

FINANCIAL ETIQUETTE

How to Gracefully Manage Conversations Surrounding Wealth

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According to Vocabulary.com:

“Etiquette is a code of polite conduct. Many people think etiquette is about table manners in fancy restaurants, but quite simply, it is expected behavior that shows respect, meant to make everyone feel comfortable.”

Financial etiquette seems to be lacking for many individuals who see a wealthy friend or family member as someone who can afford to be generous to them in a variety of situations. For the wealthy, it is not unusual for seemingly simple situations to become uncomfortable moments because of a disparity in wealth. So, what should someone do when another person fails to demonstrate appropriate financial etiquette by making assumptions about the responsibility of a wealthier individual in social situations? Let’s look at some scenarios:

SCENARIO 1: PAYING THE CHECK

You and your friends have gone to dinner, and at the end of the meal the check is delivered to the table. Your friends look at you expectantly—they assume that because you are “wealthy” you should pick up the tab for the entire table. What do you say or do?

SCENARIO 2: I NEED A LOAN

Your best friend approaches you for a loan because she knows that you can afford to lend the funds without impacting your own financial situation. What should you say or do?

SCENARIO 3: YOU WANT ME TO SIGN A PRENUPTIAL AGREEMENT?

You have been dating someone for several months, and it is starting to get serious. Your family has a significant family business, and you know that if this relationship progresses to marriage that your family expects any spouse to sign a prenuptial agreement. How do you broach the subject with your “significant other?”

For wealthy families, the above scenarios are not fiction and are not uncommon. Wealth provides freedom and choices, but it can also create situations that can be difficult to handle if not thought through and prepared for before the situation occurs. Without understanding how to handle these situations, the awkwardness that results can damage relationships, cause the wealth holder to feel guilty about the wealth and ultimately drive the wealth holder to only associate with those who have similar wealth—losing the opportunity to have friends of diverse backgrounds, talents and perspectives.

The best way to handle the foregoing situations is to be prepared—advance work is the key to successfully navigating these difficult moments.

“By failing to prepare, you are preparing to fail.” -Benjamin Franklin



HOW TO PREPARE

Many wealthy individuals anticipate these various scenarios by preparing statements they can use to deflect the question and then use role play to practice the statement. Let's look at the first scenario and see if there are a few statements that could have been used to remind the group that everyone should contribute to the payment of the dinner check.

MANAGING SCENARIO 1: PAYING THE CHECK

"What a fun evening—I am so glad we could all get together! I am happy to figure out what each of us owes for our dinners—Since there are six of us, should we just split it 6 ways? I'll use the calculator on my phone."

"Since we are celebrating [Name]'s birthday, why don't the 5 of us cover our own meal cost and 1/5th of [Name]'s?"

If you are the organizer of the dinner, be sure to take into account the ability of the attendees to afford the dinner when selecting the restaurant. It is very uncomfortable for someone with limited resources to see others order expensive meals and then at the end of a meal be expected to pay a prorated share—especially if they ordered a much less expensive entree. Instead of asking everyone to pay their prorated share of the meal, ask each person to pay the tab based on the cost of their own meal. Rather than buying expensive wines, bring a favorite bottle of wine from your own collection. Or if you want to have an expensive bottle of wine, offer to pay for the wine from your own funds. That way you can still enjoy a good glass of wine, but you are not putting the other attendees in an awkward position.

MANAGING SCENARIO 2: I NEED A LOAN

Once the word is out that you have significant resources, do not be surprised if you are approached by friends, family, advisors and nonprofits to "share" your resources in the form of loans, gifts or investments. The experience of lottery winners tells us that they are suddenly inundated with such requests, and without preparation and good advisors, the lottery winners typically find themselves out of money within a very short time.¹ You may not be a lottery winner, but wealth attracts people who are in financial need. The closer the relationship, the more difficult it is to say "no" to such requests. Below are some statements that you can use to politely deflect or say "no."

"I am really sorry, but my savings are all tied up in retirement funds."

"I am really sorry, but my financial resources are in a trust and I can't even get to them."

"I am really sorry, but my financial resources are in a trust and the trust provisions don't allow me to use the distribution for this kind of request."

"This topic makes me uncomfortable, and money isn't what our relationship is about—may we change the subject?"

"I have seen money damage relationships, so I'm sorry, I can't do that."

Variations on the foregoing theme deal with requests for gifts to nonprofit organizations or requests to manage your investments:

¹ Dan Berman, Top 10 Biggest Lottery-Winning Losers, ThinkAdvisor, October 29, 2013



“I’d be happy to consider your charitable gift request—it sounds like a great cause—but I don’t have the funds to make a gift at this moment. But give me the info, and I’ll review it [with my financial advisor].”

“Our family has a foundation that we use for our charitable giving, and we give based on our family’s mission statement—I am afraid that we don’t make grants to your type of organization.”

“Our family foundation receives requests directly so you will need to send your request to the foundation for consideration by the entire board—it is not my decision alone to make.”

“I work with a financial advisor to make investment decisions. If you have information, I can get you her/his email.”

MANAGING SCENARIO 3: YOU WANT ME TO SIGN A PRENUPTIAL AGREEMENT?

It is never easy to bring up the topic of a prenuptial agreement (or “prenup” as many call it). There is typically a negative response when the term comes up, which goes like this, “if this marriage does not work out, you don’t want me to get any of your ‘stuff.’” When you are getting ready to share a life, a home, your emotions, your finances and your family with someone, the last thing you want to think about is “what happens if this doesn’t work out?” It can clearly impair the relationship and romance. However, for inheritors and families with significant assets or family businesses, it is very common for families to want to keep the inherited or family business assets separate from the marital property. Some suggestions:

“Now that our relationship is getting serious, I wanted to talk with you about my approach to money and finances. Without getting into the specifics, I want to tell you about my family’s background and explain why it is important to my family to preserve our wealth through many generations.”

“My family has built a strong business that will last many generations if there is proper stewardship. Because this was started by my [parents, grandparents, great-grandparents] each generation creates its estate plan to ensure that the business is passed down through the generations. One way our family does this is to have spouses sign agreements that ensure that the family business stays in the lineal family line—this is called a prenuptial agreement, and I would like us to talk about it.”

Some tips to remember:

1. Always consult with legal counsel regarding prenuptial agreements. Validity can differ from state to state.
2. Don’t wait until the week of the wedding to talk about this issue. Start the conversation in advance of a major transition such as engagement, marriage or commitment ceremony. These agreements take time to negotiate, provide the appropriate financial disclosures and draft the prenuptial agreement.
3. Discuss the reasons for the prenuptial agreement:
 - a. This was a business started by my parents/grandparents, and they want it to stay in the family.



- b. These are shared family assets, and as such the family believes these shared assets need to stay in the family.
4. Make sure the terms of the agreement are fair. Each person must disclose all of his/her assets and be represented by separate counsel in order for the agreement to be enforceable, so be transparent.
5. Don't hesitate to use a mediator to assist in the conversation and to create a plan that will meet both individual's needs.

Financial etiquette is a skill that can be learned and—when appropriately utilized—can diffuse difficult situations encountered by wealthy individuals who find themselves in such situations for no other reason than that they have wealth. Preparation is key for successfully navigating these situations. Role playing and having planned responses and/or conversations can allow the wealthy individual to politely say “no” without embarrassing the individual who has created the uncomfortable situation or damaging the relationship.

There is an old saying: “practice makes perfect.” Practicing your response before encountering an awkward situation may not have a perfect outcome, but it can certainly provide a better way to handle a delicate situation, keeping your dignity and relationship intact.

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