Sharing Wealth with the Next Generation: Some Basic Considerations

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UHNW parents, like most parents, want their children to flourish. The opportunities afforded by generational wealth are vast. But many parents report concerns that family wealth will cause their children to be spoilt, entitled, soft, and directionless. Many parents worry that if they give too much access to money or if life is too comfortable, their children will be damaged for good.. Therefore many parents want to know: how much to give, when and under what circumstances should wealth be shared, and how should it be discussed. Moreover, it's not just cash and assets that worries parents but the amount of classes, coaching, helpers, caregivers, and "opportunities" that their kids receive – what is the right balance and amount?

Researchers highlight that affluent kids and youth have their own distinct struggles unique to UHNW families, but also must navigate standard challenges of childhood with wealth layered over. On the other hand, all of the research on affluent kids and families show that money and wealth in and of themselves do not spoil, damage, or hurt kids. It's not the resources themselves, but the underlying relational dynamics that create opportunities and stability, or conversely, cause trouble. Making good parenting decisions, wealth or not, will help parents raise good kids although ignoring that wealth is present is also a recipe for problems. Parents can learn to navigate these wealth experiences!

Good general parenting advice, especially in raising securely attached (relationally healthy), emotionally balanced, and morally decent kids is widely available (although we also recognize that parents, more than others, are targets of continued parent-shaming and/or 10-min-a-day to-Happiest-Child-Ever pop psych products). Moreover, every child like every parent is unique, and getting them individualized support is always best. We recommend reading and working with relationally oriented child psychology and educational professionals if you have questions or problems.

Common advice that comes from best researchers and professionals who combine good parenting/child psychology with knowledge of unique experiences of affluent families is summarized in the following:

1. **Start Early, and Go Slow:** Children are sponges, and every significant piece of related research supports this. Parents should begin thinking about financial literacy and wealth education as early as possible, and include age appropriate conversations about money as early as Kindergarten. Even young children can begin to understand simple concepts of family financial management and care for family business resources, even if they are included in caring for a pet or a younger sibling. Elementary school children can be taught about basic financial concepts in age appropriate ways that relate to management

of family wealth: money value systems, interest and loans, assets and equities, dividends, compound interest, and more. Small allowances, progressing in size, and age appropriate philanthropy are good places to begin. They can be introduced to financial managers of their family resources because they could know that there are also professional helpers who support the family. Helping young children making decisions about things they want can also include showing them how they are purchased.

2. **Connections, Communication, and Transparency are Key:** Significant research suggests that ability to form and sustain healthy attachments (connected relationships marked by flexibility and ability to trust) is the best predictor of family wealth outcomes. Rising Generation inheritors with secure attachment fair far better than those with insecure attachment. Attachment is created by loving, consistent, trust-building parenting. Therefore, maintaining close relationships built on trust, discussing money and relational dynamics around money, and being transparent about what is happening in the family and relative to the family's wealth, is a significant contributor to positive longterm outcomes in wealth transfer.

3. **Limitations Build Capacity to Tolerate Disappointment:** The ability to tolerate disappointment is a vital skill necessary to navigate adult life. Even if a family's wealth is seemingly limitless, developing the necessary understanding of limits is an essential task. Giving and receiving are also about so much more than money or object exchange, and things can then have meanings (toys, books, family trips). In addition, facing some limits, disappointments, waiting/patience, or negotiating are some of the most important life lessons for almost everything in life: giving money (gifts) can be part of big life lessons. Experiencing these limits in kind trusting relationships with parents, that is without shaming (i.e., "I already bought the entire Manga library for you so why do you want something else?"), is what makes even the most affluent kids in the world turn out to be decent people who respect boundaries but can ask for what they want.

4. **Start Small But Early and Progress as Kids Show Responsibility:** Access to wealth, like all parenting, should be progressive in nature, and should be shared in age appropriate ways as children show responsibility. Starting small prevents catastrophe, and starting early allows children to build familiarity with money from early on. Parents can adjust alongside children, and as children show increasing responsibility, more wealth can be sure. Importantly, with young children, keep in mind that a ten dollar ice cream shared with a parent is vastly more valuable than a five hundred dollar gift.

