

Article of the Month (3/01)

Kids: Sex and Money

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For parents, probably the most difficult task in raising children is teaching them about sex and money. The intricacies of both topics tend to be shrouded in secrecy and sometimes even shame. Your Cambridge Advisor won't offer advice on how to talk to your kids about sex, but money is another matter. As a society, we are on the verge of a massive intergenerational transfer of wealth. Over the next 20 to 30 years, the ability to successfully teach our children about money will be a critical dimension not only for our families, but also for the continued development of our civilization.

Think back to what you learned about money from your parents. Were your parents reluctant to let you know how much they made or how much they had in assets? Were (are) they still reluctant, even if they are well into old age? For many families, this secrecy complicates estate planning and has made the government the unintended beneficiary of substantial family wealth, simply because there was no way to open the "money conversation" between parents and children.

In my practice, I find that clients are very concerned with how their wealth will impact their children. There is a well-founded fear that sudden wealth may undermine a child's character. Indeed, I have seen many instances where sudden wealth tends to sap the recipient's motivation -- actually robbing them of valuable opportunities to develop self-esteem.

Various solutions have been espoused. Warren Buffet, for example, is said to have provided for each of his two children to receive \$350,000 (which would pass free of estate taxes), with the remainder going to charity. His rationale: "I want them to have so much money they think they can do anything, but not so much they think they can do nothing."

In raising my own children, I tended to tie monetary rewards to their performance of certain chores because I wanted them to learn that "money doesn't grow on trees" -- it must be earned. There is a countervailing value widely held that children should not be paid to perform household duties they are expected to perform as a member of the cooperative unit -- the family. I admit that my children did go through a phase of refusing to do anything they didn't get paid for.

This is the dilemma parents face when trying to educate their children about money and it is a current focus of Cambridge to provide support, understanding and advice and to develop a program to help parents become more effective. Over the next one to two years, we will be working to develop some concepts and strategies to help parents teach children how to deal with money. Your responses to last year's contest survey about allowances provided us with valuable information. This year, I am taking a number of my clients out to dinner with their children (and parents, if surviving), not only to get acquainted, but also to provide the opening to start the conversation about money and the transfer of wealth. I urge you to discuss these issues with your Cambridge Advisor and to contribute by sharing your experience and insight.