

# WEALTH AND WISDOM ACROSS GENERATIONS

## HOW TO TALK TO YOUR LOVED ONES ABOUT FAMILY WEALTH

Talking about wealth is every bit as important as creating a technical wealth plan — if not more so. Preparing a wealth transfer plan without helping your loved ones understand how to manage those assets in their own 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.

In this guide, you’ll find ways to have productive conversations that give your loved ones a clear understanding of what financial assets they will receive and how to manage them well.

### WEALTH CONVERSATIONS — KEY POINTS

There are five key topics you should understand and embrace in order to have effective wealth discussions with your family:

1. Why it’s important to talk with your loved ones about family wealth
2. The three kinds of wealth conversations you should have and when to have them
3. How to have conversations that connect and teach
4. How to prepare for important discussions
5. How to get started with a few practical first steps

Traditionally, most people think of wealth management as a process focused on technical and tax planning. But when it comes down to it, family wealth plans are really about people. And even the most perfectly crafted wealth transfer plan cannot provide your loved ones with everything they need to manage the financial wealth you will share with them.

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### PLANNING AND HAVING WEALTH CONVERSATIONS

When it comes to wealth, many families ...

- Spend lots of time earning it
- Spend some time managing it
- Spend a bit of time creating plans to help pass it down to loved ones
- Spend little or no time preparing their loved ones to manage the wealth plans and the wealth itself

## WHY TALK WITH YOUR FAMILY ABOUT WEALTH?

Raising a family is all about “walking and talking.” Parents, grandparents and other “senior generation” family members help the younger generation grow by “walking” – being role models in daily life – and “talking” – sharing advice, wisdom and practical tips through conversations.

Yet when it comes to family wealth, even the closest families may avoid the “talking” part of this equation. We often hear two or three main reasons for this reluctance:

**Entitlement:** Families fear that talking about wealth will spoil children or foster a sense of entitlement.

- “I don’t want my family to be focused on money.”
- “If they know about our wealth, they won’t be motivated to make their own way in the world.”
- “We live modestly and they don’t know what we have. If they learn about it, they will think they’re ‘better’ than others.”

**Readiness:** Families are concerned that family members aren’t ready to learn about wealth.

- “Maybe once they’re more mature.”
- “They wouldn’t understand any of it.”
- “I’m waiting until they have some investing knowledge under their belts.”

**Relevance:** Families harbor a feeling that family wealth isn’t relevant to young peoples’ lives.

- “They don’t need to know anything because they won’t receive anything until I’m gone, many years from now.”
- “I’m waiting for something to happen before we talk about my plans; no reason to share it before it is necessary.”

All these reasons are legitimate. After all, most of us believe that while financial matters are important, they are not the most important things in life. However, our experience working with families through the generations has shown repeatedly that none of these concerns are effectively managed by not talking about family wealth. In fact, families can address these challenges – entitlement, readiness and relevance – when they learn how to talk with each other candidly and constructively about wealth and its place in their lives. When you discuss wealth with your loved ones, you create opportunities to:

- **Communicate the reasons for the wealth** — Tell stories about how the wealth was created and passed down and describe your hopes for how the money will help them. You can also provide your take on where wealth matters – and doesn’t matter – in the big picture, which helps counteract a sense of entitlement (or identity based on having wealth).

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From 2007 to 2061, today’s heirs will inherit as much as \$36 trillion.<sup>1</sup>

- **Help them plan for their future** — Your loved ones need to know what to expect in the future. They should understand not just what assets they will receive but also what roles they will need to assume in order to manage those assets well. Talking with family members well in advance helps them understand why it’s important to learn about financial management. It also helps them avoid “sudden wealth syndrome,” where individuals spend enormous amounts of money in a short period of time when they receive an unexpected windfall.
- **Share information in good times, not bad** — Sooner or later, wealth transfer will happen, whether you discuss it or not. But figuring out how to manage wealth in the midst of loss and grief when a loved one dies is not ideal.

Most family members going through estate settlement say they wish they had talked about the plans when their loved one was alive. They feel they could have learned more about why their loved one created these plans and shared their thoughts about the inheritance.

- **Become a teacher and mentor** — We tend to learn best through role modeling. Your loved ones may hear you make vague proclamations about wealth. But if they never understand the decisions you made to grow and protect it, they will have a harder time taking your philosophy to heart. By sharing your experiences in building, preserving and managing wealth – and specifics about how you make choices – you open the door for further opportunities to teach and learn together.
- **Understand their perspectives about what they need** — Get their sense of what they need to learn, understand or practice in order to be ready to step into their future roles managing wealth.

