

When to communicate about family wealth



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I am often asked by my client-families, “When should we begin talking about our family’s wealth with our children?”

My response: You have already begun to communicate about your family wealth with the lifestyle decisions you have made thus far; the implicit and explicit comments about money in general; and the actions you take, such as sharing your time, talent, and treasure with others.

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It is very important to remember that most of the communication that takes place between people - and between family members in particular - is non-verbal.
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Everyone acknowledges the importance of effective communication. And it is crucial.

Yet in my experience, wealth-holders rarely avoid talking to the next generation about their finances because they lack communication skills; in reality, they fear the implications of others knowing about their wealth, such as their children developing affluenza, feeling entitled, or being taken advantage of by predatory individuals.

However you personally feel about having money conversations within your family, please remember that two-way communication is vital to the next generation’s preparation.

Here are a few guidelines that can be used to pre-

pare your family to talk about money:

Don’t talk about the money. I have found that the number one stumbling block to communication is that wealth-holding parents assume they have to talk about their financial statements. You don’t have to talk about the actual money - the dollars and cents of things - for some time.

There is a lot to talk about before you get to the financial statements, including the responsibilities, opportunities, and expectations that come with wealth.

“ Get clear on your
legacy message ”



Get clear on your legacy message. For parents, communicating about the family's wealth to the next generation is more about getting the message right. The "message" refers to the shared values, purpose, and expectations of the family. Focusing on this message is important, whether a conversation takes place within the family of origin or with a spouse, significant other, extended family member, or friend.

message values purpose expectations

Move toward transparency. I don't want to promote keeping secrets or denying facts; however, this progression doesn't have to mean full financial transparency all at once. For example:

1. Personal financial education can begin at a very young age with the help of age-appropriate methods and tools such as piggy banks, allowances, and budgets. For tweens and teens, introduce them to the topics of saving, spending, investing, and giving back. Or, for young adults, begin to educate them on topics such as compounding interest, credit, and saving for retirement.

2. If your estate plan is designed to make money available to your adult children at a certain age, then this upcoming change could be a great opportunity to talk about the respective assets that will be made available to them when they reach that age.

3. As children get closer to marriage, this life transition is another opportunity to talk about the portion of the family wealth that may have an impact on them so that they can factor this knowledge into their family planning. In some families, a prenup is required, and all too often, the creation of this document is the first time money is talked about. If the expectation is for the children to have a prenup, then have this discussion prior to the significant other or spouse joining the family.

4. When adult children are considering starting a business or entering a vocation that doesn't pay high wages, this provides an opportunity to have a conversation about how they can borrow money from you or leverage the income from their trusts to help pay for their lifestyle expenses.

5. Another step toward transparency is to share a macro picture of the family's assets, the legal structures around the assets (e.g., LLC, Investments, Foundation, etc.), and the trusted advisors responsible for guiding the family's assets,



without specifying the value of each asset.

6. Finally, some of the families I have served decided to provide full transparency of their wealth and estate plan to their children after their children finished several major milestones, such as after they graduated from college, were established in their careers, and had children of their own.

However you decide to manage the amount of information about your assets you share with your family or the time when you do so, the most important thing is that you oversee this process the way you would manage your assets themselves.

Consider not just your family's present situation, but its future, and how the degree of transparency between you and your family and the information being conveyed will affect your family's legacy in the years to come.