"Passing It On: The Transmission of Wealth and Financial Care"

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Chapter Four

Passing It On: The Transmission of Wealth and Financial Care

Paul G. Schervish

Over the next two decades, between \$6.5 and \$8 trillion of wealth will be transferred from the current generation of parents to their immediate descendants. Some of the inheritances will be modest sums transferred from middle-class parents to their children. But the bulk of the money will pass to children of the wealthy, virtually doubling or tripling the number of millionaires from approximately 1.5 million today to perhaps 4.5 or 5 million in twenty years. Even without this vast transference of wealth, an important question is whether the growth in the number of wealthy will be accompanied by a parallel growth in the number dedicated to philanthropic giving. That is, will there be an intergenerational transfer of charitable commitment along with the transfer of wealth? The most obvious answer is that the passing on of a philanthropic commitment will occur in some instances and not in others. But to encourage a broader transfer of philanthropic identity to the next generation, it is important to discern the factors that have encouraged the successful transmission of philanthropic identity where it has occurred in the current generation of the wealthy.

During the course of our interviews with 130 millionaires in the Study on Wealth and Philanthropy, respondents frequently

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signaled their intention to pass on to their children a sense of financial care along with a financial inheritance. (For a discussion of the research methodology and other technical details of our study, see Schervish and Herman, 1988.) A frequent theme in these narratives of the wealthy was the relationship between parents and children surrounding the inheritance of wealth and the imparting of the parents' financial morality—a morality that frequently includes a philanthropic orientation. It is the question, as one wealthy parent terms it, of "How do we pass the torch?"—or, as we identify it, of "passing on and passing it on." Early on we learned that from the point of view of parents (and children), "passing on" means more than dying; it means the transferring of family leadership from one generation to another. Similarly, "passing it on" connotes more than disbursing one's wealth to others in the family. It also entails the disbursement of identity and responsibility regarding that wealth.

In this chapter, I draw on those interviews to explore the various factors that wealthy parents report either encourage or obstruct their efforts to establish a legacy of a financial morality of care. By "financial morality of care," I refer to a sense of duty and even self-interest around the meaning and practice of money, an anxiousness to connect the empowerment and beneficence of wealth in a way that is personally appealing. Taking money seriously means taking children seriously in the sense of educating the next generation to appreciate the responsibilities and not just the privileges of wealth. I do not wish to imply that every wealthy parent is equally concerned about teaching such financial care. We found several instances in which the wealthy appeared remarkably nonchalant about this parental chore. But in most cases, the wealthy were more likely to agree with the father who insists that in this important realm of cultural generativity, "the way to err is on the side of more involvement rather than on the side of less."

Five Elements in the Intergenerational Transfer of Financial Care

Wealthy parents and their children mention five categories of factors when describing the social and cultural factors affecting the generational transfer of wealth and financial morality. Such influences range from simply setting an example, to intentional guidance, to explicit stipulation of how an inheritance must be used. In addition to noting positive influences, parents often indicate an assortment of social and psychological impediments in communicating financial morality. Such impediments, we learn, sometimes lead parents to relay contradictory signals to their children and cause the children to resist their guidance.

The following five elements appear most influential in the intergenerational transfer of financial care:

1. The *specific historical forces* facing the current cohort of wealthy children, with a particular emphasis on circumstances that differ markedly from those the parents faced
2. The effect of the family's *economic life-style*, such as the level of luxury allowed, type of housing, amount of allowance, extent of household duties, and extent to which parents seek to convey their achievement ethic to the children
3. The extent of de facto or intentional *parental modeling* around life-style issues of money and philanthropy
4. Offered or required *institutional training*, such as participation in a family investment portfolio, business, philanthropy, or foundation
5. Explicit parental teaching of *frameworks of consciousness* aimed at conveying a morality of money and a specific morality of philanthropy

