

Family Wealth: How to Insure Wealth Helps (Not Hurts) Your Family

From:

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Once upon the time there was a couple who wanted to have children. It took them a long time, and once they had their son, they were delighted. They noticed that the baby was very quiet and at first thought they were lucky. But as he reached one year and still didn't make normal sounds, then two years of age, they worried. Doctors could find nothing wrong. Each year, he continued to be silent and was checked by doctors and could still find nothing wrong. Three, four, five, entered school, tested: no physical problems and no words.

When junior was 8 years old he came down for breakfast and his mother served him hot cereal. He took one bite and said "Out, gosh darn it, this cereal's too hot!" The mother and father looked at each other in shock and then turned to the child and asked "Son, you can talk, why have you never said anything before?" He replied, "Everything was always perfect, I never needed to!"

In families of wealth, one of the particular challenges in parenting is how to give our children the *right* opportunities. Too often, we equate *giving* with gifts, setting things up for our kids, or making opportunities for them. However, these kinds of gifts may, in fact, be *taking away* opportunities for their growth, not adding to them.

When children don't learn to use their own muscles (to talk, walk, or work) these muscles atrophy in the same way other "muscles" atrophy when children don't learn to use them on their own. For example, if children don't gain the motivation to do for themselves, they have little practice in developing their own competence (and thus their self-esteem), and then they lack a sense of responsibility for themselves or others.

Normal Development Moves from Dependent to Independent to Interdependent

For our children to grow, we as parents must foster their growth out of the dependent stage rather than allowing wealth to keep them dependent.

When our children come to expect someone to do everything for them (e.g., laying out their clothes, cleaning their clothes, taking care of their physical environment, making sure they have the money to buy whatever they desire without earning it, getting them out of the trouble their impulsiveness has led them to, etc.), they remain dependent on their "caretakers."

Even when the normal developmental urge to become independent arises, these over-indulged, dependent children stay dependent. Sure, they drive alone in their cars and take trips on their own, but psychologically, they are still dependent upon others to take care of their necessities. And they grow to resent it...even while demanding it.

This makes the process of adolescent separation and individuation very difficult and often arrests development. As one heir wrote: "When you know you are going to inherit enough money to render work unnecessary, possessions within easy reach, and external struggles largely avoidable, it can be tough to find the incentive to commit to anything--especially when that commitment requires sacrifice and perseverance." (Gibson, et al. "The Inheritor's Inner Landscape.")

This then makes it difficult to move into healthy *interdependent* relationships, which the next stage of development calls for. If you haven't learned to stand on your own two feet, to feel competent and confident, how can you then feel confident moving into a reciprocal relationship?

In fact, many such children don't. They enter relationships in which they continue to be dependent (like the young ladies who feel that after daddy takes care of them, their husbands will) or they connect up with other dependent people and expect yet others to continue to care for them.

Developmental Arrest Also Inhibits Independent Sense of Identity

Who would I be without my money?

Many inheritors feel they can never prove themselves...would I be able to make it on my own? Would people be interested in me if it weren't for my wealth, my position, and/or my name?

Related to this is a sense of isolation: feeling different from others, insulated, alienated, special, weird, shielded, or misunderstood. These youngsters often feel on the periphery of life -- not connected to the "real world." This dependence and disconnection make it difficult to establish a normal, healthy sense of identity.

Many of these children feel they need to "run away" from the golden ghetto in order to find themselves. Some reject their family names and wealth for a period of time. One young woman in one of America's most famous wealthy families told me that she was eager to take another name when she married so that she would have a short time for people to get to know her as an individual before they realized she was part of "that family" and began to see her differently.

Confronting the Assumption of Entitlement and False Sense of Security

Many children in wealthy families grow up with the belief that the money, caretaking, and comfort will always be there regardless of what they do. The youngsters develop what we call an **external locus of control**, meaning they feel someone else is in charge and will take care of them and their assets.

Children who grow up thinking someone else has control and responsibility also grow up with a lack of self-esteem or feeling of their own power and competence.

