

## Topic 10

# TOUGH TALKS ABOUT MONEY

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Talking about your finances with your adult children over the years will help prepare them to handle their own finances. It will also position them to help you with yours if you ever need it.

As you age, it becomes more and more important to let your adult child(ren) know how you're doing. How does your financial picture look for the rest of your life – even if it's not ideal?

Of course, some financial topics are harder to discuss than others. Talking about debt and other financial challenges can be difficult. It can be equally difficult to find out about your children's challenges. Yet these are conversations well worth having.

Would you like to learn more about improving your financial situation? Read: [Tips to help you pay off your debt.](#)

## What's to talk about?

### A. **How can you find out the financial situation of your adult children to ensure they are secure for the future, without offending them?**

One of the best ways to learn more about the financial situation of children is to share examples from your own experience. When did you start saving for your first car? Your first home? Retirement? Have you ever gone through any tough times? How did you get back on track? Sharing these insights can encourage open conversation with your child(ren) about their financial challenges.

Remember you can only take a conversation as far as your child(ren) will allow. Here's how to get started.

#### *If you are parents of adult children:*

- Watch for natural openings to begin talking about money with your child(ren). For example, perhaps they will share a story about a friend or someone they know who is struggling financially.
- Talking about saving is a good place to begin. Share with your child(ren) how you learned to save. How old were you when you started? What was your monthly income and how much of it were you able to save? What were your goals? As you talk about your experiences, you can ask your child(ren) about their own financial goals and how they're doing in saving to reach them. How hard is it to save? What holds them back? Be curious about their experiences and challenges.



- In another conversation, you could talk about spending. Share with your child(ren) if you have a budget and what choices you have to make sometimes to live within your means. If you have a lot of income or wealth now, can you talk about an earlier time when perhaps you didn't? What have you learned over the years? Then you can ask your child(ren) if they're able to stay on budget or if they're finding it hard to stay on track. Again, be curious.
- You can also talk about times when money was tight, or you found yourself with extra debt. How did you work to get back on track? Then you can see if your child(ren) are comfortable sharing any difficulties they may have had or be having now.
- You can also have a general conversation about sound financial practices, like paying credit card balances off. Have you ever had a time when you weren't able to do that? What's your approach to using credit cards? Then ask your child(ren) how they manage their credit cards.
- Another topic to bring up is financial planning. When in your life have you sought financial advice? Who did you talk to? How did the advice help you? Then you can ask your child(ren) if they have a financial advisor and what they've learned from working with them.



*If you are an adult child:*

- Recognize your parent(s) may want to learn a bit about your financial situation so they can develop the best plan to transfer their wealth to you. You don't have to disclose details if you don't want to. But letting them know what your financial goals are and how you are doing can be helpful.

**B. How can you discuss and share the status of personal finances that are not ideal with your adult children without it causing worry and concern? What if you are struggling or need help and feel embarrassed about discussing your personal financial situation with your kids?**

This can be one of the most difficult money talks to have with your adult children. Don't wait for a crisis to get started. Your age and stage of life can guide how much you'll share. Here's how to start the conversation to make it less awkward – and to avoid worrying your adult child(ren).

*If you are parents of adult children:*

- A few years before retirement, share your retirement plans and how you're doing on meeting your financial goals. If you are worried about having enough income, you can let your child(ren) know what options you are looking at to help make your money last. If you have a financial advisor you can share what actions they have suggested you take.



- A few years into retirement, plan another conversation about how things are going and how the next decade looks. Let your child(ren) know where you have gaps. For example, have you built up your savings and budgeted well – but you still have an expensive mortgage? Were you laid off a few years before retirement, so you have not saved as much as you planned?
- As you get further into your senior years, you may need to have another conversation about where you are, how long your money will likely last and what kind of help you may need in the future. If you are worried about outliving your savings, are there ways to cut back your expenses? By opening up the conversation, you give your adult child(ren) the opportunity to offer help – both non-financial and financial.
- If at any time you don't think there will be enough money in your estate to repay debt or pay your final taxes after your death, it's better to let your child(ren) know rather than have surprises later. There may be steps they can take to help ease the situation. After your death, your executors and family members should consult with a Licensed Insolvency Trustee (LIT). The LIT is legally authorized to wind up your affairs and deal with your creditors. This will remove the burden and financial risks that would otherwise fall to your executors.