Specific Historical Forces

The transmission of a morality of wealth is intrinsically problematic, for it requires parents to transform an economic ethic appropriate to the circumstances of an earlier era into an ethic relevant to the circumstances of their children. This problem of translation has two related dimensions. The first concerns the historical trends of consumerism and affluence affecting most of today's youth. The second involves the generational differences that parents born poor or with modest means encounter in relation to children who became accustomed early on to the privileges of wealth. Parents address these issues by speaking about the dangers of decadence associated with their children's enjoying but not having to earn wealth, being wrapped up in the culture of consumption, not understanding how to handle money, and not being able to relate to common people. For their part, however, the children born into wealth emphasize a different problem. Without denying the importance of the issues highlighted by their parents, the kids emphasize the problems associated with establishing an identity in regard to wealth that is independent of their parents' own roles and expectations for them. It is not that they eschew the responsibilities of wealth. Rather it is a matter of determining their own responsibilities and being free to decide which responsibilities to attend to in a particular phase of their lives.

The most frequently cited generational difference that parents fear will make it hard for their children to assume a financial morality is that the children have never experienced material want. Put simply, their kids have not experienced the trauma of the Depression and the virtues it instilled. The fact that his family "lost everything" during the Depression has made a lasting impression on Chicago contractor and former National Football League great Raymond Wendt:

> I look at that [period in my life] many a time and I try to talk to my children about that, about all of the things that we have now and should be thankful for. I look at material things and treat money in a different way than they do. They might call me frugal. I'm not a wealthy man but I am not a poor man, but I just don't throw money around. I have respect for it, let's put it that way, and I try to teach my children that. Of course, money is not the most important thing in our lives but being young, I guess, and struggling all the time made an impression on me.

Many children of the rich also recognize the importance of the Depression as a formative experience. "A lot of the kids that I went to school with never have seen [poverty]," reports Camile Russo, twenty-seven, who now works as a middle-level manager in her family's brewery. "They were very, very sheltered. They were very much into status, they were very into how wealthy they were. I find for a large percentage of wealthy people born into wealth, inherited wealth, there's definitely a difference. There's for sure a difference between second and third generation wealth. No question. Through my father, I have direct contact with his being born very poor, and now being very rich. I can feel that." As second-generation wealthy, Russo recognizes how different she is from one of her third-generation friends who is "so far removed" from any contact with a life of modest means. "I think it's just a matter of how you gear yourself, that and how you are raised, as far as how humble you are. My father and mother are very, very humble. You'll never hear them talk about themselves. They're just real low key. They never forget where they've come from. They always remind us. They always tell us, 'don't ever brag, we could go bankrupt.' I think they raised us with really important values." Even so, Russo recognizes important differences between her and her father in regard to the value of a dollar. "I might go out and spend 40 bucks and think no big deal, where he's more sensitive to what that 40 dollars represents, so what's a lot of money to me, and what's a lot of money to him, that's two different things."

What is different about the orientation of what Robert Coles calls "the children of privilege"? For Russo, it is an attitude of humility. For Eileen Case Wilson of Chicago, it is the recognition of vulnerability. "When we were being raised [economic insecurity] was always a threat. I think that anybody that came from my parents' generation and survived the Depression realized how vulnerable in effect you are—that things beyond your control could wipe you out. Now that I have reached forty-five, I don't feel that vulnerable anymore," Wilson explains, recalling how feelings of vulnerability inched their way into her thinking as well. But now, she says, "I feel almost too secure, and I'm afraid that my children are going to feel that way." This results in two problems, according to Wilson. First, today's youth "have no recollection of war, the Depression, or anything. As a result, the children we're raising today in wealthy families live in a fairy world because they have no basis of knowing what this life was like." This is different from Wilson's experience, where her riches "increased in increments of wealth at such levels that I never really ever had all I wanted. There's always something else that you're striving for, so you never have the feeling of having too much, so therefore you're [always] sort of insecure." The second problem Wilson worries about derives directly from "raising the children in an unrealistic world based on material goods." Wilson claims that "particularly in the 70s and 80s kids are so acquisition oriented. They don't have established lives yet. So they don't have a sense of responsibility of sharing wealth by sharing of themselves. I don't think it's even entered my daughter's head yet that she could give it away. In other words, they take it for granted."

