APOGEE
WEALTH ACADEMY

How to Talk to Your Kids About Wealth Without Spoiling Their Drive

Ed Harris, AWMA December 8, 2024

Having wealth brings unique joys and challenges, especially when you're a high-net-worth family. On the one hand, you've achieved financial success that can provide security, opportunities, and a legacy for your loved ones. On the other hand, managing wealth isn't just about smart investments—it's about preserving it across generations. One of the most challenging aspects? Talking to your kids about your wealth without turning them into entitled trust-fund terrors.

It's not just a parenting conundrum—it's a wealth management strategy. Raising motivated, grounded, and financially literate kids is key to ensuring your family legacy endures. It's always a better path to have open dialogue so the family is prepared for the wealth that will be passed on. Otherwise your wealth, when passed on to the next generation, doesn't carry the same impact it could have if your legacy was approached proactively. But how do you open that conversation, and what should you say to inspire responsibility rather than apathy? Let's explore.

Why This Conversation Matters

Wealth transfers between generations are fraught with challenges. An article by Forbes, notes a statistic that says it all. It is estimated that **70% of wealthy families lose their wealth by the second generation** according Nasdaq.com. Why? It often comes down to a lack of communication and preparation.

When children grow up in a financially privileged environment without understanding the effort and values behind that success, entitlement can creep in. They may assume money grows on trees—or, at least, in the family's investment accounts. Without motivation or financial stewardship, that money can quickly disappear.

The good news is that with thoughtful communication, you can teach your kids to view wealth as a tool for opportunity and responsibility, not just a ticket to luxury.

When Should You Start the Conversation?

There's no time like the present to start talking about wealth. Having a family culture that doesn't avoid the conversation of the families financial status and the values that helped create it carries a lot of weight. Whether the next generation is young or old, it's important to start now. The 3rd or 4th generation can be part of the conversation as well, and there's a lot of value in that. For young children, their understanding of money evolves as they grow. Here's how to approach the conversation based on the age group:

- **Ages 3-7:** Introduce basic financial concepts like saving, spending, and giving. Use visual aids like piggy banks or allowances to make these ideas tangible.
- **Ages 8-12:** Discuss the value of money in more concrete terms. For instance, talk about how hard work translates to income and how saving leads to long-term goals.
- **Ages 13-18:** This is the perfect time to start having conversations about budgeting, investments, and the family's financial values. Teenagers are capable of understanding the broader impact of wealth on their lives.
- **Ages 18+:** By adulthood, your kids should be equipped to discuss your family's financial plans openly. This includes estate planning, philanthropy, and their role in preserving the family's legacy.

Starting these conversations early lays the groundwork for more meaningful discussions as your children grow older. Build a culture in the family around the values you want to instill and it will improve the odds the legacy of your wealth will persist.

Key Messages to Share with Your Kids

When talking to your children about wealth, the goal is to inspire responsibility while keeping their feet firmly on the ground. Here are some key messages to convey:

1. Wealth Is a Tool, Not a Goal

> Explain that money is a means to an end, not the end itself. Use examples to show how wealth can enable education, entrepreneurship, philanthropy, and financial security. It's not about fancy cars or expensive vacations (though those might come along for the ride); it's about what money can accomplish when used wisely.

2. Wealth Requires Stewardship

> Help your kids understand that wealth isn't guaranteed to last forever—it needs to be nurtured and managed. Share stories of famous heirs who squandered fortunes and those who multiplied them through savvy stewardship. The message: wealth can vanish if it's not respected.

3. Hard Work Builds Character

> One of the most significant risks of raising children in affluence is shielding them from the value of hard work. Encourage your kids to set their own goals and pursue them independently. Whether it's getting a part-time job, starting a business, or excelling in school, earning their own successes instills pride and resilience.

4. Gratitude and Giving Are Non-Negotiable

Teach your kids to appreciate what they have and share it with others. Involvement in charitable activities can be a powerful way to instill these values. Let your children participate in family-giving decisions or encourage them to support causes they care about.

5. Our Family Values Matter More Than Our Net Worth

Reinforce that your family's identity isn't about the size of your balance sheet, but rather the principles you live by. Whether it's integrity, kindness, or creativity, tie your family's wealth to those values so it becomes part of a broader story, not a standalone metric.

