



# Advising Clients to Gift to their Children

by Joan L. Sharp, CFP®, ChFC®, CAP®, MSFS

Gifts of money can open an important financial discussion between your clients and their children.

**IF YOUR CLIENT IS** lucky enough to be in a strong financial position, gifting is one way to approach the subject of their children's financial well-being. Gifting opens the door for conversations about money between parent and child. You may discover that many of your clients are afraid to talk about money with their kids. This is probably because they don't want to create a lazy mentality and give their children the feeling that they do not have to work to support themselves. Or perhaps your clients seek to avoid the topic altogether in an effort to create normalcy in their home. In this case, as their advisor you need to remind your client that when their child receives a windfall someday, they will not be equipped to handle their financial matters. Like lottery winners who discover the desire for unearned success, the majority of people who experience this windfall will squander the money.

My experience has shown that the best way to begin this client conversation is by urging clients to be honest with their kids. It is important to start talking about money issues when the kids are young. They never want money to become the driver of their lives.

Clients need to understand that with gifting comes the responsibility of managing money and striving to obtain a balanced life. While clients may have begun to talk about money with their kids, they have to show them that work provides

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a sense of identity and is not all about the money. Hopefully, your clients are involved in their communities, follow a passion or have explored undeveloped talents. Tell your clients that kids will often follow what their parents do. Urge them to lead by example.

Clients also need to become better communicators. As an advisor, you can help in this process. Suggest your clients give their children room to grow and share their strengths with the world. Encourage them to educate their children about money—talk about it, open accounts to manage and challenge them to think about spending and saving and how to use money to support passions and develop talents. One option is to open a donor advised fund and allow the children to make the grants. This helps prepare them for running family foundations and their own future charitable giving. Perhaps your client might even introduce their children to you, giving you the opportunity to reiterate some of these ideas.



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Foremost, your clients need to create a reality for their children. If they open the door to gifting, it should be used as a vehicle to teach financial responsibility and as a way of educating their children about their money stories and family heritage. Your clients should embrace teaching moments so their children learn about the value of money. Perhaps every time your clients deposit money into their children's account,

they should have their children give back in some manner. Help your client feel comfortable developing their kids' talents, work ethic or an interest in volunteering. And don't forget to tell your clients that it is okay to let their children take charge.

In advising your clients that it is time to begin a dialogue about money with their children, consider providing these steps for them to follow:

1. Clients need to get over their fear of talking about money. It's their *issue*. They shouldn't make it an issue for their kids.
2. Have your clients show their kids what the bills look like, what things cost, how they choose to spend money.
3. Your clients should build a strategy as a family that is not based on money but rather on what is important to their



family. Let kids make choices and decide which items are important and how much to give to different charities/the community.

4. They can gradually give their children more financial responsibility. Maybe participating in a family outing to Montana or Europe where their kids make some of the financial decisions would be a good exercise.
5. Show them how hobbies and interests could potentially become careers. This is a way in which they will learn to enjoy work not purely for money.

To have this conversation, you must understand your client's money issues as well as their life priorities. Basically, you are teaching your clients to help their kids form a strategic vision, not a tactical vision. ■■■



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