

# When Hope is Not a Strategy

Preparing Children  
for Significant Wealth



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Having created or inherited significant wealth, be it tens of millions or tens of billions, parents inevitably face two fundamental questions.

**How do we prepare our children or grandchildren for the responsibilities of wealth?**

**When and how should we disclose and discuss our wealth with children<sup>1</sup> or young adults?**

Many family members approach this process with great reluctance or outright dread. Others, however view it as an opportunity to instill in the next generation a framework for understanding family wealth, family values, and responsible prosperity.

How then might a family approach the challenge of ensuring that the next generation will live purposeful, healthy and productive lives; become responsible stewards of both family wealth and the family legacy?

In this paper, we will explore a framework consisting of leading practices we have observed in families who have successfully navigated these waters. As the title suggests, hope alone is not a strategy for success. Simply hoping and trusting that children and young adults will successfully navigate the social and psychological forces that will inform their beliefs and actions with respect to family wealth, is leaving far too much to chance.

<sup>1</sup> We use the word “children” to denote offspring of any age. Similarly, “next generation” refers here to offspring, grandchildren or nieces and nephews. “Young children” here refers to pre teens.



# Framework

A comprehensive framework for engaging children around matters related to family wealth, regardless of age or maturity, is based upon two foundational precepts:

- Family values - The way family values are expressed, communicated and embraced are the foundation upon which wealth inheritors prepare for proper stewardship of wealth. Values are the “glue” that binds our behavior and beliefs.
- Life Experiences - Exposing young adults to a diversity of experiences, people and education informs opinions, shapes self-awareness, and fosters good judgment. This includes behavior modeled by parents and other influencers that reinforces positive and constructive patterns of behavior.

Implicit in this approach are the following observations.

1. There are no universal approaches that fit every family. Families are challenged to craft personalized strategies that reflect the unique values, needs and characteristics of their families.

2. We make the argument that young people, who are grounded in strong values, are self aware, worldly, challenged and ready to assume leadership roles, possess the ability to create, grow, and transform the family enterprise<sup>2</sup>. Some will do this on a global stage, others in their communities. Regardless of the nature or scale of their impact, much is to be gained by families who address head-on how they prepare young people for the benefits and obligations of wealth.

The inherent risks of entitlement, privilege, and unprepared wealth inheritors are well known and should be avoided. It can adversely affect individuals and their families, their wealth, their companies and even communities. Often this occurs in two ways. Empirical evidence<sup>3</sup> suggests that the children of affluent families may be at higher risk for substance abuse and alcoholism, and unprepared wealth inheritors often dissipate family assets within one or two further generations. We will not dwell on these risks here but rather focus on the upside potential of ‘getting it right’.

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<sup>2</sup> The family enterprise may be made up of the family business, entrepreneurial ventures, family office or family foundation.

<sup>3</sup> Children of the Affluent. Suniya Luthar and Shawn Latendresse, Current Directions in Psychological Science, February 2005.

1. There are few substitutes for effective and candid communication when addressing the role of family wealth and its impact on all concerned. For some, clear and thoughtful communication comes easily, while others need to learn and adopt these skills. Families should avail themselves of trusted advisors when there are meaningful barriers to good communication between couples or with children.
2. Introducing and preparing young people for the responsibilities and burdens of wealth is a continuing process, it begins at a young age and continues well into adulthood. While the press and popular culture sensationalizes the possessions and lifestyles of the affluent, little attention is paid to the obligations of wealth. As we will discuss shortly, societal and familial expectations serve to create unique pressures on young people and add complexity to the challenges of adolescence.

Let's turn now to the process by which families may construct an approach that best fits their needs. This may be simply thought of as 'tools' to be drawn upon, as some family systems may exhibit greater strengths or weakness in certain areas. For example, a family may have well articulated values that shape their views and actions regarding family wealth, while others may need to explore this subject for the first time. Nonetheless, candidly assessing one's starting point is a sensible beginning.

