Wealth Insights

The **taboo** of **talking** about **money**

Why being open about wealth matters, matters

CHARLES STANLEY
Wealth Managers

The wealth of the nation

At Charles Stanley, we're committed to understanding how people feel about their finances. So, we commissioned an independent survey.

In particular, we wanted to uncover a range of views from high-net-worth individuals (HNWIs): from how they feel about discussing money with their families to the value of financial planning and investment advice in today's challenging economic environment.

The majority of those surveyed are planning to pass their wealth to the next generation. But 22% are yet to have a conversation about it with those who will be affected and 14% say they will never discuss their plans with the family. A healthy 64% have already discussed their legacy plans with those who will be affected. Conversations within the family are key if we are to prevent a sense of hurt or disappointment down the line and potential challenges to the will. The beneficiaries could also benefit by understanding the testator's vision for how they want their legacy to live on.

Research methodology

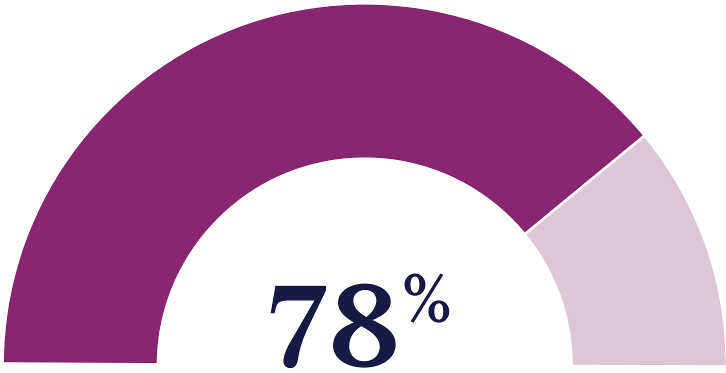
The research included a detailed set of questions along with a series of nine individual interviews. The project accessed a robust sample of the market, revealing attitudes and behaviours related to spending, saving and investing. Some prominent themes emerged from the results, which we're exploring in a series of guides and reports.

Unless otherwise stated, the figures in this document are from an online survey undertaken during September and October 2022. Sampling involved 203 HNWIs, which we define as those with more than £500,000 of investable assets.

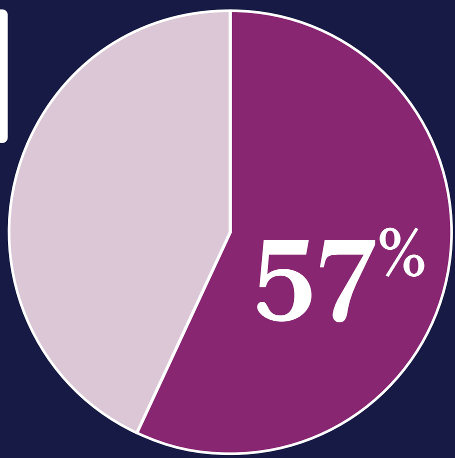
In addition, we spoke to nine HNWIs to gather their personal stories and experiences. This part of the research involved asking them to complete some preparatory work and then interviewing them virtually. We selected this group to be geographically and demographically representative of the UK population.

Key findings

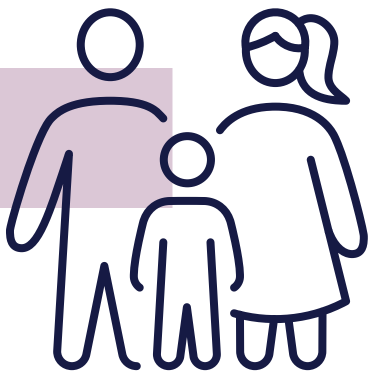
78% of survey respondents say they feel comfortable talking about money with others.



57% of survey respondents are not convinced people talk about money enough.



More than half of survey respondents do not feel comfortable talking to their families about money.



Note: based on a multiple questions so figures add to more than 100%.

Does talking about money really remain a taboo?

As a nation, the British have a reputation of shying away from talking about money and wealth in general.

It is seen as coming across as bragging to those who aren't as well off. There is the fear of embarrassment in finding out you might not be as wealthy as your peers. Others fear it will make you a target for criminals if the true extent of your wealth were known.

Yet 78% of our HNWI respondents said they were comfortable talking about money with other people.

