

Keeping Up

? *My husband and I both come from families of wealth and are lucky enough not to have had to work beyond managing the incomes our parents have created for us. In the five years we have been married, we have traveled, done philanthropic work and started a family. But there is a threat to our lifestyle that I am worried about: my husband's need to always have the latest and the best material things. The costs are getting out of hand and could undermine our core finances. How can I help him resist the pressure of keeping up?*

YOUR BRIEF DESCRIPTION makes me believe that your husband may suffer from “affluenza” with an addictive element. Affluenza in its simple definition is an unbalanced and sometimes dysfunctional relationship with money. It is important to recognize that the pressure to keep up is internally imposed, although most people blame the external environment for their own inability to control spending and their lack of true self-confidence.

I suggest that you talk to your husband when you are both calm and relaxed. Your aim will be to find out if he is aware of his behavior. Does he understand that he always needs to have the latest and best material things? That the costs are getting out of hand and that this behavior provides your child with an unbalanced role model for spending? Does he understand how it is affecting you?

If he is aware of the above but does not know how to stop or change, you can help him by taking control of your financial spending. You could play a game in which for one month he buys nothing new. If he manages well, by the end of the month he is rewarded with something you both agreed upon in advance. If he is not aware of his behavior, or denies your concerns, you may want to consult a professional for several sessions.

Ronit Lami, psychologist, Beverly Hills, Calif.

IT IS IMPORTANT to develop emotional awareness regarding money. The pressure to continuously keep up may imply unhealthy social circles or life goals. For some, the addiction to spending can be a result of underlying problems. It can lead to a life without money and ultimately a life without meaning. It can also foster irresponsibility, negative entitlement and other poor traits in the next generation.

Examine how much you spend on your lifestyle annually for housing, travel, food, entertainment, taxes, philanthropy, etc. Then examine what percentage of your total inherited nest egg this lifestyle comprises. Generally, as long as you are withdrawing no more than 4 percent of your entire financial portfolio invested in a balanced strategy (50 percent stocks, 40 percent bonds, 10 percent cash), you should be able to sustain your lifestyle, survive market volatility and keep up with inflation. You should examine your investment strategy to ensure that it is appropriately adjusted. Consult your financial advisor/wealth manager for help performing these analyses.

Ultimately, you should openly discuss your life goals together and agree on the type of monetary lifestyle that will satisfy these goals. Once you determine this, you should apply the rules of portfolio theory, investment allocation and withdrawal rates. It is a continual process that should be examined annually.

Joseph I. Chu, Merrill Lynch, Greenwich, Conn.

REFRAME THE QUESTION. Transition your perspective from that of a couple to a family. Push to go beyond yourselves and think about the future of your children. While short-term solutions such as separating your money or creating a budget might be helpful, they are likely to be superficial fixes. They would deny the two of you the experience of struggling together to come up with a vision of how you want your children to find meaning and purpose while growing up amid wealth.

Working with an advisor, have a broad discussion—beyond your husband's behavior—about how you would like to influence your children's view of money and wealth. Starting questions could include: What does wealth mean to each of you, and how did your view develop? Who in your lives served as role models? How do you envision your children receiving the gift of being born into wealth as they reach young adulthood? Given that view, what will be required of you as parents?

This critical point in the life cycle of a young family is a chance to develop the principles that will guide how you model for your children your philosophy about not only financial wealth but life's purpose.

Fran Lotery, Relative Solutions, Los Angeles, New York

SEND US YOUR QUESTIONS. Are you wrestling with family issues, business governance or succession decisions, investment or estate planning dilemmas, problems related to philanthropic activities or foundations, or a similar predicament? We invite you to email a question to advisorsforum@worth.com.