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Parenting the Privileged

Dynastic wealth can hurt children. Can philanthropy help?

By Kay S. Hymowitz

Three years ago, Toby Neugebauer, co-founder of Texas-based Quantum Energy Partners, and his family embarked on a 110-day trip around the world. Wealthy Britons had a long tradition of sending their children abroad to absorb some high culture and hobnob with the Right People in Paris and Berlin. But the Neugebauers were not remotely interested in giving their 9- and 11-year-old sons a 19th-century-style Grand Tour. No, instead of the Mona Lisa and Monte Carlo, they were taking their boys to see the slums of Mumbai, the orphanages of China, and the dirt-path villages of Tanzania. Their goal was to help the entire family gain perspective on their own privileged way of life, to develop friendships with people whose lives they could scarcely imagine from their home in Austin, to visit some of the organizations funded by their foundation, Matthew 6:20—and to encourage the boys to develop a sense of the possibilities of doing good in the world with the money they will inherit.The Neugebauers' great adventure is extraordinary for many reasons, not least its length and geographical reach, but it nevertheless captures a widespread generational shift in the way wealthy parents are thinking about raising the next generation. Despite the Great Recession, the most recent cohort of very rich parents is a group of unprecedented size—estimates are that 120,000 estates of over $1 million are passed on every year—so it's impossible to apply across-the-board generalizations. But in the eyes of many of those who work closely with high earners, a growing number are rejecting the family styles of past generations. They want close, warm relationships with their children. They are entertaining doubts about the effect of wealth on the young, and expressing more interest in philanthropy as a counterweight to those effects.

> "Generations X and Y have a different concept of privacy than the Silent Generation and the Baby Boomers."
>
> —Jason Franklin

Highclere Castle (Photo by Richard Munckton / Flickr)

This is not to say that today's rich parents have it all figured out. The moral and emotional hazards of growing up rich haven't disappeared. Neither have neglectful or controlling parents or substance-abusing or overindulged kids. But in high-income, high-net-worth circles, the conversation about the next generation is going beyond estate planning and wealth management. Now, people want to talk about how to raise sons and daughters to live wealthy and wise.

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The Perils of Prosperity

Suspicion of inherited wealth is deeply embedded in the American DNA; recall how, during his presidential campaign, Mitt Romney made a point of reminding voters that he gave away the money he inherited from his father and went on to earn his riches on his own. Add to that American tendency the headlines about wealthy children doing something other than good works—the tawdry pranks of Paris Hilton, the fatal 2003 overdose and death of 26-year-old Johnson & Johnson heir Casey Johnson, and, more recently, the "Rich Kids of Instagram," a widely ridiculed website where daughters and sons of the mega-rich post photos of a €100,000 meal receipt from St. Tropez or a $42,000 bar bill.

You can understand why parents are uneasy about their children's apparent good fortune. In fact, parental anxiety has become powerful enough that wealth advisors and wealth management bank offices have hired psychologists as consultants; some even put them on staff. A genre of parental advice books targeting the wealthy with titles like Silver Spoon Kids, The Golden Ghetto, Children of Paradise, and Kids, Wealth, and Consequences also speaks to the angst of contemporary parents.

The legacy of great wealth has the potential to overwhelm young people's search for identity.

Both the genre and the apprehension it reflects are something new. "In the past, parents didn't worry very much about the effects of wealth on their children," says Virginia Esposito, founding president of the National Center for Family Philanthropy. "When it was time to pass on to the next generation, then that's what you did without much thinking about it." The same held true for daily domestic life. Until the mid-20th-century, wealthy parents, busy with their own affairs, figured the kids would do well enough in the hands of nannies and other domestic staff. Their chilliness had its costs. Memoirs by children of the wealthy are filled with plaints of loneliness. In her memoir Personal History, Katharine Graham, who inherited the Washington Post from her father, describes a "strange isolation from our parents and from the outside world; we were left to bring ourselves up emotionally and intellectually." Early psychological research on wealthy children from the 1970s lamented their "maternal deprivation." Both adult children and their "shrinks" agree that depression was commonplace.

