Money and You: Money and family harmony

by Carrie_Schwab_Pomerantz

In its purest form, money is a resource. A tool, if you will, that provides choices. Money also has a lot of symbolic power. To some people it becomes a metaphor for success or self-esteem, and for some families money becomes a way to exert power and control - or even a symbol of love itself.

This seems to be particularly true when it comes to passing on wealth to future generations. This point was driven home for me recently when a friend told me that her mother had decided on a drastically uneven split of her assets in her will. Her mom wanted to give the bulk of her estate to my friend and a considerably smaller share to her brother, since the mother considered him to be irresponsible. Adding to the situation, the mother also wanted my friend to take control of the assets she planned to leave to her son. Needless to say, this put my friend in a very uncomfortable spot.

CREATING A RIFT

I wanted to say to the mother, "How will your son feel when he discovers your plans? Your actions will say that you don't trust him, and whether you intend to or not, you'll be saying that your daughter is more deserving. Do you really want to create such a gigantic rift between your children? Do you want that rift to reverberate long after you're gone?"

Of course, the mother wasn't soliciting my advice, so I encouraged my friend to talk it out with her mother. I suggested that she let her mother know that this decision was putting her in a difficult position, with the potential to seriously damage her relationship with her brother (not to mention her brother's emotional ties to his mother). And if the mother remained adamant, I encouraged my friend to ask her mother to explain her reasoning and rationale directly to her son. In other words, she should tell mom: "Don't put me in the middle of this!"

Now let me point out that the mother might have legitimate concerns about her son's ability to handle money. But if that's the case (if her decision is based on an accurate assessment of her son's financial maturity and acumen), she does have options. She could, for example, establish a trust that would limit his access to the inheritance; the terms could specify an annual payment for life, or that the money could only be used for health care, to buy a house, or to educate his children. She could, in other words, give him the money with conditions. If she pursues this option, I'd also suggest finding an independent trustee so the daughter doesn't have to control the purse strings. This kind of financial structure is not uncommon, but it does require specialized expertise from trust and estate professionals.

THE IMPORTANCE OF HONEST COMMUNICATION

At the same time, the real issue isn't whether the son deserves the money or if he needs to have some constraints. The larger issue, in terms of family harmony, is one of communication. To my mind, secrets about money are almost never a good idea. If the son doesn't know his mother's intentions or the rationale behind them, he's in for a big and unpleasant surprise when the terms of the estate are revealed. At the very least, he's going to discover that his mother had second thoughts about him - and he's likely to resent the privileged position she conferred on his sister. My friend's mom is free to do whatever she wants with her money, but I thought it was destructive to play favorites in this clandestine kind of way, even if her intention was entirely reasonable.

There's actually a happy resolution to this story. My friend did talk to her mother about the potential consequences of her plan, and her mother took the dialogue to heart. The mother decided to be forthright with her son. She explained her concerns about his ability to handle an inheritance and the effect a windfall might have on his motivation. This served as a bit of a wake-up call for him. He started to get his financial act together by learning about investing and making some reasonable, prudent long-term plans for using the money. Open, honest communication averted a potentially disastrous rift between the brother and the sister, and dramatically improved the relationship between the mother and her son. Conversations, even difficult ones, facilitate family harmony.

If you have any wealth at all, you're going to reach a point where you have to make decisions about how you'll dispose of it when you're gone. But remember this: Even a small amount of money can have an enormous emotional impact. There's no better time than the present to talk about your decisions with the people you care about. Tell them what you're planning to do, and more importantly, tell them why you're planning to do it. In other words, don't underestimate the power of the emotional legacy you might leave along with your financial one.

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