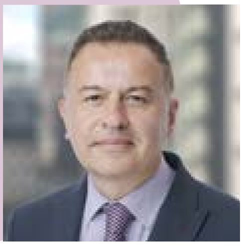
However, this falls to less than half when it comes to discussing finances with family members as this topic can be fraught with tension. Mentioning inheritance, the management of a family business, or tax responsibilities has turned many a dinner-table conversation into an awkward silence.

Why the reticence?

The chief reasons given for this caution are related to discretion. About a third of those surveyed wanted to keep their private affairs private. A quarter said they hesitate because other family members or even outsiders might find out about their financial affairs.

Conversations within families about money are important when we consider 69% of HNWIs are financially supporting family members. Meanwhile, many of us have heard stories about siblings fighting over an inheritance or future business ownership: the hit TV show Succession is so enthralling because it presents a blow-by-blow account of discussions that usually take place in private. Yet by having an open dialogue in advance, plans can be made to set your family's wealth and long-term interests in good stead. Avoiding the topic completely could have a long-term detrimental effect on family wealth and family relationships.

These are the themes explored in this report.



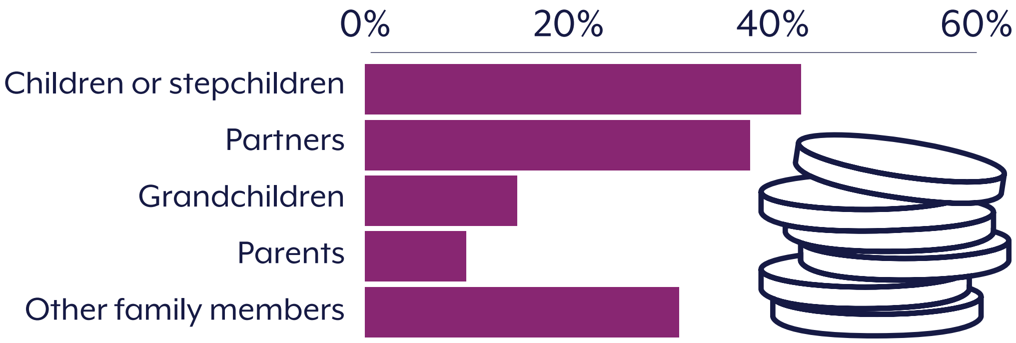
JOHN MOSELEY
Financial Planner
Charles Stanley Leeds

Family fortunes

HNWIs are generous with their wealth and most (86%) are happy to support their family and friends.

Only 3% said it was a cause of stress to themselves while the remainder said they were ambivalent about providing financial support if it is necessary.

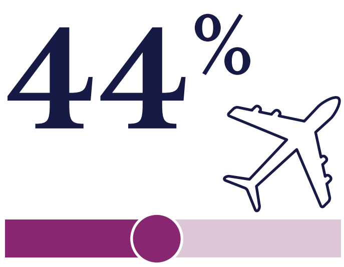
HNWIs supporting their family financially:



Note: based on a multiple questions so figures add to more than 100%.

The bank of mum and dad

When it comes to supporting their children, the chief reasons are not much of a surprise: paying for their education (38%), helping them to buy a property (29%), and helping with day-to-day expenses due to the cost-of-living crisis (27%). But the joint top reason (38%) was paying for life's luxuries such as holidays and clothes. Perhaps another indication of how the income squeeze is forcing even wealthy families to prioritise their spending.



How HNWIs support their partners were, again, not surprising. The top three reasons were: holidays and luxuries (44%), covering the bills (29%), and buying a car (27%).

Case study: Glynis

Glynis is 61 and plans to retire in two years' time. She is HR director for a major international company, a position she has worked hard to achieve. She is proud that she is the only female board-level director. She will get a good pension from her employer and because her role has paid well she has considerable savings. She is also not frivolous with money apart from the occasional splurge at Zara because of the ethics her parents instilled in her.

But life hasn't always been easy. Her first husband had his own business but was not very good with money. He was also a heavy gambler who forged Glynis's signature on multiple mortgage applications that eventually led to the house being repossessed. Glynis received nothing on their divorce, but her parents helped her and her young daughter by providing the deposit on a flat. Glynis is proud that everything she has now was gained through hard work. She never wanted to be financially vulnerable or reliant again.

