When Families Talk Money, Things Can Get Ugly

Thanksgiving is a popular time for annual family meetings, which sometimes go badly awry

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When families gather to celebrate the holidays, some also use the opportunity to hold family meetings on money issues.

But such efforts to mix festive gatherings with financial talk sometimes veer badly off course, leaving hurt feelings in their wake.

Sheila Stinson, managing director at Convergent Wealth Advisors in Potomac, Md., had a client in his 80s who invited his adult grandchildren to get involved in the family foundation's charitable grant-making decisions.

Before the family's annual holiday dinner, he emailed the grandchildren asking them to submit proposals of charitable organizations they would like to add to the foundation's recipient list.

But the man then dismissed their suggestions. At the family meeting, he declared that the foundation wouldn't give to any charities outside his hometown or to causes he didn't believe in.

The grandchildren became frustrated and confused and asked him why he even bothered to have them submit ideas. They also became reluctant to become engaged with the foundation after that.

"He could have done several things to prevent this unfortunate situation," Ms. Stinson says.

For instance, the man could have spelled out parameters for the grandchildren to work within or allowed each grandchild to give away a specific amount to the charity of his or her choice, Ms. Stinson says. Or he could have allowed each grandchild to propose an idea to the entire foundation board and had the board discuss it and vote.

Philanthropy is a common topic for individuals to want to discuss with adult children or other relatives over the holidays. Sometimes an older generation is trying to share a family's values or start talking with younger family members about the opportunities and responsibilities that go along with the wealth they are likely to inherit. Other discussions may involve the older generation's arrangements for health care, wishes for end-of-life care or nuts and bolts about estate-planning documents and trusted advisers.

“The fall, and in particular around Thanksgiving, is often a common time for family meetings—particularly those who only hold one meeting a year,” says Nathan Dungan, owner of Share, Save, Spend, which helps educate families about money.

Mr. Dungan suggests creating an agenda, preferably with broad family input, before the meeting. “When people feel they have a voice in the process, they are more likely to be invested in the outcome,” says Mr. Dungan in Minneapolis.

He also recommends setting a time frame for each item on the agenda and trying to find a balance between serious and lighter topics. For example, the family may discuss a parent’s cash-flow needs now that she is in a nursing home and then speak about the annual family ski trip.

If you’re holding the meeting before or connected with a meal, refrain from serving alcohol, Mr. Dungan advises. “Adding alcohol into the mix can lead to unfortunate outcomes.”

The choice of venue can be tricky.

Jeff Ladouceur, director of SEI Private Wealth Management, in Oaks, Pa., recalls a situation in which clients invited their adult children to dinner in a private room at their local club.

As the parents tried to talk about their first significant transfer of assets to the children, the dinner specials were read, the wine was poured and appetizers delivered.

“What started as a well-scripted conversation quickly became choppy and awkward,” he says. The parents could have let the waitstaff know they wanted a break for discussion after the appetizers or, even better, chosen a different venue that wouldn’t have any interruptions.

Families need to be realistic about the relationships among family members, the planned topic and the likely tenor of the discussion.

Financial planner Wes Shannon still remembers the unpleasant gathering when family members met to tell his wife’s then 76-year-old mother that it was time she gave up driving. “I saw a God-fearing, churchgoing woman cuss at us and call us names that would have embarrassed a sailor,” says Mr. Shannon, of SJK Financial Planning, in Hurst, Texas.

One of the mistakes he says his family members made, which could also apply to meetings about money, wasn't telling his now-deceased mother-in-law about the planned discussion and the topic. It was at Thanksgiving that the family members concluded the woman needed to stop driving. A few weeks after, they all went to see her and broke the news.

On thorny topics, plan to have multiple conversations over time rather than aiming to resolve an issue in one session, Mr. Shannon says.

When antagonism is already running high, a neutral moderator may be required.

Avi Kestenbaum, a partner at law firm Meltzer, Lippe, Goldstein & Breitstone in Mineola, N.Y., remembers a family meeting he was invited to observe. Two brothers and a sister who were heirs to their father's business wanted to discuss succession planning for the firm. Their father purposely didn't attend because of the tension among the siblings and was hoping his accountant would keep the peace.

A shouting match quickly ensued, with one brother accusing the sister of stealing money and manipulating the father. The accountant then said no one was manipulating the father, and the brothers turned on him saying he had caused the tension. The meeting ended after 20 minutes.

When emotions run high, families may want to hire an impartial mediator in addition to having their attorney and accountant present, Mr. Kestenbaum says.

And "if there is any chance something will explode," he says, "don't talk about it over the holidays."

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