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Financial **planning conversations** with parents and children that benefit everyone

**Many of us shy away from talking about money with our families but it can be useful. Learn how open financial planning conversations could benefit everybody.**

Money is often a taboo subject, and many people don't like discussing it with their friends and family. Research reported by the Money and Pensions Service found that around 4 million parents in the UK don't talk about money with their children.

Parents might avoid discussing money matters because they don't want to worry their children, or they think it should be private. Unfortunately, this creates a culture of silence around financial issues and means that adult children may not feel comfortable talking about it to their parents either.



As a result, you may find that you do not talk about your finances with your parents or children at all, and you make financial planning decisions on your own. Yet, involving the whole family in these matters could benefit everybody. Read on to learn why it's important to include your parents and children in financial planning conversations.



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## Discussing your finances helps you prepare your family for the unexpected

If anything were to happen to you, you would likely want to make sure that your family are looked after. So, you may need to discuss certain parts of your financial plan with them. For instance, do they know what protection you have, or who the beneficiaries of your pensions are? Have you spoken about how you would like them to manage your estate when you die? If your family are in the dark about your financial situation, it could be more stressful for them to take care of your affairs when you are gone.



On the other hand, if you discuss your wishes with them and share details about your assets and where any important paperwork is, they may be better prepared for the unexpected.

You may need to discuss later-life planning with your parents

As your parents get older and they may be more likely to face health problems, they might need your support. It could be useful to discuss later-life planning with them sooner rather than later, so you can make crucial decisions together.

For example, you may need to check whether they have created a Lasting Power of Attorney (LPA) and nominated somebody to make decisions on their behalf if they ever become unable to do so for themselves. If they don't already have this in place, you can help them set it up and choose a suitable attorney(s). You may also need to discuss long-term care costs with them and how they plan to pay for this should they ever need it. According to Age UK, the average cost of a residential care home in the UK in 2023 is £800 a week.

This is a significant expense and if they can't afford it, your parents may need your support. It's important to discuss this ahead of time so you can decide how you will manage potential care costs between you.



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## You can transfer wealth to your children more effectively

Passing wealth on to your children is likely an important part of your financial plan. You may be able to do this more effectively if you discuss it with them first.

This is especially important as the number of people paying Inheritance Tax (IHT) is rising and, as reported by Professional Adviser, 2023 is set to be a record-breaking year for IHT receipts. By involving your children in discussions about estate planning, you can find ways to potentially reduce IHT in the future. Additionally, you can decide which methods of passing on wealth are most likely to benefit them. For instance, they may prefer a cash gift now so they can get onto the property ladder. In turn, this could reduce the size of your estate, potentially mitigating a large IHT bill in the future.



Conversely, they may be finding it difficult to contribute to their retirement savings during the cost of living crisis. In this case, paying into their pension may be more useful than a cash gift.

That's why it may benefit everybody if you plan the transfer of wealth together and find solutions that support their financial goals, while also helping to mitigate IHT in the future.



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## Sharing financial knowledge benefits the whole family

In its 2022 Financial Lives Survey, the Financial Conduct Authority (FCA) revealed that 24% of people in the UK said they had very low levels of confidence in their ability to manage their money. A further 39% of people said they only felt moderately confident. Fortunately, financial planning conversations are an excellent learning opportunity for the whole family, and they can help everybody to be more confident about managing their wealth. Your adult children, for example, may have to budget and pay bills for the first time when they leave the family home.

They may also have significant gaps in their knowledge about advanced financial planning concepts such as investing or protection.

By talking to them about how you manage your wealth, you can explain these concepts and support them in building a robust financial plan from a young age.

It's also worth remembering that, as the financial landscape changes, they may be able to offer insight into issues that you don't understand. Equally, you could learn a lot from your own parents about how to manage your finances as you get older.

Often, your priorities change as you approach retirement and you may need to adjust your financial plan accordingly. You might feel more prepared for this transition if you talk about money with your parents.

By having open conversations across the generations, you can share knowledge and everybody will likely feel better equipped to manage their wealth.

If you have any questions about organising the affairs of a loved one, or your own, please get in touch.

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