She is married to her second husband, David, and has two stepsons, one of whom still lives at home. Glynis and her husband keep their finances separate although they maintain a joint account to cover household expenses. David will inherit half her estate when she dies with her daughter inheriting the rest. She hasn't disclosed this to anyone because "what [she] does with [her] money is no-one else's business".

When Glynis's father died, she gained a small inheritance that she and David used to buy their home. Her father never spoke to her or her sister about money so on his death Glynis's sister was angry that the estate had been split three ways between Glynis, her sister, and their stepmother.

The names in our case studies have been changed.

Prior to her father's death they all had a very good relationship but the will caused a major rift. Glynis is still close to their stepmother but her sister was very angry about not receiving what she regarded as her full share of the estate and has severed all ties with their stepmother. Glynis's relationship with her sister has also suffered as her sister feels Glynis is being disloyal.

She has helped her daughter and son-in-law quite a lot financially. Such as the deposit on their home, a new car each, and long-haul holidays. They both work part time and have a young child so Glynis wants to make sure her grandchild is secure. Glynis is worried that the couple has taken on too much commitment with their mortgage as they have started asking her to cover their mortgage payments. They have recently said they would like to move to a larger house with a bigger garden so they can expand their family and have hinted they would like Glynis to help them financially again.

She is worried that young people regard money as something that can be replaced easily, and while she was earning, she was happy to help. However, now she is retiring she is worried that further significant commitments could put her plans at risk. She has never spoken to her daughter about money, doesn't know how to broach the topic, and fears she has left it too late.

John Moseley, Financial Planner Leeds:

"Glynis's situation illustrates why it's important that families talk about inheritance so they can plan their future finances. It makes sure everyone is clear on what to expect, which can prevent family conflict further down the line, and it means as much of your hard-earned money as possible is passed on to loved ones.

Because her father was not forthcoming about how he planned to leave his wealth it has cast a pall over the relationship between Glynis and her sister, and between the sister and their stepmother.

I am concerned that Glynis is in danger of repeating family history. She needs to think about how her daughter might react on discovering half the wealth that had come down from Glynis's side of the family, plus half the wealth Glynis has accumulated, would go "out of the family" to her stepfather and then to her stepbrothers.

Glynis says she is beginning to worry about the impact her daughter's requests could have on her own financial wellbeing.

- I therefore recommend she also has a conversation about how her wealth will be finite (barring potential investment growth) once she stops working.
- She needs to stress that any help she gives today will diminish what her daughter can expect to inherit in the future.

It can be difficult broaching a topic like this where the recipient of the gifts might have become accustomed to the help provided and even feel a little bit entitled. If Glynis is worried about the discussion becoming confrontational, she could arrange a meeting with a financial adviser to help her sort out her financial planning needs using her retirement as an excuse for a review. She can then invite her daughter along to help her "make some important decisions". It's an opportunity for Glynis to disclose her current financial situation and future expectations in a natural way.

On a positive note, gifting wealth during your life can have two positives: it can reduce your estate's inheritance tax (IHT) bill and you get to see those you care about enjoying the benefits. Everyone can give away £3,000 a year free of tax, but beyond this you need to be mindful of two tests that will be applied once you have passed away: did the wealth come from your surplus income, and if not was it gifted more than seven years before your death?

The surplus income rule states that any regular gifts from income you don't need to fund your day-to-day living expenses can be IHT free.

- But if Glynis has to draw on her capital to get by because the payments leave her short of money, then the gifts would be deemed to have come from the capital itself and would therefore be captured by the IHT rules.
- The seven-year rule is a little more complicated because the amount of IHT charged decreases on a sliding scale according to the time that has elapsed.

Glynis has helped her daughter out with significant sums on a regular basis and she needs to think about how this could impact her potential IHT position. The gifts are too large to be classed as surplus income, so she needs to manage any potential exposure to the seven-year rule. There is a type of insurance policy (called "term assurance") that could help her achieve this. The policy must be placed in trust, and this is regarded as a gift in itself, but the IHT due on the insurance premium will be much less than any IHT on the gift. Because the risk of paying out and the amount to be paid out decrease over time this can be a very cost-effective way of protecting Glynis's estate.

