

Have you had "the talk" with your children?

Discussions between parents and children are not easy and get more complex as we advance to different stages in life. Regardless of how mature we think we are as the parent or the child, some discussions are just "not fun." Preparing and engaging in them creates stress and anxiety; however, not having them may result in a more devastating outcome.

The most difficult family discussions:¹

- Adulthood, independence and life choices
- Understanding death
- Relationship breakups
- Family conflict
- Finances

Not only are the topics difficult, but getting advice on how to approach them can be challenging too, especially if you are trying to hold on to family secrets. Early adulthood conversations such as the "birds and bees" may seem to be the most difficult, but later conversations about your money and estate can be equally challenging. We talk to our children about the "birds and bees" because we do not want them to make bad decisions. Using the same logic, shouldn't we talk to them about our estates so that good decisions are made to protect our legacies?

According to a 2023 survey, 63% of Americans do not have conversations with their family about money.² As parents, we are often hesitant to let our children know our net worth because we may be afraid it will cause them to be less motivated. Children may also be hesitant to have the conversation because they do not want to consider their parents' declining health or mortality. Such conversations may also become more complex when there are blended families or reasons to treat family members differently when splitting assets.

The decision to hold discussions with children individually or as a group so the messaging is consistent and clear may not be easy to make. However, failure to have the conversation could result in strained relationships between your children when you are gone, as they fight over their interpretation of your values instead of having a clear understanding from you. It could also lead to the poor execution of your wishes if things are delayed because of disagreements.

Talking to your children about your money

If we want our children to do well with our assets, we should explain what we are doing and why. Discussions about money should start by explaining your values and showing how money can be used as a resource to maintain each value. For example, if a family highly values education for themselves and others, parents should explain how their estates should be used to provide education for family members and make philanthropic gifts to help other students. Although the allocation of assets can be stated in a will or trust documents, explaining your values may motivate your children to take actions later, such as volunteering or being present to award a scholarship on your behalf.

Parents should also emphasize that their highest value is the family's relationship, and the transitioning of assets should be done in a way that keeps the family together. They should confirm that the family members they choose to execute on their behalf as an executor, trustee and/or power of attorney (POA) understand and are comfortable with the role, well in advance of needing to serve in the role. They may also choose professionals to succeed them, such as a bank or trust company, in case the role becomes too difficult and causes stress on family relationships.

You should also set expectations about what, if anything, you plan to give your children to avoid frustration later. Research indicates that there is a discrepancy between what Millennials and Gen Zers expect to receive and what baby boomers actually expect to leave them. The variance implies there is a significant difference in generational values and expectations. Including a trusted advisor such as your financial advisor, accountant or attorney may help with difficult multigenerational family discussions.

Other things your children should know

Your children, or other beneficiaries', should also know where to find key contact information and documents in an emergency. Items to cover in your discussions may include:

- Basic personal information such as dates of birth, past marriages, parent's full names, birth places, grandparent's maiden name
- Critical documents such as marriage license, birth certificates, social security cards, passports, insurance policies, pension statements
- List of assets, homes, accounts, jewelry, collectables, vehicles
- List of debts, mortgages, car loans, insurance policy loans, credit cards
- Business interests and key agreements, estate pledges
- Health insurance, long-term care insurance, etc.
- Wills, trusts, POAs and other legal documents
- Passwords
- Names and contact information for trusted advisors, attorneys, accountants, financial advisors
- Friends and relatives to inform if something happens
- Gifts and loans to family members
- Final wishes—cremation, burial wishes

Having “the talk” is rarely easy, but when it comes to finances and estate planning for our legacies, NOT having these discussions well in advance of need has the potential to create more stress and anxiety in the long run; when some event happens in our lives to make the conversation a necessity. Your Mesirow Wealth Advisor can help facilitate the conversation, and help you decide how best to begin the conversation.

¹ <https://healthfully.com/1012696-tackle-difficult-conversations-family.html>

² <https://www.nefe.org/press-room/story-ideas/2013/financial-disconnect-among-seniors.aspx>

³ <https://www.cnbc.com/2024/05/07/great-wealth-transfer-inheritance-expectations-may-not-match-reality.html>

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