

Wealth Strategies

SILVER BRIDGE INSIGHTS

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Raising Financially Thoughtful Children

How to talk about money and wealth with the next generation

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In the next 10 to 15 years, young adults will inherit approximately \$1.5 trillion in assets. With this transfer of wealth, the importance of teaching financial literacy and fostering financially thoughtful children becomes paramount. On February 2, 2010, as part of its educational series, Silver Bridge Advisors hosted an evening event and panel discussion at The Institute of Contemporary Art. The discussion focused on how to effectively educate the next generation about the responsibilities of managing wealth.

The panel consisted of some of the nation’s leading experts on the topic, including: Dale Atkins, Ph.D., a licensed psychologist with over 30 years of experience working with families and a regular guest expert on NBC’s Today show; Janet Atkins, Founding Principal of Ridgeway Advisors, LLC, and a recognized expert in helping families and their charitable and corporate entities develop strategic and values-based methods of giving; Amy Butte, Co-Founder and CEO of TILE Financial and former Chief Financial Officer of MF Global and the New York Stock Exchange (NYSE); and Carolee Friedlander, Founder of AccessCircles, Founding Partner of Circle Financial Group, and former CEO of Carolee Designs. Each of the distinguished panel members offered a unique perspective on how to teach children about money, finance and philanthropy. The discussion was facilitated by Dune Thorne, Silver Bridge Principal and founder of the educational program, “A Woman’s Perspective.”

The panel of experts agreed that the last eighteen months have been challenging for families. The economic turmoil has led many families to re-evaluate their financial priorities and look introspectively at their relationship with money. The changes in the marketplace have also presented a unique opportunity for parents and loved ones to discuss money more openly in an effort to impart important knowledge and skills to the next generation of wealth stewards.

Starting the conversation

For many families, talking about money is taboo. Longstanding beliefs about what is appropriate and not appropriate to discuss with your partner, spouse, friends and children can result in a communication gap that negatively impacts the next generation. Without adequate financial literacy, children will likely be ill-prepared, both emotionally and financially, to handle wealth. While parents want to give their children the skills to succeed in life, many do not have a roadmap to guide them in this process.

“We have our own secret closets within ourselves about our attitudes toward money, what we were raised with, who made the decisions and what the roles were in the families we grew up in, and whether we challenge these roles as young adults or adults,” stated Dr. Atkins. She stressed that each of us are responsible for looking at our money history, identifying the

issues we are uncomfortable talking about and learning new skills for having effective money conversations with the next generation of wealth inheritors. Because talking about money may bring up some difficult feelings such as insecurity, embarrassment and vulnerability, consulting with a psychologist, wealth coach or highly trained financial advisor for support and guidance is often a wise first step.

Friedlander shared her personal experience of selling her family business and how talking with experts helped her to make sound and informed decisions regarding the transfer of her wealth to her children. She also underscored the importance of having “humble beginnings” and modeling to her children as they were growing up that money was not a measure of self-worth but a way to express your values and ideals. Her goal has always been to use her wealth to have a positive impact on the world.

Learning together

When is the right time to start talking about money with your children? The panel agreed that the sooner the better, making sure that the content of the discussion is developmentally appropriate.

According to the work of Dr. Atkins, age five is a good time to teach your children how much things cost and demonstrate how money is used to buy items for the home and the family. By age six or seven, it’s appropriate to introduce a weekly allowance to help them learn basic money management skills including setting short-term goals and how money can be split into separate buckets – one for spending, one for saving and one for giving. The general rule is that a third of the total allowance goes into each bucket. Between the ages of eight and ten, help your children open a checking account and explain the power of interest and saving for the future. In the early teen years, help them find paying odd jobs outside the home and educate them about setting short and long-term financial goals. Explain taxes and the economic concept of supply and demand. By 15 years of age, teens are ready to develop more financial independence, assess job opportunities, learn about standards of living and make major life purchases. If all goes well, by adulthood your children will have a solid financial foundation to make wise monetary decisions as well as the skills to manage and talk about money freely.