The financial review could help Glynis understand what her future financial life could look like. By matching her expected spending plans with the right tax-efficient, risk-optimised investment strategy she might find that occasional gifts to her daughter will not put a strain on her own comfort.

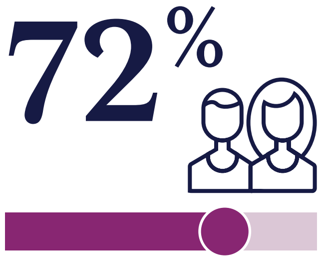
Rather than significant one-off gifts, it might prove more tax efficient to put regular small sums aside taken from Glynis's monthly income using the surplus income allowance. For example, a standing order into a stocks and shares ISA in her daughter's name would meet the test and any growth or income within the account will be free of tax. Then her daughter can withdraw assets as and when she needs the money.

Lastly, rather than passing half her estate to her husband directly, Glynis could consider a trust structure that allows her husband to receive an income for life , with the capital being released to Glynis's daughter on David's death."

It’s good to talk

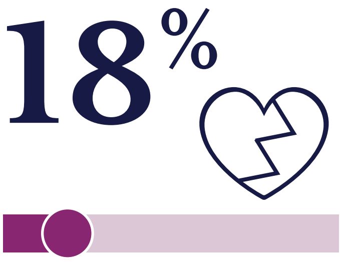
An interesting picture appears when we cross-reference the key findings data with how confident people are about their financial futures. HNWIs who are confident talking to others are generally the least fearful about their financial security. The opposite also holds true: those with the highest levels of concern are least open but are the ones who could probably benefit the most from talking to someone.

When we look at who HNWIs are comfortable speaking to about money, their partners top the list at 72%, followed by professionals, including financial planners (66%), investment managers (56%) and professional advisers (53%).



Children (43%) come further down the list. This figure drops even lower when it comes to talking about money to siblings (28%), parents (21%) and grandchildren (17%). This could have implications for effective intergenerational wealth planning.

But that doesn’t make it easy



We have seen how many HNWIs are wary about discussing their wealth due to privacy issues. But there are also concerns that talking about money somehow changes the dynamics of the relationship. The largest concern relating to this was upsetting the other party in the conversation (18%); something women found particularly worrying. A similar number of people didn’t think it was appropriate to have these discussions (17%). Around one in eight thought it would change the relationship completely (13%) and just over one in ten (11%) thought it would create family rows.

Around one in seven (14%) said they felt awkward starting the conversation.

Case study: Mike

Mike is 63 and semi-retired. He and his brother Darren own and manage a fruit-and-veg wholesalers that was established by their great-grandmother. They are proud to be part of a family-run business that was founded by a woman, and which has survived two world wars, the Great Depression, the energy crisis of the 1970s and the Great Financial Crisis.

Having independent wealth has allowed the family to lead a very comfortable life; Mike, his siblings and all their children were educated privately. But money has also caused friction within the family. The family business used to be much larger but when Mike's great-great-grandfather died the family's interests were divided. His children (including Mike's great-grandmother) had a major falling out over the terms of the will including legal challenges to how the wealth should be distributed. Mike feels this was disrespectful to his great-great-grandparents' wishes.

Mike and Darren are resigned to the fact the next generation is not interested in carrying on the family business. The opportunities they been given mean they have carved out careers in fields that are of interest to them including science, engineering, and social enterprise. Mike is stoic about this, so he and Darren are looking to sell the business. The cost-of-living crisis has not been easy for food producers or distributors any more than it has consumers, but the business is healthy and now seems the right time to relinquish the reins.

Mike has spoken openly to his wife, his daughters, and his sons-in-law about his plans once the business is sold.

The names in our case studies have been changed.

He is going to set up a trust that will provide Mike and his wife with a good life, with the remaining assets passing to his daughters on the second death. His daughters and their husbands are successful in their careers, and he is not worried about their financial positions in the short-to-medium term.

He has introduced both his daughters to his financial adviser who in turn has introduced them to an experienced but younger colleague, as Mike's adviser is starting to plan his own retirement. Everyone got together at a family conference to talk about how they can keep the family's joint vision alive for the generations to follow. And the best way to plan, manage, and grow a long-term multi-generational legacy.

