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MARKET MATTERS: Have you had the conversation yet?

By Joseph Matthews
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Photo: Contributed Photo Joseph Matthews

No, not that conversation. As difficult as that one may have been with the kids, parts of this one may very well be just as difficult.

So what conversation am I talking about? The ongoing one you should be having with your children about money— your money and their money.

Based on a study done by research firm Cerulli Associates, 45 million U.S. households will transfer $68 trillion in the next 25 years. Owners of this wealth will intentionally pass much of this wealth to Generation X, Millennials and charities of their choice. Of course, the government will get its share — and in some cases much more than its share from those of us who plan poorly.

So what to do? Start early. The earlier you start with your children the better for everyone. Playing board games such as Monopoly with your grammar school-aged children can be a great way to give them a sense of how the decisions they make have financial ramifications. They'll gain that understanding as they experience the emotional highs and lows that come with their victory or defeat — and hopefully learn that well-founded decisions lead to better outcomes (victory) than wild guesses.

Another tried and true method is gifting to your child — and encouraging relatives to do so — possibly shares of a company so that they have actual ownership of an asset. Additionally, encourage your children to put some of their own money into their investment account to give them more skin in the game. This will take their experience with money from the theoretical to the real. By seeing their investment rise and fall with the markets through cycles and unpredictable events, they will learn many valuable lessons that can make them better investors and savers.

Some of these lessons include: time is your ally, patience prevents rash decisions based on emotions, compounding your gains is the 8th wonder of the world and dollar cost averaging smooths out returns.

Although money doesn't buy happiness, it does afford us flexibility. This flexibility comes in many forms, such as where and when we can retire, the schools our children can attend, and how much we can give to our children and the charities of our choice while alive and after we pass. Helping our children develop a healthy relationship with money should enlighten them to the idea that making good decisions about their money can be a big factor in avoiding the pitfalls many of us fall in to — like under-saving or overspending.

Why then do so few of us put this conversation on the back burner? Studies have shown that almost two-thirds of investors have not discussed how they are going to pass along their assets or even have a will!

It's because money is a very emotional topic. Many of us were taught that it's rude to discuss money with others. We think that by being private with our children about money we will help them learn to better appreciate it. Deep down, we all know that's not how it really works as education trumps ignorance all the time. So go ahead and have that conversation — it may not be as bad as you might think.

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