When wealth is taken for granted the wealthy child becomes morally at risk, insists Gerald Simpson, who himself grew up wealthy in and around the prep school culture. "You know about children who inherit money," he says; "they get a check from a lawyer or from the bank once or twice a month. They live on that, they get into drugs, they go to a place to dry out, they get into trouble with the law. But the lawyer provides for them, whatever they do, everything is taken care of, right? And they become spoiled and horrible, and antisocial, and everybody looks askance at them. And this is the product, of the rich." Not all parents are as cynical as Simpson. But as we will see, those who share his concerns strive to counteract the negative tendencies they perceive.

Russell Spencer is one parent who worries about his kids growing up without the virtues wrought by economic accountability. "I worry more about the kids and the atmosphere that they live under, the Westchester and Forest Hills tennis crowds that they'll be moving in," says the New York real estate entrepreneur. "Kids don't have paper routes there. I did as a kid. I mowed lawns. Kids don't mow lawns, you hire somebody to mow your lawn," observes Spencer, who is proud to have grown up in what he calls "Smalltown U.S.A." "These are the things that I worry more about than about myself. I worry about the material things that the kids see and are getting, though I would hope that my own values and my wife's values, which are terrific, will be able to show some principle and balance to the kids." For Boston software entrepreneur Brian Riley, the major temptation facing his children is to be financially "reckless." He regrets that his oldest daughter has assumed "somewhat of a jet-setter mentality, in terms of spending." Although he tried to educate her differently, she "lives very luxuriously," making him wonder how he lost his sway over her and turned into "the heavy" in her life.

All of this presents a profound dilemma to wealthy parents. Especially for the entrepreneurial wealthy—but for those with family wealth as well—the quandary is how to teach their children the responsibilities of wealth while also providing for their needs. Having gone through hard times, they do not want their children to face the same insecurities. As a result, they furnish a life of affluence for their children while at the same time attempting to instill frugality, humility, and responsibility. For Wendt, the problem is that once he chose an affluent neighborhood in which to live, his children automatically became exposed to an environment that threatens to make them materialistic. That his kids "are exposed to so much luxury" bothers Wendt. Despite his best efforts,

> It was hard for 9, 11, 12, or 13 year-old children to understand [deeper dimensions of life] when they weren't exposed to anything else. They were exposed to the good life, country clubs, trips to Florida, you know. They were in a position where they saw all of these things and they thought that everybody had those things. They weren't exposed to not having clothes, not having televisions, not going to a country club where you can sign your name. So as a result, it's difficult on the one hand to have all of these luxuries, and on the other hand say "no, you can't have these certain things."

A similar dilemma haunts Detroit importer Rebecca Jacobs. "The thing that's been my success, is I was hungry," she says. But her kids are "never going to be hungry, and I don't mean hungry for food." But at the same time, she wonders whether it is necessary to surrender all her advantages just to motivate her kids. "I'd say to myself, 'for God's sakes, Rebecca, you've worked this hard to have this housekeeper in the house, and to be able to have a swimming pool outside, and to be able to have all those things, the Cadillac if I wanted to drive it.' Am I willing to give up all those things so my kids can be hungry?" Like virtually all other wealthy parents, Jacobs answers her question in the negative. She concludes that her best strategy is give her kids "a lot of extra love so that they can know who they are and who their mother is."

The commonsense observation of Seattle real estate developer Lisa Rayburn summarizes the problem of transmitting an ethic of financial care to the next generation. "The impression that I have taken away from my experience with wealth is that it's a double-edged sword." Nowhere is this truer than in the complex parent-child relations surrounding issues of money—how it is to be earned, invested, conserved, given to philanthropy, and used for the necessities and pleasures of life. Parents are more or less devoted to instilling financial ethics in their children and, of course, more or less proficient in doing so. But across the board, parents are keenly aware of the effect money has on their children and of the importance of providing at least a basic sense of financial responsibility. For this reason, we hear much about the formal and informal strategies parents use to inculcate financial virtue even as they bestow a life of affluence.

Economic Life-Style

Later sections describe the factors that appear to instill an ethic of financial care in the children of the wealthy. One such factor that respondents frequently cite is the economic life-style they design for their children. We have already heard how parents view life-style issues as a major concern in raising their children to embrace economic virtues. The question here is what parents do to realize this goal.

