

Your Money and Your Adult Children – The Challenges They Present

by Ruth Nemzoff and Wendy Weiss

Whatever kind of advice you provide, you will find yourself having to deal with middle age and older people whose financial treatment of their adult children can have unexpected consequences. Based on our experience in these situations, we suggest that you always be mindful of family dynamics and suggest that you encourage your client to talk with all family members.

As our lives lengthen, our relationships to our children change. As both we and they undergo changes so too do the issues we have to address.

None is thornier than the problem of money, our money, and its transfer to our children. There are so many decisions to make, so many questions to consider. It is not only the broad questions — such as how we divide our assets, but even the more “minor” ones. For instance, which child, if any, will be the executor or who will receive jewelry, old photos or other very sentimental items. These decisions can create tension among your

children, and even cause them to break off their relationships with each other, after you can no longer help or explain why you made the decisions you have made.

In these issues, as other family matters, it is crucial to communicate with your children. Explain your reasoning to all of your children, and then listen to their (potential) objections and/or advice. Take some time to review their contributions and select what works best for all of you. This method becomes a path to avoid hard feelings, and — worse — conflict. And it promises to foster unity in your family as decades pass and you are, unfortunately, absent.

We are going to argue that you think carefully about the key issues and discuss some of these with your children. So we would like to outline the types of issues you may want to talk to your kids about.

Our approach is designed to ask you some provocative questions so that you begin to think carefully. We suggest that you then spend some time with your partner/spouse discussing these things, and come to some kind

of agreement about all or most of them. And if you cannot reach agreement, you agree to discuss your differences with your children, not to have them make the decision, but to gather their input. Some of them are very difficult — like what does giving “equally” to each child really mean? *Does it mean giving equal amounts to each child, or does it mean giving to each according to his/her needs? And how does one determine need in an every changing economy?* Others ask you to remember that money is a symbol of so many things: status, affection, power. Its meaning has to be handled as carefully as any other of your expressions of love.

Step 1. Clarity with your partner/spouse.

Begin by talking to your partner/spouse about these issues and come to a workable agreement about both the issues themselves and the method you will use to talk about them with your children. We find it best to ask yourselves a set of questions and engage each other in discussion. This will take some time — maybe a few evenings, and a few glasses of wine.

The first issue is, of course, maintaining your independence at all stages of your lives. When

you discuss this, we suggest that you each respect the right of the surviving spouse, leaving her/him some freedom in case circumstances change. For instance, you may leave a sizable estate, but the value may drop precipitously. Or your spouse has kindly paid substantial sums to cover your medical expenses and now finds that she will have little to pay for her remaining years. Or perhaps s/he will become ill. So leave the survivor some flexibility. At the same time, you may want to protect an agreed-upon portion, or dollar sum, for your children, reserving it from a successor spouse. Develop a trust or some legal instrument that will take care of this. The rationale — remarriage has a great potential to disrupt a family. The surest way to alienate your children is to leave all your money to your new spouse.

A second and more difficult issue is how you will divide your money among your children. Many of us try to treat our children *equally*. But

“equality” has some many meanings. What does it mean to you? When your children were young, you managed to answer at least part of that question. If Janie took piano lessons and Joel played soccer, it may never have crossed your mind to compare costs. But at any gift-giving occasion, you

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knew it would be rare if they didn't compare who got what. You probably planned ahead so you could demonstrate equality in one sense or another.

The problem gets a bit more complex if you think about their lifetime. If, based on their talents, you sent one child to an expensive private college and another to a state university or a trade school, were you treating them equally? Was this fair? In what sense? Do you owe the monetary difference to the child who went to the less expensive school? When one child lost a job and needed financial help, did you give equal amounts to the others? If you took one son and his family on a trip, how did you compensate his siblings? Or did you need to do so? This is part of a larger question: Should we maintain a life-long ledger to assure "equality"? And if not, how do we show equality in other ways?

As adults, your children may have very diverse financial lifestyles or prospects. One may have more school debt than the other; one child may have more earning capacity. One may live closer so you see his or her needs more. One marries into wealth, while another goes into bankruptcy. One child spends excessively while another saves. One child is strong and healthy while another has a medical condition that prevents the individual from supporting him or herself.

