Center for Family Legacy

Finding balance: Providing opportunities for your children without enabling them

"I wanted to leave my children enough money so they could do something, but not so much that they could do nothing." - Warren Buffett

This sentiment from American magnate, investor and philanthropist Warren Buffet highlights one of the challenges parents face when it comes to giving money to their children.

We at the Truist Wealth Center for Family Legacy address this issue regularly with our clients as they work to find the right balance of passing along wealth while also passing along the skills required to ensure their children become responsible inheritors and/or beneficiaries as well as capable stewards of wealth.

All parents have reasons for why they do or do not share their wealth with their children, and neither option is without challenges. In instances where parents choose not to share their wealth, children are often resentful toward their parents. They experience the presence of wealth in their daily lives but no one talks about it and they feel like they are "prying" if they ask about it. Their parents are spending freely yet admonishing them for spending or asking for things. They often feel their parents are selfish, greedy, uncaring, or unnecessarily punitive. They may view their parents as being self-absorbed and see their parents as insensitive to their children's needs and not supportive of their dreams. While parents aim to teach their children life skills, early money management, the importance of earning and the value of delayed gratification, children are not fully developed and often don't "get" the more parental rationale.

On the other hand, children who are handed family wealth, sans the necessary guidance, often feel overwhelmed and burdened. The absence of mentoring and coaching children around wealth can result in entitled behavior. These children often end up feeling estranged from their family and isolated from their peers.

John L. Levy, a wealth counselor and author of "Coping with Inherited Wealth," notes when discussing the opportunities and challenges of inherited wealth that, "a particular form of low self-esteem, found especially among some inheritors, is the fear of failure. Often this fear, consciously or not, prevents them from taking the initiative and the risks required for vocational achievements."[1]

It seems that no matter what decision a parent makes, children are likely to suffer. But it is not a case of making a choice between all or nothing.

The key is to find the balance between sharing everything and sharing nothing. The challenge, however, is how to help children embrace the opportunities wealth provides while also making sure they are educated about how to responsibly manage themselves and their wealth.

Even when parents have a strong desire to communicate with their children about wealth, the realities of family dynamics and individual concerns can impact the ability to have open and objective discussions.

What we hear most from parents is they are fearful their children's work ethics will not develop or will be negatively impacted if the children know a windfall is in their future. These parents know all too well that happiness and success are rooted in one's ability to make his or her way in the world and find his or her passion. Excess resources can prevent the "hunger" for success that is often linked to one's drive.

For parents who make charitable giving a priority, they may hold back on communicating those intentions out of the fear their children will feel slighted.

There is a myriad of reasons why parents hold back on talking about or sharing their wealth with their children. Some reasons are linked to personal stories from the parent's own family history and have little to do with the child.

Some adults are simply not comfortable discussing money and have not fostered a family environment of open communication. As a result, they don't even know where to begin or how to bring it up. Some parents may not be aligned with how to share wealth with their children or may have difficulty talking about their own shared values with regard to the wealth. Lastly, they may not know of, or know where to find, the educational tools to help begin a discussion. The consequence of all this -- despite the desire for communication – results in parents remaining silent.

So, you might be asking, how do we bring our children up the curve with regard to preparing them for living fulfilled, happy, healthy, accomplished lives in the presence of wealth? At the Truist Wealth Center for Family Legacy, we have developed some best practices for finding the balance and raising responsible stewards of wealth. The following is some of our best thinking.

Best practices for finding the balance

Lead With Your Children

It's essential to make time for your children to be important! So often parents of wealth are well known in their community and, in some cases, in the world. Wealth opens doors. People in general like to rub-shoulders with people of wealth. Children can - and often do - end up walking in their parent's shadows. Counter this by putting your children out in front. Lead with your children. Model your best social skills for them and give them a chance to practice them!

Guide their dreams

Make certain you learn and understand what your children are passionate about. Help them to achieve their dreams as they grow and develop and explore the world. Allow them to strive for their own successes, with limits of course! Avoid imposing on them what "success" means to you. Gently and intelligently guide and influence your children; don't discourage their eager pursuits of their interests.

