



## COMMITTEE REPORT: HIGH-NET-WORTH FAMILIES & FAMILY OFFICES

By **Mark Powell & Ashley Fontanetta**

# Five Tools for Talking About Money And Values

How to break the taboo

In his article “Why So Many Americans Don’t Talk About Money” published in *The Atlantic* on March 2, 2020, Joe Pinsker started off by saying that Americans love to talk about how they hate to talk about money. Then he gave a striking statistic: “Only 17 percent of parents with an income above \$100,000 a year had told (or planned to tell) their children how much they earn or their net worth.”<sup>1</sup>

This taboo about talking about money is, in our opinion, a primary reason dissension develops among family members as the older generation ages. Even if it doesn’t lead to outright dissension, these missing conversations leave holes in the fabric of the family relationship. All of us have a relationship with our money. A family’s relationship with its money is more complex because it’s intertwined with interpersonal relationships. However, there are compelling reasons for families to throw aside the taboo and talk about their money and values.

Consider the Bowen family. The patriarch and matriarch, Kevin and Catherine, both in their late 70s, have built a successful family business and, after long deliberation, have decided not to sell it but to transition control and ownership of the business to two of their four children and the oldest of their six grandchildren. Their advisors have developed a tax-efficient plan to accomplish the transition, and they’ve skillfully crafted a shareholder agreement as part of the plan. The time has come for Kevin and Catherine to implement the plan, but they hesitate.

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Why the hesitation after careful planning? And, how would a meaningful conversation about money and values facilitate this transition?

### Maintaining Control

Geriatric psychologist David Solie writes about the secret mission of older adults that’s often overlooked in these periods of transition. He says seniors’ “developmental tasks compel them to maintain control over their lives …, and simultaneously to discover their legacy, or that which will live on after them.”<sup>2</sup> We planners think of legacy planning as something only certain clients want to do. Only a small number of our aging clients want to engage in biography and family organization projects. But, Solie and his fellow researchers suggest that most older adults already engage in legacy planning on their own. They look to organize their experiences in ways that show the meaning of their lives. This gives us some good insight into why talking about money and values is meaningful and useful to them.

Speaking with members of the younger generation helps older family members get comfortable with the idea that what they’ve built is valuable and that someone will keep it going. The secret mission mentioned above has two parts: control (giving it up) and trust (believing that someone else will keep things going). These distinct tasks aren’t accomplished consequentially. The older generation must develop a sense of both before they’ll be ready to act on transitions. This doesn’t result from one interaction; rather, it typically builds to a tipping point through repeated interactions with the younger generation. If the family hasn’t already engaged with each other in ways that add weight to the “trust” side of the scale, intentional discussions about the family’s wealth and values are the likeliest way to tip the scale.

In family situations, long-standing norms are the hardest hurdle to clear. We’ve seen parents ignore a

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successful child's achievements, and we've seen parents act as if a floundering child is well equipped because he was successful on his high school tennis team. But, when a child holds her own in a discussion about financial issues, parents often begin to see a responsible and effective individual sitting across the table. When a family discusses the values that motivate it to action and realizes that there are common motivational values even if there are also other individual motivators, the parent begins to see that part of what she built, part of her legacy, is a capable adult who happens to be her child. The term "child" simply defines the relationship; it isn't a characterization of developmental progress. When this happens, parents can begin to trust that someone will keep their legacy going. If we can develop this level of trust between the parent and several members of the younger generation, the potential for a long-lasting family enterprise begins to develop.

This paradigm shift is crucial for older adults to begin the process of letting go of control. It isn't easy for a patriarch or matriarch to recognize that: (1) there are others in the family who can take leadership roles; and (2) there will still be important roles for them if they give up some control. We've often asked clients, "What would you do with your time if you could redirect some of your energy?" This may get clients thinking, but an equally important question is, "What do you think will happen to your status in the family if you start to redirect some of your energy?" When a member of the older generation trusts that his opinions will continue to matter because the younger generation will be working toward values and objectives shared across the generations, letting go becomes easier. It frees the older generation to imagine new ways to spend some of their time and energy. Importantly, it gives them peace of mind that their legacy is in good hands.

