



Parenting Vs. Spoiling

The scions of wealthy families require the right nurturing and guidance to appreciate the value of money—and life.

By Caren Chesler

Pamela Bolen, a therapist, was recently counseling a wealthy family on its money issues when she discovered trouble brewing with the family's teenage daughter. The girl was absolutely furious with her parents because she wanted them to buy her two Coach purses, and yet they'd bought her only one. She had thrown a fit in the Coach store, screaming that her parents could certainly have afforded both.

"This was a 14-year-old girl who felt very entitled," says Bolen, who practices in Southlake, Texas. "It's a recurring theme I see with wealthy families: The children have a sense of entitlement because they believe that since their parents are wealthy, they're wealthy."

Another family she works

with was once late for its therapy session after the daughter had a tantrum in Neiman Marcus because her parents refused to buy her the shoes she wanted. Even after they wound up buying them, she still wouldn't stop screaming. Bolen says she wouldn't see the family again until they returned the shoes.

The problem, says Bolen, is that these parents can't say no. By not setting boundaries or establishing values, they're creating very irresponsible, unproductive adults. She says she sees a lot of wealthy families in which adult children in their 30s and 40s are still living under their parents' roof, relying on them for money, without ever having received an education or a job.

"I've told parents, 'If you want your kids living with you until

you're in assisted living, keep giving them everything they want, whenever they want,'" Bolen says.

She recommends that her clients have their children do community service, like volunteering at a homeless shelter, to give them perspective. She also advises them to withhold money until the children show the right amount of appreciation for what they're receiving.

"Half of them can do it, and half just cannot. They can't deal with their adult child or teenager being upset with them," Bolen says.

If the parents do start saying no, the children can become so angry that they can even turn their rage on people like Bolen. She says that on more than one occasion she's

checked under her car after leaving work to make sure no one had tampered with it. Louise Marie Cole, a certified wealth consultant and family governance advisor in Toms River, N.J., believes children in wealthy families sometimes lack values because their parents aren't around to give them any. The parents work so much, it's sometimes the housekeeper or nanny who is actually raising them. The parents just give the children what Cole calls, "Shut up money."

"It's easier to give your kids things than to actually be a parent," Cole says.

Cole knows of one wealthy family in which the daughter, 27—who took nearly eight years to get through college—began asking her parents to pay for her friend's college education as well because the friend's parents couldn't afford it. A few years earlier, she had asked them to put her boyfriend through school, which they did.

"What's crazier than her asking is that the dad wants to please this girl so badly, he'll probably pay for [the friend's] college," Cole says.

Cole says she's heard of children smashing television sets because they didn't get what they wanted. She's seen children total their cars only to receive a new one. One family, of Indian descent, decided to take their 17-year-old son to India after they found him smoking marijuana and hanging around with drug dealers. They hoped that by seeing his heritage, it would make him a better person.

"Was he? Nooooo. It was a vacation. They learned golf," Cole says. "When the kids are younger, you have to be a parent. But these parents don't know how to say no."

Some wealthy parents might use a trust to enforce their values on their children—a charitable trust, for instance, that would give money to a foundation rather than to the children for a period of, say, 20 years. At the end of that period, the trust might start giving money to the children, but by that time, the parents hope their kids will have learned to give back.

Other trusts are used to enforce not values but discipline by setting certain goals. The parents might set

up a trust, for instance, that only makes payments to the children if they go to college, get a job or purchase a home.

The beauty of this is that it's very black and white, says E. Patricia Chantler, who heads up the estates and trust group at Sensiba San Filippo LLP in Pleasanton, Calif.

"They can set up the trust to say no for them," says Chantler, "so you don't have to be uncomfortable at Christmas dinners because Johnny's upset with you."

"The parents can say, 'You know what, Johnny? If you don't start doing this and this and this, I'm giving everything to the Humane Society.'" Nella Webster O'Grady, a principal with Palo Capital in Newport Beach, Calif., had a client whose relatives took just this strategy. When he was 32, his grandmother left him a substantial trust, but his income from that account was slated to fall from \$6,000 a month to just \$250 unless he attended college.

The man did everything he could to gain access to the money without actually enrolling, from fighting the provision outright to obtaining

a pilot's license to see if he could more easily satisfy the requirement, O'Grady says. The man claimed he needed the money because he had gotten a girl pregnant and needed it to help care for the child.

"He was constantly trying to break the trust," says O'Grady. "But his grandmother knew he would never work unless he was forced to."

The grandson did wind up going to college, and he now actually has a sense of pride about it, O'Grady says. Unfortunately, he had little family with which to share his accomplishments. His mother had died years earlier, and he was no longer speaking to his father. The trust created boundaries that the man's parents never did, O'Grady says.

