

Talking about money

Breaking the Taboo

Study reveals more communication is the path to unity and collaboration for ultra-high-net-worth families.

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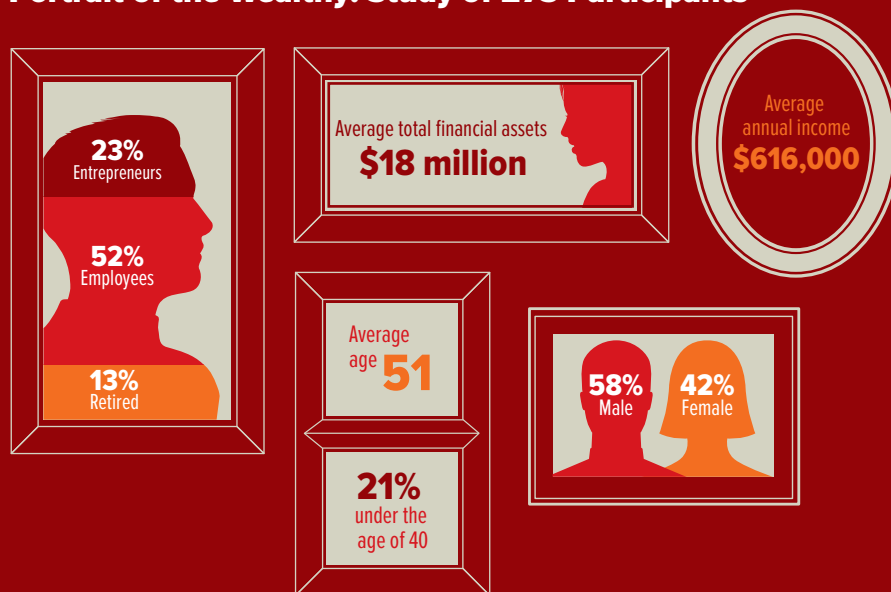
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A recent study by SEI Private Wealth Management and Scorpio Partnership explored how ultra-high-net-worth (UHNW) individuals feel about money and family—and the often-uncomfortable place where they intersect. The study, “Algorithms of Wealth,” tells a cautionary tale. A failure to communicate about wealth can be disastrous for families. For wealth preservation (and peace within the family), families must communicate clearly and across generations. The reality, however, is that many wealthy families avoid talking about money at all.

This paper shares findings and analysis from our study about issues facing ultra-high-net-worth (UHNW) investors, and offers practical strategies to help break the taboo of the “money talk.”

FIGURE 1

Portrait of the Wealthy: Study of 275 Participants



Dispelling the Taboo of Talking About Money

The taboo against talking openly about money creates a communication logjam. Asked to name the number one hurdle to achieving financial goals, 43% of respondents gave the most common reply: family disputes.

At risk are family unity and an orderly, successful generational transfer of wealth. Families don't want to go "from shirtsleeves to shirtsleeves in three generations," but taking steps to avoid it can be difficult.

Among the Top Findings:



Ending the conflict loop

While it may seem that conflict is inevitable, the truth is that more engagement, not less, leads to better outcomes.



Under 21 and in the dark

The youngest generation is largely kept out of the conversation until they become young adults. Most receive little formal or experiential education growing up.



Seeking guidance

When confronting difficult financial problems, some wealthy Americans rely solely on themselves; others turn to family or wealth advisors. Making decisions in isolation can contribute to a lack of cohesion among family members.



Ending the Conflict Loop

Disputes with family have the potential to impede life paths. More than four out of 10 study participants (43%) said they would rank disputes with family over financial strategy as a top factor holding them back from reaching their wealth goals.

While many assume that communication leads to friction, the reality is that a lack of clear, consistent communication is at the root of many family disputes. If families communicate only when there's an important financial decision on the table, disagreements and arguments are more likely.

Conflict isn't a sign of too much engagement; it's an indication there's been too little.

valuable sounding board, ease anxiety about wealth-transfer plans, and reduce the isolation some feel when making financial decisions.

A third of study participants reported feeling isolated in their decision-making, with the number soaring for those with a household net worth of \$10 million or more. Among this group, 40% said they sometimes feel isolated. Women and those who are employed, as opposed to business owners, also report feeling more isolated, at 37% and 35%, respectively.

The study results underscore the importance of a collaborative, family boardroom approach to wealth management.

