Teaching children about money is as difficult as it is important. When a family has significant wealth, the task of educating children about everything from budgeting to bequests becomes exponentially more complicated.

This can mean educating younger children about basic money-management issues, such as the differences between debit and credit cards and the uses and possible misuses of each. Or it can mean helping young adults understand the complicated trusts, limited liability companies, and other entities that may be part of the family’s portfolio.

Though values like education, thrift, charity, purpose, and hard work are instilled in part by the experiences young people have as they move out into the world, high net worth families typically communicate their family values explicitly—and frequently—to their youngest members.

Recently, a client of The Private Client Reserve who spent a lifetime generating significant wealth was contemplating how best to share his values about money with his 16 grandchildren. A savvy estate planner, the grandfather had set up a trust to provide for their education. His grandchildren, however, came from six different families, each with its own style of communicating about money.

He ultimately decided that a family-wide discussion was the best way to communicate his concerns and values. The discussion started with some basic information about money management on an individual level. He shared his beliefs on spending, saving, and being charitable. The discussion then moved to how things might change once they were living on their own and had to make their own decisions and how a budget might help. He offered some personal tips that had helped him acquire and maintain his wealth. He emphasized the importance of being a careful steward of the family’s wealth.

The patriarch also emphasized the importance of diversification in a portfolio. Each family member was given a tool called “the quilt,” which showed the relative performance of various asset classes over time. The quilt provided the basis for a lively investments debate amongst family members.

Many high net worth families have formal meetings at least once a year. Agendas are prepared with topics ranging from the economy to the environment. Money management is frequently not the primary topic. As they plan for the transfer of wealth from one generation to another, these high net worth families are often most concerned with making sure their values are crystal clear. They want their heirs to enjoy the security that money can provide, but they also want them to lead meaningful lives and remain connected to their communities.

For example, one couple hadn’t openly discussed their wealth with their teenage children, and they were concerned the children could be vulnerable to people who might take advantage of them. They decided it was time to formulate strategies to allow the children to protect themselves while still nurturing robust friendships.

The couple put together a timeline for sharing family information. They started with the story of how the family wealth was created without giving dollar specifics. These informal discussions became more formal over time. They also introduced their children to the family’s primary advisors (their Wealth Management Advisor, their accountant, and their attorney) and encouraged one-on-one meetings. Learning to work directly with primary advisors is a critical step in the education process. It enables children to take on more responsibility, better understand their finances, and be less vulnerable. It also enables parents to focus their conversations with their children on “How are you?” rather than making the topic of money the primary focus.

Older generations want future generations to be passionate about and committed to the family values. Having open and honest discussions early and often can help families and individuals lead healthy and meaningful lives.

To learn more about how The Private Client Reserve can assist you in these discussions, contact your Wealth Management Advisor.

Jose Peris is a Senior Vice President and Christine Hansen is a Wealth Management Advisor, both with The Private Client Reserve.
Investment products, including shares of mutual funds, are not deposits or obligations of, or guaranteed by U.S. Bank or any of its affiliates, nor are they insured by the Federal Deposit Insurance Corporation, or any other government agency. An investment in such products involves risk, including possible loss of principal.

U.S. Bank and its representatives do not provide tax or legal advice. Any tax information provided reflects our opinion and is not intended to be exhaustive. Individuals should consult their tax and/or legal advisor for advice and information concerning their particular situation.

This information represents the opinion of U.S. Bank and is not intended to be a forecast of future events or a guarantee of future results. U.S. Bank is not responsible for and does not guarantee the products, services, or performance of third-party providers. Examples shown are hypothetical and are for illustrative purposes only.