FINDEX

Navigating financial conversations across generations

A guide to meaningful family dialogue

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Generational financial discussions help young people develop the skills they need to manage their money wisely. In our report, Conversations that count: Strengthening family finances in Australia, 47% of Gen Z and 34% of Millennials say they better understand how to manage and reduce debt through financial conversations with their family, and 23% of Gen Z and 20% of Millennials leverage their family's access to professional financial advice. On many levels of financial health, families can benefit across generations and promote financial well-being for generations to come.

This guide strives to give families the tools they need to start financial conversations so that parents and their children can take actionable steps and engage in meaningful discussions about finances. Families will learn everything from how to start conversations at different stages of life to making the most of financial advisers and long-term financial planning.

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The value of financial discussions in families

Our research showed that 88% of Aussies have conversations about finances with their family, but only 43% do so at least once a week. Too often, families don't know how to talk about money. Finances can be uncomfortable and even taboo for some families, and for some people there can be shame or embarrassment involved.

23% of Gen Z say they don't see the benefit or value of discussing financial concerns while 31% feel awkward or uncomfortable having these conversations. Money talk is harder for the younger generations, but having financial discussions remains one of the most important steps that families can take to ensure financial health.

Families who do discuss financial health tend to focus on common areas like savings and budgeting, navigating the cost of living, insurance, taxation, debt, and superannuation. While these topics certainly create a foundation for discussion, they do not cover the full spectrum of financial areas, and many families fail to have intergenerational discussions that highlight the nuanced and diverse areas of financial literacy.

Parents and children can empower each other by being honest and open about financial topics, and as they begin to discuss these topics more, what seems complicated and overwhelming becomes a lot more manageable for everyone involved. You don't have to be a financial expert to talk about finances and use those discussions to promote more financial stability in your family.

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Only 43% do so at least once a week.



Short-term vs. long-term financial conversations

It's common for families to focus on short-term topics like budgeting or savings, but long-term financial topics often go unmentioned.

It's important to have conversations related to both short-term and long-term outcomes, because families often emphasise short-term finances at the expense of long-term financial planning. You'll want to have goals in each category.

Short-term financial goals include:

- Credit card paydown
- Personal goods
- Travel expenses
- Weddings/celebrations
- Home improvement and small repairs

Long-term financial goals include:

- Retirement
- Paying off the mortgage
- Children's education
- Estate planning/wealth transfer
- Long term investments

Your goals will reflect whatever financial needs you have based on your means and circumstances. While all these goals may not apply to you, chances are that several of them have some kind of relevance in your life because financial concerns are something people across the world handle each day.

Retirement planning

At some point, most people want or need to quit working, and will need money to maintain their lifestyles. Families may avoid talking about **retirement planning** when retirement seems such a long time away, but it's never too early to place attention on retirement because it's important that kids, young adults, and older adults all know how to retire smartly.

Families should discuss how to plan for retirement at various ages and understand that living long lives means starting strong financial planning early.

Retirement planning means that when you retire, you can have what you need without having to worry if you have enough money for your needs.

Investment strategies

Investment is all about putting money in to get money out. Discussing various **investment strategies** shows parents and their children that there are numerous ways to accomplish similar goals. When you think of investment, you probably think of guys in suits making big money investments, but investment is so much more than stocks. Most experts suggest that families maintain diverse investments like shares, property and fixed interest. You want to learn to make prudent investments, which will grow your wealth rather than focusing on making risky moves that could backfire on you.

Wealth transfer

Wealth transfer is the way money passes down through the generations. When one person dies, money is then passed onto that person's beneficiaries. In our 2022 report on **Managing Wealth**, more than 40% of Gen Z said they expected to receive an inheritance and 35 percent of Millennials were also expecting to. While it's never fun to think about losing loved ones, planning for your family's wealth transfer is critical to helping equip the next generation to maintain and grow their wealth.