This litany of possibilities corresponds to a litany of questions, or decisions

that parents need to consider, choices they need to make. How do, or can, we treat our children equally? And do we want to treat them equally? And how do we try to consider our children's feelings about all these issues as we make our decisions?

The problem is compounded when we start to realize that money has many meanings. Within the family, money *symbolizes* a myriad of factors past as well as present, and future. It can be a bond that ties, or strangles. Its availability can facilitate family get-togethers; its absence can keep families isolated. It can be a measure of success, evoking pride or possibly jealousy. It can be a divisive force that pits one family member against another.

Whenever money is given, for whatever purpose, it can inadvertently or otherwise cause tension, jealousy, or rifts as easily as it can prompt gratitude. Thus as parents, we need to think carefully about whether and how we want to *equalize* what we give our children. We suggest you think about these issues, in the context of your family. Develop a set of ideas of the way you might precede. Respect each other. Come to agreement. Yet leave open the possibility that you may need input from your children before the assets are transferred and the rifts grow.

Step 2. Meet with your children and discuss the issues

Once you are clear about the crucial issues of equality, the meaning of the transfers that you plan to make, and how you think they will impact on your children, you can move the next step. Select the issues that you feel comfortable opening up to the next generation. Agree with your partner about the set you will discuss first, and how much information about yourselves, your wealth and your plans you want to reveal.

Some families do not like to discuss money at all, especially with their children. It is a bit like discussing sex when your children were young. You may feel comfortable with the topic. And emotions can run high around it. So think about it. So, if need be, bring up only one set of issues this year, then discuss a deeper set next.

Then set up a meeting or two with your children. Depending on your family, you can start with a group meeting or meet with them one by one to start the process. You can include only your children, and not the in-marriage spouses when you discuss the issue, if it is most appropriate in your family. That would mean you would trust your child to represent the situation to the in-marriage spouse, and/or come to a decision about the in-marriage spouse's role. (Some people leave money directly to an in-marriage spouse of a child. Others do not.) OR you may decide that it is imperative that spouses understand your intent so that they do not misinterpret your motives and cause rifts.

An easy way to begin is to start with your decisions about retirement. Then move to the fact that you have planned to be independent or do certain things throughout your lives. Then you can go into the general outlines of your estate plan. This includes the fact that one of you will probably survive the other. The money and other assets will be used by the surviving spouse (mom, or dad) to live comfortably for the rest of her/his days. The children can help in ways (you can say how you would prefer this) but are asked to respect the survivor's right to independence. The survivor does not want to become a burden on any child or any in-marriage child.

Don't forget to explain that there will be taxes and costs that will shrink your estate and the wealth that is in it. Explain how you have structured the estate so that the children will have some inheritance. But they should expect at least 4% shrinkage from the entire amount that remains for the entire set of heirs.

Decide *if* you want to reveal how much money you hold or the value of your estate today. If you do, you can stipulate that that amount can change. If you will have to dip into the principal or actually use a good deal of it, let them know. Do this if you want to dispel a child's, or in-marriage spouse's, dreams of a windfall. You will be surprised at the assumptions of wealth and splendor that the younger generation imagines after your demise. Frame the discussion so

that you can encourage your younger generation to save and invest for their own aging period. Many young married people do not save nor invest much because they think they will inherit fortunes. Whatever money you have will need first to support the surviving spouse, and then it will be divided amongst all heirs. And, you will need to reveal to your children the debt that you have. In this way, your children can gain a more realistic picture of what they can expect. In addition, they can begin to plan for their own futures. Don't let it be a shock. (If you feel this might be appropriate, you can ask them how they would respond if you did not have enough money. You can tell them you want to be independent, but, if circumstances turn, you may need their help. What would they do? Having these discussions is difficult. We need to acknowledge our own vulnerability, but in doing so we give our children a chance to transform our relationship from that of adult and child to that of two independent yet caring family members.

Now, that may be enough for the first meeting. But if you think it is appropriate at this meeting, introduce one, or both of the tough issues — equality and division amongst them and/or the smaller issues that you might want to discuss. Do them in any order you like. We will just suggest a few points to consider.