One strategy is to insist that children earn their allowances or work to obtain money to pay for what they want. This does not always guarantee that the children learn the meaning of money, as Jacobs points out. Even though her son had to work for much of his money, he still ended up being "very impressed with what money can buy and is very interested in buying a lot. He's a very kind, decent, wonderful guy. But I suppose he's used to a lot of things," she laments. "They feel they deserve it, that it's their birthright." Wendt also recognizes how hard it is to stave off his children's consumption. He and his family live in the affluent Chicago suburb of Wilmette, where "a lot of people just arbitrarily give their kids whatever they want."

A second strategy to constrain consumerism in children is to provide a limited allowance to keep the children from knowing how rich they really are. Jacques Katkov, for instance, tries to ensure that his family's "private life-style" is changed only in a "small" way by its wealth. "We have purposefully resisted wealth being a drastic change. In fact one of our concerns has been not to have it corrupt our children," says the electronics entrepreneur. "For that reason, I don't think my oldest daughter, who's now twenty-two, knew about our substantial wealth until she was fifteen or sixteen, and even then she's had a budget and an allowance so that she's had to learn to manage her affairs. Our younger children, who are eight and eleven, still don't know it, although my eleven-year-old's been asking some questions which are very suggestive."

A third approach for instilling the proper economic values is to restrict the luxury of daily life. Detroiter David Stephanov is proud to own "four nice homes." But he still insists on setting limits. "I was going to put a Rolls Royce down there at my home in Palm Beach, and I said to myself, 'What am I doing with those children? That would be terrible to do.' That's the reason I didn't put a Rolls Royce down there. I know most people would flip if they even had the privilege to do something like that. I had it. And I called up my dealer who sells me all my cars. But then I called him back and said, 'I can't let my kids drive that car around Palm Beach. I'll distort them, screw them up more than maybe they're already screwed up.'" What really counts is his kids' educational success. "[My son] came out with a 3.6. That's all I asked. As long as they get a 3.5, they get anything they want: airplanes, boats, travel, anything they want. But they got to get those grades first." Restricting luxury is also important in the style of home and the absence of servants. Jacques Katkov emphasizes that his family expenditures are "moderate ones," including what he and his wife spent on their home. "We were able to build in '74 an attractive house without having to finance it any way. And we're talking well under a hundred thousand dollars, so when I say attractive, I'm not talking about a Ming palace, nor would we wish it."

Holding the line on luxury is also important to East Coast media magnate Michael Hollander:

> I think probably most anyone would agree that we live very conservatively for what we are able to do and have not overly spoiled our children in the process and have used whatever funds are required to pay the bills. We do have two homes, one down on the Eastern Shore and one here. We have one or two cars, and no yachts or anything extensive; and airplanes we've never had. I didn't want to spoil the children with too many material things although what we always wanted to do was to make our home very comfortable and make that the central part of their activities and the attractive place that it could be, hoping that they would continue to come back to it which they have done. So that's been central to us.

Stressing the relatively ordinary quality of their life-style, Hollander adds, "I don't think we've spent any more in doing that than anybody, than any wealthy dentist around here, but we do it well." He elaborates that "our kids did not grow up with maids and butlers and valets and chauffeurs. They could have, obviously, but we never did that, wouldn't permit it. And they were always expected to do their share of chores and help with everything as I do. I still do. And that's the way we run our personal lives." Moreover, "They've been productive kids who have worked at their education and their lives and we're very very fortunate about that. Maybe it's by example, maybe it's we're just lucky."