One important note, the goal of this process, and indeed this paper, is not simply to create a new generation of business leaders or wealth creators. Ideally, young adults should be free to choose a life path that suits their needs, passions and aspirations. For many, this may be the arts, medicine, philanthropy or indeed business, entrepreneurship or a family leadership role. Regardless, the means by which the family guides a child through the developmental process described here will apply to all, irrespective of vocation.





# Methodology

A robust methodology for discussing and preparing young people consists of five stages:

1. Acknowledging personal views on wealth - setting the foundation by reflecting upon one's wealth, and the role it plays in life and family aspirations.
2. Clarifying family values - understanding, communicating and demonstrating (i.e. living) constructive values that may be emulated by children.
3. Creating a roadmap - fostering educational and diverse life experiences that give rise to good judgment, self-awareness and emotional intelligence<sup>4</sup> in next generation wealth inheritors.
4. Comprehending responsible prosperity - understanding that wealth brings familial and societal expectations and obligations.
5. "The Talk" - introducing children to family wealth and the impact it has on their lives.

These suggested steps can be applied over time, often beginning with children as young as 10, or accelerated over shorter periods of time with teens or young adults. That said, we are not advocating a 'checklist' approach, but rather a thoughtful progression of actions and communication, adapted to the particular idiosyncrasies of the family.

<sup>4</sup> Emotional intelligence consists of a range of learned attributes such as empathy, self-awareness, motivation, social skills and self-regulation. For more information on this subject see *Emotional Intelligence* by Daniel Goleman, Bantam Books, 1998.

<sup>5</sup> References to the "principal" is simply a shortcut for family head, either mother, father or both acting in unison to make major life decisions for the family and its enterprises.

## The Foundation - Acknowledging views on wealth

Our journey begins with self-reflection, not by the next generation, but rather by the principal<sup>5</sup> and her or his spouse. Having inherited or created significant wealth, parents need to have a clear and unbiased assessment of their personal feelings toward wealth. Consider thoughtfully addressing the following questions:



A. What does my wealth mean to me?

This question can be framed in any number of ways but fundamentally invites parents to reflect on and discuss the role and importance of their wealth.

- In what ways does it define our family or me?
- How important is wealth to my self-perception and psychological well-being?
- What was my early relationship to money and how did my family/parents influence my attitudes?
- If inherited wealth, how do I feel about being the beneficiary of others actions?
- Is my wealth the end product of my life's work or a fortunate byproduct of pursuing my passions?
- How has wealth benefited me, and in what ways has it made my life more challenging?
- What burdens and expectations might I have experienced as a result of my wealth?
- What gives me joy and what role does my wealth play in that?
- If I lost much of my wealth, how might I react and cope?

B. How might our wealth enhance the lives of our children and others who are unrelated to me?

In this context, "enhance" or enrich, may be thought of in several different ways, some of which include:

Safety - ensuring the financial security and well-being of loved ones.

Growth - building upon the wealth of a family to create even greater wealth for future generations.

Philanthropic - addressing health, environmental, educational, religious or social problems and issues of importance to me.

Legacy - carrying on the family enterprise (business, foundation, family office), ensuring sustainable stewardship of family wealth, filling key family leadership roles, perpetuating family values and traditions.

Aspirational - enabling young people to pursue entrepreneurial, artistic, political, philanthropic, or other ventures of their choosing.

Questions may include:

- How do we wish to be remembered by family and society?
- How might our wealth be used to benefit others (individuals, entities or causes)?
- How much of our wealth do we wish to gift or direct to our foundation upon our passing?
- What amounts of wealth do we wish to provide to our children and grandchildren and to what end?
- What limitations and expectations, if any, do we wish to place upon inheritances, gifts or endowments?

In addressing both subject areas (one's views on wealth or how wealth might benefit others) the intention is to promote reflection and create self-awareness. Why? In order to properly prepare next generation wealth inheritors, parents must create the foundation upon which they will communicate the values, hopes and expectations that will shape the future beliefs and behavior of wealth inheritors. In essence, a concomitant transfer of values and beliefs that will guide the stewardship of wealth must accompany the transfer of such wealth.

