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Family Dynamics

The *when, what* and *how* of talking with adult children about family wealth

Wells Fargo Family Dynamics

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In this update:

- Many families struggle to know the proper timing and approach to conversations about family wealth and how it impacts their children.
- In this article, you will learn about a framework for how you might best approach these conversations with your family.

“*How do I talk with my children about our wealth?*” is one of the most common questions of parents with substantial wealth. This question is accompanied by the concern that knowledge about the family wealth will be an obstacle for the next generation to be productive, motivated, and focused on their own goals.

We developed these guidelines based on years of experience working with families of significant wealth, and from best practices in the industry:

When do I talk with my children about our wealth?

Parents want to be sure timing is right and they wonder *when* to deepen the conversations about family finances and wealth transitions with their children. Some say it is when children are in high school, others when they graduate from college, or when they create their own families. Yet, some think that as long as the parents are alive adult children should not be fully informed about the family’s financial situation or about their estate plan.

Test for readiness

When thinking about readiness, we need to consider that not just the children, but also the parents need to be ready to have these conversations.

Parents are ready when they want to take a step further in being proactive preparing their heirs. They are ready when their desire for continuity outweighs their fear about interfering with their children’s future.

Children are ready for formal talks about family wealth when they become young adults. Generally speaking by 18 years of age they are cognitively and emotionally capable of having more sophisticated conversations. Even if this parameter is stretched out, beyond 30 there is little evidence that time alone will make them more ready.

How to test for readiness? A rule of thumb is to begin these conversations by asking the grown up children what it is that they know about the family's financial situation and what they are interested in learning. That provides a baseline to build upon and help them get ready by providing small doses of information at a time. Too little information creates frustration, too much is overwhelming.

What else is there to discuss besides dollar amounts?

Most parents think that talking about family wealth is talking about dollar amounts. They ask *what* else is there to discuss.

Much more than dollar amounts

Talking about family wealth is much richer than revealing a dollar amount or informing about the technical nuances of their estate plan. Talking about wealth is sharing about the family history and the journey they took as a family to arrive at the present moment. Talking about wealth is listening to the rising generation and exchanging points of view about the role money has in the family. Talking about wealth is discussing the future and discovering the possibilities ahead.

How much a family is worth is definitively a piece of the conversation that needs to be covered sooner or later, but it never goes alone. When the dollar amount is wrapped in the context of the family values, mission, and shared dream, it has a different meaning. The family wealth can become a link to the past and a connection to a desired future. It can be something that creates opportunities rather than destroy ambitions or dreams.

How do I talk with my children about our wealth?

Parents wonder *how* to talk about money in an eloquent and elegant way. *"How do we have these conversations and respect the privacy of both parents and children?"*

A continuous dialogue framed by defined principles

Family wealth is an important topic that requires ongoing dialogue. It evolves in a spiral-like fashion. The same ideas are revisited again and again, every time adding a little more color and depth. Developing a vocabulary to talk about family and money takes time and practice.

Parents benefit from defining the principles that will guide these conversations. They do this by identifying two or three ideas that direct the conversation. These principles are not necessarily shared with the children, but serve as internal guidelines. Example of guidelines used by parents are: *"Transparency is preferred over secrecy"*; *"Always provide context"*; *"Link our values to our valuables"*; *"Great wealth comes with great responsibilities for both the giver and the receiver"*; *"Adult children will respond as adults if treated as such"*; *"Be curious about what children are thinking"*. Guiding principles are powerful in creating what we are hoping for, and they become even more relevant when conversations become tense and more emotional.

As you might expect, there is no definite answer to the *when*, *what*, and *how* of talking with adult children about family wealth. It depends on the specifics of the family configuration, their history, desires, and particular characteristics of parents and children. Start small and build up slowly, adjusting and correcting along the way. The goal is not to be perfect with these conversations, but it is to create trust and transparency through regular conversations and ongoing education about the responsibilities and opportunities that the family wealth has created.

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