Better conversations.
Better outcomes.

Ready to launch: Financial planning for children

It's one of the key moments in life, a milestone and a time of happiness tinged with sadness — when a child leaves the parental home (launching). Increasingly, though, this life coming-of-age event happens later and later in life, if at all, as more young people "fail to launch," and stay in the parental home instead.

Living accommodations for 18- to 34-year-olds

Pew Research Center analysis published in May 2016 reveals that in the year 2014, nearly a third (32%) of those between ages 18 and 34 were living in their parents' home while the figure for those living with a spouse or partner in their own household was marginally less at 31%. This compares with 1960 when nearly two-thirds (62%) of the 18- to 34-year-olds in the U.S. were living with a spouse or partner in their own home and only one in five (20%) were still with their parents.

Source: Pew Research Center

Kids who fail to launch into financial independence will likely find themselves facing some kind of money-related challenge down the road. Whether it's applying for a loan or managing an inheritance, they're in danger of finding themselves vulnerable to poor decisions and bad advice.

To help you get started, we've put together some guidelines to help coach your clients on having conversations with their children. And since financial security and wealth management are inter-generational issues, we also cover how to engage directly with your clients' children and to secure the next generation of clients.

How to talk about money

Educating kids on earnings, savings, budgeting and spending is crucial to their growth as individuals and the key to their financial success. Sadly, these are all topics that are not consistently taught in school. Therefore, parents need to take an active role in teaching their children about money — often without a lesson plan.

We all learn the Pythagorean theorem, which we may never use again in our life, but what you learn about financial decision-making is used every day.

"Building a solid foundation in the early years of a child's life will not only help him or her reach their full potential, but will also result in better societies as a whole."

— Novak Djokovic
Pro tennis player

Helping you engage in better conversations that drive better outcomes is at the very heart of who we are at BMO Global Asset Management. And we do that by providing you with ideas, access and ease.

- **Ideas** — Unique insights into wealth planning and financial decision making.
- **Access** — To our investment teams and industry experts.
- **Ease** — Making it easy to put ideas and access into action.

Let's start better conversations!

The first way to tackle this issue is to stress to your clients that it is never too early to teach a child about money. As soon as a child is aware of the world around them they start noticing what mommy and daddy buys, and how they buy it can help children understand how money works at the most basic level. A toddler can begin to understand that they can have a piece of chocolate or that candy bar but not both because there aren't enough coins in mommy's purse.

Incorporating an allowance is a good start for helping kids experience money in the real world. You can provide your clients with bucketing strategies to use with their kids to teach them about spending, saving and giving. Stress the importance of setting goals and developing a savings plan to buy that special item.

You can also show your clients how sitting down with older children and sharing the family finances is a useful way to get them to understand money with conversations such as, "We can go on a great vacation this year or we can buy a new car — which should we choose?" or "If you get a Saturday job, I'll match what you make and you can spend some of it when we go on vacation."

For teenagers with a job, require that they pay for their cell phone bill to help get them in the habit of paying for the items they use. If they miss a payment, then you will take the phone away. Not only does it teach them financial responsibility but also exposes them to real-world, adult responsibilities.

Securing the next generation of clients

For today's trusted advisors, it is even more important to incorporate financial planning for your clients' children in order to help avoid this failure to launch — which can add stress and potentially an unplanned financial burden for your clients. The most successful financial advisors genuinely care about their clients' welfare and want the best for them and their families.

Preparing the next generation and ensuring that family finances work well is an essential part of what you do. After all, what's the point of helping your clients handle their money well if the knowledge is not passed to the next generation who may steward the families' wealth in the future?

Engaging with your clients' children early on in the planning process is key to their success.

When helping your clients create their retirement plan, you can also ask them about the plans for their children. How much do their children know about money?

You can offer to assist them with creating a plan or having a planning session with their children.

During the college planning process with your clients, recommend that the kids be included in the conversations. If the parents plan on spending a quarter of a million dollars on an education, it is best to make sure that the child understands what that equates to. What additional financial support will the parents provide during college? Setting up a plan and getting a firm understanding of expectations can help avoid awkward and challenging conversations for the parents down the road.

Engaging with your clients' children early on in the planning process helps establish a direct relationship, where you become the trusted advisor when financial matters arise. Most importantly, you are not a stranger to them in the event of a wealth transfer from their parents.

? Continue the conversation

BMO Global Asset Management Better Conversation Guides provide insights into some of the biggest challenges to your success.

Visit the Advisor Resources section on the BMO Global Asset Management Viewpoints website at **bmogamviewpoints.com** for additional resources and information to help make your next client conversation a better conversation.

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