GenSpring
SunTrust Private Wealth

Money & Relationships

"Money is like an iron ring we put through our nose. It is now leading us around wherever it wants. We just forgot that we are the ones who designed it."[1]

That statement by Mark Kinney speaks volumes. It gets to the core of the power of money. Not only does money have the power to buy goods and services, money has the power to impact our daily lives and decisions, and very importantly, the power to impact the myriad relationships we have from marriages to siblings to friendships.

Every one of us has a relationship with money. However, if you think about it, money itself is neutral. It is merely paper and coins – tools we use to get what we need and want. And yet it impacts every choice, every decision – nearly every aspect of our life. If we take time to examine our attitude about money, we'll find insight into our lives and our values and how this all impacts every relationship we have.

The key to money and relationships is understanding the pros, cons, implications and impact on each relationship. There's no one right or wrong way to deal with money, but there is the need to recognize its resulting effect, and that is what we want to explore in this article.

Let's start with a simple exercise:

What words and feelings come to mind when you think about money?:

- Financial security
- Happiness
- Lifestyle
- Toys
- Retirement
- Fear
- Guilt
- Fun
- Entitlement
- Control
- Freedom
- Power
- Independence

The answers go around the block. Why is this? For the most part, our feelings about wealth are the result of how we were raised: what we heard; what we witnessed; what we experienced. Equally as impactful, our feelings are shaped by how we came into wealth.

- Did we create the wealth and want control and success?
- Did we inherit the wealth and now vacillate between happy and worried?
- Did we marry into wealth and feel guilty or empowered?
- Did we "win" the money via lottery or lawsuit and now fret over its impact?

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Every one of these questions results in an answer that has great influence on how we perceive and utilize money in our lives. And yet, in our society, talking about money has been considered taboo for generations. Today, it is easier to talk about sex than money. At a very early age, we are taught that it's impolite to talk about money, impolite to ask about a person's income, impolite to brag about having money. In some religions, money is considered the root of evil. And, regardless of religious and cultural taboos, many people simply believe children don't need to know about wealth.

Taboo or not, it has become increasingly clear that communication around money and wealth is inextricably tied to maintaining that wealth. The saying, "Shirtsleeves to Shirtsleeves in Three Generations," is one that is very familiar. The statistics behind the saying may not be. These statistics, revealed in a study by Roy Williams and Vic Preisser, show that fewer than 1 in 3 families is successful at passing wealth over multiple generations. Naturally, we think it's due to financial errors, yet those errors are the problem only 15% of the time. Sixty percent of the failures are due to lack of communication and trust, and 25% are due to unprepared heirs.[2]

In a recent study of NextGen inheritors, more than half (59%) said they would like to talk to their parents about money, while 68% said they didn't know how to start, continue or maintain those conversations.[3]

How can this be? In a time when it seems everyone talks, posts and shares everything about everyone, why is it that families cannot hold honest and continuing conversations around wealth? The short answer: Families don't know how to have these conversations and are afraid talking about money will lead to entitled children.

This is a vicious cycle. Our grandparents didn't discuss money with our parents. Our parents didn't/don't discuss with us and we don't course correct. We repeat the behavior and the result is the same: We have no discussions about money and its impact on our lives and our relationships.

Unfortunately, the truth is, if we're not discussing money and wealth with our children, no one is! In a recent study it was discovered that "while 92% of K-12 educators surveyed nationwide believe financial education should be taught in schools, only 12% do so."[4] Yet, most parents think schools are covering the subject. Children, on the other hand are learning from their parents and observing their habits around money.[5] That is a huge disconnect.

Money is a topic children will deal with throughout their lives. Financial literacy – how to create a budget, contribute to a retirement plan, understand income and property tax, etc. – is critical for every child's financial success.

THE POWER OF YOUR MONEY HISTORY

Our current behavior around money begins at an early age. It is shaped by our experiences with money during our upbringing and also by how we came into wealth.

Understanding your money history goes a long way in shaping perspective. This goes back to the concept that money is neutral, yet we allow money to create much more in the way of memories, feelings and thoughts.

Ask yourself a simple question: "What is your first memory of money?"

- Buying something with your own money
- Allowance for chores
- Pride, power, ownership
- Feeling as though the person with the money had all the control
- Mixed messages from your parents about money

As you thought about these memories, were you surprised by the emotion it evoked? Why do you think that particular memory stayed with you?