"This kid did not have a mother or father around. Our trust officer became that mother," O'Grady says. "When he got his first report card, he showed it to her."

Whether it's a case of too little attention or too much indulgence, how the child turns out has as much to do with the parents as it does

with the child, says Jim Taylor, a San Francisco-based consultant who works with wealthy families on money issues.

"That's where the kids get it. From their parents," Taylor says. "Many successful business people didn't grow up with a silver spoon in their mouth. But they have this idea that they don't want their kids to suffer like they did. So they indulge them."

The result can be children who feel the rules don't apply to them. Taylor says he sees a disproportionate amount of bad behavior among the children of wealthy families, from irresponsibility, disrespect, a lack of motivation and a lack of appreciation for the value of things, to poor grades, drugs, alcohol, car accidents, even criminal behavior. Parents can address the issue by setting limits, giving children responsibilities like chores and forcing them to have a paying job in high school.

"I'm a big believer that every affluent kid should have to do manual labor," Taylor says.

Some wealthy children not

only need to learn the value of money but also the basics of money management. One advisor says she had a wealthy client whose child was attending an Ivy League school, and his parents gave him a lot of money for the semester. He went to the bank and saw that if he put the money into a savings account, he would receive only a nominal sum in interest. So instead he got a three-year CD that would give him 2.5%. The next week when he went to withdraw some money, he was surprised to learn he couldn't access it for three years.

"These kids don't understand how credit cards work or how to make a budget, says Heidi Albert, a New York City-based consultant who teaches fiscal responsibility to college students. "They don't understand how a checking account works, or that if you cash a check at a check-cashing place, you lose money."

Parents should use their wealth to provide their children with tools such as an education, coaching, internships, mentoring and travel experiences, tools that

will give them the skills to function independently, says Lee Hausner, a family wealth consultant with First Foundation Advisors in Irvine, Calif. They should let the children know that maybe their parents' wealth will take care of them when they're very young or very old, but during their working life they had better be productive. And in that in-between period, parents can do things to nurture their child's entrepreneurial spirit, such as financing a legitimate business idea.

"When the parent uses their wealth in that manner, the chances of the children being productive is greatly enhanced," says Hausner, who was a psychologist for nearly 20 years in the Beverly Hills school district. "Parents have to ask themselves what is the purpose of my wealth? Do I want to create functioning individuals or trust fund junkies?"

But Hausner says whatever they do, they had better do it early. She says she was speaking at a meeting last year when a man in his 70s said he needed to speak to her about his family. He proceeded to tell her that he

had five children in their 40s and 50s, and all five suffered from drug or alcohol addiction and broken marriages. He himself was on his third marriage, and he was poised to get a divorce, Hausner says.

"I told him, 'Let me tell you about the next business you have to buy: a rehabilitation center,'" she says.

She then told him it was too late for her to help him.

"Humpty Dumpty got too broken. You can't put it back together," she says.

Henry Walker, the CEO of Farmers & Merchants Bank in California, made sure early on that his children wouldn't become spoiled. A fourth-generation executive at F&M, Walker has taken his two teenage daughters on humanitarian trips to Peru for the last two years, where they dispense medicine at a clinic and help assemble wheelchairs. He's also taken them, along with his 10-year-old son, to spend Christmas at a women's shelter in downtown Long Beach. His daughters find out what the families need, go buy those items and then bring the

presents to the shelter, all wrapped, so the families can have them on Christmas.

"It teaches them they are blessed," Walker says. "It might not sink in immediately, but as with a lot of things, they have more meaning as time passes and you reflect upon them."

Walker says he'd like to instill a work ethic in his children as well, just as his father did with him, but it's not as easy to just bring your kids to the office these days. There's not a lot for them to do in a bank environment. Still, he takes his son along with him on business appointments to sit and listen.

"It gets their ears attuned to asking questions and listening," Walker says. "When I was a kid and my father came home at night, I'd ask him, 'Tell me what loans you made today?' He'd say, 'Well, we lent on this and we lent on that.' You want the kids involved and to get them thinking about how you make money."

Walker says when he was young, his father had a ranch, and he would take his children to work alongside

him, breaking the horses, running the cattle, fixing fences. Parents today will bury their children in sports, but sport is not a replacement for work, he says.

And there's no replacement for family. After he got divorced two and a half years ago, Walker moved in with his 82-year-old father. Walker's mother had died, and he didn't want his father to be alone. He also likes his children to see the example set by his father, who still puts on a suit and tie every day and goes to work.

"He's 82, he lived with the same woman for 60 years, and he goes in to work every day. He doesn't deserve to be alone," Walker says. "I want my children to think, 'It's not just about me. It's not just about us. There are other people to consider.'"