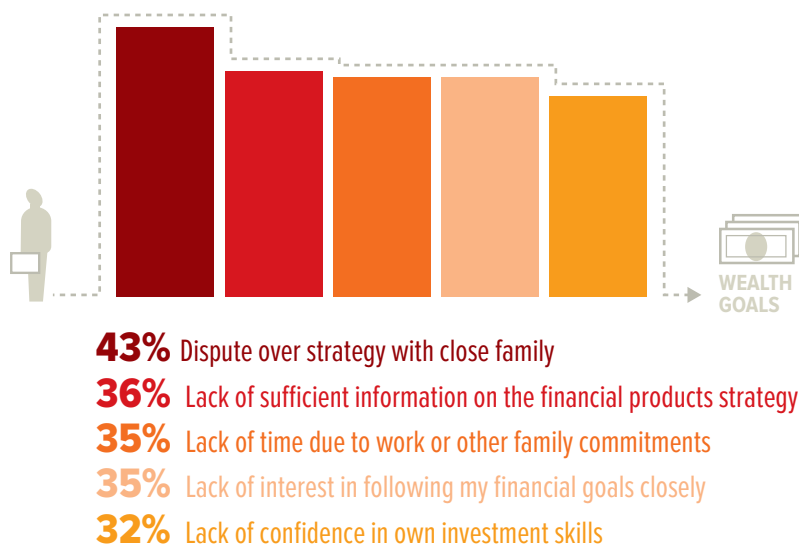
Less Isolation, Better Outcomes

Treating family as a resource and not an obstacle has many benefits. Families can provide a

FIGURE 2

Family Friction: Inside the Data

What are the main factors you believe are going to hold you back in reaching your financial goals in a given time frame?





Under 21 and in the Dark

A lack of communication is particularly strong between generations. Children and teenagers are largely excluded from conversations about important financial discussions.

Most UHNW parents (61%) believe 20 or older is the appropriate age for children to have a decision-making role on the strategic goals and investments of the family wealth. Just 9% believe it's appropriate to involve children under the age of 15.

As a result, members of the younger generation are largely unaware of major financial issues, including their future inheritance.

An overwhelming percentage of study respondents—more than 80%—said their heirs don't know how much of an inheritance they are likely to receive.

This is particularly worrisome given the vast amount of wealth that will be changing hands, with respondents reporting an average of \$18 million in financial assets.

In an interesting twist, while 85% of respondents agreed that significant wealth brings greater

responsibility, just 20% say they have provided their children with any formal training or education on family financial matters.

A Foundation for Good Decisions

While younger children shouldn't be involved in making important financial decisions, engaging kids with age-appropriate education and activities should start as early as possible. With a strong financial foundation, younger generations are better able to make good decisions for themselves and help protect the family's wealth.

Teach Your Children Well: How to Integrate Kids at Any Age—See suggestions on page 7.

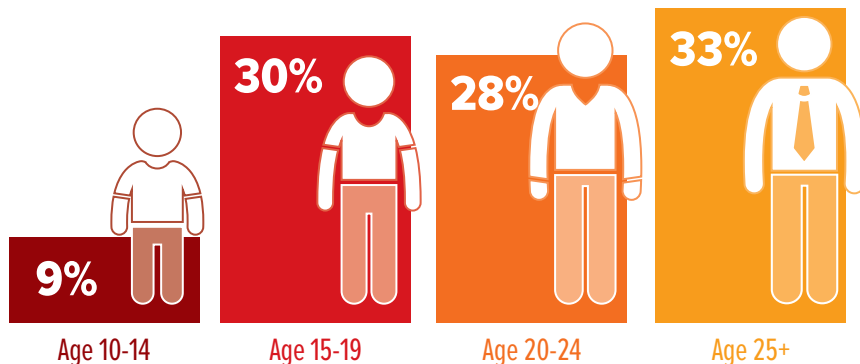
All in the Family: Inside the Data

When it comes to receiving an inheritance, the younger two generations—children and grandchildren—will receive 74% of the distribution, with children receiving 65% and grandchildren 9%. Ten percent will go to charitable causes.

FIGURE 3

The Role of the Next Generation

What is the right age for children to have a decision-making role in the strategic goals and investments of the family wealth?





Seeking Guidance: Putting Confidence in Self, Family and Wealth Advisors

When they need advice on difficult financial decisions, many wealthy individuals put their trust in professionals. Forty-four percent—more than double—relied on wealth advisors. Just 21% of respondents overall said they felt most confident getting advice from family.

Millennials are among those who turn to family; 40% said they felt most confident getting advice from relatives. Wealth advisors were a close second, however, with 38% of Millennials feeling most confident about professional advice.

Almost twice as many women as men put their trust in family (29% versus 15%, respectively).

