"The Awkward Conversation"

By Tommy Williams, CFP®

"We need to talk."

If the need to simply have a conversation must be announced before the conversation can even begin, what to fix for dinner probably isn't the topic at hand. I imagine some of you may feel a pit in your stomach when you hear those four words. However, you're not alone. Unfortunately, when it comes to parents communicating with their children, certain topics are simply difficult to discuss.


Tommy Williams

The *T. Rowe Price 2016 Parents, Kids & Money Survey* found that sex and death are at the top of the list, followed closely by family finances. A shortage of conversation may be at the root of some financial misunderstandings. For instance, when it comes to paying for college, 62 percent of children (ages 8 to 14) expect their parents to cover the entire cost of any college the child chooses. Yet, just 12 percent of parents said they would be able to pay the full cost of college. In addition, 67 percent of children said their parents are setting money aside so they can attend college. However, only 58 percent of parents reported they are saving money to pay for their children's college.

The disconnect between children's expectations and parents' reality may explain why 16 percent of parent respondents said they had used retirement savings to pay for college expenses and 11 percent expect to do so.

Remarkably, college isn't the only non-retirement expense where parents have spent their retirement savings. Funds earmarked for retirement have been used to pay for vacations (17 percent), holidays (15 percent), day-to-day expenses (13 percent), and weddings (8 percent).

A recently published article written by *Harvard Business Review* contributor, John Christianson, examined the importance of communicating with children about finances at an age-appropriate level. According to Christianson,

"Parents can…foster a healthy relationship between kids and family money, by following three basic principles: [First,] be transparent about your wealth. Parents should talk to their kids about family values and beliefs around money during their formative years – in an age-appropriate way. As kids get older, clearly communicate expectations about the amount of financial support you will give them. Be specific: You might be willing to cover a used car (but not a new one) or college expenses (but not grad school). Preventing your children from becoming financially dependent requires clarity and intentional

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communication about your financial contribution to their success versus their own responsibility to the outcome. [Second,] show that work is important. [This] is critical to their long-term happiness, and yours. Work is about more than just preserving the family's earning power. [Last,] foster a stewardship mindset. Teaching kids to be stewards of family wealth helps them see beyond the material things they can obtain with money and understand the power of money to effect change in the world."

Christianson concludes by saying,

"*Money conversations are often awkward, even (maybe especially) with the people closest to us. But putting them off – or never having them at all – isn't the answer. Having open, age-appropriate conversations with our children about money is the best way to set them on a path to a fulfilling and secure future."*

If you haven't talked with your children about money, it may be a good time to start. There are a lot of resources available to help you. When in doubt, give your financial professional a call for advice. There's nothing like a family meeting in your Advisor's conference room. We do it frequently.

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