REASONS FOR & REBUTTALS TO AVOIDING WEALTH CONVERSATIONS

<b>ENTITLEMENT</b> “Don’t tell, don’t spoil”	<b>READINESS</b> “They’re not ready to learn about wealth”	<b>RELEVANCE</b> “They won’t need to know for a very long time”
PROBLEMS WITH THIS APPROACH		
“They didn’t trust me” “I can’t thank them/ask their advice” Entitlement isn’t about having information but lacking guiding values “Sudden Money” syndrome	Often an incomplete/outdated assumption Keeps adults in childlike roles A self-limiting cycle	Limits lifetime options Leaves family unprepared for the unexpected Asks loved ones to learn during times of grief and stress

- **Strengthen and straighten out family dynamics around finances** — You can address any questions, concerns or misunderstandings about financial matters from your loved ones only if you are willing to talk with them. Effective conversations about wealth can “clear the air” of past perceptions and allow you to chart a better course moving forward.
- **Connect your futures through more than just purse strings** — When you engage your family in talking about wealth, you develop the ability of its members to communicate and collaborate about important matters, enriching your relationships no matter what the future brings financially.

Talking about money and wealth with your family empowers them through practical knowledge and helps them develop a positive financial identity. It contributes to their larger sense of “who I am and how I live,” integrating values, principles and goals with financial savvy.

Think about why you have discussed wealth with your loved ones in the past. What were your reasons? What impacts could the decision not to talk about wealth have for your loved ones? What do you think your loved ones could gain from talking with you about wealth?

#### WEALTH CONVERSATIONS IN ACTION

##### Discussing Wealth Transfer With Young Adults

In a roundtable discussion for wealthy parents hosted by Northern Trust, several participants mentioned they had not talked about wealth with their young adult children. They said they were confident their children would adapt well to having wealth when they eventually received it.

One parent brought a different perspective. The son of wealthy parents who did not talk about their wealth, he grew up expecting to live a financially modest life.

When they died unexpectedly, he was able to cope with his sudden inheritance, but his wife was not.

She quit her job, began spending money irresponsibly and started gambling, expecting her husband’s inheritance to completely support their household.

As a result of the stresses her actions put on their relationship and their young children, the marriage ended. Had his parents helped him understand his financial future, he may have been able to evaluate his future wife’s values and financial habits more carefully and perhaps avoided a painful mismatch.

His story prompted several parents in the room to reconsider their “hands-off” approach. In fact, one participant later reported having a very rewarding conversation with his son about financial compatibility in relationships. They also discussed his inheritance and he asked for his parents’ advice about talking with his fiancée about a pre-nuptial agreement.

WEALTH CONVERSATIONS IN ACTION

Having Difficult Conversations

*"We have the money. Why can't I use it?"*

Answering this question can be tough. Your most-powerful responses likely will stem from your reflections about what wealth means to your family. The principles-based decisions, examples of worthwhile valuable trade-offs and family members' deepest definitions of "a good life" matter here.

THREE KINDS OF WEALTH CONVERSATIONS

What to Share When You Discuss Wealth

Often we think of "wealth conversations" as big events – and they can be. At some point, most wealthy families usually find they need to have an in-depth conversation about the family's financial assets with each family member, complete with estate plan details.

However, families that manage their wealth most successfully don't rely on just one or two major discussions over the course of the family's life together. And they don't just "show the balance sheet" and leave it at that. They talk about wealth in the context of life. So what does "talking about wealth" in this way really mean? What should you think about discussing with your loved ones? It helps to have some specifics in mind before the conversation.

TYPES OF WEALTH-FOCUSED CONVERSATIONS

Wealth-and-Wisdom Chats

In these informal, "in-the-moment" conversations, you share your insights about the true meaning of wealth in your lives. They can be in-depth, "heart-to-heart" talks or quick exchanges. Either way, they are most effective when they emerge naturally during times you are together.

Lay-of-the-Land Conversations

These are more structured discussions during which you share specific and practical information about the family's financial plans and – importantly – what these plans mean for your family members' lives.

Big-Decisions Discussions

Such conversations occur when the family works together to make major or lasting choices about managing the family's wealth or to answer complex questions.

### Wealth-and-Wisdom Chats

These “big-picture” conversations lay a strong groundwork for future conversations about the family’s wealth that may be more informational, technical or tactical. Wealth-and-Wisdom Chats should focus on helping your loved ones develop perspective on their own wealth and their general philosophy about wealth in life.

These conversations are most effective when they are a natural outgrowth of time you spend together – no advance agenda, no formal “sit down.” Instead, look for opportunities to share what wealth means to you and how you use your principles to make choices about managing it as you’re having other conversations. The idea is to build a strong foundation of understanding out of many small conversations – think “pebbles on the beach,” not “the Rock of Gibraltar.” (See “When to Discuss Wealth with Your Family” for more details about how to do this.)

Storytelling is one especially good way to have Wealth-and-Wisdom Chats. Share stories about your own financial experiences, mistakes and successes – and the insights you gained from them. You will provide your loved ones with opportunities to learn from real experiences rather than abstractions. Telling a story helps you “lead by example,” even if the story you’re sharing happened long ago.

