisions** we make impact the family?”

Is it better to **be proactive** now? Or should we wait?

Will the children have **sufficient knowledge to know what to do** with the family assets?
Do they have the **financial skills they need** to lead a prudent and prosperous financial life?

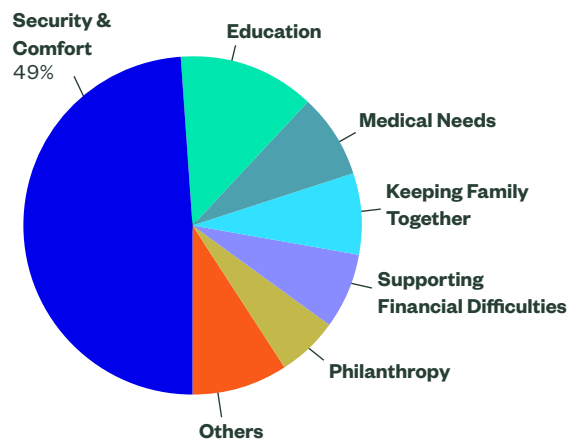
How much is too much **to leave** to the next generation?

Will the **legacy I want** to leave behind be continued by grandchildren and great grandchildren?

An advisor’s experience and leadership can help establish a plan that reflects the family’s intentions for wealth and shared values. Integrating education on the basics of money skills fosters financial independence and helps prepare heirs to receive and prudently manage assets.

To move the money talk forward and to create tangible action, bridge the gap between aspiration and execution by starting with positive, life-affirming themes. For example, it’s clear that family comes first when investors think about the objectives for the wealth they intend to pass on. Providing financial security, funding education and covering health care needs are all paramount.³

Figure 1
Primary Purposes of Wealth



Q: What are the likely primary purposes of your wealth when you pass it on?
Source: State Street Global Advisors’ Survey, Money in Motion, 2015.

Although each family’s purpose will be unique, the core motivation remains the same: to achieve and sustain an impact on future generations. The balance sheet is important, of course, but empowering others has more to do with the qualitative aspects of wealth.

Talking about money and personal finance can be the most productive when the feeling of judgement has been removed from the discussion. Sharing stories of personal experiences, cautionary tales and other anecdotes demonstrate empathy and can break down the communications barrier. For many, the family love letter is a powerful tool to set the stage for a constructive money talk. It can be an intensely reinforcing and heartwarming action, when families take time to celebrate successes and take solace in overcoming hardships. In some cases, writing a letter can help family leaders better express themselves, especially when the right words are hard to find in person.

Dear Kate, Collin and Carolyne:

This may be the first letter we've written to you since summer camp days. That makes us both chuckle, even though we talk with you on the phone or skype almost every day. And it probably makes you suspicious. At least now you don't have to write us back in order to get in to the dining hall for lunch!

First, always know how much we love you all and how very proud we are of the smart, dependable and kind person that each of you have become. You have brought us great joy and we are forever thankful for you.

We hope you will always cherish each other. Even at those times when you don't see eye to eye on things, you can always depend on each other. As you go through life, be who you are, be happy and remember you have a role to fulfill — to make the world a better place. Take the time to rest and enjoy the life you have, and promise to all come together at the cottage at least once a year. Appreciate each other and the hard work we all have contributed to make this life possible. And, you know your father always likes to add a quote from Gandhi, "Live simply, so that others may simply live."

Second, we have a request. (See, you were right to be suspicious of our intent.) You know that our motto is to pay it forward and that we try to live up to this every day. Now that we're at a point in our lives where we're slowing down a bit, we've been thinking a lot about our family values and how we instill those values in our everyday life. What do we want to achieve?

This is where you come in. We want to schedule a family meeting to start talking about the kind of change we want to see in the world and how we can help make it happen. This is really a blue-sky moment, where we start with big ideas; your ideas. We'll decide on a goal, determine the actions we need to take and then come up with a plan to make it happen.