Actions have consequences

Essential to raising confident children is allowing them to make choices and experience consequences even if it means disappointment and a little suffering. These experiences help children make better decisions and develop coping skills, which will support them throughout their lifetime. Parents with means tend to want to rescue their children and "buy" their way out of the harsher realities of life when they can. An example in the case of young children would be running to the store, or worse, jumping on Amazon Prime to replace a toy that the child lost because of his or her own irresponsibility to take care of their things. An example in teenage years might be parents who repeatedly pay their teenagers traffic violations without consequences. Or who buy the new car on the heels of the child wrecking the old "learner" car. Letting children experience the consequences of mistakes is one of the most important lessons parents can impart. This doesn't mean you can't be there for them, just don't rescue them. Instead, support them and encourage their efforts to march on, trusting that this is how parents help their children develop resilience.

It's more than just a job

Another area that often becomes challenging for parents of wealth is the summer job or even jobs during the school year. Wealthy parents have summer homes, yachts, engage in world travel, etc. Jobs during teenage and young adult years often get in the way of such family freedoms. While it's a sacrifice, parents should be encouraging their children to have jobs even if they don't need the money. In today's world, early work experience is crucial to later success. And this doesn't even take into account the benefits of working to earn money and of experiencing the results of dedication and strong work ethics.

Talk with your children about your own first experiences with earning a living. What was your first job? How did it go for you? What did you learn? How long did it last? Storytelling is a great way to continue to teach children and impart values.

Honesty *is* the best policy

After years of working intimately with families, the Truist Wealth Center for Family Legacy has learned all too much about the divisive nature of family secrets. Gossip within the family and disingenuous behavior between family members leads to a breakdown of trust between parents and children and between siblings of all ages. Nothing will erode family cohesiveness faster than a breakdown of trust. Honest, open and loving communication is the cornerstone of the healthiest families.

Financial literacy

Last but certainly not least, invest in the financial literacy of your family members. Whether a family has significant wealth, is working-class or disadvantaged, good financial literacy among family members will reap valuable benefits throughout life. The benefit to families with great means is that their children will have the skills to manage their own personal money, whatever that may be, until the day they inherit more wealth. Then they will apply those financial skills to overseeing the wealth they have been blessed to inherit.

No time like the present

If your early parenting years are behind you and you are reading this paper wishing you would have done some things differently years ago, we do believe there is no time like the present for a "course correction."

If you have young adult children out in the world who are too dependent on monthly stipends from you in order to live, think about having a conversation to review the recent months and/or years of finances. Working together, put a plan in place to decrease the funding by a certain date you and your child determine to be realistic.

As some parents of wealth age, they find they are spending too much money. People are living much longer these days and living is expensive. You might be worried that you are spending too much on your next generations and that the expenses are too quickly depleting your disposable income. Or you might be simply tired of supporting the adult lifestyle of your children. Again, a conversation needs to be had.

If you're considering this type of approach, there are some important items to consider: First and foremost, you and your spouse must be on the same page with regard to the plan; additionally, this is an opportunity to explore why you give to your children the way you do. There may be a deeper connection that needs to be addressed. Your need to always jump in and save your children from the harsher realities of life can be connected to some of your own money history. Exploring this factor can be very eye-opening and comforting.

As you prepare for a course correction, it might be helpful to have a trusted advisor help you develop a plan and/or facilitate the conversation.

Always remember that emotional support and financial support are not inextricably entwined. You can provide steady emotional support for your child even if you are cutting back (or out) the financial support.

Sustaining family wealth

Wealth management is surely an area where the oft-repeated adage, “knowledge is power,” holds true. Parenting with wealth is just one of the many responsibilities connected to sustaining wealth over generations. As parents learn more about successful practices for successfully transitioning wealth, they will gain a better understanding of their beliefs about their wealth and how these beliefs influence their feelings toward passing wealth to their children. With this knowledge in place, parents will be well-positioned to prepare their children for the opportunities and responsibilities that come with significant wealth, rather than having to take an all-or-nothing stance.

