

The 7 Elements of Family Wealth Education

The following is adapted from our new book, [Your Next Adventure: Planning for Life After the Sale of Your Business](#). The book shows you how to craft a robust transition strategy that considers your business, personal, familial, and community needs. From pre-sale to post-sale, you'll learn how to plan ahead, assemble the right professional advisors, and incorporate your values, legacy, and loved ones into every choice you make.

When you sell your business, there is no longer a paycheck coming into the household that sustains your family lifestyle or their sense of security.

The loss of that paycheck requires a psychological and emotional adjustment on the family's part, which is not a trivial issue. You, your spouse, and your children need to move up the wealth education curve so that you have confidence in your financial security and can sustain a healthy family dynamic.

When you meet with a transition advisor for your first planning meeting, be sure to inquire about the subject of family wealth education. Topics to consider including in the educational curriculum include:

- How wealth is invested outside of an operating business
- The difference between income and total return
- The goals your family wealth can support
- Expectations of wealth stewardship
- The family role in philanthropy
- Understanding the current estate plan

For many business owners, this is the first time they really think in terms of family wealth or the implications of that responsibility.

Their fears often focus on their children's preparedness, their understanding of how much money the family has, and clarity about their own wealth. The owner-parents haven't imagined the impact the money may have on their children and worry they won't know how to steward the wealth responsibly or make good financial decisions.

Discussing these areas of concern opens the door for you to explore how to approach wealth education. An advisor can offer resources available to aid parents in sharing knowledge. Children don't tend to be responsive to parental advice such as, "You've got to save money," or, "You need to have a prenup agreement." When professionals from outside the family and outside the business carry similar messages, children are often more receptive.

Key Educational Elements

In addition to the topics included above, key elements of wealth education also include privacy awareness, how to make financial decisions, and how you develop a value system independent of your wealth. You and your spouse, together with your children, should consider engaging in facilitated discussions about the various aspects of your family and its wealth. Issues discussed will likely include family history, vision, and values, as well as relationships, governance, and leadership. These meetings give you the opportunity to communicate your vision, as it relates to stewardship, for the family's future generations.

Preparation. In preparation for these family meetings, you have the opportunity to review your existing estate plan and indicate how comfortable you feel sharing that information with your children. Your advisor will offer direction as to what makes sense based on your children's ages. Agree on an agenda before the meeting after seeking input from all parties. Even if the children don't offer many ideas, it is affirming to give them the opportunity to contribute.

History and Values. This grounds the purpose of the wealth transfer and connects the discussion to a values-based foundation. Each member of your family is invited to share stories about family history, which reveal key, ideal-based components that are then used to summarize your family's values. This process often illuminates places where the relationships in your family are strong and where they may be frayed.

Family Dynamics. The natural leaders within your family tend to emerge from those conversations based on the ways you interact with one another. The discussion covers the rights and responsibilities of wealth, and that your wealth is not just of consumption value. It has a preservation and growth value as well. This is the heart of wealth education.

One of the goals of these meetings is that your children will begin to see past entitlement to the larger implications for the family. Discussion, information, and financial examples illustrate how long your family's wealth can last.

Estate Plan. Your meetings will also likely include an overview of your estate plan. As mentioned previously, these issues need to involve your children in an age-appropriate manner. What is the function of an estate plan, what does it provide them, and what can they expect to happen?

As parents, you want to know that if something happened to you and your spouse tomorrow, your children will have a trusted resource to turn to for peace of mind.

The estate plan discussion usually involves the subject of trusts, including the roles of beneficiaries and trustees, and how your specific trusts might work. Children want to know, "Is all the money I'm left from Mom and Dad in this trust? What's a trust? Is it mine? How do I get

access to it? Who are the people involved?" All these issues are part of the conversation, as well as all related topics surrounding them.

Money and Anxiety. Considerable anxiety surrounds the issue of money, so what money means needs to be addressed in context. Is money valuable in and of itself? Is it a tool? How does your family feel about money? What are your anxieties around it? Again, children's queries and replies will vary tremendously.

Marriage and Economics. Topics may also include issues around marriage, wealth sharing, and prenuptial agreements. The power dynamic in relationships is an important issue. As an example, because many of our client families have considerable wealth, one topic we discuss is the issue of falling in love and marrying someone who has grown up in a different economic circumstance in which the family may hold different values or a different understanding of the purpose of wealth. These differences can cause problems in personal and family relationships.

There may be a difference of work ethic and values between two potential partners. There may be differing ideas about how to protect and use wealth in a healthy way, which brings up questions about whether to keep the wealth of each spouse separate. Your advisor won't necessarily lead you one way or the other, but engage the family in this conversation so you can begin to consider the impact of these issues on your family's wealth.

Privacy. Another important issue is privacy. Privacy is extraordinarily important to many business owners, and they often resist being recognized as having significant wealth. It may disrupt friendships or put them in an awkward position in their community because of expectations of how philanthropic they should be. Younger generations, however, have grown up in a different environment and may not view it in the same way. The dramatic shift in how privacy is viewed and experienced can make the topic very challenging for wealthy families. Helping the next generations gain an appreciation for these sensitivities requires thoughtful communication.

You are aware that family wealth is a private matter, but your children may or may not have a good sense of this, depending on their age. Children need to understand that your wealth doesn't belong on their social media posts. As children get older, their awareness becomes less of an issue, but children in their midteens emerge from a family meeting and suddenly realize that Mom and Dad really do have a lot of money. They need to be educated to know that they don't want to be talking about the family meeting topics outside of the family.

The value of wealth education is to ensure you and your family are prepared for any number of situations, both planned and unexpected. Having confidence in your future and the security of your future is the goal of creating a personal transition plan.

For more advice on wealth education, you can find [Your Next Adventure](#) on Amazon.

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Together, at Harvest Capital, they help clients attain life goals, as well as financial objectives.