

Talking to Your Kids About Your Wealth

How can you convey its importance and its meaning?

Provided by The William Newby Agency

Are you an owner of a thriving business or a medical or legal practice? Are you a highly paid executive? If you have children, at some point they may discern how wealthy you are – and in turn, learn how “rich” they are. How will you handle that moment? How will they handle that knowledge?

Some kids end up valuing family wealth more than others. We all know (or have heard) about children from wealthy families who grew up to become opportunistic, materialistic, and unmotivated young adults living off their parents’ largess. Other children learn to treat family money with respect and admiration, recognizing the role it plays for the family, while glimpsing its potential to help charities and the community.

What accounts for the difference? It may boil down to values. When the right values are handed down, a young adult is poised to hold wealth in high regard and receive it with maturity.

Some parents never tell their children how wealthy they really are. This is not uncommon: in a recent U.S. Trust survey of households with investable assets greater than \$3 million, 64% of those polled indicated that they had said nothing or nearly nothing about their net worth to their kids.¹

This is also a risk. In hiding the details and avoiding the talk, parents may see a child grow into a young adult who is ill-prepared to understand and manage wealth.

One good step is to set some expectations. After your kids learn how wealthy you are, they may expect your money to play a financial part in their personal lives, especially in adolescence. Tell them, frankly, what you are willing or not willing to do and why. Where will the family wealth come into their lives? Will you want to fund their college educations, or help them with car payments? You may or may not want to do that.

You can help them see that wealth has meaning. Some financial professionals like to ask their clients the question, “what does having money mean to you?” In other words, what should that money accomplish? What dreams should it help you pursue, and what fears or worries could it be used to address? How does having money fit into your vision of success – is it integral to it or inessential to it?

It has been said that money never transforms character; it simply reveals it. The responsibility of handling wealth amounts to a test of character. Thoughtful conversations with your children about the meaning of wealth may help them pass that important test when the time comes.

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Citations

1 - [reuters.com/article/us-money-generations-strategies-idUSKBN0OX1RH20150617](https://www.reuters.com/article/us-money-generations-strategies-idUSKBN0OX1RH20150617) [6/17/15]