This exploration process may be done by a couple using a facilitator if there are conflicting views or communication challenges, or more often taking time from busy schedules to sit alone and address these questions in private. In some instances, we have seen adult siblings who jointly control family wealth come together to discuss these questions and learn others views in order that they might apply a similar approach to the preparation of nieces and nephews.

Regardless, we often don't allow ourselves the opportunity to reflect upon these fundamental questions. Absent thoughtful reflection, communication and negotiation amongst parents (or adult siblings), a proper foundation has not been created for the future preparation of children. What are some of the more common failure modes to be aware of?

Inherent bias - one or more family principals has fixed and unyielding views. "This is how my parents dealt with me, why change!" "Our eldest son will assume control, why is this necessary?"

Hierarchical decision-making - One spouse fails to fully engage the other. "I don't want my spouse involved in these decisions."

Lack of candor - One or both parents don't comprehend the importance of this process to the future of children and family legacy, and fall short of doing the work necessary to make it happen.

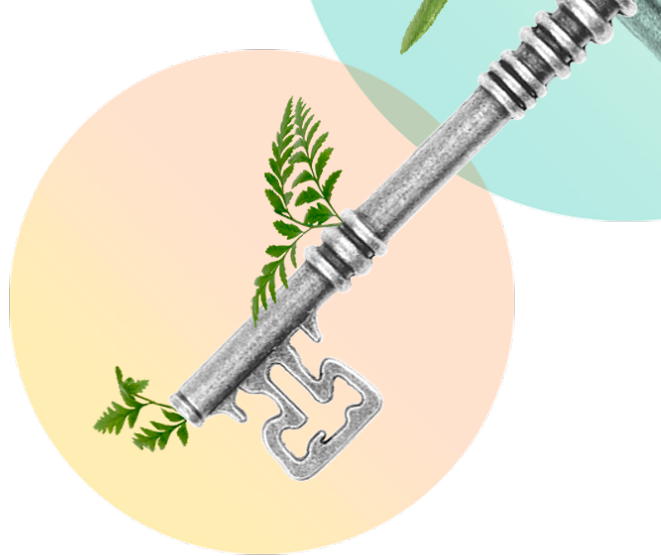
Failure to negotiate - In order to achieve consensus, negotiation must be recognized as a necessary tool.

There are no right or wrong responses. In fact, it is not uncommon for parental views to change over time with experience, or at the urging of a spouse. Where there are differences, couples should thoughtfully discuss where those differences lie, and how they may be bridged. This doesn't imply the need for perfect alignment but on matters of core values and acceptable behavior, basic agreement should be achieved. Don't rush, allow yourself to think expansively and not be bound by what others expect from you. If unresolved conflict exists, seek out advisors who may help clarify and bring resolution. This important work is the foundation from which all of your dialogue and planning will build.

At this juncture, it is important to reference the role of trust and estate plans. Our goal here is to introduce and prepare the next generation for the assumption of wealth, both its opportunities and burdens, not to specify their inheritance. As we shall see shortly, there is a time and place for such a discussion but for the moment, let's focus on these questions.

## The Importance of Values

A key phase in the preparation of young people is to communicate and reinforce the values the family wishes to impart upon the next generation. More than any other predictor of a successful outcome, we have observed that the stronger the values of the family, the more likely that children's beliefs, actions and lifestyle will be guided by them in favorable ways.



We communicate our values to children in a number of important ways. For many, religious beliefs serve as a foundation, augmented by specific family standards of behavior regarding work, giving, kindness and the like. Values may be implicitly understood within a family system or explicit in the form of a family charter. We know of families who have undertaken values clarification exercises to further tease out and codify values. Regardless of how formal or informal the expression of these values, they are imparted in several ways. Here are a few of the most common:

**Behavior & Actions** - nothing conveys the values of a family more effectively than the behavior of parents and adults. While words are important, children are most keenly aware of behavior. Avoid creating dissonance between words and actions. This is often seen in areas of spending where parents may exhibit behavior in conflict with their words to young adults ("be sensible and prudent" but in fact they may display profligate spending habits).

