

When Should the Family Begin to Prepare the Next Generation?



By Maurice M. Redhead

All families will face several challenging questions in their busy lives. One of these questions is when to begin the conversation of family inheritance and how to educate the next generation of family members. Once parents and older family members begin to age, it's important for them to begin this educational process immediately. Parents and older family members may not want to share information about wealth or inheritance with the next generation out of fear that they will feel entitled, however. This is understandable, but they can still educate the next generation if they choose without telling them what they will receive from the family inheritance and wealth. In this article, we will explore three main themes that families should consider when discussing finances with the next generation. These themes are age readiness, creating a learning environment, and offering opportunities to be included, though these are only some of the topics that families may cover. Let's begin with age readiness.

Age Readiness

Parents and older family members have to determine the age readiness of their children. To do so, the parents have to know how much information the children can take in and understand. It's also up to the parents to decide at what age they would like to begin the learning process and what they would like to teach. Still, many families may not know where to begin with the learning process. If a family does not know where to begin, one suggestion is board games. Playing board games at any age will teach children structure, teamwork, competition, problem solving, and other life skills. For example, a game like Monopoly teaches children and adults all of these skills; it also teaches children what happens when you incorrectly manage your finances. Once the next generation is older, the family can switch from board games to a more hands-on learning environment.

Creating a Learning Environment

When creating a learning environment for the next generation, older family members should know it does not have to resemble a formal classroom or school setting. This non-formal environment gives the next generation of family members an up close and personal view of what the real world is like. We now discuss two primary learning environments that the parents can create. The first type of learning environment is having hands-on experience. This hands-on experience can happen when the family introduces the next generation to the family business or a corporate job. Letting them see how the operation runs and offering a basic sense of the organization is priceless, as the next generation is getting first-hand knowledge of how the organization is managed. They are also able to ask questions along the way. As the children continue growing, the family can begin showing them more of the operation and give them a greater understanding of the business.

The second type of learning environment is showing the next generation how the family manages their finances. Most of us have heard of financial literacy, which deals with basic money management concepts. But the other side of financial literacy is wealth literacy. Wealth literacy takes the basic concepts from financial literacy and expounds on them. In this case, it prepares the next generation for how to spend, shows them how to invest, and informs them of how their inheritance should be managed. Wealth literacy also tries to take away any emotions that the next generation may have about finances to prevent confrontations. By comprehending wealth literacy, the next generation should have a better understanding of the family's history and vision. Once a learning environment is created, it is time to offer the next generation an opportunity to be included.

Offering Opportunities to Be Included

One way the family can give the next generation better awareness of the family wealth and inheritance is by offering them an opportunity to be in the family business or be part of family discussions. By giving the next generation such opportunities, they can begin to grasp how the family's internal operations work and how meetings are conducted. This is important for the next generation to understand that one day they will take over the family business and run the family meetings themselves.

Conclusion

This article is for families meaning to begin conversations with their next generation of family members about their wealth and inheritance. It is up to the family to decide what they want to convey to the next generation, and we at Martin Bridge Accounting believe that a family does not have to tell their children of their

personal wealth or inheritance. What we do believe is that families should begin educating their children at the age they feel is right for their family. We also recommend families create a learning environment that the next generation can learn from. Finally, giving the next generation the opportunity to be included in the family business and meetings matters to the family's longevity. We feel that by following these steps—though the family can add more steps as well—the family wealth and inheritance will be in good hands in the future.



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As the Family CFO at Martin Bridge Accounting, I frequently work with busy families and individuals. My role for these families and individuals is to be their single point of contact. As Family CFO, I carefully listen to the families and individuals I serve. To learn more about the Family CFO and other topics, please visit www.martinbaccounting.com and explore other articles that I have written. All articles have voice-over. If you have any questions, feel free to reach out to me directly at (646)-400-0918 or email me at maurice@martinbaccounting.com.

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