The older generation isn't the only beneficiary of this work.

### Importance of Discussions

While the older generation gets comfortable passing on control of certain responsibilities, members of the

younger generation are engaging with each other on new and important levels. They're no longer simply people who catch up with each other at dinners a few times a year; they become family leaders who rely on each other to protect and further the family's wealth. And, the cycle repeats itself. Siblings take on responsibilities that extend beyond their immediate families, and then cousins begin to speak with each other about broader

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family concerns. Discussion of shared matters, interests and values among branches of the family tree greatly improve the success of continuing what previous generations have created for them.

These discussions are often avoided for as long as possible, and that can be a tremendous setback. We're reminded of a family foundation that became a powerful force after languishing for nearly a decade. The turning point was a facilitated family discussion about money and values in which several grandchildren realized their individual passions for sports generated a shared interest in building inner city playgrounds. At last count, the foundation was responsible for bringing playgrounds to almost 30 low income neighborhoods across the country. The patriarch and matriarch got exactly what they wanted—to see their children and grandchildren become stewards of the family wealth.

Open family discussions about money and values also help equip the younger generation for the task ahead.

Thoughtful estate plans should include a heavy emphasis on helping younger generations thrive and flourish. Unfortunately, we often see plans that use trustees and other advisors as armed guards around the



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family's assets. To thrive as beneficiaries of the older generation's plans, the younger generation needs to develop their own understanding of their family's wealth, values and traditions. If they believe they can have open discussions with the older generations, they can ask questions that help them understand the structures of the plan. For example, it's much easier for a child to see a premarital agreement requirement in a trust as a protective measure, not a restriction, if she's talked about it with the settlor. These discussions also encourage the older generation to include mechanisms in their plans that keep the plan relevant to generations who may live in different times. If the older generation's open and intentional conversations lead them to convey their values and trust

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their younger family members, they'll be more likely to include responsive mechanisms in their plans.

Presenting the estate plan to beneficiaries doesn't need to be overly complicated. A simple format can provide a roadmap for the discussion and give context to the intent behind the plan's structure. The following format has been used with great success. First, *what are my wishes for you*, which lays out the values the older generation hopes will be passed down. Second, *what are my wishes for me*, which allows the creator of the plan to describe how she would like the family to cooperate and handle the occurrence of her incapacitation or death. Last, *what have I prepared for you*, which will take the beneficiaries through the estate plan and the thoughtfulness behind it.

These discussions among family members lead to stronger planning and wealth transition. They open the door for the next generation to learn not only about their families but also about the family advisors. It takes effort to be a good beneficiary of a strong family plan. Trusts and other structures may accomplish significant tax savings for the family, but younger family members may need guidance on how to work with trustees, accountants, attorneys and financial advisors. Who better to

help than the older generation who built the wealth? And, what better time to learn about these things than as they're being designed? Involving all parties early in the process makes the plan "the family's plan," not just "mom and dad's plan."

### Five Tools

So, now the question turns to how to have these discussions. For fear of being divisive or difficult, many families avoid the conversation completely.

We've observed five tools that can help families begin or advance the discussion about legacy. These conversations require an openness and willingness to listen and share. Depending on where a family is starting from, whether they're already aligned or if they've never talked about legacy before, these tools can be used to start the conversation and move it forward. At a minimum, family members should agree to participate in these discussions and strive for a mutual understanding; one that considers the perspective of each generation and allows room to adapt to future realities. This isn't meant to be a prescriptive, nor an exhaustive, list of tools. These are, however, methods to help families define the identity and purpose that will become a strong family legacy.