**Story Telling** - sharing stories, particularly to young children and teens, that convey how the family has lived its values can be particularly compelling. Tales of grandparents or parents founding a company, addressing adversity, overcoming a personal failure, or helping those in need serve as a benchmark for their own behavior and tend to remain with them.

**Reward & Punishment** - Parents should be alert to opportunities to reinforce and even celebrate values put into action by young children and adults. Hard work, kind actions, selfless giving, creativity, initiative, notable achievements all provide opportunities for recognition. Similarly, behavior that conflicts with values is dealt with accordingly.

How then are values commonly expressed? Let's hear from a few actual families.

6th Generation Family, 340 members, descendants of 19th century oil and energy company founder.

"We didn't create our wealth, we are stewards of it. Our obligation is to leave the world a much better place through our individual and collective actions."

4-5th Generation Family, 100+ members, descendants of banking founder.

"We each pursue passions that may be quite different but are bound by our desire to care for our family, our faith community, and our community at large."

6th Generation Family, 30+ members, descendants of a financial institution founder.

"We are above else, fortunate. We are stewards of wealth acting for future generations. We celebrate integrity, caring, and living purposeful and creative lives, the values that we have learned from previous generations."



We see in these few words a focus on the future and the past, optimism, a quasi-code of conduct, and guardrails to guide decision-making. They are only intended to illustrate, not prescribe what a family might adopt. When asked, most wealth creators can readily identify the principles and values that guide their lives. Reflecting on and discussing these values allows parents to make a more deliberate effort to share stories, celebrate behavior consistent with values, and shape the self-worth and awareness of children.

## The Role of Education & Experience

Apart from the conventional educational opportunities parents provide for their children, there are specific areas they may wish to consider to round out and balance their readiness to steward wealth properly. This often takes the form of informal educational opportunities, as we shall see shortly. Many will further augment this educational process with real-life experiences to give exposure to people, challenges, and cultures beyond their day-to-day lives.

Informal education will often consist of exposure to financial literacy, money management, business fundamentals, investment basics, along with family history, and introduction to family business and family philanthropy.

Informal education can take many forms; such as informal chats with parents, family retreats where subject matter experts speak, peer study groups, or readings. Large, multi-generational families will increasingly turn to family education coordinators who create web based and onsite educational programs that can be tailored to the specific needs of family members.

While education of a formal and informal nature is no doubt important, there are limitations of which we are aware. We frequently move in confined social circles such as private schools and universities, which create and perpetuate self-sustaining and mutually reinforcing views on both wealth and social norms. While there is nothing inherently bad about these social dynamics, families are well advised to seek out life experiences that challenge and broaden a child's prevailing views, whatever they may be.

Experience is a powerful mechanism for further expanding ones exposure to a diversity of people, ideas and beliefs. Moving outside of homogeneous social and economic circles (often referred to as "social bubbles") through readings, travel, work experience and voluntary endeavors provides children and young adults with necessary perspectives on other cultures, religions, social classes, and societal problems. They are better able to comprehend their own circumstances and family values and those of others, particularly those less fortunate, as such direct experience creates a framework for placing oneself in a broader world.

Here are a few examples:

2nd Generation Wealth Inheritor, 50 years old.

“When I was a young girl, my father brought me to Africa on his coffee sourcing trips for his business. Those experiences helped me understand the privilege we enjoyed as wealthy Americans, and led me to my life’s work, building and sponsoring schools for girls in West Africa.”

2nd Generation Wealth Inheritor, 35 years old.

“At the time I didn’t agree that the best use of my summers was working in one of the family factories. I learned more working side by side with people of all ages and ethnicities than perhaps in business school. It opened me to the realities of the world outside of my friends and family.”

2nd Generation Wealth Inheritor, 26 years old.

“My mother played a major role in the family foundation, often traveling to India and Africa. I joined her on these trips at an early age and it both gave me a window into her passions, as well as providing us with special time together. With her guidance I was able to experience first-hand a world that was much different from my own and it changed me.”