Although that first memory may be far in the past, money and our relationship with it continues to influence our current feelings about a piece of green paper. In turn, those feelings seep into our relationships. Our family, friends and society all send money messages. Have these messages been positive from which you have adopted your own money message or negative to which you have rebelled? As you explore those money messages you received growing up, what are the current messages you are giving to your children? How might your behaviors and treatment of money now influence how your children view money? What messages did you receive from your parents that you would like to change?

TEACH YOUR CHILDREN WELL

Children are like sponges; they take in everything they see and hear. It is well known that parental modeling is the No. 1 way children learn. As the parent, it is important to be conscious of the behavior you are modeling. You are helping in the development of your children's relationship with money. Model your behavior around money the way you'd like your children to behave. Children observe attitudes about money before they consciously recognize they are doing so. The old adage, "Do as I say, and not as I do," doesn't work. It is crucial to be aware of the money messages you are sending.

- Help your children understand the difference between needs and wants.
- Acknowledge that arguments over money create feelings of conflict.
- Keep the messages in sync. Parents who send different messages regarding money create feelings of confusion.
- Be willing to have discussions around family wealth. Parents who have no discussions create unprepared inheritors who may interpret this lack of discussion as a lack of trust and confidence in their ability to be responsible with the wealth.

Developing self-esteem is critical to your child's development. Parents can create an environment for the development of a strong self-esteem through exhibiting the behavior they want to encourage in their children, and by seizing opportunities for teaching productive habits. As an advisory team we encourage our clients to look for teachable moments with money and we urge parents to begin conversations with their children early.

At GenSpring, we suggest beginning to work with children as early as age five, teaching four basics: saving; spending; giving; and investing. Every child needs to learn about these basics regardless of the family's level of wealth. Have age-appropriate conversations as opportunities present themselves. For instance, take the common everyday use of a credit card. Explain to your children where the money comes from to make the card work. It is a perfect moment to teach your children about money. Another suggestion is to establish a routine of chores. Doing so has been proven to result in greater professional success.

A parent's greatest fear is that talking about money will result in spoiled, entitled, unmotivated children. However, not talking about money with children creates feelings of untrustworthiness, lack of confidence, and diminished self-worth.

Another important lesson is allowing your children to cope with adversity. This is something that cannot be taught; this type of learning must be experiential. Allowing children to fail helps them to better cope, build resilience and take on even more challenging tasks. Not allowing a child to fail sends the message that a parent doesn't trust them, a true blow to one's self esteem.[6] Clinical psychologist Dr. Stephanie O'Leary says, "Your willingness to see your child struggle communicates that you believe they are capable and can handle any outcome, even a negative one."[7]

Going back to the statistics around communication and preparing heirs, it becomes increasingly important to not keep wealth a secret. Journalist and author Ron Lieber shares a scenario where a high school sophomore delivers a keynote address about children and their questions about money. "As our elders, it is completely irresponsible and it's just blatant institutional adultism. I say this because I hear it every day, 'You're the future of this and that, Jacob. You're the torchbearer.' But how can we be the future if you are not going to teach us about money, which is our future?"[8]

Children want to understand money and be responsible. However, parents are often like a deer in headlights when children ask, "Are we rich?" Instead of telling them it is none of their business, inquire why they are asking. This allows some time to reflect on the answer and also to understand the reason for the child's question. We want our children to be able to talk to us about anything and asking about money is an important part of preparing our children to be responsible adults and stewards.

At GenSpring, we encourage open, direct conversations that are appropriate for your child's level of development. For example, your 13-year-old may be interested and able to absorb more information than another child who could be much older. Whatever the age, discussing money with children equips them with the tools to better manage their lives when the time comes. Don't let the first time your children hear about the wealth they will have to steward be when you are no longer there to mentor them.

IT'S NOT JUST THE CHILDREN

Money impacts relationships beyond our children. One of the main reasons for divorce in today's society is money. Society's lack of discussion around money creates spouses who don't understand each other's relationship to money or their money history.

For example, take Sue and Dave. Sue was raised in a family with considerable financial means. Dave's family lived paycheck to paycheck. For Sue, money represents happiness. She lavished her children with anything they wanted. Dave, however, views money as the result of hard work and thinks money should be earned, not given. As you can imagine, these differing money histories resulted in many arguments and misunderstandings and sent two dramatically different messages to Dave and Sue's children.

