5 family engagement rules of thumb

See ways to strengthen family relationships through every stage of your financial life

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Key takeaways

- Financial matters can have a significant influence on every aspect of life, yet families often avoid discussing financial topics—particularly estate planning decisions—for fear they will stir up family conflict.
- However, when it comes to financial conversations, it is possible not only to avoid conflict, but also to positively shape future family relationships.
- 5 basic rules of thumb may help families navigate money, wealth, and estate planning conversations and learn and grow together, by moving beyond traditional parent-child hierarchies and becoming peers in discussion.

Bill was a family man who could fix anything, and his children grew up counting on that. He wasn't the most communicative person, but he was a devoted father. His wallet nearly burst at the seams because it held so many family pictures.

When Bill passed away suddenly, the whole family was heartbroken. When his will was read, his daughters experienced a sense of abandonment inconsistent with the feelings they had for him throughout their lives. Their dad was so generous, and always put them first. They could not understand the choices he had made for them and their children through his estate plan. This lack of communication and confusion led to family conflict and eventually to no interaction at all. Bill could have fixed this, but he wasn't there to fix things anymore.

Bill's family story is not unique. Bill was a kind and loving father, and his family was, by most standards, close. But by excluding his children from financial conversations and decisions on his estate plan, Bill set in motion a series of unintended consequences that were passed down along with his estate.

It is a common fear that financial topics, and particularly estate planning decisions, will stir up family conflict. And sadly, traditional parent-child hierarchies and conventional patterns of secrecy about finances can sometimes lead to that. However, when it comes to financial conversations, it is possible not only to avoid conflict, but also to positively shape future family relationships. Here, I offer up a new way of thinking about discussions and decisions surrounding family finances, and 5 rules of thumb to promote conversations and growth through every stage of life.

A developmental arena

Next to health, financial matters may have the most comprehensive influence on every aspect of life. Unfortunately, similar to health matters, families tend to avoid these topics, or put them off for as long as possible. But there is a progression of financial topics through the life of a family.

Money » Wealth » Estate Planning

- In the early stages, families talk about money: What is it? How do I get it? What does it do for me?
- Later, conversations move to wealth: Are we wealthy? What does it mean to be wealthy? Whose wealth is it?
- And then estate planning: Whose wealth is it (again)? Where is the wealth going? Who decides?

Taken together, Money » Wealth » Estate Planning is a developmental arena through which all life passes. From birth to death, questions and decisions around finances are ever-present, incremental, and tend to grow increasingly complex with time. There are financial discussions around choosing a career, getting married, having children, buying a home, giving an allowance, deciding who can or will pay for college, making charitable gifts, saving for short-term needs, investing for retirement, planning for long-term care, and envisioning the financial impact you hope to have on future generations.

Each one of these life events provides opportunities for families to learn and grow together. The developmental goal is to break the silence and move beyond parent-child hierarchies to become peers in discussions about these important and sometimes difficult financial topics, through a lifetime of open conversation.

5 rules of thumb for navigating Money » Wealth » Estate Planning

A rule of thumb is a principle that helps frame complex conversations. Rather than defaulting to silence or simplicity, the 5 rules of thumb below provide general guidance to help foster reflective and relationship-building conversations, allowing families to co-create outcomes.

1. Closeness – Distance: Be mindful that every financial decision has the power to create closeness or distance in family relationships. We can all recognize what closeness and distance feel like, and can understand the differences. Close family relationships typically involve open conversations: All views are considered, everyone feels respected and cared for, and there is a sense of fairness. Distant family relationships, on the other hand, often involve a lack of communication: Some family members may feel they have no voice, they may feel judged or controlled, and they may feel unfairly treated. So when it comes to financial conversations and the decisions that surround them, ask yourself, "With what I am thinking, saying, or doing, am I creating closeness or distance in my family's relationships?"

In Bill's case, despite having good intentions, the decisions outlined in his will did not create the closeness his own behaviors generated during his life. He was not open with his family about his financial intent in general, or as he was creating his plan. Surprises in a will have great potential to create distance. By involving his family members in financial conversations and the estate planning process, he could have created peership and closeness during his life, which would have translated into closeness within the family after his passing. College, career, lifestyle, and elder-care discussions are all examples of developmental opportunities where closeness or distance can be created.

2. Voice – Vote: Giving a voice and input to others does not mean giving up the vote and final decision on outcomes.

When it comes to navigating Money » Wealth » Estate Planning, it is often difficult for families to determine who should have a voice and who should have a vote. The default parental practice on financial topics is generally to keep both the voice and the vote. When John found out his parents appointed him the trustee for his special-needs brother, he understood his obligation, but wished he had been given a voice—and maybe even a vote—in the decision.

When Sandra was told how much money she was allowed to spend on her wedding, she felt she should have had a voice. When she was given a prenuptial agreement by her father's attorney, she was confused about who should have the voice and vote.

When Tom learned his father had created generation-skipping trusts for his children—and his oldest son would have access to the money this year—he and his wife felt they lost their voice and vote in a decision that directly affected their own children. But as the legal "grantor" of a generous gift, Tom's father insisted they did not need a voice, and did not get a vote.

At every developmental stage, parents may avoid or fear giving children a voice or relinquishing the vote because it means giving up degrees of control. But as children mature and change their roles in the family, the Voice-Vote engagement between parents and children should also evolve. Giving voice in the Money » Wealth » Estate Planning arena is an important way to cultivate peership in family relationships and step out of traditional parent-child hierarchies. As children marry and form their own families, and as parents age and consider next-generation planning and age, passing along the vote becomes an important life passage. When these Voice-Vote decisions are made together, they build mature family relationships.