To be fair, it wasn't only the well-to-do who failed to develop intimate relationships with their children. Until the 1960s, even when nightly family dinners were a matter of course, middle- and working-class parents were not all that involved in the details of their children's lives, nor did they expect their children to be their close friends. But wealth, if only for the distance it could buy through mansions with separate nurseries and children's wings, servants, and foreign travel, could magnify the remoteness to something that would strike us today as something close to neglect.

Today's super-rich parents, on the other hand, are more like the helicopter parents and Tiger Mothers we've been reading about in the lifestyle sections of newspapers and magazines in recent years. "People of significant resources are getting involved earlier in the lives of young children; they are not waiting until they are retired," says Melissa Berman of Rockefeller Philanthropy Advisors. "They are family-centered"—much like the Neugebauers. One of the surprising paradoxes of contemporary family life is that even while most mothers have joined the workforce and hyper-scheduled dual career families are the norm, parents have found ways to be intensely child-focused; in fact, research by sociologist Suzanne Bianchi concludes that mothers today spend more time "interacting with children"—though not on domestic chores—than the stay-at-home mothers of the 1950s and '60s.

The same goes for parents at the highest income levels. Sure, they still hire help, but now they are looking for Mandarin-speaking, Ivy League–educated nannies to

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"enrich" their children's development as much as to help raise them. Their kids join soccer leagues. Their mansions don't have "nurseries"; instead, like the homes of the middle class, they have family or "great" rooms where everyone can hang out together. Billionaire businessman Mark Cuban told Forbes that his best advice for wealthy parents was "to spend as much time as possible with no one else around." He and his wife avoid having help during the weekend "so we can do our best to be just like any other family." Steve Jobs' family was similarly casual and child-centered. Laurene Powell Jobs left her career as an investment banker after the first of their three children were born. All was not perfect in the Jobs household; the Apple founder could be moody and insensitive, especially toward his middle daughter. But in terms of lifestyle, Jobs seemed more a middle-class family man than a Master of the Universe. "What's astonishing is how normal a family life it is," his biographer Walter Isaacson marveled. "Steve just never went out socially. He was home every evening."

Child-centeredness can have a downside, of course, especially in a society flooded with consumer attractions. When money is no object, the situation can get out of hand. In the past, wealth was tempered by a religious tradition that distrusted children's desires. "I am so glad my son has told me what he wants for Christmas," Cettie Rockefeller, wife of John D. Rockefeller Sr., famously told a neighbor, "so now it can be denied him." The Great Depression left behind an ethos of cautionary thrift on wealthy parents of the Greatest Generation, an ethos which lingered, however mildly, among their own Baby Boomer children.

Now parents are facing a perfect storm of consumerism. Their children are growing up in an era of unprecedented affluence—with enticing clothes, accessories, and electronics, tickets for rock concerts, festivals, and sports events—at the same time that parents have fewer widely accepted moral rationales for saying no. This is not only a rich people's problem. Eleven-year-olds whine for a pair of $200 jeans in modest suburbs as well as in gated mansions. "Kids are not owned by parents but by TV, consumption, and friends," observes Paul Schervish, director of the Boston College Center on Wealth and Philanthropy. "That's true in Harlem and it's true in the Hamptons."

The difference is that while less well-to-do parents can always fall back on insisting "we can't afford it," rich parents have to come up with a more subtle, value-based objection like "we don't believe in spending our money that way" or "first, you need to make a little money on your own." Experts say they're not so successful at doing that. Jessie O'Neill, a semi-retired counselor who has treated wealthy individuals for 20 years and is author of a memoir-cum-advice book called The Golden Ghetto, believes that some parents use expensive gifts as guilt wages to compensate for times when they are busy or distracted. (Money Dearest is the apt title of the book she's working on now.)

Parents who only recently came into wealth sometimes compensate in a different way. Remembering the envy they felt for classmates who took spring trips to Florida their own single mother could not afford, or the two jobs they worked in order to pay college tuition, they take vicarious pleasure in the sheer freedom of being able to buy their children $800 Gucci backpacks or give them $20,000 Harry Potter–themed birthday parties. Most commonly, say experts, parents simply can't say why they should tell their daughter or son they can't have their own American Express black card or Porsche. And so they don't.