Introduce the decisions that you made about the health proxy, and the executor, etc. If you have a son who is a

doctor, but choose not to make him the health proxy because you are concerned that his emotional involvement might interfere with judgment, discuss this with him so he understands. The same applies in the case of a daughter who is a judge, but is not made the executor of your will. Doing so avoids imagined hurt where none was intended. Maybe the oldest thinks he should be in charge, or one feels her sibling will protect his own interests above all others. Open discussion in advance can avoid problems. These sessions may not always be comfortable, but they will inform your decisions, and your children may come up with some interesting ideas or compromises which, of course, only you can decide whether or not to follow.

Also explain your decisions about sentimental things like photos, jewelry, ritual items, and dishes for special family dinners, etc. Ask your children if they have any feelings about the allocation of these material possessions. This can avoid problems— such as your decision to leave a worthless, but sentimentally valuable rocking chair to your daughter — who finds your offer insulting. You can have a list of things or ask them to tell you what they want. We suggest you write down the date and list each item. Then let your children come to an agreement about many of these objects. That way, decisions are made jointly, before emotions are high. And you can adjudicate, if need be. One more thing — you can revisit this decision-making process again in a few

years, if it makes sense. As grandchildren get older and start to move out on their own, some of your old furniture, or your old car, may become attractive to them. And your children may no longer want some of the things on the list. So they may move on to the list, as well.

Finally, go into the very important *equality* issue *carefully*. Tell your children how you and your partner propose to divide up the money among them. In this case especially, it is crucial to explain your reasoning to all the children. Then wait and listen to their objectives or advice. Expect your children to discuss this issue in an interested manner, as it can have a very strong impact on their lives, and their relationship to their siblings in the future. The story of Oscar is instructive here.

Oscar, a widower, had a successful small auto parts business. It allowed his wife, who had died a few years ago, to work as a community volunteer and it fed their three children. All of his children were married and had families of their own. Two had done well financially. Oscar decided to leave his company to the neediest child, his youngest, Steve, who had never done well in school, had gotten involved with drugs during his teenage years, and seemed content to work as a sales clerk in his dad's business. Oscar thought the business too small to be divided among the three.

Oscar had the good sense to discuss this with the children before he signed

the will. "I thought my children were really close until I offered the youngest the store. I felt he needed it. The others could take care of themselves. Boy, were the others upset!" They said, "You always spoiled Steve. We worked hard, but you made excuses for Steve. He never had to work for his allowance. This just continues the way you always favored him over us."

Oscar realized he had opened a can of worms. So he explained his concerns about his youngest child and was able to tell the siblings that he hoped they would take care of each other. The children agreed, and decided to consult a financial planner on how to handle the store so that Steve could be helped and the others could get their fair share. More important, Oscar saved himself from leaving a legacy of animosity.

Conclusion

As we age, our relationships with our adult children change. As they age too, there are challenges that can be shared, and resolved collaboratively. Communication is key to this process.

We have taken a few pages to talk about a very thorny problem — money — and your efforts to transfer it to your heirs. We have tried to highlight some of the most challenging issues that you face: defining the way that you can treat your children equally, and heading off the potential for jealousy and rifts that might, inadvertently, be caused by your decisions.

We strongly suggest that you think

carefully about these important, multi-faceted issues. We offered you some provocative questions and hope that you will think long and hard about your answers to them, and discuss them with your partner/spouse. We encourage you to take the process of communication further, and enter a dialogue with your children. Please present your thoughts and explain your rationale to all of your children. Then stop and listen to their responses. Expect them to be varied, with some objections and some appreciation.

Also hope that they will offer some insight to you, that you had not considered. And hope they can offer you some advice that will be useful to you and all of the family. Then select what you think will work for all of you, and implement it, if you can. Remember, the way you transfer things, and what you transfer is your love as well as your legacy. Give it kindly so your family will be strong and cohesive for the rest of their days, and through generations. And, if you feel you cannot have these discussions without professional help, seek out a counselor or financial advisor; the cost is minimal compared to the potential divisions you can cause amongst your heirs.

Note: Portions of this article are excerpted from the book *Don't Bite Your Tongue* by Ruth Nemzoff. Copyright © 2008 by the author and reprinted by permission of Palgrave Macmillan, a division of St. Martin's Press, LLC.

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