What is most important in Wealth-and-Wisdom Chats is that they happen regularly during the course of daily life. To build awareness, consider sitting down with your spouse or significant other and making a list of situations offering opportunities throughout the year to share insights about the meaning of wealth. Preparing for an upcoming family holiday? Planning for a birthday celebration? Discussing career options? There are likely to be more opportunities than you think.

#### COMMON TOPICS FOR WEALTH-AND-WISDOM CHATS

##### Expectations

- How wealth matters – and doesn’t matter – to our family (“putting wealth in its place”)
- Family expectations about how adults in the family will manage their financial lives

##### Experience

- The family’s history regarding money, including attitudes, uses and messages that family members have received from each other and how those have proved helpful or challenging
- Personal lessons learned and life experiences around money – successes, challenges and setbacks

##### Giving Back

- The family’s philanthropic priorities
- “Give-and-take” about financial matters in the news and popular culture

##### Purpose and Values

- How you think about wealth in terms of your personal identity and purpose
- Treating others with respect regardless of their wealth
- Why prenuptial agreements and other asset protection strategies are important to the family
- Dealing with others’ perceptions of “a person with wealth”

## Lay-of-the-Land Conversations

Lay-of-the-Land Conversations can be the ones wealth owners worry about most. They require some preparation and are the workhorse discussions. They provide the “need-to-know” orientations for family members where you provide essential and technical knowledge about the family’s wealth plans.

The common thread in these discussions is that they focus on practical education. Your family can learn what to expect in the future in terms of inheritance or financial help. They also can find out what they need to know to manage this wealth to meet their goals and needs. You can start by sharing with each family member a high-level overview of your overall wealth plans, the types of assets the family holds and why. Once you’ve done that, plan a few conversations to talk with each family member about specific assets they will receive. Aim to help them understand what they will receive, why and what they will need to know and do to manage those assets.

The whole family should also have Lay-of-the-Land Conversations so everyone is on the same page about your overall wealth plans and related information. This includes disclosing where important documents are located and who has powers of attorney. It is often helpful to have a trusted advisor coach you through these conversations or be present at some of the more detailed discussions to explain terms and technicalities.

In Lay-of-the-Land Conversations, it’s best to share the following kinds of information.

- Begin with two to four key points; don’t feel you must share lots of detail right away. (See “How to Discuss Wealth with Your Family” for tips on how to do this.)
- Start with simple descriptions and define technical terms. Help loved ones connect to what this information will mean for their future in practical terms.
- Work with your advisors to determine how best to share information with family to ensure appropriate confidentiality and security. Also discuss how to maintain the privacy of information you’ve shared.
- Start simple and ask for feedback on what they want to know more about, what they feel they should learn or what their concerns are about managing their financial future. Expect there will be a need for further education, which you can explore together – books, websites, courses and even programs and individual meetings offered by advisors.

COMMON TOPICS FOR LAY-OF-THE-LAND CONVERSATIONS

**Review of the Family’s Financial Assets**

- What assets we have and in what proportions
- Asset classes, allocation, rationale and returns
- How is this shared during our lives and after death?
- Investment policies

**Review of Estate Plan**

- Assets you will leave to spouse, children, grandchildren and others
- Reasons for these decisions
- Types of structures that will hold assets and how they work
- Charitable gifting and plans for joint philanthropy
- Family member and advisor roles

**Estate Settlement Information**

- Contact information for key advisors
- Location of important documents (e.g., wills, trust agreements, powers of attorney, life insurance contracts, deeds, partnership agreements, financial statements, etc.)
  - Safe deposit box
  - Attorney’s office
  - Home office

- Account numbers
- Funeral arrangements or wishes

**Individual Inheritor Knowledge**

- Gifts you intend to make or may make under specific conditions
- Wealth you intend to transfer after your death
- Individual trusts and/or other entities holding assets (e.g., partnerships, limited liability companies)
  - Purpose and intent
  - Timing and type of distributions
  - Underlying assets and allocations
  - Who the trustees and managers are and how to contact them
  - Beneficiary responsibilities
  - Typical reports and timing of receipt
  - Disposition of assets at termination of trusts
  - Practical effects of trust(s) in real life/over time
- Reasons for any unequal or otherwise unusual distributions across family members

**Big-Decisions Discussions**

For families with multigenerational wealth management plans, addressing the issue of how to manage shared assets through the generations is vital. In Big-Decisions Discussions, the family has the chance to address major questions, open issues and the family’s overall strategic direction and future.

These discussions usually take place over the course of several meetings, with a structured agenda to guide the process and often a neutral outside facilitator.

As a general rule, Big-Decisions Discussions should include all family members who are stakeholders in the decisions at hand. These conversations are complex by nature and are most effective when Wealth-and-Wisdom Chats and Lay-of-the-Land Conversations have occurred first.



COMMON TOPICS FOR BIG-DECISIONS DISCUSSIONS

**Long-Term Planning**

- Over how many generations do we want the financial wealth to last? Why?
- What are our long-term plans for the family business?
- Should we establish a family foundation?
- What should/can family wealth support for the next generation?

