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SPENDING

## For Those Born Rich, Lessons in How to Stay That Way

By JULIE BICK

SOME teenagers with ultrawealthy parents have been known to go prom-dress shopping in Paris, drive an \$80,000, fully loaded Range Rover to college and leave their laundry for the servants to wash. It sounds like an idyllic life, but it also has its perils: What if these children lose their potential to ennui or bad choices and end up squandering the huge sums of money their parents give them?

With \$41 trillion in private wealth set to be transferred in the United States in the first half of this century, both old- and new-money families are wondering how to prepare their children for the riches coming their way.

Tom Rogerson, national director of family wealth services at BNY Mellon Wealth Management in Boston, gives seminars across the country and says multimillionaires often ask him: “How much should I give my children as they are growing into adulthood?” and “When should I give it?”

“That is the wrong set of questions,” he counters. “The important question is, ‘How do you build confidence and competence in the next generation so they can handle whatever inheritance you leave them?’” Parents may want children to show that they can live on a budget, manage a portfolio, start a career or have a variety of life skills before receiving great sums of money, he says.

This financial readiness, he adds, comes from parents who act as role models when it comes to their family values, enforce limits and consequences and find ways to offer practical and continuing financial training.

In a survey of affluent families, PNC Wealth Management of Pittsburgh found that only 27 percent of parents said they had shared or discussed the family budget with their teenage children.

While some families play down their wealth and its history, others incorporate their legacy as an important aspect of child-rearing.

Herbert Gowen, 52, of Belmont, Mass., is part of a family whose fortune began with a steamship company in the 1800s. Although family members now number more than 90 and are dispersed around the country, the family still wants to retain its hallmark values of “prudent financial conservatism, entrepreneurial creativity and philanthropy,” Mr. Gowen says. He says his siblings and cousins work hard to impart these values to their children, who are nicknamed “generation fivers” because they are of the fifth generation, beginning with the man who started their fortune.

This year, they engaged Joline Godfrey, author of “Raising Financially Fit Kids,” to join their annual summer family weekend to teach the youngest generation about saving, spending and sharing. The preteens made posters showing what they would like to spend their money on and what causes they would donate to. Teenagers learned about consumer culture. Twenty-somethings received instruction on starting a small business and the financial life skills appropriate to new college graduates. Their parents were given tips on how to continue the lessons over time.

Mr. Gowen and his cousins are starting a newsletter to help keep the family connected regarding investments, family news and the values they want to engender. The first issue will feature a young cousin who saved money she made doing barnyard chores to sponsor medicine, meals and school supplies for a young boy in Guatemala.

“Our children have parents who are teachers, pastors, lawyers, not business magnates who talk commerce over dinner as our great-grandparents did,” Mr. Gowen says. “They will inherit a substantial amount of money, but families grow faster than family fortunes, so we want to make sure our children are financially savvy and will do good things with their inheritance.”

Most wealthy parents aspire to raise their children with middle-class values but with an upper-class balance sheet, says Kristi

Kuechler, director of the Institute for Private Investors, based in New York. Eighty percent of its members have investable assets of at least \$50 million, and her organization tries to help people become more sophisticated stewards of their wealth.

The challenge, she says, is how to convey the importance of those traditional values of hard work, accomplishment and self-reliance to young people whose wealth could permit them to pursue none of those things.

A family's charitable foundation or business can be a bridge between generations — and a way to share both family values and financial acumen. Some wealth managers advise bringing in the next generation, starting in the teenage years, to work alongside the older generation. Others, like Sharna Goldseker, a vice president at the Andrea and Charles Bronfman Philanthropies in New York, also advise parents to help their teenage and young-adult children find peers, external mentors, internships and hands-on practice so they can come to the family enterprise or philanthropy with their own set of experiences and self-confidence.

Ms. Kuechler also advises parents to make sure that their heirs receive formal investor education so that they can interact confidently with their financial advisers and ask the right questions.

“It can be intimidating meeting with your money managers,” Ms. Kuechler says. “Often, they show up with graphs and charts, discussing returns and ratios without giving the investor the appropriate context to understand them.”

Many wealth management firms do provide educational opportunities for their high-net-worth clients. U.S. Trust, for example, offers seminars and workshops to help family members of all ages understand the complexities of wealth, says Lynn Davis, head of wealth structuring for U.S. Trust.

Relationship managers at the company, like Adrienne Iglehart, a senior vice president, may consult with family members one on one. “I might periodically meet with a teenager and say, ‘Your parents set this fund up for you; let’s talk about how it’s being invested,’” she said. She also introduces concepts like asset allocation and total return on investment.

SOME parents take financial education into their own hands. One father in Silicon Valley, who did not want to give his name because his children did not know that they will inherit millions of dollars, gave his 13-year-old daughter a large monetary gift on the occasion of her bat mitzvah. Instead of asking her to put it into a college fund, or donate to a charitable organization — the girl had already donated all other gift money she had received to charity — he helped her invest it in mutual funds so she could get hands-on financial experience with real outcomes.

Every six months, they will research market trends together and make changes to the portfolio as necessary. “It’s the drip method of learning, a little at a time,” he said, “rather than throwing it all at her when she’s 21.”

The teenager is also expected to go to college and to find a career. “My daughter is being raised in abundance,” he said, “but unless she has her own accomplishments, she won’t be happy when she grows up.”

Wealthy parents often wonder about when to tell their children about the family’s money — or that they will inherit a great deal of it. Telling them too early may disable a budding career, but telling them too late may squander the time needed to teach them how to manage it.

While independence in children is highly prized, Mr. Rogerson counsels his clients to promote interdependence, too. To avoid siblings fighting over the family fortune when their parents are gone, he recommends that they work together as they are growing up on less confrontational subjects like philanthropy or planning the family vacation.

“Teach them to rise above small things and look at the overall goal or problem,” he advises. “You can’t leave last will and testament instructions long enough to impart those kinds of lessons.”

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