



Having the family ‘wealth talk’: Four tips to remember

THANE STENNER

Special to The Globe and Mail

Published Sunday, Jun. 19, 2016 4:54PM EDT

Last updated Monday, Jun. 20, 2016 8:25AM EDT

Let me ask you: How much have you spoken to your kids about wealth? I’m not talking about teaching them savings habits or giving them the occasional investment tip. I’m thinking about a family wealth discussion: how wealthy the family is, how much the kids will inherit, and on what terms.

If you answered, “We haven’t,” you’re not alone. In fact, a recent survey from U.S.-based SEI Private Wealth Management reveals a shocking knowledge gap about family wealth, even among some of the wealthiest families in the world.

Its findings: More than 80 per cent of United States, ultrahigh-net-worth parents (average net worth: more than \$18-million) haven’t let their children know how much inheritance they will receive. And only 20 per cent of them had given their kids any training, education or coaching on family wealth matters.

Over the course of my career, I’ve heard plenty of reasons for not having the family wealth talk. Many parents want to have the conversation at some indeterminate time – when the kids “grow up,” for example. Others feel anxious that letting children have a full picture of how wealthy they are will damage the kids’ work ethic. And then there are a few who believe that the subject isn’t really any of their kids’ business.

This can be a significant predictor of future financial disputes within the family. I’ve seen more than a few family wealth “horror stories,” and while no two of them are exactly alike, the common thread is almost always incomplete or ineffective wealth communication.

The fact is, learning how to live with wealth is like learning a new skill: It doesn’t come as soon as you reach a certain age, or when you land your first job, or get married, or buy your first home. It comes through hard work and practice over time. Here’s how parents can make sure their kids acquire that skill.

Find ‘money moments’

Many high-net-worth families I meet don’t have a problem talking to their kids about wealth, but they’re unsure about how or when they should start the conversation. Alternatively, they can feel that such discussions need to be structured, or planned, in a formal way.

There’s nothing wrong with a structured discussion. But that’s not the way wealth works in our lives. Most of the time, our knowledge of how wealth works (and how it affects our lives) happens in spontaneous moments, as we navigate through life events that touch upon money and personal finance in some way. Learn to make the most of these money moments. For example, a child’s wedding might be a good time to talk about transitioning wealth to the next generation; the birth of a grandchild is an excellent time to discuss wills and estate planning.

Over time, these smaller, in-the-moment, conversations will serve to highlight family wealth values, and open up further conversation.

Dialogue, not monologue

I've met many people who treat family wealth discussions as a monologue: The older generation tells other family members what they're doing, without giving the younger generation an opportunity to voice opinions, express concerns or effect change.

At best, this is a missed opportunity. At worst, it sends a powerfully negative message to your heirs, showing them that their input isn't valued, and reinforcing old family hierarchies that can so often be the source of friction.

Rather than declaring what your wishes are and assuming everyone will go along with it, try engaging your heirs in a dialogue. Encourage them to ask questions. Listen to their concerns. Get their perspectives. You don't have to agree on everything, but simply by changing the structure of the conversation, you can go a long way to smoothing out potential conflicts before they happen.

Be open to new ideas

When it comes to transferring wealth from one generation to the other, parents may have a firm view of what they want to accomplish. But that shouldn't invalidate new ideas from the younger generation. Taking a "my way or the highway" approach when it comes to passing on family assets is almost certainly a recipe for resentment and hostility.

Always remember: The key word in family wealth is "family." That means being open to improvements and considerations given to other members of the family, and understanding that their ideas may be different from your own.

Play the long game

A lot of families treat wealth communication as a "one-shot deal." In their minds, talking about wealth is something that happens infrequently – once every several years at most, in which family members come together for a roundtable discussion on a variety of topics, and then largely put the issues aside and get on with life.

Don't get me wrong: Some conversation is better than no conversation. Still, communicating about family wealth is something that should happen over time. Ideally, the conversation should be organic – something that grows, develops and changes over the years to adapt to changing financial and family circumstances. Like much of wealth management, communication isn't a sprint, it's a marathon that requires a disciplined, steady pace to succeed.

Thane Stenner is portfolio manager and director of wealth management of StennerZohny Investment Partners+ within Richardson GMP. He is a founding member and chairman emeritus of TIGER 21 Canada and author of True Wealth.