**Family Governance**

- What are the policies and processes we will use to manage shared wealth as the family grows?
- Should we keep or sell family property?
- How will family members who share ownership of assets make and communicate decisions about managing them together?
- How do family members enter/exit shared investments?

**WHEN TO DISCUSS WEALTH WITH YOUR FAMILY**

When was the last time you talked about family finances or family wealth with your loved ones? How old were they? Was the conversation prompted by a specific event or deadline? Is it time for another conversation? The following best practices will help you fine-tune the timing of your family wealth discussions.

**Talk about Financial Topics at Different Times;  
Talk About “Money And Meaning” Continuously**

Plan for several conversations with your children and other beneficiaries that “phase in” family financial knowledge as they grow older. These chats supplement lifelong discussions and modeling of family values, goals and principles starting early in childhood that also cover spending, money math, how money is used and giving. Conversations start out relatively simple and become more detailed over time.

Our experiences working with families have yielded some helpful insights into when to share different kinds of information in order to support family members’ success.

**Direct When Young; Advise When Older**

At different points in life, different kinds of conversations provide the best learning. For younger children, it’s fitting to be directive – to “tell them what to do, and why.” As we become adults, such directive conversations can be perceived as overly controlling, which leads to resistance or a shutdown in communication. As you talk with teens and adults, shift from seeking to direct their thinking to advising them. Share your own experiences but emphasizing that their choices are their own.

**Talk with Family Together before or after Individual Conversations**

While it may be tempting to share financial information with the entire family all at once, doing both – sharing individually and with the entire family – is most effective. We often hear family members say they felt they could not raise personal concerns or questions in group settings. They either were not comfortable doing so in front of relatives – or simply couldn’t get a word in edgewise!

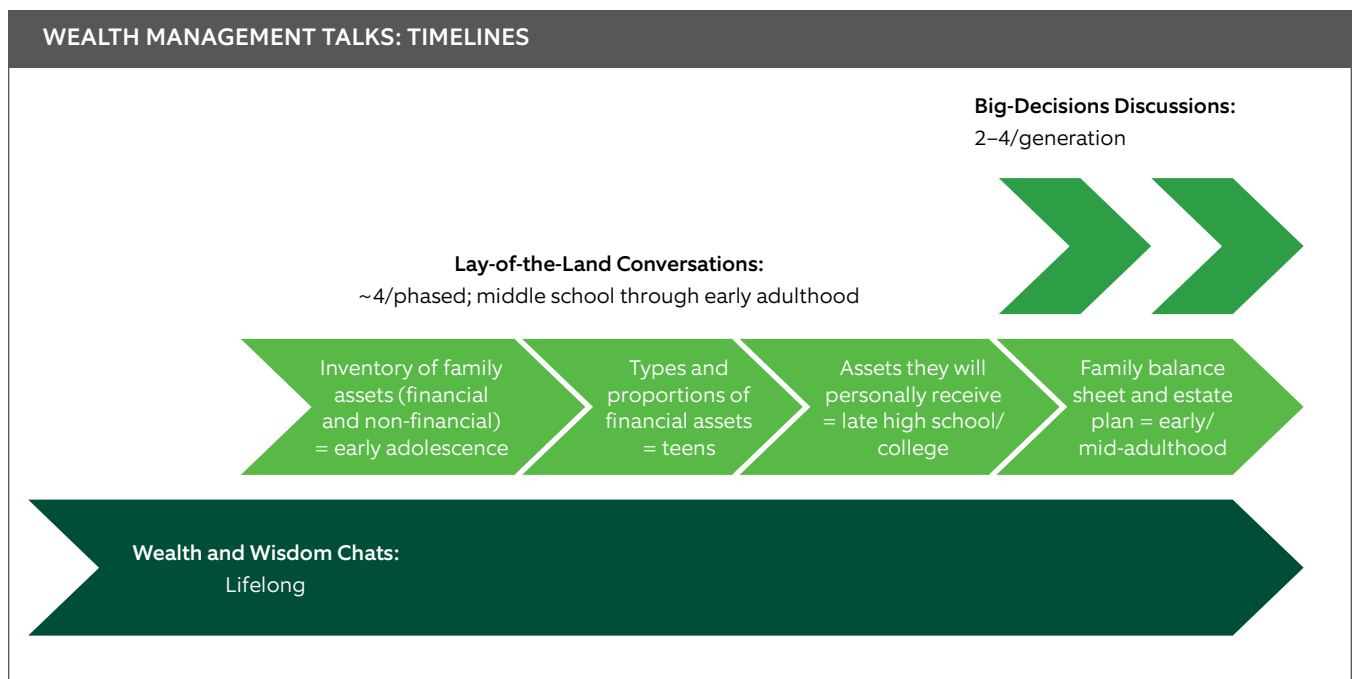
Or we hear from adult siblings who take very different messages away from one-to-one discussions that a parent intended to be consistent across children.

