

As the holiday season rapidly approaches, each of us will have opportunities to spend time with our family members and loved ones. Often, families use this opportunity as a time to address topics such as finances, health issues or building a legacy for the future. With rising costs of living, household incomes stagnant and healthcare costs soaring, we know the impetus for these conversations and consumer education has never been more important.

Recently, we took note of the following data points, which amplify the basic economics that are impacting all of us on one level or another:

- 67% of U.S. workers have less than \$50,000 saved for retirement
- 25% of U.S. workers making at least \$100,000 live paycheck to paycheck
- Over 53% of Americans would be unable to pay for an emergency that costs more than \$400
- Over 60% of parents feel more comfortable speaking to an advisor about their finances than their children

Taking these statistics into account, it has never been more critical to develop an Investment and Retirement Plan and to have the “financial conversation” with our loved ones.

For many reasons, the “financial conversation” is one of the most difficult subjects to discuss, because it often overwhelms both parties. Many avoid it altogether or address it when emotions are running high and all too often the most important points are not conveyed.

When I speak with our clients, one of the common themes expressed in discussing finances with their loved ones is that they just don’t know how to get started. The “financial conversation” is one of the most critical discussions to have with your loved ones, but we understand how difficult it is to get started and keep the open communication moving forward. Keeping that in mind, we are starting a new educational series in 2017 that will help reinforce these important concepts.

To kick off this series, we are going to provide you with a roadmap to navigate this topic and walk away from the conversation feeling positive.

**1) Preparing for the “Financial Conversation:”** Just as if you were preparing to give a speech, you need to organize your thoughts. In your preparation, keep it simple, stick to a plan and always focus on what the person can do rather than what they are not doing.

**2) Tools to Help Drive the “Financial Conversation:”** During the discussion, you need to help them understand how making small changes can have significant impacts. Focus on the issue at hand while providing them with solutions. Building a strong foundation from the start will help tremendously. Here are a few ideas for each age group of loved ones:

**Young Children:** Have them create a box labeled "Spend" and another labeled "Save."

- **Spending:** Set short-term goals for them, such as a few days, and have them write the goals down. The key is to not give up after a few weeks. You should be prepared to do this for a year before it will sink in with young children.
- **Saving:** Have them save one out of every five dollars that they receive. One way to incentivize them to save is to match every dollar that they put away for tomorrow. Explain to them that these savings are not to be touched, except for special occasions. Then, find something that they really want to do and follow through. We find that activities involving the family that are funded by the children's savings are extremely powerful, because they feel great about it and see the impact that it can have in terms they can understand. Give them a thank you note afterwards to show your appreciation.

**Middle-Aged Children:**

- **Earning:** Every child should experience working before they leave the household. This is the perfect time to teach them how to use a paycheck, pay some minor expenses and then build a foundation for the future.
- **Investing:** Open up an online brokerage account and buy them a stock or two. Teach them about the market and how investing can help grow their money.
- **Sharing:** Have them donate some of their hard-earned money to specific causes to help them understand that resources should be treasured, not expected.

**Adult Children:**

- **Budget:** You cannot be successful without a plan and it starts with a budget. Help them design a plan, know they will give you resistance, but offer to buy them lunch or dinner. Most importantly, do not judge during the budgeting session; nothing will discourage a loved one more than a family member judging them.
- **Emergency Fund:** Until they have built an emergency fund of three to six months of their monthly expenses, they should not be doing anything else. This means establishing the fund and not touching it regardless of circumstances.
- **Investing:** Encourage them to take advantage of employer-based plans, which are the best tool for growing your assets. Doing so on a pre-tax basis will keep them from spending in ways that are not prudent.
- **Managing Debt:** Help them consistently evaluate ways to consolidate their debt, lower their payments and pay off earlier.

### 3) After the "Financial Conversation:"

- Thank You Note: Take a moment to write them a note telling them how proud you are of them for taking the time to work with you. This stuff is not easy and them taking initiative is a huge step. You can never underestimate the power of reinforcement from loved ones.
- Letter to Yourself: After the first meeting with middle-aged and young adults, write a letter of reflection to yourself to accompany that thank you note and give it to them. In that letter, write down the concepts that you think are important to reinforce from your conversation and how you wish someone had spoken to you about these concepts prior to starting in the real world. It is important to provide examples from your own experiences to share what you learned from them. Put yourself in their shoes and be vulnerable for a minute and you will not believe how it resonates with them. If you want this to be an effective process and not a one-time conversation, then you will have to be open to share, set the positive tone, leave judgments at the door and then watch how the open communication continues. You never know what you may learn in the process as well.
- Annual Conversation: Offer to take them out to lunch or dinner on an annual basis to discuss their progress and when the time is right, introduce them to a good Investment and Retirement Planner.

I have been fortunate enough to work with such a great team over the past 27 years at Costanzo Financial Group. During this tenure, I have seen a lot of families wrestle with how to get the "financial conversation" started, then keep the communication lines open. The need for these types of conversations to happen in every household has never been more critical and it starts with education. It is something our group is extremely passionate about and why we are dedicating our time to building out a new educational platform to assist with these conversations no matter what age or dynamic you may be experiencing. Remember, it is our obligation to help the future generation prepare a solid foundation, so they can contribute to building for tomorrow. It is my sincere hope that you will take the opportunity to get the conversation started over the holiday season and keep it moving forward in 2017.

To reinforce some of the basic concepts, here is a good article to help get your thoughts together for your next "financial conversation:" [Six Steps To Help You Build Your Financial Future](#).

Additionally, with the November election results now being finalized and as the new administration forms, many of us are wondering how this will impact the markets. Our team thought this would be a good article to share: [Investing During Political Change](#).

Please do not hesitate to contact us at 412-823-4704 if you have any questions or would like to schedule a review.

As we continue to move towards the latter part of 2016, we hope you have a wonderful holiday season.

Thank you,

Monica

Registered Representative

<sup>1</sup><http://time.com/money/4258451/retirement-savings-survey>

<sup>2</sup><https://www.theguardian.com/business/2015/dec/25/wealthy-americans-living-paycheck-to-paycheck-income-paying-bills>

<sup>3</sup><http://www.politifact.com/punditfact/statements/2015/jun/09/hunter-schwarz/47-say-they-lack-ready-cash-pay-surprise-400-bill/>

<sup>4</sup><http://www.businesswire.com/news/home/20121114006016/en/Parents-Adult-Children-Sync-Families-Struggle-Financial>