There are other aspects of their life-styles by which the wealthy teach their children the lessons of moderation and responsibility: an insistence on a good education, living within the family's means, and so forth. But if the foregoing demonstrates anything, it is that avoiding the decadence of wealth is a major concern. Indeed, despite such concern, Jacobs, Stephanov, and others report that their children may still become spoiled and consumption-oriented. For according to what we hear, the wealthy inundate their children with conflicting messages. There is surely a discourse of limits, but there is just as surely a reality of opulence. Immediately on recounting how his household has no maids and how his kids must do their chores, Hollander reveals that "nobody stints on travel. If they want to take a nice trip, it's always been given to them." Katkov also concludes his statement about limiting materialism by noting that "whenever we've had the time or the inclination, we've been able to take up vacations without being worried about what are often substantial travel costs. We've been able to provide a first-class education among our children without having to make sacrifices so there are a variety of ways in which it's been personally enjoyable." Listen, finally, to Dean Devlin, the New England regional manager of a major investment firm. He and his wife actually tried to dissuade their kids from getting jobs while in college, "but for some reason they all insist on working. Every single one of them has insisted on going out and getting a part-time job during the school year. And we've not been entirely successful in keeping them from working. Our oldest child worked every summer when he was in college and during the year he had a part-time job. Our oldest daughter, we finally were able to convince her to take a summer in Italy and to go to school in Italy. But still they insist on earning their own money."

Given such an imposing environment of wealth and the mixed messages from their parents, it is not surprising that additional factors offset the tendencies toward materialism and contribute to financial responsibility.

Parental Modeling

If setting limits on the opulence of the family life-style and requiring that children share in household chores is a first step toward instilling economic morality, parental example is an important second step. Parents' actions can impart an ethic of financial responsibility in a number of ways. These involve the development of moral character, especially learning to care for others.

Russo feels the influence of her parents in teaching her to always do her best. "My parents never say it," she notes, but simply watching how they work in the family business has led her to internalize an "inner pressure that makes you want to get your own business" and feel "you're going to disappoint them if you're the director of the department and don't make it the best. You're going to disappoint them if you don't get your own business." She also quietly learns the value of gratitude:

> Although it was never said, it was something I always felt obligated to do. Because of all these things I had watched. I felt like it was time for me to pay back what I'd been given. And only did I start to feel that when I started to realize really how fortunate, and what a head start I had on life because I was born wealthy. It was such a head start. So I think of the opportunities that I was given, I look back and I say, "Geez, I was so fortunate to have all these opportunities. If I don't succeed, I'm a fool. How can I fail? I have to succeed. I've been given all these wonderful things." Really there is pressure that I feel. Luckily I have an ambition that goes hand in hand with that. There is something inside me that I want to do.

For Russo, the key to her growth is her father's example: "My father's the type of person that never demanded anything," she reports. But in his quiet way he still "pretty much just taught us to be honest, be nice, work hard, and things will go your way." Her father "never expected us to work for him, although we all do." Most of her personal and business education transpired informally:

> I think as a young person growing up—just dinner talk and being around the family business, being around people who are very high achievers—something is instilled in you that [makes] thinking skills become very practical. I never had any public relations training, I never took one writing class, I've never taken any communications, but I do well in my job because I'm very knowledgeable in the company and I have practical sense. Some decisions I make, I don't know where I've even heard it sometimes before. But just subconsciously, growing up, just from the nature of being around, there's

just certain things I know about our business that would take years to learn.

More directly relevant for learning an ethic of financial care is the example parents set around issues of philanthropy. Katkov, for instance, makes sure even his younger children know that "nine-tenths of the money had been spent on what I still call philanthropic activities, in the form of contributions to social change and social progress" and that he and his wife "derive great pleasure from that." The same is true for St. Louis real estate developer Sheldon Lewis, who devotes an extraordinary amount of time to fundraising on behalf of the Jewish Federation. In addition to yearly contributions, which he hopes to make "for the rest of my life," Lewis has "bought some zero coupon bonds with the gift money [going to] the Jewish community twenty-five years or so from now." It is equally vital to Lewis that his children someday do the same. "I hope that my children will emulate my example if they can. I've tried to let them observe what my wife and I do, but they don't have the financial means right now to emulate what I'm giving." At present, his kids have learned enough "to do a modest amount of charitable giving," but philanthropy is still "secondary to their other needs for money within their growing families."

> Our youngest daughter was just moving to Philadelphia and her husband has finished his training at a Cleveland clinic and they will be starting a new life there, but they need money for a home, furniture, cars and all the things that you and I have already been through, so they are very limited financially as to what they can give to charity, but I hope as they become more successful they will increase their giving and have some of the same feeling. I think it's a worthwhile feeling to have. To me it's the opposite of being totally selfish. Part of the frustration with fundraising is to meet the challenge of people who have no feeling at all.