This assumption is also connected to greed and jealousy: greed comes from the fear of loss associated with the external locus of control, and jealousy relates to that sense that I need it, I can't stand not to have what they have.

Moreover, the entitlement assumption leads to a lack of motivation to work and a feeling of emptiness, evolving from the lack of competence, self-esteem, and real skills. These feelings can encourage impulsiveness: since the resources seem unlimited, there's no need to set boundaries and limits, so affected children "feed themselves," so to speak, with things to make up for their feelings of emptiness.

The reason a dependent environment fosters a "false sense of security" for these kids is that they often assume everything will be taken care of and then wake up one day to find it gone. A woman named Ann thought her husband was taking care of her millions; yet one day at the automatic teller machine she discovered she had no money. Her husband had gambled it away.

Lack of Competence and Self-Esteem Lead to Discomfort, Distorted Perceptions about Money

Many of these youngsters grow up embarrassed by their riches and, at the same time, anxious about losing them due to their own limited sense of identity and self-esteem. While they are uncomfortable with their financial status, they may also develop a distorted perception of money and their need for it. ("I can't stand not have the best clothes, car, seats at the game..." etc.)

You may have heard the old saying "Rags to riches to rags in three generations." The first generation, who never had money, builds the wealth and conserves it. The second did not grow up with wealth, so they may not take it for granted, but they learn to spend some. The third generation, however, has always had it and *does* take it for granted; thus, they are sometimes the generation that loses the wealth because they neither actively manage it nor do they build upon it.

This scenario is particularly true when someone else always takes care of the finances, e.g., pays the bills, balances the checkbook. Further, as most of us still accept the taboo about talking about money and believe that somehow that's vulgar, children may develop strange beliefs about money. Thus money has a magic or mystique about it: it's there, it's powerful, but I'm not supposed to discuss or understand it.

Money mystique leads to a distorted meaning of money or possessions for children in wealthy families: I *need* it in order to feel ok, loved, and/or secure rather than as a resource to do something. They also experience fear that losing their money means the end because they don't know how they would support themselves. They often feel shame and guilt for having more money than others...without having done anything to earn it.

These conflicted feelings may be a result from parents' mixed feelings about money and wealth. The importance of money is exaggerated when children have received gifts and money as a substitute for love and personal attention.

Teach your Children that Other Kinds of Capital Count, Too

These children look at money as all-important, rather than looking at a *range of assets* as important. Other assets include intellectual capital, spiritual capital, health, and relationship capital.

Intellectual capital refers to our individual and shared knowledge and learning capability. I say shared as the *family* needs to look at their complementary skills, and *offspring* need to appreciate the differing capabilities within the family. When that is recognized, they more readily see the potential of teamwork rather than competition.

Spiritual capital refers to the shared belief systems, rituals, and support that accompany the family's spiritual and religious practices. This "capital" can be a great source of strength and a basis of work, philanthropy, and/or family connectedness. Once again, the children who recognize their assets in this area are greatly strengthened.

Most of us take our *health* for granted. However, when we are sick or hurt, we value good health. It's important for families and children to recognize what an asset good health is and to invest in that asset as well. Obviously, this has to do with a way of life that's healthy both physically and emotionally.

Finally, there *is relationship* capital. This is particularly important in family businesses and families who have shared assets. We have observed that much financial wealth is lost when the relationship asset is not developed. (I am sure you have followed -- if not experienced -- what happens to family financial legacies when there is jealousy, greed, and entitlement within relationships). Maintaining relationships requires a great investment, but it pays handsome dividends.

Raising Healthy, Competent Adults

Thus, part of our job in assisting youngsters to have their wealth help, rather than hurt them, is to demonstrate the importance of all of all the above assets and how to balance our investment in each of them. This balance is essential if we are to help achieve our goal: my belief about our goal as parents and as families is to raise healthy, competent adults.

What we know about emotionally healthy, competent individuals is that they have a sense of *purpose*, a passion in life; and a sense of *competence* and *confidence* based on their own experience of *accomplishments*, on facing and overcoming challenges, and on experiencing *reciprocity of responsibility*.