Withholding Wealth

But that's only one part of the story of contemporary family life among the super-rich. For while there may well be parents who are willing to hire an elephant and trainer so that their daughter can arrive at her sweet 16 in style (as a pet-accessory-store magnate and his wife reportedly did not so long ago), there are also many

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determined to limit their children's great expectations. Along with other people working in the philanthropy business, Melissa Berman hears more doubts from clients about the merits of handing down vast quantities of wealth to their offspring.

One of the most significant signs that we are witnessing a change in thinking about dynastic wealth is the Giving Pledge introduced by Bill and Melinda Gates and Warren Buffett promising that the signers will give at least half of their fortune to philanthropy; it has been endorsed by 92 of the country's wealthiest families, including some of the youngest of the new generation of billionaires, Facebook founder Mark Zuckerberg. Zuckerberg has no children yet, but his 2010 pledge of $100 million to the Newark school district and his own relatively modest lifestyle reflect a more widespread indifference to conventional signs of wealth, as well as a philanthropic mindset among young Silicon Valley titans. Meanwhile, back east, according to Keith Whitaker of Wise Counsel Research Associates, some wealthy parents were even hesitant to take advantage of the $5.2 million estate tax exemption provided by the law in 2012. They wondered whether it was too much.

Parents dwell on a number of valid concerns. They worry that children who grow up expecting great wealth to come their way even if they never lift a finger will lack motivation. This was one of Andrew Carnegie's many insights. "The parent who leaves his son enormous wealth," he cautioned, "generally deadens the talents and energies of the son and leads him to lead a less useful and less worthy life than he otherwise would." It seems logical that if financial insecurity makes people hungry, riches can render them complacent. One of the blue-blooded young adults profiled in the documentary Born Rich, Stephanie Ercklentz, granddaughter of a German industrialist, is a case in point. Ercklentz had enough intelligence and gumption to graduate from Wellesley and to find a job as an investment banker. But she quit, as she laughingly tells the camera, when she realized her "friends are at Cipriani, it's 10 o'clock at night, they're having Bellinis, and, like, I'm sitting here cranking out numbers." It's doubtful any of her colleagues could make that choice, but wealth means the regular rules don't apply.

Therapists working with wealthy children see this lack of resolve as related to a cluster of other psychological troubles. Trust fund children are often protected from the struggle with ordinary frustrations, says Jessie O'Neill. Used to having servants and financial advisors take care of everything from popped buttons to burnt-out light bulbs to credit card bills (and knowing it will always be that way), young people can avoid developing the basic skills of everyday living. Yet these skills are essential for giving children pride in their own efficacy and for urging them toward greater independence and maturity. Instead they remain like children, but children with power—power not just over people whose salaries their fortune pays, but over hangers-on, girlfriends, boyfriends, spouses, and anyone hoping to benefit from propinquity to money. A large inheritance "is a disservice to children," says Home Depot co-founder Bernie Marcus. "When you have a lot of money you can't fail. The best school will happily take your check and graduate you. Money can buy anything you want."

"Churchill wrote that the reason the great families of England had survived for so long was their belief in work and service," says Keith Whitaker.

The legacy of great wealth also has the potential to overwhelm young people's search for identity, a search that is intricately connected to the capacity to do meaningful work. In a 2007 paper in the journal Wealth Management, Denis T. Jaffe and James Grubman dub the problem "the inheritors' dilemma." Inheritors—as opposed to "acquisitors," wealthy people who have made their money themselves—have to figure out "how to create an effective individual identity strong enough to separate from, yet integrate with, the massive power of wealth itself." The great success of a family patriarch

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or matriarch haunts many children of wealth; it is a constant rebuke against what can seem by comparison their own meager actions. David Rockefeller Sr. writes in his memoir that his own father, John D. Rockefeller Jr., was "plagued with feelings of inadequacy" and that he "thought of himself as simply following in the footsteps of a greater man." Jamie Johnson, Johnson & Johnson heir and director of Born Rich, had a related insight. "For rich children," he observed in an interview in New York magazine, "it's very easy and convenient never to take any steps to build an identity outside of your association with your family's wealth." He has first-hand experience. In one especially poignant scene, Johnson begs his father for advice about what he should do with his life. The older man suggests he take up historical map collecting.