### *If you are an adult child:*

- If your parent(s) need help, you will need to look at your own financial situation and see what you can do without putting your own goals in jeopardy. Once you know what's possible, you can ask your parent(s) what kind of support would be most helpful. For example, do they need help budgeting? Downsizing? Or moving to a different area where living costs are lower? These are just some of the non-financial ways you can help. If financial help is needed, set limits based on what you can afford. You may need professional advice to balance your own financial needs with those of your parent(s).

### **C. What if you see some irresponsible financial practices in your kids – how can this be brought up and addressed without offending them?**

Does your adult child have trouble with credit cards? Are they behind on their rent or mortgage? Spending beyond their means? You may be tempted to give them advice. However, unless they ask for it, save your breath.

However, if they ask you for financial help, you may have an opportunity to provide some tips on managing money.

Recognize this can be a very sensitive topic for your child(ren). Make it a conversation, not a lecture. Here's how to get started.

### *If you are parents of adult children:*

- If you want your child to learn how to manage their money, start by helping them learn from their past money mistakes – so they can do better in the future.

- Ask your child(ren) open questions that encourage them to find solutions. For example, if they ask you for help with car payments, you can ask: “Do you know how much your car is costing you every month? Have you looked into other options? How much could you save?” Or, if they ask you for a loan to cover their rent or mortgage, you can ask: “Do you know where your money goes every month? How much you’re spending on groceries? Entertainment? Your phone?” There are banking apps that can help them track their spending and warn them when they start to go over budget.
- Ask your child(ren) if they’re open to help with budgeting. Sit down with them and go over every bill and debt they have. Compare their spending with the money they make. Then help them figure out exactly how much money they need to balance their budget.
- Suggest ways your child(ren) could reduce their expenses. Is there a cheaper phone plan? Can they use public transit more and park the car? Can they cut back on entertainment by finding fun activities that don’t cost a lot?
- You can also recommend they visit a not-for-profit credit counselling agency to get some advice.
- Whether you decide to help your adult child(ren) financially is up to you. In some cases – if your child is ill, for example – it may be necessary. But most financial advisors suggest never put your own financial security on the line to help your adult child(ren). If you do, be sure to set clear expectations about what help you can offer and what you expect in return from your child(ren).

### *If you are an adult child:*

- If you ask your parent(s) for money, be sure to discuss a realistic plan to pay them back.

Also remember it opens the door for them to discuss your finances. You can look at it as an opportunity to have a productive conversation about how you’re going to turn things around. They have a lot of life experience to share if you’re open to listening.



- If you need money for a basic necessity, like paying rent or buying food, be honest about why you're in this situation. Don't just ask for financial help. Tell your parent(s) what you're going to do differently in the future. Ask them for any advice they can offer to help you improve your situation.

#### D. **How can you discuss money and finances with adult children if you do not want to share all the details?**

How much should your kids know about your finances? If you're not comfortable sharing details, it doesn't have to be a lot. The bottom line is to let them to know if there's anything they need to worry about.

As hard as it can be to admit to your child(ren), they need to know if you're struggling financially. If you're doing OK, the main thing to share is that you have all your legal papers in order and a plan in place. Here's how to start the conversation.

#### *If you are parents of adult children:*

- If you are healthy and still working, you don't need to go too far down into the weeds. Give them a basic understanding of your situation. Have you saved enough for retirement? Do you have insurance? Have you prepared your legal papers, like your will and Power of Attorney?
- If you've done well financially and you intend to pass an inheritance on to your child(ren), you can let them know. But again, you don't have to give details. This leaves you free to adjust your plans in case you have unexpected medical bills, or you decide to leave more money to charity.
- If you plan to help your child(ren) in the near future, consider letting them know. For example: Are you planning to pay for their weddings? The down payment on a home? Education for a grandchild? Your child(ren) will be able to make better financial decisions if they know your plans.

- As you age or develop health issues, you may want to disclose more details about your situation. Some advisors cite the “40-70” rule. By the time you are 70, or your oldest child is 40, you have shared and discussed your finances fully with your family. If you have a financial advisor, you may want your child(ren) to meet them.

### *If you are an adult child:*

- Your parent(s) may not be comfortable talking about money. But as they age, they may need more help in managing their finances. Try to make it normal to discuss financial matters over the years.
- By the time your parent(s) are in their 70s, you may need them to share more details about their financial situation – if only so that you can help them and/or carry out their wishes. This can be done over several conversations, working from the general to the specific. For example: Are they confident they have enough income for their retirement? Or are they worried? Do they have an estate plan and a will? What are their thoughts about passing on property like a family cottage? A family business?
- Always let them know your goal is to be able to help them and to honour their wishes as much as possible.