Truist Wealth Center for Family Legacy has identified 25 best practices for families whose goal is to sustain wealth into the future. These best practices present activities across six different themes that successful families have been engaging for decades. Each theme and its attendant best practices (parenting is only one of these) play a vital part in helping both parents and children gain a greater understanding of how to balance the opportunities and responsibilities of having wealth .

If you would like to learn more about Truist Wealth Center for Family Legacy’s white paper on *25 Best Practices for Multi-Generational Families* please reach out to your advisor for a copy.

Our 25 best practices for sustaining wealth - abbreviated

Family cohesiveness

Individualism is very important to the overall well-being of the family. Understanding the unique needs of each family member is crucial to success. When individuals feel heard and loved they are more open to exploring the idea of working as a family to achieve success. Shared values, teamwork, communication, as well as an understanding of family history and culture, an emphasis on well-being of all family members, and the creation of a family mission statement are strategies designed to unite a family around its overall goals.

Governance

Family governance is the process whereby a family determines how they will work together to oversee shared assets. Family policies to guide their work allow for more open communication, greater trust and the ability to prepare for potential conflict. A family meeting/governance forum provides the right venue for creating an agreed-upon succession plan. Families who intend to send ownership of assets to their next gen, which puts them in the position of shared ownership, are the prime candidates for family governance.

Mentoring

Mentoring benefits both parents and children as it inherently promotes the sharing of values around wealth while better preparing the next generation for the future. While mentoring inside the family is crucial, outside resources can be extremely valuable. Mentoring gives parents an opportunity to share their financial knowledge and pass on what they have learned about the non-financial impact of wealth as well. We call this “money smarts.” Through mentoring, parents can also teach entrepreneurship and pass on their work and career experiences and wisdom to their children.

Philanthropy

Many families of wealth are philanthropic. In some families, some family members are philanthropic and others not so much. This theme highlights the importance of supporting philanthropic efforts in the family. And for families who have shared values around philanthropy, it highlights the benefits of working together strategically to achieve the family’s philanthropic goals. Support of philanthropic activities allows family members to explore their own individual values around charitable giving and can expose wealthy children to the realities of the world. Shared family philanthropy creates a forum for valuable learning and shows how a family’s wealth can positively influence the world. Additionally, strategic philanthropic planning offers a balance between wealth management and helping others.

Strategic planning

This category addresses the importance of understanding the impact of economics on your finances, identifying your wealth objectives, and how to plan for major life events. Children quickly begin to see that money does not manage itself and that planning is necessary for wealth availability and sustainability. Adventures and experiences can still be had – responsibly.

Trusts and Estates

This area addresses the value of communicating intentions for wealth transfer. Selecting trustees and advisors and establishing formal relationships between trustees and beneficiaries emphasizes the importance the family places on wealth management. Using trusts and estates as part of wealth management creates an opportunity for grantor and beneficiary mentoring. This in turn enables recipients of the wealth to "grow into" their wealth rather than being thrust into the thick of it without the right tools and little guidance.

Summary

Like most things in life, our reasons for doing or not doing something are complicated. Once parents understand the best practices for sustaining wealth and have put them into practice for themselves, they will be able to objectively analyze both the motivation behind their decision of whether or not to hand down wealth as well as their children's readiness for the potential wealth transfer.

Parents who once held the view of not handing down any wealth may reconsider their position; parents who were eagerly anticipating passing on their wealth may realize their children are not, in fact, prepared for the responsibilities that accompany wealth. In short, parents are now able to identify and create the balance necessary for their children to become capable stewards of family wealth.

The benefits of successfully preparing children to receive wealth are potentially limitless and can carry forward into future generations. In contrast to the negative feelings experienced by unprepared children who receive wealth, those who have received education and training around their wealth typically view themselves as responsible, driven, and accomplished. They feel engaged in, empowered by, and are confident about their wealth management decisions.

While every family is different, applying the general themes of best practices for managing and sustaining wealth will position parents to successfully prepare their children for the opportunities and responsibilities that come with significant wealth.

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References

1. Levy, John L. (2007). *Coping with Inherited Wealth*, Mill Valley, CA: Retrieved November 2012, from: www.johnllevy.com.

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