Finally, no discussion of personal experience is complete without considering the role of work. Work may take many forms for a child, attending to school obligations or routine chores, and with the passage of time, actual work experience in a business or nonprofit setting. Regardless of form, the value of work for a child or young adult is the connection that is made between effort and outcome. Work demands of us that we express fundamental life skills such as organizing, planning, listening, and expending focused effort (even when we wish to be doing something else that may be more pleasant). Requiring work experience in any form, from modest tasks (clean your room) to formal work arrangements (summer jobs, college internships) lays the foundation for children and young adults to not only exercise essential life skills but to also experience the satisfaction of personal achievements and the development of self esteem.

Few things motivate as powerfully as bridging effort with accomplishment. We see this early on when a child draws her first picture of the family, masters bicycle riding or sailing, or performs a piano recital. This is the essence of what “work” should be for children and young adults, namely opportunities large and small to expend effort, exercise life skills, address conflicts, cope and adapt while working toward an outcome that builds self-confidence and an inner sense of reward and pride in one’s achievements. Internalizing this experience is a key developmental milestone and should not be overlooked.

Many affluent families will require that children and young adults undertake work in some form, and will make arrangements to either work outside the family business or within one of the family owned companies. While this can be a worthwhile exercise, families are well advised to avoid creating a climate of special treatment or overt nepotism, for this undermines the experience and may reinforce a sense of entitlement. Keep in mind that the work setting need not be just business oriented and may be quite varied (museums, educational institutions, hospitals or non-profit groups come to mind) and matched to the interests of the young adult.

## Comprehending Responsible Prosperity

No discussion of the transfer of wealth to a child or grandchild would be complete without acknowledging prevailing societal views on affluence, be it great or small. While there may be cultural and regional differences in the ways in which societies view wealth, most cultures find agreement around one important principle, i.e. those creating or inheriting significant wealth are expected to exhibit behaviors consistent with the obligations of wealth by living a purposeful life, one that contributes to the economic and social well being of the family, community or the world.

We refer to this as “responsible prosperity”, the recognition that with great wealth comes both meaningful family and societal expectations. In every culture there seem to be examples of affluent teens or adults whose ostentatious displays of wealth and profligacy bring about ridicule and scorn. One might describe that as ‘irresponsible prosperity’ to drive home the point. The challenge for each family is to define what constitutes responsible conduct on the part of wealth inheritors.

While extreme outlying behavior is more easily identified, namely irresponsible spending, directionless lifestyles, lack of purposeful living, families often find it more difficult to articulate what constitutes responsible behavior in a period of meaningful social and gender changes around the world. As such, parents may wish to focus less on traditional roles and occupations, and place greater emphasis on essential values, meaning and purpose, and the pursuit of passion in whatever endeavors a young adult chooses to undertake.



Family expectations combined with social attitudes relating to money, social standing, bias, and outright hostility can create unique pressures upon children and young adults. Wealth rankings, power lists, elite school admissions, summer home locations, and charitable board memberships are only a few of the ways in which families and their offspring are defined and stratified by their wealth and status. Even families who do not appear on the annual Forbes Rich List experience subtle forms of objectification.

How then might a family address these forces head-on? Families who successfully navigate these waters often do so in the following ways:

1. They acknowledge with children that indeed they may be different in terms of wealth than many others (something children often instinctively comprehend). At the same time they also acknowledge the many ways they share the same hopes, needs, frustrations, and desires as other families. Reinforcing similarities in subtle ways provides much needed perspective.
2. They address the view that wealth does not denote “better or worse” vis-a-vis others, in spite of societal and press fascination with wealth, power and influence. In addition, they fight entitlement in children, the belief that their wealth entitles them to privilege, by demanding responsible behavior and setting and enforcing limits with consistency. The absence of any limits denies parents the opportunity to discuss responsible conduct with young people, irrespective of whether family wealth permits such consumption or not.
3. It is not uncommon to hear families describe their wealth in terms of being “fortunate”, the result of “hard work” and dedication by one or more family members, thereby connecting positive behaviors and work ethic to wealth. Families will actively incorporate charitable giving or a family foundation into activities with children, reinforcing that wealth is not simply about consumption but also about giving back to society. In subtle ways they communicate the obligations of wealth and their good fortune.
4. Lastly, successful families exhibit the desired behaviors, values and conduct they expect children to emulate. Done well by adult role models, this reinforces proper expectations in a powerful manner. Done poorly, it creates dissonance and conflict within children.