Blueblood children often develop guilty feelings, or even shame, about their money. Why me? they wonder. I didn't do anything to deserve this fortune except become a member of what Warren Buffett calls "the lucky sperm club." These are feelings that society at large repeats. "Some people's money is merited / other people's is inherited," comic poet Ogden Nash once wrote. Add to all of this the suspicion that they are being invited to parties or on dates not because they are good company but because they bring with them the irresistible aura of money and you can see why they are often tormented by mistrust, low self-esteem, and a confused sense of themselves. According to Thayer Willis, author of Navigating the Dark Side of Wealth, some inheritors go so far as move to the other side of the country for a period of time. Some even change their names. To figure out who they are, they feel the need to escape a family identity so deeply defined by money.

Working and Giving

People who have given a lot of thought to the problems of growing up rich—therapists, wealth advisors, parents, and adult children themselves—generally cite two antidotes to the moral and emotional hazards of a wealthy childhood: work and philanthropy. "Churchill wrote that the reason the great families of England had survived for so long was their belief in work and service," Keith Whitaker says. "It was a shared norm, an expectation among the wealthy." At one time, the norm was common in the United States. The State Department, Whitaker explains, "was a very genteel place." The same was true in the early days of the CIA.

Warren Buffett's oft-recited dictum that he would leave his children enough money "that they feel they can do anything, but not so much they can do nothing" reflects a more contemporary understanding of work as not just necessary for paying the rent but as a potential source of personal satisfaction. Educated young people expect to "find their passion," as it is often put, and to exercise their talents in a meaningful career. Trust fund kids can be raised to want that too, but that's not all they have to gain from having a regular job. Work helps to normalize their otherwise exotic existence. Like the welfare-dependent poor, work exposes them to regular folks and habits. And because difficult bosses, obnoxious co-workers, and unexpected assignments are a fact of work life, they learn to tolerate frustrations otherwise missing from their charmed lives. Jason Franklin, the 33-year-old grandson of a real estate magnate who went on to lead Bolder Giving, a philanthropy advocacy organization, identifies a disconnect between the power of an important family name and entry-level work. "When you have enough financial resources when you're young, you think you can skip lower-level jobs," he says. "You can't. You need to slog through those jobs to get to the interesting, higher-level work."

To ensure their kids work like the vast majority of people who actually need the money, a lot of wealthy families are turning to "incentive trusts." Incentive trusts can make inheritance conditional on college graduation, or getting a job and earning a set amount of money. A 2007 PNC survey found that 30

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percent of high-net-worth individuals were using such trusts. Incentive trusts have downsides: they can give parents license to unfairly control their children. The short history of these trusts includes examples of parents who condition inheritance on an heir attending a specific college, entering a particular profession, joining the family business, or marrying a woman who will be a stay-at-home mother. (One eccentric patriarch granted $10,000 to each descendant when they married "provided that the new spouse never went to law school.") Incentive trusts also can fail to anticipate changes in life circumstances, an illness that makes education or work impossible, for instance. Still, written wisely, they can help motivate children to find and stick with work that might actually bring them genuine satisfaction over time.

The other potential corrective to the heir's predicament, perhaps best exemplified in the United States by John D. Rockefeller Sr., is philanthropy. His son took the message to heart and transmitted it to his own children. The oilman's grandson David tells how he and his siblings were instilled with the message that "we had been greatly blessed as a family and it was our obligation to give something back to our society." Warren Buffett has been tightfisted with his kids' personal inheritance—his daughter Susan griped good-naturedly that her father wouldn't advance her $40,000 to redo her kitchen—but he was generous enough to give them each $1 billion to start their own foundations. From the look of things, they have also learned their father's great lesson; all three kids are actively engaged in philanthropy, and one of them, Peter Buffett, also has a successful music career. The Neugebauers have made the lesson of giving back a top priority of their children's education and their adulthood. "My goal is a family project for the rest of our lives," Toby Neugebauer says.