So we want you to start thinking about what's really important to our family. We know that you are all passionate about the environment and we're proud of how that is big part of your lives, so environmental stewardship might be a focus. Start writing down all your ideas, and bring them with you when you come home for the holidays. That's when we'll have our first meeting. Perfect timing, as we're all thinking ahead to the New Year and what we want to accomplish. We'll set up our own shop at the dining room table and discuss our ideas. Collin, you bring the white board.

With all of our love,
Mom and Dad

There is no single correct way to take on this task. The family love letter does not look or feel like a will or other legal document with instructions or designations. And depending on the nature of the content within the letter, some family heads may choose to not immediately share it but rather set it aside with other estate documents.

- It could mean a personal letter to each family member that focuses on their life and their role in the family. Or it could be a single letter shared with everyone, outlining the client's goals for the future.
- It may explain why certain charities are prioritized, encourage supportive relationships or make specific requests related to the use of family assets.
- It might be a way to introduce the idea of legacy to the next generation. Or it could be a more traditional "mission statement," intended to marshal the family around their wealth purpose and crystallize attitudes and beliefs.
- It may be a practical means to provide adequate information in a time of confusion and reduce stress; it may include organizing thoughts, intentions and assets upon one's death or incapacity.

Fostering Effective Communication

Helping clients improve their money communication skills strengthens relationships within the family. It also builds and deepens relationships the advisor has across the family. To help families strike a balance — staying true to their original principles while always planning for the future — map out their journey with a focus on goals, not money:

Shared Values: A Purposeful Approach

Encourage clients to think about the long-term goals they have for themselves and their family. Ask to bring family members into the discussion; identify roles and responsibilities across the family to facilitate engagement and sustain commitment over time. When a family works together as a team, they are better positioned for success. Opening up a dialogue about financial and social responsibility is a crucial first step.

Financial Communication Maturity: Where is Everyone at?

Start early, begin with general topics and ease into the money conversation. For example, *What they learned from talking about money growing up. What's the most difficult conversation for them financially; what's the easiest.* A discovery-led process uncovers strengths to build upon and challenges to address. Coach clients to be open-minded and learn more about individual money mindsets, including any predispositions and beliefs about money and the purpose of wealth.

Money Dates: Setting Aside Time to Talk

Use checklists and introduce shorter-term goals with targeted completion dates to help clients feel organized and in-the-know. Help the family build a foundation of wealth stewardship with an incremental approach. This allows for time to process options and improves outcomes. Structured communication also helps widen frames of perception, which can lead to new and collaborative alternatives.

Open Communication Helps Cultivate the Right Money Habits

Strong financial communication doesn't end with the initial money talks. It relies on ongoing conversations as both the individual and the family grow and evolve. With practice, money talks can lead to healthier relationships and support for overall financial health.

Clients are ready for this step. Nearly half of investors expect to be involved in the family's wealth transfer plan once they are financially independent. And two thirds are looking to their financial advisor or family office to play an instrumental role in educating the next generation financially.⁴ In the role of coach and facilitator, advisors have the opportunity to transform client attitudes about family wealth planning, clarify and satisfy their objectives, and help to prepare their heirs for the transfer of wealth — all while fostering a loyal clientele across current and future generations.

Endnotes

- 1 Accenture, The Greater Wealth Transfer, 2012. \$30 trillion will be passed from Baby Boomers to their heirs over the next 30 to 40 years.
- 2 State Street Global Advisors' Survey, Money in Motion, 2015. 45% of investors do not open discuss wealth in the family. Q: How much is wealth planning discussed within your family?
- 3 State Street Global Advisors' Survey, Money in Motion, 2015. 49% of investors selected security & comfort, 13% selected education, 8% selected medical needs, 8% selected keeping the family together, 7% selected supporting financial difficulties, 6% selected philanthropy, and 9% selected others. Q: What are the likely primary purposes of your wealth when you pass it on?
- 4 State Street Global Advisor' Survey, Money in Motion, 2015. 40% of investors selected once they become financially independent. Q: When did you get/do you expect to be involved in your family's wealth transfer planning? 65% of investors agree with the following statement. I believe that when the times comes, my financial advisor should engage my children directly and play an active role in educating them financially.

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