



Children & Money

How Can We Guide Them?

By Diana Chambers

In my work with affluent families, their most frequent concerns revolve around their children. They include: How do I instill sound values in my children? How much money should I give them? How do I ensure their readiness to receive substantial sums of money? When should I talk to my children about money—and how much should I reveal?

If you share these concerns, you are not alone. We want to do the best we can for our children, and it is challenging as there is no single “right” answer to any of these questions.

As a family wealth consultant and philanthropic advisor, I find that wealthy families are most satisfied with their financial choices when they are led by parents who embody several important characteristics:

- They have a well-developed self-awareness of the role money plays in their lives—a financial consciousness.
- They know the pivotal role they play in their children’s relationship to money.
- They develop both financial consciousness and financial competence within their children.
- They talk honestly and transparently about money with their children.

This seems straightforward enough, but is far from simple. We can begin by asking an underlying question, the answer to which provides the context for all our money decisions and concerns: What is the purpose of wealth?

What is the purpose of wealth? I spoke recently to a group of articulate, affluent business owners who fell silent as they contemplated this question.

I believe there are two reasons why few had a ready response. One is that a thoughtful reply required examination of their financial choices. Careful reflection



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may be avoided in an attempt to preserve behavior that seems to suit us. In reality, clarity about the purpose of wealth facilitates alignment of financial choices with values and direction, and enjoyment of wealth increases. The other reason the question is difficult to answer concerns the prevalence of assumptions about the purpose of wealth often embraced without thought. In my case, I was offered two diametrically opposed views of my wealth by two of the most influential people in my life. My father believed my wealth was to provide for me and my heirs for generations to come, to be stewarded and preserved for as long as possible. When I wrote my first will at age 30, he told me he hoped I would “keep it in the family.” When I, with no children, wrote my second will a few years later, my attorney supported this belief when she, without asking, assumed I would want to leave a large part of my estate to my sisters.

Gordon Cosby, the man who was my primary mentor during my 30s, offered the second perspective on my wealth. He believed it was to be used for the common good. He once warned that my inheritance, when I received it, might be burdensome if I did not share it with those who had very little. He encouraged me to plan to give most of it away.

I was fortunate that these extremely divergent views sent me on an exploration of the meaning and place of money in my life.

Awareness is essential Widely held assumptions about the purpose of wealth are encapsulated in phrases so familiar we may say them, literally, without thinking.

“S/he who dies with the most toys wins.”

Accumulated wealth is a way to measure how well we have competed in the game of life.

“Eat dessert first.”

Our wealth is to be enjoyed—now.

“Win friends and influence people.”

Money buys us position and power, as witnessed by some of the enormous personal fortunes spent on political campaigns.

Self-aware parents decide for themselves the purpose of their wealth and how, therefore, to apply it. They are ready to make active financial choices rather than drift

into them or embrace another’s perspective without careful thought.

For spouses or partners, it is helpful to understand what each believes is the purpose of wealth. Recognition of shared purpose helps avoid unnecessary conflict. If parents address any underlying differences when they arise, they will have practice at resolution before they find themselves on opposite sides of a decision trying to make optimal financial choices for their children.

What role do I play in my children’s relationship to my money? When decisions are made about children and money, the two obvious elements to consider are the children and the money. However, parents are a third element, being tightly bound to both their children and their money. A parent with money who is the ultimate decision-maker is a powerful party in the dynamic. This raises a second important question about our wealth: “What role do I play in my children’s relationship to my money?”

In my experience, families that negotiate successfully the challenges of affluence are led by parents who are aware of the forces that shaped their relationship to money and the pivotal roles they play in their family money dynamics. As parents identify what formed and shaped them, they can highlight the elements of their stories they hope to replicate for their children. Similarly, they can identify what they do not want to perpetuate. For example, if a parent had to work for an allowance from a young age, she may believe this to be good discipline to be continued in the next generation. Alternatively, a parent may feel she was too young, the work was too hard and, therefore, her children should not have to work at the same age. This example illustrates how there may be no single “correct” response to such issues.

Building financial consciousness and competence Self-awareness is invaluable because it leads to new options: Each one of us can decide to start, stop or change any specific financial behaviors and so moderate our influence on our family money dynamics. Self-awareness also helps us identify how to encourage our children in our desire to ensure they are mature enough to manage

6 Questions to Ask Ourselves

- What shaped my relationship to money?
- What messages am I sending my children through my lifestyle?
- Do I want to control my children’s behavior? My money/legacy?
- Do I keep score through money?
- How do I want my gifting to be recognized by my children?
- Do I have favorites and, if so, how do I express my preferences?



10 Teaching Opportunities

Some basic guidelines might help when we relate to our children over money.

- Be direct and honest.
- Give information, especially when asked.
- Listen carefully to what children say about money.
- Reflect with children about what they do with money.
- Use multiple paths—not just money—to convey values.
- Treat children with respect and courtesy.
- Encourage children to mature until they become peers.
- Create regular opportunities for money conversations in ordinary settings, such as over a family meal.
- Include children as early as possible in estate planning conversations, with the added benefit of avoiding surprises.
- Take responsibility for personal financial decisions.

their own relationships with money. There are two types of money skills and, ideally, children will have both: financial consciousness and financial competence.

Financial consciousness is skill with the internal and relational dimensions of money. Financially conscious children know how money impacts them and their relationships. They know how to talk about money and understand the money messages they give and receive. They know how to resolve conflicts over money and how to relate to advisors. Financial competence is skill with the external realities of money. Financially competent children know how to keep track of money. They know how to set and live within a budget and spend appropriately. They are able to save and understand the value of compounding. They are smart investors and handle credit wisely. They also know how to negotiate money matters and how to make strategic social and philanthropic choices. Children who are taught to be both financially conscious and competent grow up to be financially confident.

Sharing can be daring The wealthy families who are most satisfied with their money choices have also developed a skill that is in short supply: the ability to talk meaningfully about money. The value of understanding is limited if it is not passed on to our children.

Parents often resist talking about money for a number of reasons. For example, they may be concerned that their lack of skill or capacity with money will be revealed, or they may fear that they will be vulnerable if their financial circumstances and behavior are exposed. How many of us have, at some time, asked family members to keep a financial fact secret as we are afraid our family will suffer in some way if the reality is publicly known?

One person recently told me he maintains a luxury vacation residence to which his children sometimes bring

their friends. He wants no one other than his intimate circle to know he owns this property, so his children and their friends are asked never to speak about it. He agreed it was unlikely the children maintained this confidence, but his sense of comfort increased by asking it of them. Along the way, however, the children may have picked up a number of unfortunate money messages, from “Hide your behavior and spending habits,” to “Lie if you need to maintain a financial secret.”

To talk about money in an honest and transparent way is difficult for many people, yet children need parental wisdom and guidance with money issues as much as they need help in selecting colleges or navigating relationships with boyfriends and girlfriends. Free and open conversation about money normalizes their questions and concerns.

To be an active parent in this critical area requires an increased level of comfort to talk meaningfully about money. Professional help is available to facilitate formal conversations, but parents must lead family dinner table discussions. Deeper self-awareness, as already described, is the first step to increase comfort and confidence and develop the skill to talk about money. New insight, encouraged by open dialogue, opens new possibilities. Parents can help their children mature in their relationships to money. Who knows? One day our children may thank us for all we did to help them become financially confident and wise. |