Among all age groups, those 60 and over relied least on family. A scant 11% chose family as trusted advisors, with 53% saying they had the most confidence in wealth advisors.

family and trusted advisors, as well as relying on personal knowledge. Balanced participation among family members results in better communication practices and a more successful approach to wealth management.

Seeking advice from a broader array of courses might also help calm doubts and fears. More than a quarter (28%) of wealthy Americans are not confident they have the appropriate investment plan in place to ensure a successful wealth transition to the next generation.

Women are more uncertain than men, with a third lacking confidence about their plan, compared to just 24% of men.

The disparity in confidence between men and women underscores the importance of partners collaborating on a shared vision. The process of sitting down together and more clearly defining specific, unique wealth goals tailored to a family's priorities can go a long way in building confidence in a financial plan.

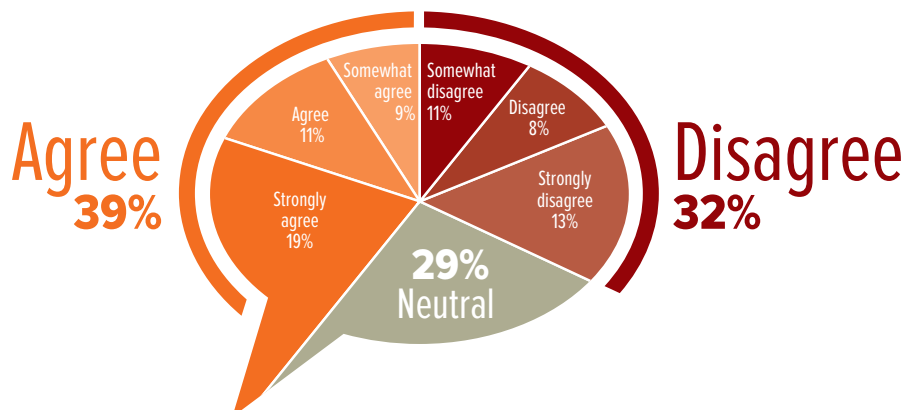
Collaborative Decision-making Eases Uncertainty and Worry

While preferences exist, the best financial decisions are typically made with input from

FIGURE 4

All Opinions Welcome — Or Not: Inside the Data

Do you agree with involving your family in the decision-making process?



Purposeful Planning: Strategies for Families

While many wealthy families are grappling with communication gaps, it's also true that they can come together, rather than be torn apart, by financial issues. The key is to approach financial planning as a collaborative activity where everyone's voices are heard.

Three Key Strategies Can Help Promote Positive Engagement and Family Unity



Goals-based investing:

Focus on identifying clear objectives for individual, family and philanthropic endeavors. This helps improve investing success and promotes better communication and understanding among family members.



Teach your children well — how to integrate kids at any age:

There are three key pillars to prepare the next generation: Choose age-appropriate activities to help kids develop their financial literacy; be mentored (and mentor others); and participate in experiential activities.



A seat at the table — building a personal board:

Adopt a “boardroom” approach that includes the entire family in developing shared goals and strategies. A structured approach that combines input from family and professionals leads to better choices and more family unity.



Goals-based Investing

Wealth is about much more than money. Families want to be sure their wealth has meaning and that family values and vision are shared among multiple generations. To accomplish this, families need a structure. One approach, pioneered by SEI Private Wealth Management, is goals-based investing.

Goals-based investing begins with assessing the current and future needs of individual family members. This helps them gain clarity and confidence about what they need, how much can be transferred to family, and how much is available to support charitable causes.

With this strategic, defined foundation, family members are better prepared to talk openly, share information and set expectations regarding wealth. They can guide younger generations and demonstrate how family values can be passed down.

Allaying Common Concerns

In addition to providing a road map for the future, a goals-based investing program can help address common concerns. For example, the study showed that the greatest source of anxiety for wealthy Americans is the fear that they will run out of money, or “go back.” Nearly six out of 10 respondents cited outliving their money as their chief fear, followed by anxiety about passing wealth to the next generation and making the right impact with philanthropy, each at 21%.

A goals-based approach facilitates regular conversation and engagement, which results in a clearer picture of both wealth and values.

FIGURE 5

Setting Goals and Priorities: Inside the Data

If you were to think ahead to 2020, what would you like to achieve in financial terms?

The following reflects respondents' top priorities now.