As advisors, we suggested Dave and Sue take time to discuss their money histories and took them through an exercise to promote that discussion. The result was a better understanding from both spouses on why each felt the way they did. It allowed them to establish guidelines for themselves as a couple and, as parents, to move forward with a more consistent money message.

It's not just the differences in the priority of spending and saving that can challenge a marriage. Other challenges can arise relating to disparity of wealth or income between spouses, or control around money. Just as we discussed in relation to children, having open and honest conversations is the beginning of addressing these challenges.

In relation to marriage, a prenup is a discussion that parents and the soon-to-be marrieds often have difficulty broaching. Many young adults are reticent to bring up prenuptial agreements with their intended. However, doing so is an opportunity to engage in discussion about finances before getting married and to create agreement around money management. To make the conversation a bit easier, we also coach young adults to liken prenuptials to buying home insurance. The hope is that it never has to be used. However, a prenup is a safety net for them personally and for their family legacy. In many instances, families of wealth will require prenuptials as part of their family risk management policy, which can also make having the conversation less difficult.

Soon-to-be newlyweds and even long-married couples might consider creating a joint financial plan as a way to open up communication about money. The plan allows them to review and manage their accounts together, resulting in financial security for each spouse. While recognizing that conversations related to money are difficult, it is important to understand that open communication is critical for every successful marriage.

EVERYDAY CHALLENGES

As a person of wealth, you may feel pressure to pay for meals and activities or make donations. This may cause feelings of resentment and confusion. Recognize in these situations, it's okay to say no. Acknowledging your personal relationship with money is an important element to consider. When you understand your feelings, it opens your eyes to the impact it has on you and your personal relationships.

If you feel bombarded by charities asking your family to donate to their cause, take a step back: Is this a cause that aligns with your family's philanthropic goals? If not, simply explain that your family recognizes the cause is important, but it does not align with their mission.

Another instance is when a friend asks for financial help. Acknowledge your understanding of the hardship, but explain you have made a personal decision not to mix money and friendships at the risk of hurting those relationships.

We also encourage being conscious of conversations around wealth outside of immediate family. Use judgment when buying expensive gifts and meals and understand the precedent it is setting. By being thoughtful about your actions, you're protecting yourself and taking a stance on the impact your relationships and your money will have. As importantly, you are teaching your children how to deal with similar situations. Clarity around this will help minimize your potential personal resentment and empower you to support the people and causes you truly want.

WE CAN HELP

Our goal is very simple: We at GenSpring want to help families begin conversations around wealth and what is important to them, and encourage the following:

- Increase your awareness about money and its meaning and talk about it with your family members
- Consider doing a "money history" activity with your spouse or significant other
- Educate your family about money management so that they become more confident and independent
- Be open and honest about your own feelings and desires related to money
- Recognize teachable moments with your children around money
- Don't be afraid to reach out for help and support

As discussed, there is just not a single relationship that isn't impacted in some way by money. Remember the Mark Kinney quote we used to start this article: Money IS powerful, but you are in charge of that power and how it reflects on you, your family and the relationships around your family.

ENDNOTES

1 Lynne Twist, *The Soul of Money: Transforming Your Relationship with Money and Life* (New York: W.W. Norton & Company, 2017)

2 Roy Williams and Vic Preisser, *Preparing Heirs: Five Steps to a Successful Transfer of Family Wealth and Values* (Oregon: Robert Reed Publishers, 2010)

3 "Creating a World With the Next Generation," Credit Suisse and Young Investors Organization, 2019

4 "Bridging the Financial Literacy Gap: Empowering Teachers to Support the Next Generation," (PWC, 2016) www.pwc.com/us

5 Sullivan, Paul. "Four Reasons Parents Don't Discuss Money (And Why They Should.)" New York Times, Aug. 2, 2019

6 Murphy Jr., Bill. "Want to Raise Successful Kids? Do These 9 Things." (Inc.com, June 30, 2017) www.inc.com

7 Stephanie O'Leary, *Parenting in the Real World: The Rules Have Changed* (Stephanie O'Leary, 2016)

8 Ron Lieber, *Opposite of Spoiled* (New York: HarperCollins, 2016)

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