Plan to talk with family members one-on-one, before or after a family meeting, to review what you shared. If you will talk with family members individually first, try to get the family meeting on everyone’s schedules as soon as possible. In addition to ensuring all family members will attend, this will also allow you to emphasize in your one-on-one meetings that the shared conversation is a commitment.

**Phase-In Wealth Knowledge Over Time**

If you are able, plan a series of conversations over the years to gradually introduce key wealth information to family members. This is especially helpful when you can start early and your children are younger. Developmentally, it makes sense to share information about concrete money issues and family money values when children are younger. Phase-in information about family wealth in the later teen and young adult years. Many wealth owners find it a relief to learn they don’t need to share everything at once.

Each time you share a new piece of information, remember to include specific advice you may have about maintaining privacy or confidentiality.



If your family members are adults, a phased approach remains helpful because it can be overwhelming to receive all information at once. However, you may be able to combine several topics into one discussion, depending on interests and readiness. For example, for a mature adult child, you may decide to share detailed information about the assets he or she will personally receive.

Age and life stage are only part of timing considerations in family wealth communication. Here are a few others:

**Talk with Them Before...**

**...ASSETS ARE ABOUT TO CHANGE HANDS.**

The emotions people experience and behaviors they exhibit when they receive an unexpected financial gift are so common that they're often referred to as "sudden-money," "sudden-wealth" or "lottery" syndrome. Well in advance of any actual transfer, make a concerted effort to have Lay-of-the-Land Conversations about assets a loved one will receive. This gives them time to adapt to the reality of the transfer's purpose and learn to overcome the initial dazzle of unexpected wealth.

**...IT'S REQUIRED BY LAW.**

Most trusts require that the beneficiary be informed of the trust at a certain point and receive key information about the underlying assets, distribution options and trustee obligations. It may be tempting to leave the money talk to the trustee. But this is likely to lead to a beneficiary who does not really understand your intent and who only reaches out to the trustee to ask for a distribution.

**...THEY KNOW EVERYTHING ABOUT MONEY AND FINANCE.**

Don't wait to share information about wealth until family members become experts in financial matters. The fact is that many people will not be motivated to learn about investing or personal finance until they know it is relevant to them in concrete, personal ways.

**... YOUR WEALTH AND ESTATE PLANS ARE FINALIZED.**

As you talk with your loved ones about the family's wealth, you will gain new insights into who they are and how wealth may affect their lives differently. You may even decide to make changes to your plans based on what you learn.

Ultimately, every family must decide for themselves when to share specific information. Your best rule of thumb is your own knowledge of your family members' maturity, their interests and their capacity to understand. What's most important to remember is that it's never too late for thoughtful conversations about money or family wealth.

**HOW TO DISCUSS WEALTH WITH YOUR FAMILY**

**Key Skill: The Art of Truly Open Financial Conversation**

How you have conversations about wealth is as important as what you discuss. In the business world and in day-to-day life, we 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.



*We often believe we have communicated when we have really only transmitted information.*

**ROBERT RICIGLIANO**  
Consultant and Author

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 topic in our culture. It is seen as a source of power, and family members will often add their own layers of meaning onto financial messages. 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 focused on describing all the details of tax planning strategies. They emphasize that “we’ve thought about this a lot” and these strategies are “the best ways to pass down our wealth.” The conversation then closes with the parents describing what the kids need to do in their own lives to be equally responsible.

Meanwhile, adult children listen quietly, nod compliantly (or occasionally debate specific strategies), and then leave the meeting with questions, concerns or objections that they never 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 their money messages in open-ended ways. In *“Crucial Conversations: Tools for Talking When Stakes Are High,”*<sup>2</sup> the authors call this “learning to talk tentatively,” meaning communicating in a way that invites the other person to add perspectives and build shared understanding.

In fact, the ability to “talk tentatively” is such a game-changing skill that it is perhaps the single most important way to improve your effectiveness in family financial discussions.

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. Be willing to reconsider your assumptions and conclusions, even if you hold them strongly. It’s important to remember that your decisions remain in your hands, even when you open them up for discussion. Stay open to feedback, and remember you can ask for time to think about something.

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GUIDANCE FOR HOLDING CONVERSATIONS ABOUT WEALTH

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# 1

## State what you really want for everyone

As you start an important family money conversation, take time to tell your loved ones what you want most for everyone to gain from the discussion. Then invite each person to express his own motivations and best possible outcomes.

This allows the family some time to open up and affirm the larger shared goals, above and beyond the nitty-gritty details of the 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.

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# 2

## Share your path

Psychologist and author Brené Brown says human beings are “wired for story.” We take insights from life and other people when these insights are shared in the form of stories rather than abstract facts. In financial conversations, this may mean telling family members more about how you came to your financial decisions. What factors did you weigh? What was difficult or easy about your decision? How did you ultimately make your choice? And how comfortable are you with your decision?

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# 3

## Check and affirm

Don't just declare. Practice turning your stories into invitations to explore together what you've shared. Often, this means adding a question to the end of what you say. (“I wonder if you might think ...,” “...in your situation I might be inclined to...,” or simply “...what would you add to this perspective?”)