3. Fair – Equal: Fair is not always equal, so explore perceptions of fairness with family members. Making things equal does not necessarily make things fair. In Money » Wealth » Estate Planning, things are not always equal. Siblings do not always have the same lifestyle, capabilities, career choices, health, maturity, marriages, number of children, or life spans, and parents' circumstances and beliefs can change over time. And yet, the more differences there are within a family, the more parents seem to simply default to "fair IS equal."

When Jonathan's mother asked him if he would approve of her helping his brother financially, even though she wasn't doing the same for him, he did not know how to react at first. This turned out to be a good thing because it gave them the opportunity to talk through the family's circumstances. This allowed Jonathan to hear his mother's thinking, and her to hear his.

Jonathan's brother was less independent professionally, and his mother acknowledged that she had a role in some of his financial dependence on her. She was clear about her goal of helping the brother financially now to bring his circumstances more in line with Jonathan's current situation, and her hope to work with an advisor to set boundaries for the brother in the future. They also discussed the needs of Jonathan's family, and what he could expect financially in the future.

This scenario illustrates the importance of talking through what is considered fair. Fairness is a matter of personal interpretation, so what each person perceives as fair may differ widely. And the basis for deciding what is fair must also be clarified: Is it based on need, merit, bringing siblings' circumstances in line, or trying to treat everyone equally? Both the process and the ultimate decision are factors in the perceptions of fairness. As a result, parents should not simply declare what is fair. By involving children in the conversation and decision-making process, families can better understand the factors involved in determining what is fair.

4. Transparency – Disclosure: Balance age-appropriate transparency with future disclosures.

One of the most common Money » Wealth » Estate Planning questions is "When is it appropriate to talk about money or disclose wealth and estate plans to children?" Ultimately, this rule of thumb highlights that it is not just a question of when to disclose. How to create an appropriate level of transparency at each stage of life is equally important to finding the right balance. "Disclosures" about wealth and estate plans are often prompted by late-in-life angst, illness, or death. Disclosing decisions that have already been set in stone ensures that children feel their input will have no bearing on the outcome. Balancing transparency and disclosure encourages parents to have developmentally appropriate Money » Wealth » Estate Planning conversations with their children. This creates a sense of shared knowledge and decision-making through time, and still allows parents to hold back certain information until they are comfortable sharing it.

Paul and Jan both came from families that never discussed money, and late-in-life disclosures influenced their personal finances and family relationships. Jan was called upon to be the sole caretaker and financial decision-maker for her parents, which left her with added stress that her siblings were spared from. It also created secrecy and jealousy among Jan and her siblings because she held the financial reins and they felt excluded. Paul and Jan were determined not to repeat those outcomes in their own family. They agreed on 2 points. First, they would never refuse to answer financial questions when asked by their children. Second, they would have regular family meetings around key life events such as graduations, college choices, vacations, buying homes, having children, and longer-term financial planning.

Paul and Jan's parenting reflects the spirit of this rule of thumb. They did not feel the need to reveal their entire balance sheet or all their future plans, but their commitment to age-appropriate transparency did help them avoid secrecy and one-time disclosures of decisions made long beforehand. This approach lays the foundation for setting boundaries around transparency, testing one's own thinking, and uncovering potential unintended consequences of future planning.

5. Wish – Fear: Seek wishes in your financial decisions and actions rather than defaulting to outcomes based on fear.

Conversations and decisions surrounding Money » Wealth » Estate Planning are often laden with wishes and fears. We wish for our children to have an easier life than we did, but we fear that any assistance or knowledge of family wealth will destroy their motivation. We wish for our children to have passionate and fulfilling lives, but fear they will choose careers that cannot support the lifestyle we want for them. We wish our parents would be more forthcoming with their retirement and end-of-life plans, but we fear any conversation about the subject.

Wishes are aspirational and intimate. They tap into our deepest desires. Wishes are different from goals, which are often measured and based on what is realistic. As the flip side of wishes, fears are reactive and defensive, close our field of vision, and limit the range of action. Most importantly, fears are self-fulfilling. Wishes and fears are often in tension throughout life. Unfortunately, financial decisions made on behalf of future generations tend to be motivated primarily by avoiding what we fear, rather than pursuing what we wish.

Robert feared his musician son, Charles, wouldn't be able to make a living. This fear caused Robert to characterize Charles as incompetent, and berate him about financial responsibility. Because his father made him afraid to follow his wishes, Charles reacted rashly, in ways that only furthered his father's opinion of him as financially incompetent.

When Mark's uncle received his inheritance, he quit his job and never worked again, and his cousins followed in their father's footsteps. Mark fears money will likewise demotivate his own children, so to "protect" his family, Mark lives like a miser, never discusses his personal wealth, refuses to help his children financially in any way, and is considering giving all his money to charity.

It is important to ask "What are my fears?" and "What are my wishes?" to uncover the true motivation behind behaviors and decisions. Living like Robert or Mark is a missed opportunity for families to involve one another in their wishes about the future. Fears also erode the quality of family relationships and communications. Simply avoiding negative outcomes does not ensure positive ones. When it comes to Money » Wealth » Estate Planning, recognizing one's fears and preventing them from driving decisions and plans for the future allows wishes to play more of a role.