Hollander also hopes his children will imitate his philanthropic regimen. "I have been very happy to have Media East designations on things and sometimes my family name because I think it is very meaningful to children coming along in the family to see and understand that their family . . . is a responsible family." Hollander recognizes how important that is as "part of the teaching process." He now wants to set the same example for his children that his father set for him:

> They see it as a visible example, it's under their nose, they can't help but see it and they have to live up to something when they see that. There's an obligation that's implicit in the teaching process so I believe in that. It starts with a sense of responsibility to the community which is very strong. It's strong in me, it was strong in my father, I started at home growing up and I've done my best to carry it on in an effective, aggressive way I might say. And hopefully, by example, I've been trying to teach it to my children.

Does such parental modeling in philanthropy affect the children? Many of the younger respondents born into wealthy families testify that it does. Children of the wealthy often criticize the causes and style of their parents' philanthropy. Yet they almost always recognize their debt to their parents' example. "Mom was very active in the community, very active in the Junior League—was president of that—was head of the United Way of Oakland County and did a lot of volunteer work," recalls Ruth Robbins, the founder of Detroit's Victoria Women's Fund. "So I had from her definitely a sense that you put something back into the community and you didn't just go to the country club every day." It is a matter of learning a vocation of care, even though Robbins directs her attention to more political and activist concerns than her mother did:

> I think that there are people who have their basic needs met and

they have a generosity of spirit and personality that wants them to do something else. I know that I learned from my parents that you give back to the community. So I did have that kind of example, which was not like my aunts and uncles. They didn't participate, volunteer and do all those kind of things like Mom did, but I think they gave money too and my grandmother's sister and husband started a foundation and she gave stuff to the hospital and whatever. There was always this sense, you know, in church you always gave your money. There was always a sense that you put, you were supposed to contribute to society as well as enjoy the benefits.

Institutional Training

Just as important as parental example for the generational transmission of economic responsibility is the involvement in various economic institutions parents offer to and sometimes impose on their children. To properly train their children in the duties of wealth, parents deliberately enmesh their children in business, money management, and philanthropy.

Jacobs recognizes that in many ways she "could have done a better job" in raising her children. She wishes she had spent more time "reading to them, rough-housing with them, and driving them to piano lessons, and football games, and doing those kinds of things." What she did do, however, was to lug them with her to the offices of her fledgling import business. "I didn't get to spend a lot of time with them, so I had them all work. I made them all take typing as soon as they could, so all of them worked here as typists. And of course, when they got to college they all thanked me for that. That's the best thing I could have ever done for them. At the beginning they hated me for it." Now, her children are grateful for their early exposure to her company. "It's either, I sell the business or involve the kids. But since they've been working here for years, I'm kind of grooming them to take over the business. That's the whole joy of

it, that's the fun. And that's I think one thing that prevents me from selling, that my kids like the business."

Proclaiming "I do believe in nepotism," Ralph Pellegrino has also brought his kids and other relatives into his metro Los Angeles hardware business, insisting they learn his concern for quality and courtesy. "My son Robert, who is very, very bright, has a Pellegrino Hardware Center. My son Andrew is also in Pellegrino Hardware. And my son Anthony, who went to Yale, he's up in the office, manning all phases of it. He's into lumber, remodeling departments, and electrical, and he's a very bright young man who's president of his class at Choate and graduated with honors from Yale." But as important as his son's academic success may be, Pellegrino appears prouder of the way Anthony has picked up the torch: "He's just a great, delightful kid. They love him in all the departments where he works, and when he leaves, they're angry at me for pulling him out. He's got to learn all phases of it."

In addition to involving them in the family business, wealthy parents formally establish procedures to ensure that their children learn to handle their inheritances properly. We hear accounts from a number of wealthy heirs about the turmoil that arose in their lives from being too young or too inexperienced to deal with their inheritances. To help their children avoid these problems, many parents take steps to pace the generational disbursement of wealth and to educate their children about handling their windfalls.