Try this technique more than once to give your family members time to process new information and build their own courage to share. The other side of tentative talking is avoiding tacking leading statements onto the end of your statements (e.g., “...don't you agree this is the right way to do it?”)

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# 4

## Allow quiet into your conversations

The fourth skill to develop is what Susan Scott, author of *Fierce Conversations: Achieving Success in Work and Life, One Conversation at a Time*<sup>3</sup> calls “letting silence do the heavy lifting.” When you allow pauses to become part of a discussion, the silence provides permission for everyone to reflect more carefully on what they hear and process information before trying to evaluate or act on it. It is especially important when you are discussing financial matters, since money is such a difficult topic for many people. Model a calm quiet to give others time to absorb and respond to what you share. And take the same quiet time to simply absorb what you are hearing without feeling compelled to reply, rebut or take action.

## WHAT TO DO IF YOU'RE WORRIED THE CONVERSATION WILL GO POORLY

### Preparing for Your Conversation: Four Key Steps

Wondering how to put the art of the open conversation to work in a specific situation? Use these four key techniques to plan an effective discussion about your family's financial plans:

1. Reflect
2. Frame
3. Listen and Empathize
4. Define Next Steps Together

#### STEP 1: REFLECT

Before you sit down to discuss family wealth matters with your loved ones, spend time becoming more aware of your own philosophy and your own history around wealth. Know the principles and values you want at the heart of the conversation, and then consider the following items as well.

##### Know your own scripts and stories.

What stories have you told yourself (or been told by your parents) about money or wealth in your family? How have past efforts to talk about money gone? What are the unspoken "rules" you have for talking about money and wealth? Which of these do you want to share? Are there some assumptions or past issues you've held on to that you'd rather let go? It can help to share these with a spouse or close friend.

##### Think about your loved one's communication preferences.

Do your loved ones like to process new information by talking about it right away, or do they need time to assimilate something new? Do they like to have a conceptual framework before learning the details, or would they rather hear "nuts-and-bolts" information first? Know your boundaries. If your conversation is planned in advance, be sure to ask your family members if they have topics they'd like to talk about. If they add topics you aren't ready to discuss, ask if you can plan to discuss those as a follow-up to the current conversation.

##### Think about what other support you are willing to offer.

Most often conversations about money and wealth lead to a need for further education or other kinds of assistance. Be prepared with a few options. For instance, can you offer to meet or have a conference call with advisors to answer questions your family members may have?

##### Recognize that your role is to model, not command.

We are each responsible for how we deal with money and wealth in our own lives. You model how you are taking responsibility in your life, and you can invite



*The best predictor of your ability to get to dialogue is the amount of curiosity you bring to the conversation.*

**JOSEPH GRENNY**

*Crucial Conversations<sup>4</sup>*

loved ones to consider the practical and emotional aspects of approaching their financial lives. But you cannot fundamentally force another person to change his or her attitude.

If you are troubled by a loved one's reaction to money or wealth matters, consider seeking advice from an experienced wealth specialist. This expert can help you determine how to provide opportunities and encouragement for a family member to grow and how to ensure you are not helping sustain the behavior. Trusted advisors also should be able to help you connect to therapists and other family dynamics specialists should you need additional support at a deeper level.

### WEALTH CONVERSATIONS IN ACTION

#### Building Confidence

A father wanted to get his son involved in reviewing and managing their investments, especially those held in trust for him. But past conversations hadn't gone well. He asked an advisor from Northern Trust to sit in on the conversation. The advisor noticed the father unintentionally dominated the conversation – responding quickly to any question, interrupting his son and making bold declarations that left no room for other perspectives.

The advisor shared this observation in a neutral way, without judgement. Perhaps unsurprisingly, the father said he didn't realize he was doing it. Upon reflection, the father realized he didn't yet have confidence in his son's abilities to manage their investments.

He told his son he noticed some ways he was stepping in more than he wanted to and how he was going to manage this. His son was appreciative and said he thought it was natural for his dad to be concerned about

putting some investments in his hands. He also said that his father's trust and commitment moved him deeply.

They agreed to work together to ensure that son's investment management apprenticeship gave him center stage to grow and learn.

Armed with this insight, father and son crafted smaller investment oversight experiences that dad could feel comfortable with over the next year. These included devising two-to-four indicators to help him recognize that his son was growing into the role of investment manager. The father also wrote down his advice and shared it so he could feel that he was heard while giving his son space to lead meetings.

Finally, he practiced slowing his own conversational style, asked for others' opinions and reframed his job as listening to what his son was sharing and asking.

#### STEP 2: FRAME

What are the core messages you want to share? What are the core pieces of practical information that will be important?

#### Summarize the purpose of the conversation.

Be able to share what you want to discuss in a few brief sentences. Use this frame when you invite your loved one to the conversation and at the beginning and end of the discussion to ensure you've covered important points.