We know of affluent families who live relatively modest lives, eschewing extravagant trappings of wealth with few exceptions. Others will limit or forego spending in certain areas that they or others may view as ostentatious in order to reinforce to their offspring the idea that “just because we can, doesn’t mean we should”.

Regardless of approach, families who display strong values relating to work, generosity, and living purposeful lives are well positioned to pass those characteristics on to their children. While popular cultural norms may assign both positive and negative attributes to wealthy families, they resist embracing these attributes in favor of defining for themselves who they are, and what they stand for and against. They know they are not “special”, deserving of privilege, entitled, or stand above others.

In the end, displaying consistent parental and family behavior and attitudes around these beliefs, avoiding contradictions where possible, and openly discussing conflicts and fears with children is essential. Good communication is the most effective buffer against social pressures, unfavorable press, peer rivalries or family discord that a child or young adult may encounter.

## Creating a Roadmap

How a family may approach creating and implementing a plan, based upon the principles described here, will vary greatly. Some will take an informal approach in favor of adapting to the needs of the child and the moment. Others will create a plan that outlines specific steps that will be undertaken, when, and by whom. Regardless of rigor, we have seen both achieve the desired results. The importance of this step is to acknowledge that a deliberate and thoughtful approach must however be undertaken.

A few of the key questions a plan should address include:

1. Are we as parents aligned as to how we wish to prepare our children and discuss our wealth with them?
2. Who will provide input into our plan, and who will be responsible for its implementation over time?
3. Do we wish to modify our plan based upon the needs and idiosyncrasies of an individual child?
4. What resources (advisors, consultants, specialists) are at our disposal to help craft and implement the plan?
5. How will we communicate and get input from young adults as to their experience with this process and how we might enhance their experience?



## Crucial Conversations or “The Talk”

We turn now to the question of when and how to broach the matter of personal wealth with children, young adults, or even adults. Having undertaken efforts at reinforcing family values, exposing young people to education and experiences that build upon their sense of self, families will inevitably address the question of how and when to discuss the particulars of family wealth.

We embrace the notion that readiness to assume wealth responsibly requires disclosure, candor and fairness. Few interests are well served by affording the benefits of wealth without providing young adults with the means to cope with such wealth.

There are fundamentally three sets of circumstances that we most commonly observe. The first is one where the family has meaningful wealth but chooses to live a modest lifestyle, one that essentially conceals the size and nature of the wealth. While less common, this does occur, particularly when a sudden large inheritance is involved. The second is where wealth is created during the lifetime of the child or grandchild, building over time to a point where it is significant in size. Lifestyle changes may occur gradually or suddenly as the family adapts. The third is when meaningful wealth is already in existence, either through inheritance or parental wealth creation.

In each of these sets of circumstances, when and how one approaches the principles described here may vary. Nonetheless, the concepts may be applied at any time.

First, let us begin by stating the obvious. Children and young adults have a keen sense of social sampling. They perceive the differences in attire, life style, social status, and economic circumstances in their day-to-day lives, social media, and television. While each family will choose the time, place and words to introduce formally the subject of family wealth, most will follow the path that matches the developmental age of the child. For example we have seen the following:

- Children aged 8-15: discussions center on “being fortunate”; differences in social and financial standing are described in terms of “common” values across all families, not differences per se; acts of family charity are explained in context. Religion may play a prominent role, and family heritage is emphasized. Some families will encourage children to engage in their own minor charitable endeavors, such as raising small amounts of money for a local social service agency.

At this stage, the concept is to provide a cognitive framework for a child to understand “more does not mean we’re better or worse than others”, “being fortunate carries a responsibility”, “there is a difference between wants and needs”, and boundaries and limits are healthy and ultimately self-regulated by us all. Once again, the day-to-day behavior and work ethic of parents (be that employment, charity, the arts, politics, culture) is a strong predictor of likely outcome.

