



Time for Talking.

Tips to avoid the failing family fortune



“I have a friend,” says Victoria,

“Who feels the need to tell exactly how much everything cost—from her handbag to her house to her son’s college tuition and how much she’s saved for retirement. It makes me feel so uncomfortable. Is that wrong?”

“Maybe it’s because my parents literally gasped whenever I asked about money as a child. I would ask if we were rich. How much money my dad made. Why my friends didn’t have a house like ours. They said it’s not polite to talk about money. I guess I internalized that. Now it’s even hard to talk about money with my husband, much less my children.”

Victoria’s concerns are not unusual among today’s successful families.

About half (52%) of parents haven’t even fully disclosed their wealth to their children. In fact, only about a third (34%) of parents agree strongly that their children will be able to handle the inheritance they plan to leave them.¹

You might wonder why this issue persists. Why do people avoid talking about money?

Money is a private matter, bristling with emotion.

“I don’t want others to know how much or how little we have.”

“We’ve been taught that it is not polite to talk about money.”

“We grew up being told, don’t worry, there’s plenty more where that came from.”

Talking about money creates arguments in our family.

“My inheritance makes me feel ashamed. I did nothing to earn it.”

“I worry about what others will do with the information.”

“I don’t know what to say when my children ask the tough money questions.”

“If the kids know how much they will get, they might get lazy and not get a *real* job.”

“I’m embarrassed that I’ve not done a good job with my money.”

Talking about money is hard. Very hard.

As difficult as the money talk is, productive values and actions with wealth start by learning how to talk about money. We find there is a widespread fear, particularly with ultra-high-net-worth clients, that children will spend beyond their means because they will grow up naïve about the value of money and the effort required to earn it.²

Among senior generations, the fear is that descendants will squander their wealth, leaving little or nothing for future generations. The story of the failing family fortune has been told so often that it is a cultural proverb– **“Shirtsleeves to Shirtsleeves.”** The first generation family works very hard in the fields and saves their meager earnings. The second generation obtains a formal education, acquires fine clothes, property and a place in society. Members of the third generation live off the largess of the previous workers, rendering the fourth generation to start all over in the fields.

Jay Hughes proposes that this non-productive cycle can be broken by practicing successful wealth preservation. In *Family Wealth: Keeping it in the Family*, Hughes encourages families to think out one hundred years into the future in order to preserve the family wealth.³ This seems like an incredibly long time, but it gives families a format to talk about their wealth, what they want to do with it, and how future generations can preserve their wealth.

No talk? No trust.

Lots can happen as a result of keeping mum about money. It can create suspicion and distrust. Many families fear that talking about money, the size of inheritance, who will receive it and when, will result in family squabbles. This fear of conflict drives some clients to withhold information from family about their estate plans, which could result in their wishes not being met.

So, what can Victoria do?

What can you do?

The best way for families to succeed in preserving the family legacy and wealth is to learn how to talk about their wealth. Discuss:

- › What wealth means to you
- › What you want it to do for your family
- › How you can be a resource to each other

While there are many steps in the process, one place to start that’s both fun and fascinating for all ages is learning the family history. This will stimulate thought-provoking, open conversations and will lead to agreement on goals, implementation and a connected family view about money.

- › Explore the family tree for stories about family wealth.
- › Find out how the wealth was created and by whom?
- › What difficulties did the previous or present generation have to overcome?
- › What were the founders’ visions?
- › What were the values and important messages passed down from the founders?

A family meeting devoted to a discussion about wealth includes identifying money attitudes and behaviors. These are not likely to be familiar or easy topics to talk about, but they’re important because they help families decide what their values are and what is important to them. Besides family history, other questions can get families started, ranging from goals, fears, worries and behaviors with money, to relationships, burdens, stresses, expectations, and more. Consider using a facilitator to help level the playing field in a family where the topic of money is emotionally charged.



Learn more.

Visit seic.com/privatewealth
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Victoria's story is fictional, but based on a compilation of actual client situations and interviews.

¹ U.S. Trust Insights on Wealth and Worth 2011, U.S. Trust Bank of America Private Wealth Management 2011.

² Why Clients Don't Stick with the Plan: Emotional Barriers About Money and How Advisors Can Help, by Marty Carter, Journal of Financial Planning, August 2006.

³ Family Wealth—Keeping it in the Family, James E. Hughes Jr., Bloomberg Press 2004.

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