Estate planning

If you want to know what is going to happen to your assets after you pass away, it's important to think about **estate planning**. Again, it may seem grim to think about death, but it's a part of life, so it's better to be prepared for what will happen than to leave it up to chance. What happens after someone is gone is a hard conversation for many families to even start, but estate planning helps people take stock of their personal belongings and then determine what will happen to those things after death. Even if you don't own a lot, you need a plan, and having this plan will make life easier for loved ones when you are gone.

The role of family dynamics in financial conversations

If talking about finances wasn't hard enough, family dynamics can affect your ability to discuss financial matters even though you know these matters are something you should discuss. Cross-generational financial dialogue promotes awareness of financial matters, but it also helps families form a united front. However, in some families, even the smallest conversation can seem like a major battle. If this is true in your family, you're not alone, but it's time to take steps to build a supportive financial environment.

When trying to start a financial conversation, use your best communication skills. Rather than getting combative, use "I" statements, such as "I would benefit from us taking some time to discuss some financial matters that concern our whole family."

This type of statement tends to go over much better than something like, "You never want to talk about money, but we have to do it right now." Family members won't always be receptive to you, but you can model positive communication and show them that it's okay to have financial conversations.

Start gradually with your conversations. If your family isn't used to talking about finances, it may be odd and uncomfortable at first, so start off with less intense topics. A great icebreaker is talking about some of your financial goals rather than immediately discussing financial woes.



Guiding parents in initiating financial conversations

Children aren't too young to be part of the discussion and they should never feel like they can't speak about money. Kids have a lot of questions, so you shouldn't shy away from those questions. Instead, use the questions to start conversations. Make learning fun and teach them that it is okay to ask you about money. When you create a safe space for open dialogue, your family will be better equipped to have a range of financial conversations.

Of course, there are certain concepts that young kids won't be able to understand, but age-appropriate discussion for children will go a long way in making kids comfortable with money. As kids continue to learn and grow, you can have more involved conversations and start introducing more complex concepts. When they are mature enough, it's great to start giving kids an allowance and savings account so that you can teach them to spend some money while saving the rest.

Teaching basic financial concepts

Families who don't have a long history of financial concepts don't have to dive into the deep end right away. It's okay to test the water and start with the most basic of concepts. These concepts build upon one another, so by learning even the basics, you are setting yourself and your family up for understanding deeper concepts.

Introducing savings and budgeting

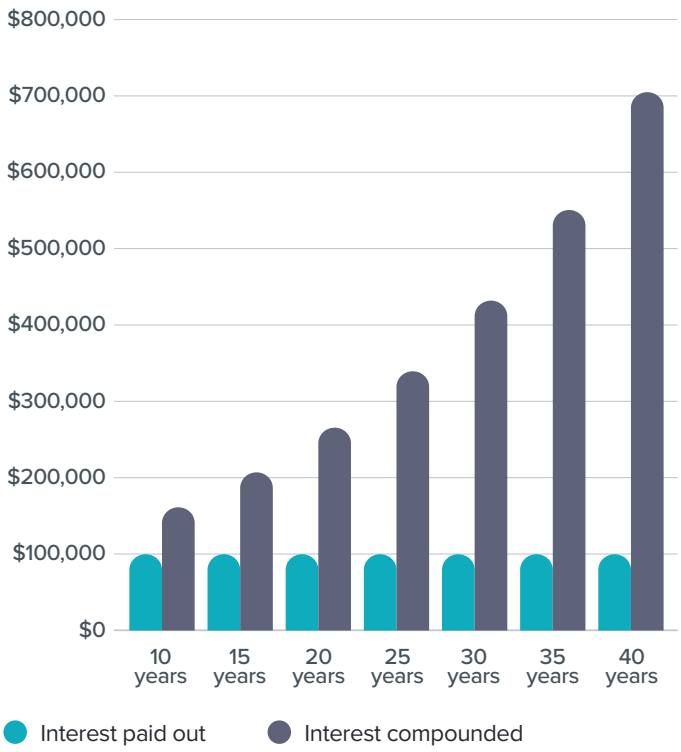
From the time kids understand money and can save, you can start to explain savings to them and give them a small understanding of budgeting, but it won't be until kids are a little older that they will fully understand the broader concepts related to savings and budgeting.