If you have not started the financial conversation yet, do not worry. You can start today. Dr. Atkins reassured the parents in the audience by stating, “You begin where you are and learn together.”

Communicating family values

J. Atkins recommends using philanthropy to teach financial literacy and communicate family values to children. She believes that by age six, children have passions that are appropriate to include in the family’s philanthropic activities. By making decisions about giving together, parents can teach young people how to analyze and make sound financial decisions, model good financial habits and reinforce core family values. This works especially well with teenagers who often feel that their opinions and values are not heard by the family. By granting everyone in the family equal voting rights, parents can level the playing field and use charitable decision making to teach adolescents about money and finance in a more palatable way.

Parents should role model healthy financial behaviors that are congruent with the stated family values. “I am very big on experiences,” stated Friedlander. She described how putting words into actions and giving young people a memorable and rewarding experience around money goes a long way in the education process. An example was provided by Dr. Atkins, who shared the story of her three year old grandson asking the adults where his left over birthday cake would go at the end of his party. When asked where he thought it should go, he said the police station. So the family

Successful Strategies for Raising Financially Thoughtful Children

Start early: Five or six years of age is a good time to start teaching children about wealth and financial responsibility. Paying children an allowance, when done correctly, is a great way to provide training on spending, saving and giving.

Start small: Involve children in family budgeting and philanthropic projects to instill skills and knowledge around the utility of money.

Link to the real world: Children need to understand what money does and how it is used in a concrete way. Use real life examples to illustrate how money is used and financial decisions are made.

Teach leadership: Use family meetings to identify, teach and reinforce family values. Help children learn how to communicate priorities and to work with others to make financial decisions that support the family mission.

Communicate on their terms: Leverage technology, blogs and social media to engage your children in a dialogue.

jumped in the car with the cake and brought it down to the local precinct. Her grandson felt great about his decision to give to others and still talks about “the guys” at the station to this day.

When it comes to communicating with your children about money it is less about saying “yes” or “no” and more about asking “why”? By being curious, you can have fruitful conversations, share your values and gain insight into your child’s understanding of money, its purpose and how it can be used to accomplish the family mission.

Learning their language

“It is not just what we say, but how we say it” that is important in reaching young adults, according to Butte. Her company, TILE Financial, is an online learning environment that helps young people better understand, manage and control their finances. It was designed to break through the communication barrier and meet the next generation where they live – in the world of technology.

There are a limited number of resources that reach out to young people and teach them about financial responsibility. Most of the financial education camps and literature do not speak their language and therefore fall on deaf ears. According to Butte, this is the first time in history that the older generation needs to learn the language of the younger generation and not the other way around.

In August of 2008, TILE Financial conducted a focus group to learn what adolescents, 15 to 17 years of age, thought of their relationship with money and the importance of learning good money management skills. The findings indicate that teenagers want an individualized learning experience, are motivated to become more financially literate and take this education very seriously. Furthermore, they are interested in socially responsible investing and have a desire for an online community to discuss wealth-related concerns. Interestingly enough, young people did not want to use current social media platforms such as Facebook to have these discussions. Instead they wanted a safe online environment where their language is spoken, their questions are answered and a place where they can develop their own financial identity.

Raising financially thoughtful children

Families need to learn how to talk about money openly, participate in saving, spending and giving together and learn to use technology to communicate with their children. The result will be an increase in the number of financially thoughtful children in the world, a greater ability for the next generation to use their wealth responsibly and the increased likelihood that family values will live on for generations to come. ■

In September, Silver Bridge is launching a beta with TILE Financial in order to offer clients a set of valuable tools to help in the educational process for families. If you are interested in participating in this pilot program, please contact Lindsay Muse at lmuse@silverbridgeadv.com.

This article was written by Kathleen Burns Kingsbury, LMHC, CPCC, Founder and CEO of KBK Wealth Connection, a company passionate about helping financial services professionals and their clients master their money mindset through wealth psychology. For more information, visit www.kbkwealthconnections.com.

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