HOW TO DISCUSS WEALTH WITH YOUR FAMILY

The art of truly open financial conversation.

Talking about wealth is every bit as important as creating a technical wealth plan – if not more so. Preparing a wealth transfer plan for your assets “on paper,” but failing to help your loved ones understand how to manage those assets in their lives, leaves the true process of sharing wealth incomplete and subject to real, but avoidable, risks.

When you have effective conversations about family wealth with your spouse, children and others in your family circle, you empower your loved ones with both “dollars and sense.” And, when your family can talk candidly about how wealth fits into a rewarding and meaningful life, you add richness to your relationships.

How you have such conversations is critical to the end results. In the business world and in Western society in general, many people tend to approach conversations as debates. Declarations and efforts to convince rather than understand are the norm, and a conversation is often labeled “successful” when someone has been convinced of a position or action.

While this model is sometimes undeniably valuable, when it comes to family money and wealth, we have found that a different approach is more effective. Why? One reason is that family wealth plans tend to be complex and can take time to understand. Perhaps more importantly, money is a charged matter in our culture. It is seen as a source of power, and family members will often add their own layers of meaning onto any family financial message. As a result, the typical Western communication model – the “short, directive declaration” – can cause unintended misunderstandings or even conflict when it comes to family money and wealth.

For example, parents who sit down to talk about their estate plans with their children may host a one-time meeting, where they focus on describing all the details of their tax planning strategies. They emphasize that “we’ve thought about this a lot” and these strategies are “the best

CLAUDIA SANGSTER
Senior Vice President & Director
Family Education & Governance Services

Northern Trust Wealth Management
ways to pass down our wealth.” The conversation then closes with mom and dad describing what the kids need to do in their own lives to be equally responsible.

Meanwhile, their adult children listen quietly, nod compliantly (or occasionally debate specific strategies), and then leave the meeting with questions, concerns or objections that they never fully air or resolve.

What’s the alternative? In addition to avoiding the “one-and-done” approach, families often find their discussions become more effective when they learn to communicate money messages in open-ended ways. In the book “Crucial Conversations: Tools for Talking When Stakes Are High,” the authors call this “learning to talk tentatively,” meaning to communicate in a way that invites the other person to add their perspectives to build shared understanding. In fact, the ability to “talk tentatively” is such a game-changer that it is perhaps the single most important way to improve your effectiveness in talking about money and wealth with loved ones.

Sometimes when family leaders hear the phrase “talking tentatively,” they become concerned that they will have to give up control over their important financial decisions. Some even worry that they are inviting family members to lobby for what they want. It’s important to remember that your decisions remain in your hands, even when you open them up for discussion. Try to stay open to feedback, be willing to reconsider your assumptions and conclusions (even if you hold them strongly) and remember you can always ask for time to think about new information or perspectives.

If you want to build your skills in this area, the following tips may be especially helpful.

- **State what you really want for everyone.** As you start an important family money conversation, take time to tell your loved ones what you most want for everyone to gain as a result of the discussion. (Hint: this goal is usually much bigger than “learn about money.”) Then invite each person to express their own motivations and best possible outcomes. This allows the family time to open up and affirm their larger shared goals, above and beyond the nitty-gritty details of the financial topic at hand. You can also restate these shared goals as a way to re-center and refresh if the conversation becomes stalled or stressful.

- **Share your path.** Psychologist and author Brené Brown says human beings are “wired for story.” We take in insights best when they are communicated when we have really only transmitted information.”

ROBERT RICIGLIANO
Consultant & author
HOW TO DISCUSS WEALTH WITH YOUR FAMILY

shared in the form of authentic stories rather than abstract facts. In financial conversation, this may mean telling family members more about how you came to your own financial decisions. What factors did you weigh? What was difficult or easy about a specific situation? How did you ultimately make your choice? And how comfortable are you with the real life consequences?

- **Check and affirm – don’t just declare.** Practice turning your stories into invitations to explore further, together. Often this means adding a question to the end of what you say. For example,
  .1. “I wonder if you might think…;”
  .2. “…in your situation I might be inclined to…” Or simply,
  .3. “…what would you add to this perspective?”

- **Try this technique more than once to give your family members permission to process new information and build their own courage to share.** The other side of tentative talking is to avoid tacking leading statements onto the end of your statements (for example, “…don’t you agree this is the right way to do it?”)

- **Allow quiet into your conversations.** The third skill to develop is what Susan Scott, author of “Fierce Conversations: Achieving Success in Work and Life, One Conversation at a Time” calls “letting silence do the heavy lifting.” When you allow pauses to become part of dialogue, that silence provides permission for everyone to reflect more carefully on what they hear; they can truly process information before trying to act on it. This is especially important when discussing financial matters, since money is such a difficult topic for many people. In order to give others time to absorb and respond to what you share, bring a calm, quiet, and caring demeanor to the table. And allow yourself the same quiet time to simply absorb what you hear from others, without feeling compelled to reply, rebut or take immediate action.

HOW TO GET STARTED

Talking about wealth and its transfer can be a complex and often challenging matter. But not having important conversations with loved ones can have many unintended consequences. If you would like to learn more about how to talk with your family about wealth, contact your relationship manager or a Northern Trust location near you to receive a copy of our in-depth guide, “Wealth and Wisdom Across Generations:”
How to Talk with Your Loved Ones about Family Wealth.” It will help you improve the discussions you want – or need – to have with your family.

FOR MORE INFORMATION

As a premier financial firm, Northern Trust specializes in Goals Driven Wealth Management backed by innovative technology and a strong fiduciary heritage. Our Wealth Planning Advisory Services team leverages our collective experience to provide financial planning, family education and governance, philanthropic advisory services, business owner services, tax strategy and wealth transfer services to our clients. It is our privilege to put our expertise and resources to work for you.

If you’d like to learn more about these and other services offered by Northern Trust, contact a Northern Trust professional at a location near you or visit us at northerntrust.com