From an experiential and educational standpoint, minor chores and allowances are introduced; values-centric stories are shared; family history is emphasized; obligations around school and family are formalized; consequences are introduced and enforced; and the connection between personal effort (i.e. hard work) and personal reward is consistently reinforced. Exposure to differing cultures and peoples begins to inform family travel and entertainment planning.

- Young adults aged 16-25: We begin to see the introduction of educational programs related to financial responsibility (budgets, saving, trade-offs, decision making), investing literacy, and family history in more formal ways. Numerous family business associations and private banks offer such programs, or can assist in crafting tailored activities. Modest portfolio management (even intra-family competitions) opportunities provide hands-on money management experience. Exposure to the family's charitable efforts, foundations or business becomes more formal, with young adults sitting in on, or participating in decision-making. Some families will delegate modest tasks to young adults to exercise judgment and decision-making skills. One we have observed often is to ask a small group to research and make the case for a charitable gift of their choosing, funded by the family. Family meetings of a formal or informal nature occur where the notion of problem-solving, listening, and negotiating are introduced.





From the standpoint of experience, young people may undertake volunteer activities, school or religious activities that expand exposure outside of the family's social sphere, such as employment internships both within and outside the family business. Incremental financial responsibility is introduced with limits and consequences based upon poor decisions. Expectations regarding education and employment, including the degree to which trust funds or supplemental funds are available to young adults are clarified and enforced. While some families choose to share specifics, others talk in general terms, which affords future flexibility should they wish to alter trust terms and amounts.

Notwithstanding the approach taken, it is important to be alert to how children and young adults react to parental messaging. Increasingly, we see a divergence between their identity as a member of an affluent family, and their values in such areas as social justice, the environment, and wealth inequality. This is nothing new, as many cultures and parents themselves underwent similar upheaval in the 1950's, 1960's and 1970's. Many young adults today have a greater passion for social issues than they do for wealth, and as a result, they wish to combine both in their entrepreneurial, philanthropic (social impact), and investing efforts.

In sum, while the nature and timing of such interventions will be specific to both the child and the family, having a consistently applied strategy will ensure that incremental progress is achieved over time toward the ultimate goal - a young adult who possesses the core values, judgment, self awareness and skills to assume the responsibilities of wealth.

As you will likely have concluded, the wealth discussion is in fact a series of conversations and interventions that take place over time. That said, inevitably most families will want to clarify the exact nature of the family wealth and their trust, inheritance, or family plan for a young adult. For the wealth inheritor, understanding the nature of the assets that will be available to them and under what circumstances helps in their life planning and managing expectations. Surprises, unpleasant or not, at the time of the reading of the will are not advisable.

While specifics may be avoided if the family chooses, at minimum properly characterizing in broad terms the amount of wealth planned for the young adult helps avoid ambiguity, misunderstanding and conflict. In addition, clearly stating expectations pertaining to employment, career and lifestyle also serve to create boundaries that allow the young adult to calibrate and plan his or her life accordingly. This is particularly important when the adult child has a spouse.

The vast majority of affluent families will make clear their expectation that the young adult is expected to have a gainful occupation, often of his or her own choosing. Many will set limits on trust funds, dividends or cash distributions preferring to cover the cost of homes, education, and travel but not day-to-day living expenses. Warren Buffett's famous adage "you should leave your children enough so they can do anything, but not enough so they can do nothing"<sup>6</sup> is often a guiding principle for many families.