The danger of relying on philanthropy as the solution to the psychological distortions of early, unearned riches—and there is real danger—is in thinking that giving money away magically turns a spoiled, self-involved, or simply lost person into a thoughtful, mature individual. Really, it's the other way around. Many advisors I spoke to warned that it's not uncommon for young inheritors to lack the humility, gratitude, and sense of responsibility that characterizes successful philanthropists. Whitaker notes that people who have made a lot of money tend to be hyperactive and very hands-on; those qualities served them well when it comes to starting or running a business, but not necessarily in teaching their children the quieter virtues of humanitarianism. Children unconsciously imitate parents who use their grants as a power trip, or as Whitaker puts it, "one more way to exert will on the world." They also pick up the status preoccupations that can invade charity organizations and their black tie events. Offspring can let their ambivalence towards their money make them reckless donors, less interested in doing good for others than in guilt-alleviation for themselves. There's yet another common problem, says Virginia Esposito: that grantmaking with money you never earned will feel like playing with Monopoly money in a game of philanthropy.

Forming Philanthropists

So how should parents go about inculcating in their children the moral qualities that contribute to excellence in philanthropy? Almost without exception, advisors believe that preparing heirs is a decades-long project that should begin when kids are very young. Consider that even toddlers observe and model empathy for those less fortunate. Jessie O'Neil says she encourages her young grandson to sift through his room for unused toys, which they then take to a homeless shelter or charitable group. She recommends developing family charitable traditions: buying a tree, presents, or Christmas dinner for a needy household, for instance.

Early efforts are crucial, says Al Mueller of Excellence in Giving, a Colorado-based philanthropic

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advisory firm, since "parents have the upper hand until kids are about 13. After that it becomes harder to fight the materialistic peer group." If it seems appropriate, take them on a site visit and explain as much as they can take in, advises Virginia Esposito. Mueller is a great believer in giving kids experience of global poverty. His company helps arrange trips like the one taken by the Neugebauers (though usually of shorter duration). During one, a Connecticut family took their four children, ranging from seventh grade to college age, to Zambia, where they saw philanthropy in action, worked with orphans, and—because no one was thinking they were Mother Teresa—went on safari.

All discussions about money, both formal and casual—should take place in a spirit of "gratitude, optimism, and humility."

Parents can also begin teaching young children more prudential values like judgment and foresight. Silver Spoon Kids recommends that, by first grade, children should get modest, age-appropriate allowances. Counterintuitively, allowances are especially important for children of wealth. For one thing, they can lessen distracted parents from the temptation to act as their children's ATM. Allowances also encourage children to become aware of the costs of things and to gain experience prioritizing their wants. Still, allowance or no, school-aged children begin to see just how different they are from their classmates. School-aged children often find themselves uneasy about bringing friends home or uncertain how to answer questions about their spring vacation plans or expensive birthday present. Some advisors suggest regular family meetings to talk about the money issues that inevitably trouble children at this age.

It may sound trite, but advisors stress that this kind of communication is crucial to raising children to handle wealth responsibly. In a more traditional era, it was considered tasteless to talk about money. Parents were convinced that their children would become lazy, or conniving, or greedy. Their fears were so powerful that Jon Gallo, estate planner and co-author with his wife, Eileen, of Silver Spoon Kids, says that it is not uncommon to find people in their 50s or even 60s who have no idea of either their family's net worth or estate plan.

Other parents, observes Esposito, tell themselves they've had the uncomfortable money talk with their kids when what they've done is merely repeat vague euphemisms such as, "we've been blessed" or "we're very comfortable." In one of the most astonishing family situations she's ever encountered, a mother and father died unexpectedly in their 60s leaving behind two young men with sudden responsibility for a family business and "a foundation they knew nothing about." Jason Franklin's story is less harrowing, but still illustrates the problem with giving wealth the silent treatment. His grandfather's secretary, a woman he had barely ever talked to, called him when he was 22 and asked him whether he would like to become involved with the family foundation. "I asked, 'What foundation?'"

That kind of scenario is likely to become extinct. There a near universal consensus among advisors that silence about money is not golden. Young adults are likely to agree since—for better and worse—they are used to being outspoken in all sorts of matters that were once considered deeply private. "Generations X and Y have a different concept of privacy than the Silent Generation and the Baby Boomers," Franklin observes. This doesn't mean it's a good idea to get into gritty, financial details with young children, though as the Andrea and Charles Bronfman Philanthropies' Sharna Goldseker warns, these days an enterprising seven-year-old can easily dig up online information about the value of their parents' house, their foundation, and their income. But it does mean openly discussing the family's circumstances. "People need to talk more about how the money was made," Keith Whitaker says, "its history in the family, and what they'd like to see happen to it." Only then can parents prepare heirs

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to grasp the obligations—and possibilities—ahead of them.