Some of the money will be used to set up a charitable foundation to support sustainable food production in the UK; possibly by creating private allotments, supporting social farms, or preserving heritage varieties.

If your children have JISAs that are about to convert to ISAs this could be an opportunity to talk about saving towards major purchases and the importance of sheltering your investments from tax.

John Moseley, Financial Planner Leeds

"I'm glad to see Mike has learnt the lessons of history and wants to make sure his own family is comfortable and confident about what happens when Mike is no longer with them. Tying his wealth to a purpose and laying out his vision for his legacy means Mike can have an open and in-depth discussion with his family.

Creating a trust to manage his legacy can be a great piece of inheritance tax planning as well as a means of controlling the timing of when wealth passes into the hands of your legatees.

- It can be particularly useful where your inheritors are still minors at the time of your death.
- If his daughters and their families are relatively comfortable, he might look further into the future and leave the trust to mature when his grandchildren come of age.
- Or create a multi-generational trust that pays for school and university fees to make sure each generation gets access to the best opportunities available.

Of course, in time a family grows with each successive generation. To avoid the trust diminishing too fast you will need an appropriate investment strategy to maintain a healthy balance, and this is where a financial adviser working in collaboration with an investment manager could find the optimal strategy.

Not everyone is as confident as Mike, and not all families are comfortable being open with each other, but I have a top tip to help you break the money taboo: use your family's life events as triggers.

If your children have JISAs that are about to convert to ISAs this could be an opportunity to talk about saving towards major purchases and the importance of sheltering your investments from tax.

- If the money has come from grandparents or other family members talk about why the JISA was established and the family's hopes for your children's futures.
- Teach them how money should have a purpose.

If your children are going off to university, this is a great time to have a conversation about budgeting. If they're about to start work talk about planning for retirement and joining the company pension scheme. Emphasise how even small sums invested early can make a big difference over a working life. Each of these also present a chance to introduce the family to your financial adviser or wealth manager.

If they are getting married, divorced, or remarried talk to them about making a will or changing an existing will.

- This is also a good time to talk to them about your own plans. Alternatively, use friends' or relatives' changing circumstances to bring up the topic.
- For example, if a cousin or school friend is getting divorced casually say: "Of, course, they'll have to change their will now." And use this as an excuse to open up the topic.

Above all, make these a natural part of the conversation. Although a formal setting worked for Mike and his family, it isn't for everyone. Calling the family together to lay everything out on the table can be overwhelming and is more likely to lead to discomfort which in turn could lead to negative reactions.

Finally, don't forget to have a conversation about your later life plans before it gets too late. Are you planning to downsize or move away from the family? Or move closer to the family? Ask your children how they feel about that. What are your thoughts about in-home care vs residential care? The family will need to know if you want your wishes to guide their actions; especially for when you are no longer in a position to tell them yourself."

Don't forget to have a conversation about your later life plans before it gets too late.

Conclusion

No matter how confident we think we are when it comes to talking about our finances, having these conversations with our families appears to be uncomfortable for many. And yet these are the very people we should be most open with.

The obstacles most frequently cited are a feeling of discomfort or the fear of making someone else uncomfortable, even antagonistic, to the point that it leads to a breakdown in the relationship. If this how you feel (or you fear it is how your loved ones feel), our advice is to introduce individual topics in a natural way. Aim for bite-sized conversations that build up over time.

But remember to have these conversations with everyone in the family or it could come across as favouring one child over another.

If you have any questions based on the research and stories in this document, and would like to explore the options available to you, please get in touch to find out how we can work together to create a plan that seeks to secure the financial future for you and your family.

Conversation starters for your family

1. How has your family historically approached talking about money?
2. What do you want to do differently?
3. What financial support, if any, do you intend to provide to the family?
4. Do you have any financial advisers the family should meet?
5. Do you have a will?
6. When was it last updated?
7. Do you have a Lasting Power of Attorney?
8. Who are your attorneys?
9. Does the family know where all your financial documents are stored?
10. Are you planning to downsize?
11. Do you want to move away from, or closer to, family?
12. What are your thoughts about in-home care vs residential care?
13. What care provisions have you made?
14. How do you intend to divide your estate?
15. What other wishes should the family know about?
16. How do you, and the family, feel about all this?

Your notes

Contact us for information on how Charles Stanley can help secure your financial future

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