**Remember the “rule of five.”**

While you may be tempted to cover a lot of ground at once, too much new information can easily overwhelm your loved one. Remember the “rule of five” – in general, people can effectively absorb and retain no more than five-to-seven new pieces of information in their short-term memory. Narrowing the pieces of new information to three when you have a family wealth discussion is even better.

When you’ve determined your three-to-five “take-away” messages, see if you can edit them to one sentence each. Write them down. You may want to carry them on a card.

**Decide how you will address what you’re not yet ready to share.**

You can defer providing additional information in a straightforward manner. For example, you can say, “I do plan to share that kind of information with you in the future, but I want to be sure that first we are able to talk and understand each other at this level. I also feel it’s important to help you learn more about \_\_\_\_\_ so you can really understand that information. So I’d like to have that conversation a bit down the line. Can you work with that, knowing we will get there?”

**Bring visuals.**

Flow charts of family trusts, partnerships and corporations can help many people understand what will transfer, when and how. Summary sheets are better starting points than entire balance statements full of fine print. Financial statements with key terms and numbers highlighted – and post-it notes with simple explanations of these items – can help to unpack financial information simply for a novice.

**Keep the conversation normal.**

Every family has its own culture – the “ways ‘we’ do things.” This extends to the ways we have conversations as well. And often, these aspects of our family culture help us feel comfortable and connected. Take, for example, a supportive joke cracked at just the right moment, or important discussions held on an annual fishing trip. Conversations about wealth should feel “normal” as well. Keep the context similar to other successful conversations, and don’t feel you have to change your conversational style just because the topic may be technical.

**Connect your key messages to your goals, principles and priorities.**

The way you present technical information matters. Remember to actively frame and contextualize information in light of the positive goals and hopes your family shares.

Some helpful phrases to get you started might include:

“We are fortunate to have...”

“We made these choices to manage our assets in these ways so our family could...”

“Our financial security is important, and so we’ve made these trade-offs...”

“We hope this dollar amount will help you by...”



STEP 3: LISTEN AND EMPATHIZE

Seek to understand how your loved one thinks family wealth could or should fit into his life – now and in the future. Listen to what motivates him. And if you're not sure you are on the same page, ask again – gently.

**Be an active listener.**

In addition to using the power of quiet to make sure you're giving yourself space to listen, be sure you actively ask for your family members' thoughts on what they're hearing. And try to refrain from responding with agreements or counter-arguments in the moment. Take notes and reflect their thoughts and questions back to them. Then ask if you've understood them fully. If not, have them tell you more.

In fact, three of the most powerful words you can use in any important conversation are just those – “tell me more.” (See “Best Practice: Effective Listening” for additional tips on this important best practice.)

*“In the time it takes someone to say 100 words, we have the capacity to hear 500 to 1,000 words. This means that while we are listening, our brains are also doing other things. No wonder we sometimes miss something! To avoid this, you can consciously remind yourself to focus on what the person is saying instead of letting our mind wander.”<sup>5</sup>*

Get “in their shoes” and out of your own stories. We all bring to any conversation past scripts and assumptions about the people to whom we're talking. It's important to understand what motivates another person and how they operate. Try role reversal and see the conversation from their point of view. This builds empathy and encourages you to be more curious about the other person's perspective, which can make even the most difficult conversation possible.

WEALTH CONVERSATIONS IN ACTION

**Best Practice: Effective Listening**

As with other important conversations, talking about wealth is about listening as much as – or even more than – talking. Ideally, any wealth conversation will be a dialogue where you both listen and learn.

Effective listeners focus on others, show respect and ask questions. As a result, good listeners are able to build relationships, solve problems, avoid miscommunication and increase self-esteem in their conversational partners. True listening builds a sense of caring and positive rapport. Others also tend to hold good listeners in higher respect.

Being listened to and truly heard has a huge emotional and psychological impact on all of us. As you share and discuss financial issues, try to be a good listener as much as you are a helpful speaker. How do you become a better listener? Slow down. Slowing your response time once someone has shared something indicates you are listening and actually changes the pace of the conversation itself; your conversational partner will often mirror your approach.

**Give yourself time and space to listen.**

Take enough time. Don't try to squeeze important conversations between appointments in a busy day. It's better to have too much time and be able to talk about other things as well.

Have your conversation in a quiet, comfortable, distraction-free place. Ensure you have enough privacy that you both feel comfortable talking and listening. Turn off cell phones, smart phones and laptops. Have you ever had a great teacher who was distracted? Probably not. This is not the time to multi-task.

**STEP 4: DEFINE NEXT STEPS TOGETHER**

Focus on the fact that this is not a one-time-only conversation but the start of a "new normal" where talking about money and wealth is an ongoing process.

**Remember you do not need to address every concern in the moment.**

If you don't have an answer or need some time to think about an issue, that's fine. Just make sure that you hear them clearly and identify how you will follow up.