Teens often need more money for spending time with friends and getting items they want. You can encourage teens to get a part-time job or give them an allowance to help put budgeting into action. Encourage teens to make a monthly budget based on how much money they have coming in and what needs, expenses, and wants they may have. The best way to show how to budget is to do so by example. Adults should show their kids how they deal with finances.

Introducing interest and compounding

Families need to introduce interest and compounding. These concepts can seem quite complex to beginners, but the foundations are straightforward. Utilising interest is all about taking assets you already have and earning interest on the principal and accumulated interest. When you compound interest, you reinvest what you have earned from an asset so that you can then earn even more.

Using a starting balance of $100,000 as an example, this graph demonstrates the impact of compounding interest by comparing taking the interest as income each year versus letting it compound, at a conservative annual return of 5% over 40 years.



Source: Australian Shareholders Association

Financial planning is not just about saving money and knowing how to spend money; it is all about learning to maximise your money so that you can get the most out of it. When you learn to optimise your money, you set your family up for financial success.

Navigating loans and higher education costs

As teenagers become young adults, they'll have access to loans and may be facing higher education costs. With the prevalence of 'buy now, pay later' services, this isn't an area you want young adults going into blind.

Too many end up with a lot of debt and no idea how to manage that debt. Helping young people understand how debt and credit work, will help them make informed decisions about how to live a life that best fits what they want.

Tips to initiate and navigate financial discussions with adult children

STEP 1 Normalise open conversations

By actively communicating that discussing finances is a natural and essential aspect of responsible money management, parents can help normalise these conversations and remove the stigma surrounding financial discussions.

STEP 2 Lead by example

Parents can share their own financial experiences, including both successes and challenges, to create a safe space for adult children to open up about their financial situations.

STEP 3 Focus on learning and growth

Emphasise that financial conversations are not about judgment but rather opportunities for learning and growth. Encourage curiosity and questions to deepen understanding.

STEP 4 Set clear objectives

Define the goals of financial conversations, such as improving financial literacy or planning for long-term wealth. These objectives can help shift the focus away from personal judgments.

STEP 5 Find neutral ground

Opt for neutral settings for financial discussions, such as during a walk, over a meal, or during a family outing. This can help ease tension and create a more relaxed atmosphere.

STEP 6 Acknowledge emotions

Recognise that financial conversations can be emotionally charged. Encourage open expression of feelings while ensuring that these emotions do not hinder productive discussions.

STEP 7 Offer support

Assure adult children that financial struggles are common and that the family is a source of support. This reassurance can help alleviate the fear of judgment.

Transitioning from day-to-day to strategic financial planning

Day-to-day planning is a great foundation for strategic financial planning, but daily planning tends to focus on short-term, immediate needs whereas strategic financial planning takes into consideration your short-term needs and optimises your resources so that you can make the most out of your money over the long-term. Financial planning is about finding harmony between long-term and short-term goals.

When you're being strategic about your money, working with a financial adviser can help you clarify your short-term and long-term goals and work towards the outcomes you want. People who seek professional advice are more likely to have engaged in conversations about finances with their immediate family and in research conducted for the report **The cost of doing nothing when preparing for retirement**, we found that people who seek financial advice are three times more likely to have a good understanding of the financial resources required for retirement.

It's hard to manage finances on your own - our study shows that 92% of Gen Z and Millennials agreed that financial advice was empowering and led them to have more knowledgeable conversations with their family; yet a whopping 83% of Gen Z and 52% of Millennials have never received advice from a professional.

That's why Findex has designed a **Family Pricing Model** to help clear these barriers to entry and support the entire family along every stage of their financial journey.

