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## Guest Article: Teaching Heirs About Values In A HNW Context

Steven Abernathy and Brian Luster, June 11, 2015



Steven Abernathy and Brian Luster counsel affluent families on multi-generational wealth management strategies and regularly contribute to several publications.

*Steven Abernathy and Brian Luster of The Abernathy Group II Family Office talk about how the topic of money and inheritance among family members is still taboo in many cases, the ramifications of this, and how to facilitate related conversations.*

*The views expressed belong to the authors, but Family Wealth Report is pleased to share them and welcomes reader responses.*

The oft-repeated phrase, “silence is golden,” is anything but true when the subject is one’s inheritance. Parents who don’t disclose the extent of their fortune may hope to preserve their children’s motivation and not inhibit their professional, creative, or scholastic development. While this is well-intentioned, “protecting” children from potentially shocking information could cause them to feel deceived by their parents and isolated from friends. It is crucial as a parent to ask oneself, what do I truly value? Does my life reflect that? Do I lead by example? How are household finances allocated and spent? Are conversations with my spouse tense? Open? What is my home (or homes) like? Do I speak candidly about wealth, or, are secrets being kept?

Non-verbal communication reinforces what children see and feel from an early age. If children are raised with no knowledge of a substantial family fortune, learning about one can blindside a young adult who has no context. The years of non-verbal communication may do the talking for the grantor—and backfire. It is recommended to create transparency, within reason, beginning for heirs in their childhood.

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### **When is the right time to tell a child that they are set to inherit a substantial fortune?**

The right time may be different for different families, but no one benefits if the knowledge comes as a complete shock to an unsuspecting heir. Conversations about money vary in context depending on a child's age; however, these discussions may begin as early as a child is old enough to count. As s/he gets older, s/he can be given an allowance and conversations can focus on how a finite amount is allocated. Whether it is a large or small amount is less important than discussing what the options are with the amount itself.

One effective way to delve into the conversations is to deepen it by asking heirs thought-provoking questions, such as "How much money do you think we have?" Depending on the heir's answer, the next question might be, "What do you think you would do if you were in charge of 20 per cent of that entire amount? What would do you with 50 per cent, or with the whole lot?"

By the time heirs reflect on and answer these questions, the sum total of their inheritance is slightly less important—their values around money have been articulated. As active participants in an ongoing dialogue about wealth, children will have a greater understanding of what to do with their capital as well as what it signifies for their own future as well as their heirs' futures.

### **How can parents' expectations around stewardship of wealth best be expressed?**

Conversations and actions must be consistent. If parents value work, family, or charitable giving, children should see them dedicating time to each. A child's pre-inheritance experiences through adulthood will act as the building blocks of his or her own ethics and values.

"The best way to share expectations and teach stewardship is for parents to model the right behaviors, spend time with their children and engage in important conversations and activities," said Jennifer Muntz, founder of FamilyCLO, an educational and training service.

Structured family meetings, occurring at least once annually, bring the family together for the joint purpose of continued stewardship and building family unity. They are also a forum for pre-inheritance experiences to occur and be discussed.

### **What is the best way to communicate with the spouses of heirs/eventual heirs?**

A son-in-law or a daughter-in-law, particularly if raising grandchildren who will later partake of multi-generational wealth, may have certain responsibilities related to that wealth before the heirs are of legal age (i.e., being named as a trustee).

An in-law's right of possession will vary depending on how legal documents (trusts, prenuptial agreements, and the like) are structured. However, even if the in-law in question does not have any legal claim to his or her spouse's family fortune, s/he will have an integral role in shaping the values and attitudes of the heirs s/he raises. It is wise to determine, other than what is outlined in legal paperwork, how that role works. If a grandchild stands to inherit a substantial fortune, what do sons-in-law or daughters-in-law need to know?

We recommend these conversations are factored into the family's planning process and annual meetings. For example, in-laws may be paired with those who have had a role similar to their own, as well as with a member of the family's wealth management team. It is important for all parties to be invested in supporting the vision for the family as it evolves. Once subsequent generations have access to their wealth, if they have a clearly defined purpose and family vision which they not only understand, but, have contributed to over time, this will support their success.

Disclosure from the authors: The information contained in this article is provided for convenience purposes only and all users should be guided accordingly.

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