The Newsletter

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How to Break Your Family's Money Talk Taboo

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How to Break Your Family's Money Talk Taboo

Do you and your family regularly discuss money matters or do you shy away from the subject? Experts note that money talk taboos are common among American families and that this needs to change. "For many families, money is a topic we don't openly discuss. But by avoiding these discussions, we're inhibiting information flow around the best use of money," says Michael Liersch, head of Advice and Planning for Wells Fargo's Wealth & Investment Management division.

Liersch, who is a behavioral scientist and currently leads a team at Wells Fargo & Company responsible for developing research-based methods to help advisors and clients collaborate around money decisions, is hosting a new podcast. "About Money" focuses on breaking the money talk taboo and offers practical advice for having productive conversations about financial decision-making.

A few ways some families view conversations around money:

• It's just gauche. It can make people feel uncomfortable, embarrassed or bad, so don't do it.

• It can disrupt harmony and spur arguments because ultimately, it's airing dirty laundry, revisiting bad decisions or revealing serious personality conflicts around spending, saving and investing.

• It can reveal different reference points. For example, someone with more money can make those with less feel bad about themselves.

• It can make those without a lot of knowledge feel exposed by what they don't know and those with a lot of knowledge feel like a know-it-all.

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Whatever your family's reasons for dodging dollars and cents around the dinner table, Liersch offers these tips for starting the conversation:

1. Write down your responses to the following questions. What's the number one thing you want money to do for you? Do you feel you have enough – just enough, more than enough, or not enough – to get that job done? What's holding you back from getting the job done? What could you do to make sure that it does? Who do you need to talk to or what resources do you need?

2. Store these answers in a secure, handy location.

3. Have conversations with those that may be impacted by the conclusions reached, such as your partner, children and parents, and then collaborate with them on next steps.

4. Set aside time regularly to focus on this information and to take incremental steps toward making your money work for you.

"No one is born with the knowledge of how to use money. It's an abstract concept – like language. And like language, if you wait too long to learn it, you'll never master becoming a native speaker," says Liersch. "Today, as I sit around the kitchen table with my family, all topics are fair game, including those money-related topics that used to be taboo."

3 STEPS for your 2021 financial checkup

Amidst a frenzy of holiday parties and family gatherings, it can be easy to lose sight of your financial goals. But the end of the year is an ideal time to reflect on your financial plan and review your savings and investing approach. Before you say goodbye to 2021, take these steps to maximize your savings and help position your portfolio favorably for the coming year:

1) Max Out Retirement Savings (If You Can):

The end of year is a good time to evaluate your overall savings and determine if you can bump up what you're putting away for retirement. For 2021, the maximum 401(k) contribution is $18,500. To help build your savings, it's a good idea to take full advantage of your employee retirement plan, at least to the point of any employer match. You can also use lump sums, like an annual bonus, to give your savings a boost. Also, if you're age 50 or over, you are allowed to add another $6,000 in catch-up contributions, for a total of $24,500 a year in your 401(k).

2) Rebalance Your Portfolio:

According to Schwab's Modern Wealth Index, only 46 percent of investors have rebalanced their portfolio in the last year. With the increased turbulence in the stock market recently, it's possible your investment portfolios have strayed from their original target asset allocation. Rebalancing simply means selling positions that have become overweight in relation to your target allocation and moving the proceeds to ....

positions that have become overweight in relation to your target allocation and moving the proceeds to positions that have become underweight. The end of the year is a good time to take a look at your portfolio allocation and make sure it's aligned to your goals and risk tolerance. This can be especially important for people nearing or in retirement, who might not be able to withstand sudden volatility

3) Take Advantage Of Lesser-Savings Strategies:

It's open enrollment season, so if your employer offers a Health Savings Account (HSA) - and you qualify to contribute to one - consider opening one. HSAs are tax-advantaged savings and investment accounts available to people with high-deductible health plans. You can set aside money in an HSA, free of federal taxes, to pay for qualified medical expenses like doctor visits and prescription medications. In addition, HSAs can serve as a stealth retirement savings account similar to a 401(k) or an IRA. If you're able to contribute to an HSA and leave it alone, it can be used to cover healthcare expenses in retirement without tapping into other savings.

If you already have an HSA, try to contribute the annual maximum before the end of the year. For 2018, those in high-deductible health-insurance plans can sock away as much as $3,450 before taxes. For families, the figure is $6,900, and those age 55 and older can contribute an additional $1,000. It's easy to deprioritize your investments amidst the chaos of the holidays, but taking the time to evaluate your success and consider unexplored opportunities can put you on a better path for the coming years. To stay on the right track and make sound financial decisions over time, it's also important to get a written financial plan in place. A financial plan goes beyond saving and investing to look holistically at all the interrelated parts of your financial life. It's like a roadmap - it forces you to develop a realistic and informed perspective on where you are, where you want to go, and how to make the best use of your resources to get there. For help creating or updating a financial plan, visit a Charles Schwab branch. Some content provided here has been compiled from previously published articles authored by various parties at Schwab. This information is not intended to be a substitute for individualized investment advice. Investing involves risk including loss of principal. Diversification, asset allocation and rebalancing strategies do not ensure a profit and do not protect against losses in declining markets.

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