The Wealth Talk:
Overcoming the Fear that Keeps Parents and Children from Discussing their Finances

"I can talk with my kids about anything."

"Money?"

"No, not that."

First, A Story

Nearly a decade ago, I was meeting with an elderly couple who were revisiting their estate plan for what would prove to be the final time. They were both in their mid-90s, clear-minded, and fully aligned with their gifting and inheritance goals for their family. The patriarch was long since retired with one of his five children, himself almost 70 years old, now running the family business. Trusts had been established, a detailed inheritance plan for each child and grandchild put in place. But when it came time to discuss what each of the children, including the 70-year-old CEO, knew, the patriarch pushed back. It was only after much back and forth that the matriarch finally, and literally, put her foot down, saying, *"For goodness' sake, our oldest is 70 years old! He needs to make sure he can build his own financial legacy…"* that we finally made any progress.

After some hesitancy, the patriarch realized somewhat that he was being overly zealous but still had a hard time letting go of control and he was fearful of wealth being squandered. And there is the real issue—control and fear. He had never shared the family's full wealth picture with any of his kids, even after seven decades. I finally got permission to proceed.

Anyone who has spent any meaningful amount of time in the multi-family office space has a similar story to tell, but there is much to learn from situations like this. The need to control, coupled with fear of the mistakes that the next generation might make, can be a major hindrance to building the kind of multi-generational plan that helps ensure legacies and sets future generations up with the tools and resources they need. Difficulty starting conversations with children about trusts, spending, family wealth, and inheritance is very common.

Nancy McColgan |Director of Verdence/FAMILY
nmccolgan@verdence.com
410.403.2664

When the kids are, well, kids, the process can be relatively easy. No need to talk about it in any significant detail. The "revealing the numbers" anxiety begins kicking in during the teenage years. In some states, informing children of funded trusts and balances is required at the age of majority (18 or 21, depending on the state), so in those instances, the wealth discussion and any stewardship training should begin before then.

Typically, many parents are terrified they are going to ruin their children's incentive to be productive if the children know that they will receive a large inheritance down the road or will gain access to a funded trust at 25 or 30 years of age. Conflicts between the parents at this stage are common, and usually related to four factors:

- The amount to leave to children in trust or at death;
- When to tell them;
- How to tell them, and
- What to tell them.

If there are stepchildren or stepparents in the mix, things can get even more complex. Again, at the heart of these challenges are fear and control. As many times as I've been asked how to help families through this issue, there is no single answer or solution for how families should handle these matters, but there is a common thread in all those scenarios where things go smoothly: effective communication. Every family is different, and every child is different. The fear and control factors aren't usually directly about preserving the family wealth because there are many good planning solutions for families to consider in protecting assets across generations. Parents often want to control what their children will do, the decisions they will make, and how they may react to a potential "windfall." While understandable, the last thing a family should do is nothing. Communication is key, albeit difficult.

Assuming the parents want to begin talking to the children regarding these matters, a good place to start is for each to first address any fears or hesitancy so that it's acknowledged. Each party should try to avoid criticism and irritation, even if the fears seem ludicrous. Although they may very well be, in that person's mind they are real.

Nancy McColgan| Director of Verdence/FAMILY
nmccolgan@verdence.com
410.403.2664

In addition, conversations may very well differ by child, so that should be addressed as well. Parents must fully embrace and understand that they cannot control all outcomes. Every person, including their children, is ultimately responsible for the decisions they make about their life, good or bad. Most parents understand this logically, of course, but fear and control born out of love typically override the pragmatic side of things in sensitive matters.

After the fears and concerns have been laid bare, the next step must involve working on developing a plan as to how and when to proceed with the conversation(s). Make sure both spouses are on board, even if their approaches are not exactly the same. In some cases, a meeting with the entire family may be ideal. For others, a two-on-one, or a one-on-one conversation with each child works better. Parents who have a hard time working through the discussion can work with a trusted advisor to assist them, either by preparing the parents or by facilitating a meeting. Multiple meetings are likely appropriate if children need education on various aspects of investments, philanthropy, or wealth strategy and planning. But no matter how long it takes, the initial goal must be to get started. Rest assured that while parents cannot control all outcomes, preparation and honest discussion with their children is critical to well-grounded legacy planning and shouldn't be avoided. The best outcomes that I've witnessed are when parents have prepared and communicated well with their children on these matters at appropriate times.

Preparing the next generation for inherited wealth can be very challenging but can be successfully accomplished by identifying the hurdles that hold parents back from proceeding with this important step and encouraging them to find a way that works best for them and their children. My story of the 90-year-old father afraid to talk to the 70-year-old son about his inheritance may be the extreme example, but regardless of the ages of those involved, waiting will not help families achieve their desired outcomes.

Nancy McColgan| Director of Verdence/FAMILY
nmccolgan@verdence.com
410.403.2664