Family financial planning and wealth management are probably the least likely topics of discussion around the dinner table. While these vital topics have a far-reaching impact on each family member, avoidance may be attributed to the perceived complexity, lack of clear direction or shared understanding, and the differing experiences of diverse generational groups.

In a series that makes the topic accessible to all family members, **Vincent Heys** addresses the underlying question—*how can you start planning for your family's financial future?*

AUTHOR

Vincent Heys
Managing Director

One of the key areas that prevents financial planning from gaining traction is lack of clarity on vision, values, and goals. If your family was planning a road trip you would likely have a pre-determined destination in mind. You would plan your route, conduct a safety check on your vehicle and ensure that you had enough gas in the tank before heading out.

Setting financial goals as a family requires a similar level of planning and attention to detail. The pre-determined destination in this context would be governed by your family's vision and values.

Connecting financial planning to family vision and values

When you think of a vision and value statement in a company setting, you often picture the familiar framed document on a wall somewhere in a boardroom or reception area. The most successful companies transfer that vision and those values into the hearts of their people. Why is it important to do this? Simple, it brings direction and enables team members to recognize when they have succeeded in achieving organizational goals. By having a defined reference point they can determine what they need to spend money on, and where to focus their efforts.

If we recognize and understand the value of this practice, the big question is, why don't we automatically consider implementing the same approach with our families? Examining and articulating values and vision can bring clarity and direction to family spending. Starting the process of defining what's important to your family could be as simple as a discussion around the dinner table with a whiteboard or a piece of paper and jotting down where you see yourselves in ten years' time. The exercise is highly personal, and every family will have different viewpoints based on their needs, goals, and life stages.

We know our advice works, because we follow it

I recently completed this exercise with my own family, where we identified five key elements that were important to us. As an ever-present reminder, we articulated our vision and values on a family crest, which acted as a positive visual representation of our aspirations and the direction we were heading in. It enabled us to naturally have conversations about financial planning and how we spend our resources as a family. As a result, justifying decisions on when to spend and when to hold back has become far easier, because each family member understood and bought into an established vision.

How the financial planning landscape has shifted

Another factor which can contribute to the reluctance to discuss financial planning in a family setting is the differing experience amongst generational groups. The landscape has changed significantly over the last 60 years, primarily shifting the responsibility for financial wellbeing from employers onto employees.

A crucial observation is that adult life expectancy in 1960 was a mere 69 years. It was common for employees to devote 40 years of there working life to the same organization and retire at age 65. Companies made provision for funding four years beyond retirement through defined benefit funds, which provided those employees with two thirds of their salary during retirement.

Fast forward to 1990, when the life expectancy for an adult was 73 years and in 2013 it was 84 years. The heavy burden on companies to provide financially for employees 19 years post retirement led to the understandable suspension of defined benefits plans. What this effectively means is that the financial risk now rests with the individual. The responsibility for your retirement planning, saving and providing for your family sits squarely on your shoulders.

Retirement versus sustainable work and lifestyle planning

While the common answer we hear from clients is that they would like to achieve financial freedom and retire at 65, the stark reality is that this may not be viable for many people. The more likely solution is to structure a financial plan and lifestyle that facilitates work and rest concurrently, leveraging your skills and developing the flexibility prevalent in the gig economy.

Psychology tells us that we have a 42% higher chance of reaching our goals when we write them down. If you're able to commit and be accountable to someone like a financial advisor about that goal, that likelihood shoots up to 95%. Bearing that in mind, we would like to encourage you to think differently about retirement and making sure that you have someone that can keep you accountable. Whether you're a hard-working professional, a business owner, or entrepreneur, you owe it to yourself—and your family—to gain clarity and confidence over your financial affairs. There's an old saying along the lines of, "it's not the destination but, rather, the journey that typically provides the best moments." When it comes to financial planning, the same thing rings true. Having the entire family involved throughout the journey will help create the clarity and family unity needed to yield the best results for all family members.

Six Steps to Achieving Financial Wellness as a Family

Practical steps can you take to ensure you meet your goals and achieve financial wellness. Learn the steps.

Our Contributors

Vincent Heys is a Managing Director and co-leader of the Wealth Management practice of B. Riley Farber. His practice focuses on personal financial planning, investment management, estate & fiduciary solutions, and corporate benefits. Vincent can be reached at vheys@farbergroup.com or at 647.796.6028