Identifying financial goals

Identifying financial goals is a great starting point for strategic planning. If you don't know what your goals are, there's no way that you will ever reach them. Once you have identified your financial goals, you can work with a financial adviser to map out the steps you'll need to take to achieve them. If you're not sure how to start setting financial goals, working with an adviser can help you set goals that are realistic and measurable, and they'll keep you on track, so you keep progressing until you reach them.

Creating a customised financial roadmap

Each person's financial roadmap will be different depending on their needs and circumstances. Thus, financial planning is not one size fits all. By using techniques like **financial modelling**, advisers can help families understand what works well for them and customise strategies to their financial behaviours to reflect their unique needs and goals. Families should embrace what makes them stand out rather than trying to conform to what they see other families doing.

Addressing family concerns and aspirations

More than 7 in 10 Gen Z and almost 3 in 5 Millennials have challenges or concerns that would stop them from speaking openly with their immediate family members about finances. In fact, fear of judgement about the way they manage their finances was cited by Gen Z as their top concern (32%).

Financial advisers provide an informed but neutral space for families to discuss the things that really matter when it comes to finances by creating an environment where everyone feels heard and understood, allowing them to openly share their aspirations, fears, and questions without the fear of judgment.

Conversations facilitated by a financial adviser can help bridge the generational gap, as well as provide the necessary guidance to navigate complex financial topics. Additionally, family members can gain insights into each other's financial values, attitudes, and goals, fostering a stronger sense of unity and shared purpose, which, over time, can help to dissolve barriers and enhance trust within the family, making it easier to work together towards common financial objectives.

Case study:

Nicola Thompson and her son Ryan

Passing on financial literacy to the next generation

Nicola Thompson's involvement with Findex started when she began attending financial planning review meetings with her father to help support him after her mother passed away.

As immigrants, financial stability was important to her parents and, as she learnt more about the financial foundations they'd put in place, Nicola saw an opportunity to take control of her own financial future and pass on what she'd learnt to the third generation – her son, Ryan.

Now, as a second-generation client of Findex, Nicola feels in full control of her financial future and, with her husband, is starting to prepare for retirement. But, perhaps more importantly, she's passing on her trusted advisory relationship to Ryan and has instilled in him the financial values and confidence to put him on the path to financial freedom. Learn how getting her son involved early into financial discussions has built understanding, established financial disciplines, and paved the way for an exciting future for Nicola's family.



Fostering a lasting legacy: Wealth transfer and estate planning

Aussie Baby Boomers are expected to pass on an **estimated $3.5 trillion in inheritances** over the next two decades - the most significant intergenerational transfer of wealth in Australian history. To ensure your legacy is protected, you must devote time to wealth transfer and **estate planning**.

Our research shows that although conversations focused on longer-term planning such as estate planning and inheritance are most likely to have a greater impact on wealth building, these are the least discussed financial concepts by families. This is despite the fact they are essential to building a strong foundation for your beneficiaries.

Estate planning is the process of documenting your preferences for the transfer of wealth to loved ones after death. Professional estate planning services ensure your assets reach the right beneficiaries at the right time and helps prevent unnecessary conflicts between parties such as loved ones and business associates.

Benefits of estate planning

Control over asset distribution

Estate planning allows you to dictate who gets what in the event of your death. It makes it easier for your family to divide your assets and property when the time comes, reducing the likelihood of expensive court cases or legal battles among family members.

Tax efficiency

Using trusts and other estate planning strategies, you can minimise estate taxes and other levies owed after your death.

Protection of assets

Estate planning protects your assets from creditors, lawsuits, and other potential threats. The use of legal tools like trusts, can shield your assets from outside forces, ensuring they are passed on to intended beneficiaries.

Caring for loved ones

By setting up trusts or appointing guardians, you can provide for the ongoing care of minor children, elderly or disabled relatives, or other loved ones who may require special attention long after you're gone.

Peace of mind

Knowing that one's affairs are in order and your wishes will be carried out in the event of death or incapacity alleviates stress and anxiety for you and your loved ones.