Sense of purpose: I believe there's a reason I'm on this planet and I seek to achieve this mission, which is often connected to my passions -- those things that give me energy.

Competence: I gain competence through practice, persistence, commitment, and achievement, which leads to a feeling of

Confidence: When I face adversity and survive, I grow even more confident in my abilities.

Reciprocity of responsibility: I recognize the two-way nature of relationships and the importance and joy of giving as well as receiving.

As parents or family members, our role is to do what we can to give children or others the *opportunity* to develop those competencies and achievements.

Strategies for Reaching this Goal

As *parents* we are challenged with how to provide the right environment, opportunities, and "coaching" so that our children can develop into healthy, competent adults. Many heirs have shared with me how important it is that their parents "parent" them, investing the time and love themselves. In doing this, we must:

- Instill realistic expectations about life and the world. There are limited resources, whether they be money, time, energy, or water. Having wealth *is lucky*; not "deserved" nor a culpable act. Neither is it something to take for granted. We all need to appreciate the limitations on other resources and work to manage them carefully.
- Help youngsters identify their own gifts: talents, interests, and mission. Encourage them to develop these gifts with commitment, persistence, and joy.
- Share your own views, personal mission, and beliefs. Your own clarity about identity helps them feel good about themselves. Demonstrate a work ethic by your own behavior: if they see you gaining pleasure and esteem through your activities and engagement, that is what they will learn for themselves.
- Give them opportunities (and even necessity) to develop competence, allowing them to do what they are capable of rather than doing it for them...including "stretch" goals. Encourage work and volunteer activities that develop skills and challenge their current capabilities. If a child can dress himself, let him. If a child can make her own sandwich, let her. If he or she can make decisions about where to spend allowance, encourage that budgeting.
- Model and teach effective communication, the most essential competence as a human being: including listening, sharing of feelings and constructive feedback.

- Avoid over-indulgence and encourage the capability to delay gratification and develop persistence; let them work through their own problems without “bailing them out.” Allow them to experience the consequences of their own actions and decisions.
- Teach financial competence (making choices, budgeting, good stewardship, etc.) as well as understanding of banking, stocks, bonds, and types of investments. Start very early: 5 year olds, who get \$1 allowance an learn about saving some, tithing, etc.

As *families* we can also provide shared learning opportunities, policies, and practices that encourage the next generation’s development of healthy competencies and attitudes. Whether informally or formally, develop family organizations for this purpose.

- Create a Family Mission Statement and family organizations (e.g., family council) in which the family values are imbedded. Formulate a family creed, a statement of values/philosophy that is manifested in the activities and behavior of the family
- Focus on non-financial assets: What can we do with our own skills/knowledge? How can we continue to grow them? How do we support the community to which we belong? How do we cultivate our spiritual connection or resources?
- Establish policies about the use of family assets and working to earn opportunities in the family business (rather than entitlement).
- Provide a forum for ongoing dialogue about the challenges of having wealth (e.g., a cousins group who talks about what it means to be wealthy, the status and stigma of having a name associated with wealth, etc.).

In conclusion

I wrote the following poem to illustrate how we can use our wealth of assets in a wise and constructive manner:

Our wealth is but a tool
We can choose to wield this tool wisely
or we can choose to let it fall carelessly from our grip.
Our golden hammer can build and be constructive
or it can flatten the lives around us.

Our wealth comes not only from our gold, our stocks, our bonds,
but it comes with the bonds we have with each other--
our covenants to one another and our communities;
our *real* wealth comes from: the feeling of love,
accomplishment

and grace.

Our wealth is *recreated* with each lifetime,
each generation,
or it is lost.

Our stewardship extends not only to our physical assets,
but to the lives which we touch.
When we are good stewards and share of all of our wealth,
it multiplies...
whether we speak of money, talent, or love.

At times our wealth feels like a burden,
placing much responsibility on our shoulders.
At those times, it is hard to see it as a vast opportunity.
But it is in those moments that it is most important to share:
share our wealth of pain and challenge
and accept the gift of support from our peers.
For it is in our humility and openness where we truly discover the gifts in our wealth.