Even so, passing the torch to the next generation is tricky. Roy Williams and Vic Preisser of the Institute for Preparing Heirs estimate that only about one-third of wealth transfers are successful, meaning that assets are distributed as planned and family harmony is preserved. They discovered certain common traits among the successful clans. One was a "family mission statement" written with the input of all family members, about the overall purpose of their wealth. Another was detailed discussions of estate planning, again involving the entire family, including children and grandchildren over 16. Esposito stresses that these discussions—indeed all discussions about money, both formal and casual—should take place in a spirit of "gratitude, optimism, and humility." Wealthy families can produce Paris Hiltons, they can also produce Jason Franklins. "Affluence and wealth are like electricity," Paul Schervish says pithily. "They can light up your house—or burn it down."

More difficult still is balancing the need for a family identity with a healthy respect for each child's own interests and talents. "The trick is to keep children focused on the sense of opportunity at the same time that they develop a sense of what they can achieve apart from the family riches and family name," explains Holli Rivera, founder of Intentional Philanthropy, an advisory and management firm. Perhaps the most baffling time for maintaining this balance is the period psychologists sometimes refer to as "emerging adulthood," or what is more commonly called "delayed adolescence." Men and women marry considerably later today than they did a generation ago; the median age of marriage is now around 30, or even older for those going on to postgraduate education. A 35-year-old may be single with a small apartment with a lively dating schedule, rather than caring for a wife or husband, three children, and a house. In other words, it takes far longer for the young to become adults than it did in the past.

Unfortunately, it's taking time for everyone to adapt to this new reality. Trusts still tend to be structured around an outdated life course when people settled down in their early 20s. Inheritors often receive large sums of money at 21, once the legal age of adulthood, or at 25, a once-common age for marriage. Worse, a lot of parents operate under the traditional assumption that a 21-year-old is a full-fledged adult, and are troubled when they find out otherwise. "They're juniors or seniors in college, thinking about boyfriends, girlfriends, and careers," Whitaker says, "and they have to come to the bank for meetings, or join the family foundation board. A lot of them don't want to hear about it. Sometimes parents assume they have gone and produced Paris Hilton. But they're not ungrateful; they're just overwhelmed."

Rivera says this is a time of life when parents can make the mistake of becoming overly protective. "They see their kids living in small apartments in not-so-great neighborhoods and give them monthly allowances four times the amount they are earning at their job. That's not what they need." The goal is for parents to "direct your kids but not rescue them."

Key to getting past this difficult period successfully is to break things down into small steps. Rather than inviting a 21-year-old philanthropy neophyte to help negotiate big decisions about grant size or staffing, advises Whitaker, "talk about the workings of the foundation and describe how kids might get involved, maybe coming to a few meetings and observing for a while."

Bernie Marcus took smaller steps when he proposed that he give a modest amount of money to his three children for a small, joint charitable project of their choosing. They decided to help a group of newly arrived Russian immigrants, arranging for them to learn English and to get both job training and jobs; in the end they became American citizens. "That convinced me my children were good enough to have their own foundations," Marcus reflects. "After that, I gave them their own money to start with."

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What all these expert suggestions boil down to is the following: raising children of wealth requires mindfulness about deep moral questions: What is this money for? What do I want to leave behind? What kind of people do I want my children to be? Estate planning can be a cynical business, Whitaker points out, dedicated to finding ways to outwit Congress. "Parents tell their kids; 'I've hired the best estate planner to make sure you kids get the money and Uncle Sam doesn't.'"

But preparing heirs needs to be something different, something more reflective and even philosophical. It's similar to what goes into wise philanthropy. "Successful philanthropists have thought through why they want to give, not just how they want to give," says Susan Ditkoff, co-head of the philanthropy practice at the Bridgespan Group. "Philanthropy is a public expression of personal values."

So, in a way, is raising children. ■