Eileen Case Wilson and her husband David have staggered disbursements to their children at the ages of eighteen, twenty-one, and twenty-six. "We've portioned it out so they wouldn't get it all at once, cause that's gonna be a scary situation," she explains. "If my children were to inherit today, from me, directly, their incomes would exceed $30,000 and they're not even of age yet. And that would be very terrifying to them, so we set up that they would get part in 5 years and part in 5 more years, so they would have a little time to get used to it." This is something to which she has given much thought. "I don't know what the truly wealthy do, but you think in terms of putting all that money on kids, who aren't even out of school, that part is frightening. I don't want them to inherit until I have a chance to lead them into this as I was led in by my parents. So that's a concern. Money management is teaching them how to use what they're getting at the age of 18 and I'm working on [my daughter] Elizabeth right now."

Riley also delimits a period of time in which an organized framework can facilitate responsibility. "My kids are all set, they all have trust funds that they can't get at until they're 30." Again the strategy is well conceived to create fiscal competence. Riley designates two categories of inheritance. The first is what he calls "funding that is in place" while he is still alive. "I don't want them to be living like fat cats, in their 20's. I want them to see what it's like to have a job or earn money that you need to subsist on and realize that it doesn't always reach both ends of the week. I figure by 30 they should all have had enough experience, have some level of wisdom, so that they won't be crazy and go out and just blow it." The second category of inheritance is what he will pass to his children on his death. "If I should die my will stipulates that they don't get any [money immediately]. That all goes into another trust that they can't get till age 35. My thinking is that if they boot things [mess things up] at age 30, they might have learned by age 35 how to handle the next one."

Devlin began the formal training of his children when they were in their middle teens. "We've transferred bank accounts to them as soon as we legally could," he reports. "We tried to give them at an early age the ability to manage their own money without us looking over their shoulder saying you must do this, you must do that." This turned out to be a fortuitous tack, for even with this independence his kids have "insisted" on his and his wife's counsel. Hollander, too, started his children's financial training at an early age, giving "a great deal of thought and effort to that." Like Devlin, he and his wife "have provided wealth in the children's own names at young ages." But unlike Devlin, Hollander admits to keeping "a reasonably strong advisory position on how their assets are invested." Following his recommendations "is not mandated," however, so the kids are free to "make some decisions that go contrary to the advice." Regarding how well he has ignored his kids, Hollander's appraisal is that "they have a long way to go in terms of some financial maturity, but I think we've done well on sophistication."

> We have seen to it that our children have some investment funds at their disposal, and this started really, oh, at about the time each of them reached 19, 20 years old. They are now into their, well they are 25, 26, and 31. So they've had some years of involvement with investment funds in their own name. They all have been brought up in an atmosphere where they were surrounded by professionals and money managers who serve them. Their lawyers, accountants, and money managers who serve each of them have all been introduced by me, but they have an independent relationship with each one of them and have learned how to conduct those relationships and have been through a little bit of change in some of them as well. So all three of them have gained some degree of comfort in dealing with those kinds of issues. Today, they each have as a result of that program substantial wealth in their own names, mostly in the form of company stock but that generates dividends and the dividends are cashed, not needed for current living, and they do get invested, so that's the pattern each of them are involved in and I think they are well started.

In addition to providing training in the family business and money management, wealthy parents teach financial care by formally involving their children in their philanthropic endeavors. Harold Bacon, an executive in charge of corporate charity at a Big-Three auto company, links money management to philanthropic training. "A number of years ago I gave each of my four children some tax-free bonds. I said, 'There's a string on them. Half the income has to be given away to charity.'" Apparently his strategy worked because "each of the four children has become charitable in their own way and one of them still sends me a list of the charities he gives to every year."

Norman Guano always understood the importance of early philanthropic involvement. As a youth he was brought into active involvement with his family's major foundation. He regrets, however, that his kids were not as receptive to such training as he was. "I would like in principle to involve my kids in my giving by—I have five of them and they are very, very different people. And I have tried to encourage them. I wanted to get them involved with the Guano Fund very, very, very badly and that's the trouble with it. In those days I was even more unwise than I am now and I pushed, pushed, pushed, pushed. And the kids' reaction was to pull back and say 'my God, what's Dad trying to do to us.'" Still Guano recommends involving the children "to anybody or to any foundation."