Tips for Having the Conversation

Even if you've nailed down the messaging, the way you communicate it matters just as much. Here are some tips to help the conversation go smoothly:

1. Tailor the Message to Their Age

As mentioned earlier, kids' understanding of money evolves over time. Don't overwhelm young children with talk of trusts and estate plans; save that for later. Instead, meet them where they are developmentally.

2. Be Honest but Not Overwhelming

Transparency is essential, but context is key. You don't need to share every detail of your net worth with a 10-year-old. Instead, focus on broad concepts like saving, spending, and the family's commitment to making a difference. Share the vision clearly so they can be inspired by it.

3. Lead by Example

Your actions speak louder than words. If you emphasize hard work and gratitude but live extravagantly and avoid responsibility, your kids will pick up on the disconnect. Show them what financial responsibility looks like in practice. As always, actions speak louder than words.

4. Make It Interactive

Get your kids involved in hands-on financial activities. For younger children, this could mean helping them save for a toy. For teenagers, discussing how to budget for whatever expenses and spending they are responsible for, or encouraging them to invest in a custodial account.

5. Bring in Professionals

Sometimes, it helps to have a third party involved. Financial advisors, family wealth counselors, or estate planning attorneys can provide an objective perspective and help your kids understand the technical side of wealth management. Apogee Wealth Academy has some great resources that can assist as well.

Common Pitfalls to Avoid

Talking about wealth isn't always easy, and falling into certain traps is easy. Here are a few to steer clear of:

- **Avoiding the Topic Altogether:** Silence breeds assumptions, and those assumptions may not align with your intentions. Be proactive about starting the conversation.
- **Being Too Vague:** While you don't need to share every dollar and cent, being too vague can leave your kids unprepared for their responsibilities.
- **Overloading with Information:** On the flip side, don't drown your kids in financial jargon. Break it down into manageable chunks over time.
- **Using Wealth as a Weapon:** Never threaten to withhold inheritance or support as a form of discipline. It creates resentment and undermines trust.

Success Stories: What Works

Some of the most successful families have developed creative strategies for passing down wealth while raising motivated children:

The Buffett Approach: Warren Buffett famously pledged to leave his kids "enough money so that they would feel they could do anything, but not so much that they could do nothing." Consider structuring your estate in a way that encourages independence while providing a safety net.

Family Meetings: Many wealthy families hold regular meetings to discuss financial plans, philanthropic goals, and family values. These gatherings create a sense of shared purpose and help demystify wealth. During these meetings it's great to have open conversations about who will bear responsibilities for assisting in managing the families wealth both now, and after the passing of the 1st generation.

Philanthropy as a Teaching Tool: Involving your children in giving decisions teaches them the joy of generosity and shows them the impact wealth can have on others' lives.

Final Thoughts

Talking to your kids about wealth is one of the most important investments you can make—not in dollars, but in their character and future. By framing wealth as a responsibility rather than an entitlement, you're setting the stage for a legacy of financial security, purpose, and meaning.

Remember, the goal isn't to hide your wealth or flaunt it. It's to empower your children to manage it wisely and use it to lead fulfilling lives. With open communication, consistent values, and a bit of patience, you can ensure your family's success lasts far beyond your lifetime.

So, grab a cup of coffee, take a deep breath, and start the conversation. Your family's future will thank you for it.

References:

1. Nasdaq.com, "Generational Wealth: Why do 70% of Families Lose Their Wealth in the 2nd Generation?"
2. *Schroeder, Alice, "The Snowball: Warren Buffett and the Business of Life"*
3. National Endowment for Financial Education, *"The Effect of Financial Literacy and Financial Education on Downstream Financial Behaviors" Daniel Fernandes John G. Lynch, Jr. Richard G. Netemeyer, June 2, 2013*

Ed Harris

Ed Harris is the Founder and CEO of Apogee Wealth Management and the driving force behind Apogee Wealth Academy, a 501(c)(3) nonprofit dedicated to financial education. With over 20 years of experience, Ed helps clients navigate complex financial landscapes and achieve their goals through a holistic approach that considers financial, emotional, and psychological aspects of financial decision-making.

Beginning his journey in ministry at age 15, Ed developed a deep commitment to uplifting others. He and his wife, Melissa, raise their five children with values centered on health and personal growth. An advocate for financial literacy, Ed actively participates in community initiatives to empower underserved populations, striving to create a world where everyone can make informed financial decisions.

apogeewealthacademy.com

248.686.1858