In summary, best practices around "the talk" consist of the following principles:

1. Too much information, too soon is to be avoided. Ask and answer the question "to what end am I disclosing this information and how will this help my child/young adult?"
2. One size does not fit all. The conversation with one child may be quite different from that with another child based upon the emotional maturing and readiness of each. However, one should always assume that ultimately all siblings and parties will have transparency. Fairness and equity in communication and planning will often avoid later conflict.
3. Specifics regarding sources and amounts are less important than the implicit messaging concerning responsibility, expectations, adherence to values, and fears. However, complete ambiguity around specifics often leads to misunderstanding and conflict. As such, we have seen some families use the "bread box" metaphor - It will likely be no less than X but no larger than Y.
4. Intentions change based upon changing fortunes and the behavior and responsibility displayed by young adults, as such it should be clear that parents might elect to alter their views, plans and amounts as they see fit.
5. At the end of the day, family wealth is owned and stewarded by the principal or parents; it is they who determine how much will be available to each child vs. charities or future generations of family members. Parents are well advised to make this principal clear early in the process of education.

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<sup>6</sup> Forbes, June 1, 2018



## Closing Thoughts

At the outset we described two dimensions of discussing and preparing children for responsibilities of family wealth, the practical elements described above, as well as the psychological dimension. Let us now turn to the psychology of wealth.

Few things can influence one's self-perception as much as the presence or absence of wealth. Societal forces today send conflicting messages, at once revering while also reviling wealth. Films, TV pundits, musicians, and social networks reinforce stereotypes of the virtues or evils of wealth, leaving many, particularly young adults ill informed or confused. In many cultures, we lust after wealth, yet resent those who have achieved it.

The importance of these conflicting signals is how they may impact the ways in which children and young adults perceive themselves in the world. These reactions can be quite varied. We know of instances where young adults experience uncertainty and even guilt over the affluence of their family or the origins of family wealth. In other cases, 'wealth bubbles', where children socialize in narrow social and economic circles reinforce feelings of superiority and privilege.

In situations of extreme wealth, the notoriety of the family may contribute to young adults feeling isolated with concerns over the sincerity of others and their true intentions toward them.

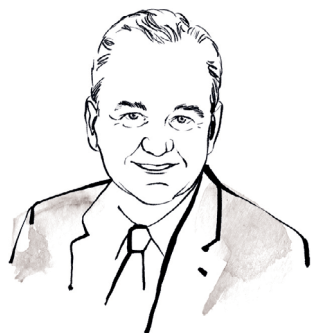
We briefly broach this subject to alert families to the need to listen to, and communicate with children, regardless of age, concerning the confusion and complexities of wealth, to share their own intimate experiences, while inviting open dialogue. Such a dialogue should be a natural part of the long-term process we have described here.

In closing, instilling in children the self-confidence, emotional readiness, values, and practical skills to comprehend and assume the responsibilities of wealth requires deliberate planning. Introducing family wealth is not a single conversation but in fact a series of thoughtful steps and dialogues that lay the groundwork for comprehending wealth, and what it means for the young adult. We know from experience that simply hoping young people will navigate this process successfully, is fraught with peril. The examples set by others and described here offer us a window into strategies that may prove beneficial and be adapted to the particular needs of the family and its children.

We wish you well on this important journey.



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Stephen Campbell is a Managing Director at Citi Private Bank and Chairman of the Citi Private Capital Group. He is responsible for advising clients around the world on a range of family succession, next generation leadership development, and family office and investment management best practices. Steve has published widely on these and other topics in leading journals and is the author of *The Challenges and Opportunities of Family Leadership* (2019).

Steve founded the Citi Family Office Leadership Program, the global educational and networking gathering of family office executives. He also created the Empowering Leaders Program conducted at Cambridge University in England, an innovative program for next generation family members.

Prior to joining Citi Private Bank, Steve was Chief Investment Officer of a Seattle-based tech entrepreneur's family office and managed a leading venture capital fund (internet/consumer/tech sectors) and multi-asset taxable portfolio. He was founder and CEO of two fintech companies, Capital Stream and Devonshire Technology, and has sat on numerous company boards. He spent his early career with Fidelity Investments in the U.S. and Europe where he held senior executive roles. He led technical and quantitative investment research for Fidelity Management & Research Company, was head of international technology for Fidelity International Ltd., head of global equity and fixed income trading technology, head of brokerage and mutual fund technology, and led M&A investments for the Office of the Chairman.

Steve completed advanced studies at the Graduate School of Business at Stanford University, and is a graduate of Merrimack College. He resides in Seattle with his family.

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