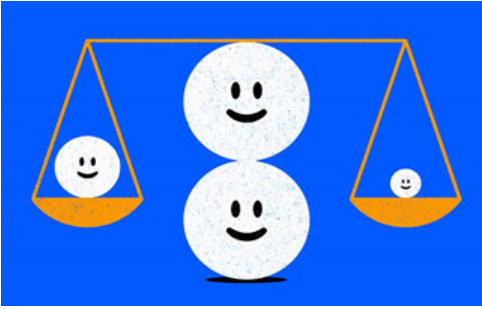


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SHOULD PARENTS TRY TO SPEND THE SAME AMOUNT OF MONEY ON EACH CHILD?

Sometimes what seems most equitable isn't necessarily the most fair



By: Cheryl Winokur Munk - February 14, 2020

Most parents would probably say they love all of their children equally and don't play favorites. Keeping the scales balanced when it comes to family finances, however, is more complicated.

When raising more than one child, maintaining a sense of fairness is a laudable goal—but an often challenging one. If a 10-year-old boy receives ice skates and lessons, and his younger sister has no interest in skating, must she get something of equal value? And should this be at the same time, or when she turns 10?

The older the children get, the more complicated the issues become, and the bigger the price tags. This continues until, well, the very end, when parents and siblings must decide how best to equitably divide inherited wealth.

To help families gain clarity, The Wall Street Journal reached out to Neel Shah, estate-planning attorney at Shah & Associates and financial adviser/owner at Beacon Wealth Solutions in Monroe, N.J.; Rachel D. Miller, an associate-licensed marriage and family therapist at Focht Family Practice in Chicago; and Joseph Polakovic, owner and chief executive of Castle West Financial in San Diego.

Here are edited excerpts from those conversations.

WSJ: Do you think parents should try to spend the same amount on each child?

MR. SHAH: What is fair is not always equal, and what is equal is not always fair. Earlier in life, most parents feel a responsibility to put their younger children in the best possible position to succeed. Later, parents may desire to see their children use and enjoy some spending during the parents' lifetime. Parents may also use their finances to supplement the lifestyle of the child and their family. But if one child is making \$300,000 a year, while the other is making \$50,000, the parents are going to have to treat them differently to supplement lifestyles.

MR. POLAKOVIC: Parents should plan to keep the score as even as possible across all children. Forecasting expenses and expected income, as well as budgeting, are immensely useful. You don't want to purchase a vehicle when your child turns 16, pay for college, lend them a down payment for a house or even help financially with their wedding, then realize you have no savings and cannot do the same thing for your other children.

Setting a baseline is very important. Determine how much you'll spend on, or give, each child. For certain needs, I recommend setting a dollar amount and age at which they

can access it, rather than a specific thing (i.e. car, education, house, wedding, etc.). This can include an expectation of the child, like completing high school, attaining a certain GPA or participating in a certain amount of activities. Having these things in place early on can help quell any sibling protest claiming unfairness.

If one child needs more money to finish school, buy a house, help support their family, etc., there should always be a back-up plan. But the rules need to stay consistent. Extra money borrowed should be paid back and money borrowed should never affect the other siblings without their consent.

MS. MILLER: Equal spending is generally a sound policy. But I urge parents to strive for fairness over time rather than equal spending at each gift-giving opportunity. Fair does not necessarily mean equal. Fairness considers the larger context, specific circumstances, and each child as an individual.

WSJ: When might parents need to spend different amounts on each child?

MR. POLAKOVIC: For instance, if a child has a disability or some type of medical condition. Additionally, some children are going to have different gifts. One may be a standout in sports and get the opportunity to travel. The goal is to keep the family a team, so big decisions like directing large resources to one child should be understood by everyone. The desired outcome is that everyone gets to feel like they are tangibly supporting their gifted sibling rather than feel cheated by them.

MS. MILLER: It might become necessary because of changes in finances, such as a job loss.

MR. SHAH: I have a client who lent money to her son 15 years ago to start a business. The money was lent at a time when my client was working and earning income. When her other son came to know of the loan to his brother, he requested a similar amount. Because of her financial situation at the time I discouraged her from doing so. There has to be some consideration for the near-term and long-term financial goals for the parents as well.

WSJ: How can parents try to level the playing field when more money is spent on one child?

MR. SHAH: If the parents' goal is to treat the children equally, the inheritance may need to be unequal to balance what the children ultimately receive in total.

One of my clients decided to leave their assets including their home to all three children equally. However, one of the adult children had given up her part-time job and sold her own home to move in with her parents to take care of them. There was resentment among her siblings when she insinuated that perhaps there should be an unequal distribution of the parents' assets as a result. She felt that equal would be unfair,

given that she had given up so much of her own personal life and wealth to care for the parents.

After multiple conversations with the children, and with the parents' input, it was agreed that the woman would be granted a life estate in the home once the parents have passed. This would allow her to continue to live in the home for her lifetime so long as she paid the expenses associated with the property. If the home were ever sold after the parents pass, the proceeds from the sale would be split equally among the three children.

MS. MILLER: Sometimes the approach depends largely on the child. Some might not pay any attention to the gifts given to a sibling if their needs are being met in other ways.

In other cases, if, for example, one child is involved in travel sports, which can be an expensive proposition, and another is into electronics, a fair thing to do might be to spend more on the latter child's birthday or holiday gifts. These things can, and typically do, balance out over time.

WSJ: How can parents prepare their children and avoid conflicts in cases where disparate spending is necessary?

MS. MILLER: It can really be a matter of talking things out as a family. When a teen is given a car as a gift, this is also a huge time- and energy-saver for the whole family as the teen can now help with driving. Younger siblings may be jealous and not think about the benefits to the parents and the larger family. Helping children understand the reasons for your decisions can help mitigate hurt feelings.

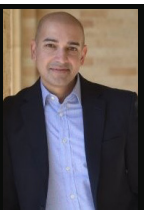
MR. SHAH: With older children, I strongly encourage at least one family legacy meeting to explain the parents' rationale for the different treatment of the children. It's important to explain that this is usually not about a difference in love and affection for the child, but rather usually fueled by a very practical need or desire.

Communication is the key to dealing with tensions as a result of parental spending decisions. Sometimes it's necessary to bring in a third party. It could be a relative outside the immediate family or even a professional, such as a family therapist.

MR. POLAKOVIC: Let's say the damage has already been done and one child has received a larger share of the spending. Bad news doesn't get better with time, so it's important to at least address this fact rather than kicking that tough conversation into the future. It may sting, but hopefully good intentions or, at the very least, repentant apologies, occur.

We will not be able to save our children from experiencing disappointment at some point in their lives, and that isn't the goal. We love them and want them to be happy and successful on their terms. If we rob from them the ability to be happy even when things don't go their way, then no monetary gift we leave them will be able to recompense that.

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