What is involved in estate planning?

When it comes to estate planning, there are a few steps you should consider to help ensure you're prepared.

An estate plan is more than a legal document, it's a detailed plan to protect your financial affairs and the legacy you leave behind.

Identifying assets

Take stock of your assets and liabilities. This includes cash, bank accounts, real estate, investments, superannuation, businesses and debts. It gives you a clearer picture of what your estate consists of to determine how your property will be distributed upon your passing.

Step 1

Making a Will

A Will is an important legal document in the estate planning process. Making a valid Will is essential for recording wishes about how assets should be distributed after death. It also allows you to appoint an executor to manage the administration of your estate. They are responsible for carrying out the wishes in your Will.

Step 1

Considering powers of attorney

An Enduring Power of Attorney (EPoA) is a legal document a person can make that gives another person or organisation the legal authority to make decisions on their behalf. In the estate planning process, the enduring power of attorney comes in handy when one no longer has the capacity or ability to make these decisions themselves.

Step 3

Appointing an executor

An executor is somebody appointed by the testator (the person making the Will) to carry out the deceased's wishes in distributing any assets and winding up the deceased's estate. It's a good idea to appoint someone trustworthy and capable of handling such financial responsibilities, which can be quite complex.

Step 4

Helping you build a secure financial future for your family

You've worked hard to grow and maintain your wealth. Our advisers are here to help ensure that the wealth you will pass on to the next generation is used wisely.

With the most significant intergenerational transfer of wealth in Australian history on the horizon, our **research** shows that the recipients of this wealth feel confident managing their finances, but it also suggests that they are underprepared to manage this wealth long-term.

The Findex Wealth Management team is here to help you facilitate the transfer of your wealth and financial wisdom to your loved ones. By partnering with our team of experts, you can help equip the next generation to maintain and grow their wealth.

The Findex Family Pricing model

Many younger Aussies believe that financial advice is too expensive or that they don't have enough assets to justify engaging an adviser. We designed our Family Pricing Model to help clear these barriers to entry and support the entire family along every stage of their financial journey.

Ongoing fees are aggregated based on the family's total business dealings, not one individual contributor. By consolidating family assets under one roof, younger generations can benefit from lower fees and start forming trusted relationships with advisers early on.

Building a secure financial future starts with empowering the next generation with the professional advice they need now and into the future.

Find out more and book a meeting with our team today!

Learn more



Financial education resources



Young Money

Young Money is the young person's guide to making money, spending money and planning for the future. With podcast episodes covering day-to-day financial skills for young Australians including buy-now pay-later, starting casual work and how to save and budget, it's available on your favourite streaming platform.

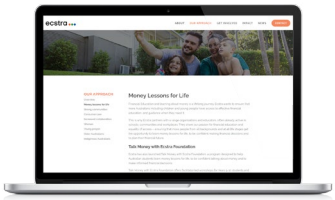
Learn more



Money Smart

Money Smart Resources offers financial education for people of all ages and backgrounds. This program gives a range of financial resources and tools to make all people better at handling their money.

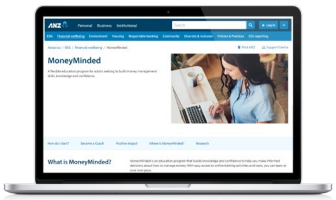
Learn more



Ecstra Foundation

The Ecstra Foundation's goal is to help Australians have access to useful financial education. The organisation has programs such as Talk Money, which focuses on helping students become confident in discussing money.

Learn more



MoneyMinded

An education program from ANZ that builds knowledge and confidence to help you make informed decisions about how to manage money. With easy access to online training activities and tools, you can learn at your own pace.

Learn more



Women Talk Money

Women Talk Money is a resource created by **WIRE**, an information and support service for women in Victoria with funding from Financial Literacy Australia. It is specifically targeted at building financial literacy in women.

Learn more



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