**Document your follow-up commitments.**

Agree on next steps and your next conversation before you finish talking. Share your commitment to follow up on any items that make sense for you to handle here – and ask which items your loved one may lead for follow up.

**WEALTH CONVERSATIONS IN ACTION**

**Understanding the Challenges of Received Wealth**

Being an inheritor can be complex. Besides learning the financial ropes, inheritors may find that wealth brings to their lives as many dilemmas as opportunities. Young people may struggle to find purpose when the need to "make a living" doesn't drive them forward.

They may feel ashamed of receiving wealth they didn't earn. Or they may struggle with keeping their wealth private so others will not think of them as "spoiled rich kids." This perception can occur even within the family. It can open a gap between parents who did not grow up wealthy and their children who are living very different lives because of the wealth their parents created. You can help the inheritors in your lives manage these challenges by staying attuned to their reactions to having wealth. You may want to ask them if there's anything about

inheriting that bothers or worries them. The examples above, common to so many inheritors, may provide good conversation starters.

For inheritors, what will matter is how wealth will affect their life and goals. And at different life stages, their goals can be different. For example, teens will focus on developing independent identities and futures. So they may relate to information in terms of how they will figure out how to "strike out" on their own. For adults with small children, preparing for the children's financial futures becomes more important, moving financial planning to the forefront. And for older family members, leaving a legacy may be a major motivator to engage in learning about family wealth.

After the conversation, summarize follow-up steps via email or notes, as well as verbally. Reach out right away to others who can help you address the items on your follow-up “punch list.” And encourage your family members to put the next conversation on your calendars, even if it’s scheduled for several months away.

**Bracket the conversation with something enjoyable.**

Be sure to shift gears after a major conversation. Spend time together with the grandkids, visit a favorite place, or just run errands together. This will help you reset and reconnect to “regular life” and comfortable norms.

**Consider annual family financial reviews.**

Consider reviews individually and together so that talking about money and wealth is a natural part of family life. This will make the more-complex conversations much easier.

**HOW TO START**

Talking about wealth and its transfer can be a difficult, complex topic. But avoiding these important conversations with loved ones can have unintended consequences. Talking about wealth with loved ones can provide the groundwork for families to maintain and enhance the family’s wealth and relationships across many generations.

You can begin a more rewarding relationship with your loved ones – and help them make the most of the gift of financial wealth – when you learn to have effective “money talks” together. Start your journey by planning an important conversation.

**Discussion Planning Tools**

You probably already have in mind one or two discussions that you would like to have with a family member or other loved one. The following worksheets may help you sharpen your focus and take the next step on your journey by planning an important conversation.



*A journey of a thousand miles  
begins with a single step.*

**LAO-TZU**

*The Way of Lao-Tzu*

**SAMPLE CONVERSATION PLANNING GUIDE**

I want to talk with \_\_\_\_\_ about

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**Type of Conversation:**

I think this conversation is best suited to a...

- Wealth-and-Wisdom Chat
- Lay-of-the-Land Conversation
- Big-Decision Discussion

When would be the best time, place and environment for this conversation? (Consider how you can make this conversation one of your family's "good normal" discussions, as much as possible.)

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**Reflect:**

What are the 1-2 outcomes that matter most for this conversation? (Go beyond wanting a bump-free interaction. What do you most want for everyone in the conversation to gain?)

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What are the personal stories and "scripts" I bring to this conversation, and how can I overcome them?

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How will I communicate in ways that address my loved one's communication preferences? (Tactics might include slowing down, using visuals, talking about feelings as well as thoughts and giving your loved ones time to think about the information before asking them to respond.)

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How might this conversation get “stuck,” and if this happens - what are some ways I can help us get unstuck?

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**Frame:**

How will I share my most important outcomes with my loved one(s)?

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How will I invite my loved one(s) to share what they most want from this conversation, so we can create a shared outcome?

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What are the 1-3 key pieces of information I want to share? How can I use open conversation skills to share these most effectively?

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**LISTEN:**

What will I do to ensure I remain a good listener throughout this conversation?

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**TAKE NEXT STEPS TOGETHER:**

What are some options for next steps I might suggest we take together to follow up after our conversation?

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ENDNOTES

1. "A Golden Age of Philanthropy Still Beckons: National Wealth Transfer and Potential for Philanthropy Technical Report," Boston College Center on Wealth and Philanthropy, John J. Havens and Paul G. Schervish, May 28, 2014, p 5.
2. "Crucial Conversations, Tools for Talking When Stakes Are High," Kerry Patterson, Joseph Grenny, Ron McMillan, Al Switzler, McGraw-Hill, June 2002.
3. "Fierce Conversations: Achieving Success in Work and Life, One Conversation at a Time," Susan Scott, Simon and Schuster, August 2003.
4. "Crucial Conversations, Tools for Talking When Stakes Are High," Kerry Patterson, Joseph Grenny, Ron McMillan, Al Switzler, McGraw-Hill, June 2002.
5. "Listening With Your Heart," Myrna M. DuBois, August 2007.



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