TABOO TOPICS: We Need to Talk About Money

By Charlene Birdsall, CPA, CMA, CIM, CFP, National Bank Financial – Wealth Management

I work all night and I work all day
to pay the bills I have to pay
Ain't it sad?
And still there never seems to be a single penny left for me
That's too bad
In my dreams I have a plan
If I got me a wealthy man
I wouldn't have to work at all, I'd fool around and have a ball
(ABBA, 1976, Money, Money, Money)

Money, you can't live without it, and you can't take it with you when you die. Some say that money is the root of all evil and, even though it is only paper, plastic, or bits of metal, it can exert great power over our lives. Money can dictate how we live, what we wear, what we eat, and what we do for fun.

Despite its importance, money is not an easy topic to discuss – be it with who pays the bill between friends at a restaurant, how to handle spending between spouses, or talking to your parents about estate planning. In fact, within many families, talking about money is still considered taboo.

Discussing money is really an emotional topic and our feelings about money are linked to how we earn, spend, save, and invest. Understanding your emotions about money can help you become more satisfied with what you earn, how you spend, and how you save.

Everyone has a basic money personality. You may recognize yourself as a 'Hoarder' (stingy, frugal), 'Spender' (guilty of not saving), 'Money Monk' (feeling money is dirty or root of all that is evil), 'Avoider' (overwhelmed about making money decisions), 'Amasser' (you equate money with self-worth), or 'Worrier' (you worry about money all the time, and the more you have the more you worry).

Our life experiences also influence our money emotions. Money attitudes can also vary across generations. As an example, those who experienced the Great Depression may have seen or endured much hardship and would continue to save every penny, and therefore might be considered Hoarders. Baby Boomers who grew up with available jobs, a comfortable lifestyle and may have fostered a 'why save for a rainy day' attitude, might be more of a Spender. Millennials have been labeled as materialistic, spoiled, and saddled with a sense of entitlement. But with the high prices due to inflation and student loans, Millennials often feel they will not be able to achieve their goals, such as finding their dream job, buying a house, or retiring earlier than their parents did. As such, they could become overwhelmed about money decisions and be labelled as an Avoider.

Money and marriage

Money and finances are very important topics to openly discuss with your spouse, yet Environics' research found that nearly 80 per cent of couples experience disagreements on money issues.

Some suggestions for a couple's discussion are to add up all debts and work together to a create a plan to pay them off. Never criticize your partner about money in front of others and, when discussing money issues with your spouse, be very clear about what you want and who's going to pay the bills and who will handle the investments. You can also consider a third account for joint household expenses whereby each of you maintain your own bank account for the sake of your own autonomy, but also have the third account for shared bills. Even if one of the spouses is not interested in the money part of the marriage, it is still important that the bills, investments, and bank balances are discussed and reviewed between the two partners every month. Keeping the lines of communication open about money will help with your long-term plans and help you to save for retirement and may help contribute to a long and happy marriage. If you don't have the money talk prior to getting together, your significant other may have you 'Sign-if-I-can't' (i.e., because of a poor credit rating).

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A family conversation

It is also very important to have a family meeting with your parents about money that's centred on estate planning. During this meeting, the entire family can have a true picture how your parents would like to distribute their wealth, which will help to eliminate family arguments upon their death or testing of the will. Family money discussions can also help your parents retain complete control over how, when, and to whom the estate is distributed.

During these discussions, you can find out the wishes, wants, and dreams that your family may have. If it is difficult to discuss money with the family, a good idea is to bring in a wealth advisor to help ensure that the personal and financial affairs are managed as desired. The advisor can help with pointed questions and help to capture every available tax break to minimize capital gains tax and federal income taxes upon death. They can also make recommendations, such as charitable gifts upon death, to avoid final taxes.

An ancient Chinese proverb notes, "If you are planning for a year, sow rice. If you are planning for a decade, plant trees. If you are planning for a lifetime, educate people". And yes, your wealth advisor can help educate you to reduce the amount you give to CRA over your lifetime and at death. Many Canadians pass away without a proper estate plan and unknowingly make CRA the largest heir to their estates.

So, unlike what Swedish musical legends ABBA proclaimed in song, '*If I got me a wealthy man / I wouldn't have to work at all, I'd fool around and have a ball*,' in reality all you need is a plan for the money conversation. ◗

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