39%	Have enough for comfortable retirement
28%	Start my own business or have sufficient funds to support my business
27%	Have a better lifestyle for me and my family
27%	To have enough to either stop working or being dependent on income from work
27%	To upgrade to a better home and/or buy another home
24%	To raise sufficient funds for my philanthropic/charitable interests
23%	To double my net worth from today's level
22%	To be able to pay for children's (or grandchildren's) education



Teach Your Children Well: How to Integrate Kids at Any Age

Engaging children as early as possible—and keeping them engaged as they become teenagers and young adults—can help families achieve all their goals, from harmony to wealth preservation. The three pillars of family engagement are financial literacy, financial mentoring and experiential learning.

Financial literacy: Activities can be as simple as a trip to the grocery store to learn about unit pricing, or buying a child a multi-chambered bank and letting them decide how much money to allocate to saving, spending and charitable giving. There are many good financial literacy books written for kids, as well as educational websites with interactive features. Parents can also enroll their children in classes.

Financial mentoring: Another idea is to pair a child with a financial mentor. Older children can mentor younger family members, teaching them about planning and making smart choices. While parents may not think of themselves as mentors to their kids, they often are.

Experiential learning: A third strategy is to involve children in experiential learning. One way to do this is to appoint children as associate board members of the family's board of directors. By having a seat at the table, they will be part of the wealth management experience while also getting a clear sense of family values.

Exposing kids to financial issues at every stage will make them savvier and more responsible teens and adults. It will also give them a “language” to talk about money and financial issues.

Developing a comfort level early on can go a long way toward making potentially difficult discussions about money easier for them and their families.



A Seat at the Table for Family: Building Your Personal Board

Many wealthy people are familiar with how boards work in the business world, but it may not have occurred to them to take a “boardroom” approach to family communication and financial planning.

Building a personal board made up of family members and outside advisors can be a terrific opportunity to share ideas and build consensus. Even if family members have to agree to disagree, they at least know their voices have been heard and their point of view considered.

This approach to family wealth management democratizes decision-making, increases confidence in resulting decisions and provides more opportunity for early input and reaction from family members.

Simultaneously, a board approach provides family members with an education about financial management and a deeper understanding of family financial values. This is particularly important for building understanding among family members who may be younger or less financially astute.

Adding a financial-focused board of directors, which provides a more structured process and a supportive infrastructure, can also relieve undue pressure on family members who have emerged as primary decision makers and “keepers of financial information.”

Each member of the family and the family advisors are assigned a specific role based on their individual expertise, as well as metrics to define success. That way, everyone shares in the responsibility and the rewards.

A boardroom approach to family wealth management democratizes decision-making ... everyone shares in the responsibility and the rewards.

A photograph of a family of four in a professional setting. A man in a light blue button-down shirt is speaking and gesturing with his hands. A woman with blonde hair, wearing a green top, is listening. Two young men, one in a light blue shirt and one in a white shirt, are also listening. The background shows a blurred office or meeting room with wood paneling.

Putting It All Together

Loving relationships and mutual support should be at the core of every family. Yet, money and its discontents can cause families to tear themselves apart. Disagreements threaten wealth in both the near and long term, and put at risk the orderly transfer of assets between generations.

The adage of “shirtsleeves to shirtsleeves in three generations” has persisted for many years because it is not uncommon, and reflects the importance—and perils—of financial decision-making.

UHNW families are not alone in needing to develop positive ways to communicate about money. An awareness of the issues is a major first start, and goals-based investing and adopting a boardroom approach are also helpful. At their core, however, wealthy families must fight the taboo against talking about money and understand that clear, open communication can not only cement their financial well-being, it can also help enrich their relationships with those they love most.



To learn more about SEI Private Wealth Management, please visit our website at seic.com/privatewealth or call **888-551-7872** to reach a team member.

Study Methodology

SEI and Scorpio Partnership have co-led a survey program into the issues facing ultra-high-net-worth (UHNW) investors since 2011 with more than 1,200 participants since inception. This unique body of work represents the deepest insight into the hopes and dreams and concerns of America's wealthiest households.

This survey incorporates direct input from UHNW consumers through a digital survey channel. The eighth of these surveys—entitled “The Personal Algorithms of Wealth”—has focused on the attitudes of wealth holders surrounding the influences on their lives in relation to their community, their family and themselves. What, essentially, makes them tick.

In this eighth round of input, 275 UHNW individuals took part. The average total financial assets of the individual respondents were \$18 million.

This sample size is considered relevant in size and response levels for the community of UHNW investors. The quantity in this latest survey, in fact, is the largest of all the surveys to date. Indeed, overall, this survey program continues to be among the largest of its kind ever undertaken.