**Tool #1: Level the playing field.** The process of ceding some control from older generations requires that room be made for others to rise to the occasion. When setting the stage for communicating about legacy, it's important for younger generations to feel their voice is valued. Working as a multigenerational entity is a concept explored in the book *Generation Impact* by Sharna Goldseker and Michael Moody. The authors highlight that "engaging multiple generations in meaningful roles with decision-making powers is a hard shift for most families... to make"<sup>3</sup> but that those who can "have a greater chance at longevity and relevance."<sup>4</sup> This is a time to put aside family hierarchy and give everyone an opportunity to be heard. Without wholeheartedly inviting all family members to share equally in the conversation, one can expect little involvement or buy-in from the younger generations.

**Tool #2: Find the right environment.** When the goal is to open up and share heartfelt values and beliefs, talking face-to-face can feel intimidating. Instead, talking side-by-side while on a walk or during a car

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ride can dramatically decrease the feeling of being an interviewee on the hot seat. Important conversations like these need time and space to develop. Holding a weekend retreat strictly for legacy planning can also be a valuable investment. While coming together, free from distractions, to work through a structured legacy conversation, family members may find they get even more out of the down time shared together over meals or during breaks. These invaluable moments will add to the depth of family bonding and create a more collaborative forum for defining the tenets of legacy.

**Tool #3: Engage in reflection.** Arriving at a place of thoughtful reflection will bring out the right mindset and temperament for going deeper into family values. Start out the discussion with open-ended questions that allow each individual to share her own thoughts and feelings. The closest siblings or even spouses might be surprised at how their counterpart answers the following questions:

- What's your greatest accomplishment?
- What opportunity would you want others to have?
- What was the most significant event of your childhood?
- What was the world like when and where you grew up?
- What does "wealth" mean to you? What are the challenges, opportunities and responsibilities it brings?

**Tool #4: Participate in formalized philanthropy.** Inherently, philanthropy provides an opportunity to talk about values. As opposed to ad hoc checkbook philanthropy, formalized philanthropy involves a charitable grant-making entity guided by a mission statement. Philanthropy doesn't have to be all that formal or take place through a private foundation; collaborative grant making with a simple donor-advised fund (DAF) could accomplish the same effect. Through the process of developing a philanthropic mission statement, family members will share their values and find consensus to unify under a representation of what their philanthropy will support. Resist the urge to let everyone allocate a portion of funds to whatever they want. If individual, discretionary grantmaking truly is necessary, try designating at least one portion of funds that the family must use to make grants together.

**Tool #5: Don't feel you have to go it alone.** Wealth and values conversations can be daunting to undertake, and even those who are willing to go there simply don't know where to begin. Working with an expert to provide a framework or facilitate the conversation can move families past the first obstacle of getting started. There are numerous books and resources available from a growing number of consultants that focus solely on legacy, heritage and succession planning for high-net-worth families. Finding the right person or resource may take time, but in the long run, it will pay off greatly to follow an organized plan or engage a facilitator to guide these important discussions. It's important to remember that most breakthroughs don't happen over night but rather are the culmination of many small steps forward.

### Start the Conversation

Whether you're a family member looking to start this kind of discussion at home or an advisor looking to help your clients take a fresh and deeper look at their money and values, our advice is the same. Take a step, any step, to start the conversation. Many planners suggest setting a time for at least an annual conversation. Thanksgiving is often ideal because it's a season for gratitude and sharing. Pick one of the tools outlined in this article, set aside an hour or two for a discussion and try it. Take notes and set a time for a follow up conversation to discuss reactions. Plan a responsive step such as making a gift or talking with someone about a foundation or DAF. However you choose to begin this journey, breaking the taboo of talking about money with your family will make your planning for generational wealth transfer more relevant and enriched.

### Endnotes

1. [www.theatlantic.com/family/archive/2020/03/americans-dont-talk-about-money-taboo/607273/](http://www.theatlantic.com/family/archive/2020/03/americans-dont-talk-about-money-taboo/607273/).
2. David Solie, *How to Say It to Seniors* (2004), at p. 19.
3. Sharna Goldseker and Michael Moody, *Generation Impact: How Next Gen Donors are Revolutionizing Giving* (2017), at p. 237.
4. *Ibid*, citing Kelin E. Gersick, *Generations of Giving: Leadership and Continuity on Family Foundations* (2004).