5. **For Teens, Strike a Balance Between Freedom and Stewardship, Play and Responsibility:** With teens it is important to create meaningful access to money that gives them enough freedom to explore and play, allowing them to form healthy habits of spending (e.g., budget for concerts, movies, games, clothes). More importantly, teens can start being included in some family business events or processes. Family charitable giving is one of the best ways to get them started thinking about what they do with

money in tangible ways. Teens should be given prescribed and limited amounts, typically recommended via specified monthly allowance or trust distribution if family finances are organized as such (wealth advisors typically advise distributed access to tens of thousands to 100K annually, depending on overall family lifestyle and resources). Helping teens develop their own capacity for managing capital requires parents find a balance between being flexible and forgiving of their small mistakes while on the other side holding teens accountable and expecting them to show evidence of managing money in mature ways. Again, starting smaller and then increasing teen access is recommended. Teens also appreciate adult honesty: seeing through parents' patterns of relating to money, wealth, friendships and relationships is what teens do best, and gaslighting them about these matters often backfires (that is, "hey, we all watch our spending and so should you!" while the parent continuously does the opposite, can be an example of gaslighting). Teens are probably ready to have conversations, and often tough conversations, about money legacies, money concerns, and money hopes in the family. Wealth already has significant impacts on their lives and relationships, helping teens work through this and learn to manage not just money but everything that goes along with it is important.

6. **Young Adults Lives Get Bigger, and May Become Ready for More:** Young adults, especially those post college, who have begun their careers should progressively receive greater amounts of shared family wealth. Additionally, they should be made aware of, and potentially included in both investment as well philanthropic decision making, in family business changes, in allocation decisions, and in general stewardship activities. Some young adults choose financial and business careers, which may help them be more business and financially literate, benefiting the family enterprise. Many other adult children will choose careers outside of finances: in the arts, philanthropy, social services, or other vocations which give them personal meaning, self-expression, and impact. Families should find ways to support their endeavors and find value in their contributions to the world and the family, and discussing inclusion of everyone and in what ways/levels financially is an important family task. As we have written elsewhere, research consistently shows that most young adults from affluent families report being unprepared to manage family wealth, even in basic ways. They also often have no relationships with family financial advisors or managers, and (typically) during family financial turnovers or crises, majority of these young adults fire their parents' advisors. In our view, limited or non-existent involvement in financial decisions, processes or access to assets will make many affluent Rising Gen young adults ditch, run, and fumble with their family wealth, feeling undeserving yet entitled, and struggling with numerous internal conflicts about their role in the family and legitimacy as adults.

7. **Later Life Challenges, Succession, and Transitions:** Many affluent families experience family wealth transfers when "children" are in their 50s and 60s. At that point, families should consider that a significant portion (50 or more million US $ for UHNW) of family capital, whether financial, holdings or other, should be passed on to these children, taxes

allowing. Having active meetings and discussions about family wealth transitions—their benefits and liabilities—should be ongoing between generations at this stage. By the time inheritors reach their 40's and 50's, they should be fully prepared to take controlling position in the family wealth. Waiting "until the last moment" has numerous pitfalls, including creating confusion, resentment, anger, and financial mismanagement of family resources. Warren Buffett famously decided to share much greater amounts of wealth with his children when he realized that controlling large sums of wealth allowed them opportunities to donate, participate on foundations, boards, and philanthropy, and have other privileges they would otherwise have missed. Broadly speaking, passing on significant and adequate family holdings is fitting and important at this stage.

In conclusion, we want to emphasize that research consistently shows that wealth itself does NOT create spoiled or narcissistic or entitled or bad children, regardless of how much or little they receive. Giving money or withholding it will not be the decisive factor in whether or not the kids come out all right: it's more about HOW relationships are managed, and money is a big part of the relationship. Handing kids bunch of kids without giving them parental attention or time, for example, will likely create challenges for kids just as giving them no money and no time will. We also recommend resisting blithe assurances that all wealthy families are all resilient and untroubled, as long as they keep on positive thinking and focus only on their strengths. Being human is a gamut; being a child has its normal pitfalls, challenges, confusions, and disappointments. Money does not protect from boo-boos and teen angst, but since money is also part of UHNW children's lives, parents can show up for kids' ups and downs with support, including financial and emotional support.

Decisions about how much to give or leave children are **parenting decisions** shaped by financial and social personal history. Each family has its own family mythology around how money is spent, saved, invested, and donated. Money, and its sharing from one generation to another, can be a challenge because families and people making them up may have complicated financial and personal histories. Every child and adult can also have their own trajectory: sometimes one adult sibling is prepared for wealth transfer and significant financial responsibility while another is not. Sometimes one is more financially trustworthy than the other. Every family is both its own unique system of resources and challenges, and decisions about how much money to give or when to carry out family wealth transfer are best made with much planning and thoughtfulness. Many families seek consultation with family dynamics wealth psychologists and consultants to assist in planning how to give, when to give, and how to prepare their inheritors. A few key books are helpful in this process: *The Cycle of the Gift*, by Massenzio, Whitaker, and Hughes; *Voices of a Rising Generation*, by Hughes, Massenzio, and Whitaker; and *Family Wealth* by James Hughes, Jr.