Numerous wealthy parents understand this. One of the most common stories we heard concerned the steps parents take to induct their kids into a charitable ethic by involving them in their family foundations. But, as we hear from San Francisco heir Christopher Burke, such involvement should extend to direct contact with the projects and people benefiting from his foundation's largesse. His children "are all members of the board at the foundation. And that's automatic. Whether they are really interested or not." In fact, he has built into the job description of his foundation director that "she really work on getting family trustees—we call family directors, trustees—into the field."

Frameworks of Consciousness

Theories of socialization emphasize the importance of communities of participation for inculcating ways of thinking and behaving. Socialization theories also stress the importance of frameworks of consciousness for shaping orientations and dispositions. The previous sections have discussed aspects of the community of participation through which the children of the wealthy become educated to a morality of money. In this section, I explore the various parental teachings that help fashion their children's financial care. There are five categories of instruction by which parents convey the lessons of money: finances, entrepreneurship, family, religion, and philanthropy.

We have already seen how schooling in the management of money is an important goal of many experiences parents provide their children. But just as important is what the parents articulate. "My kids know not only everything about what they have now," explains Burke, "but they know right down to the last nickel where future money is going to come from, how it's going to be managed, what the likelihood of its distribution will be, how they need to think about it, how that affects their lives today, as compared to how it's going to affect them in twenty years." In fact, says Burke, "we talk about it constantly."

Teaching the work ethic and its application to entrepreneurship is also a topic of frequent exhortative conversation. "I'm going to share with my kids what my sport is. It's being an entrepreneur," remarks Stephanov. "This is a game. It's a big game, like squash, like racquetball, like skiing. That's all it is; that's all it is." His philosophy is deceptively simple: "You find a piece of land, you think about it, you look at seven pieces of land. You say 'I'll take that piece and put up 120,000 square feet. Then we'll resell it in six months and we'll make nothing but money on it.' It's a game," he teaches his children. "You're looking at an opponent." It's a matter of learning to "play for big money."

So much of what the parents have to say about the responsibility of money concerns teaching priorities. The major problem he confronts, Wendt explains, is convincing his kids that the meaning of life revolves around family rather than consumerism. "My kids would come home and say, 'well so and so has a boat,' maybe they have a snowmobile, they have all these things." Wendt's reaction is typical of many respondents. "And I said, 'you don't need those things, it's not important for you to have those things.'" Still, it is hard for Wendt to buck the trend: "When you have kids growing up in that environment it's difficult to explain to them why they don't need that. Of course at their age they still couldn't understand, at least they didn't want to understand it. All they look at is the enjoyment they are receiving from it," he laments. "And so I tried to explain that we're not here to have all these things. Maybe later in your life you can get those things if you work for them and you strive and become successful. We're here mainly to be a family and try to teach you other things which are more important than material things."

Another central tenet in the manual of parental teaching is a set of religious principles. These principles emphasize the appreciation of wealth as an undeserved gift and the subordination of one's desires to a divine path. "I just think that we all should attempt to do what we can. This is what Christ said to do, you know. He's only got our hands, so to speak. It sounds corny, but it's the way I feel," says Boston homebuilder Charles Dore. He is unashamed of his religious values and makes sure his family knows just where he stands. "My kids know that, my wife knows that. They don't laugh at it, they think it's good, you know. My kids never argue with me about how much I give away, even though eventually it's coming out of their pocket. Plus the fact they have more stock in the company now than I do so they can say, 'Hey Pop, you're out.' But I don't worry about things like that." Hollander addresses the same issue from his Jewish faith. "There is a tradition amongst Jewish people to be charitable to their own. Not just to their own, to be charitable in general," he points out. This is "part of the training that is given to Jewish children," including his own: "To not be selfish and not to only be concerned about yourself but to be aware of what is going around you in a community. Be aware that there are people that have problems, social problems, and they need help and that not all social problems are solved by federal budgets."

The foregoing elements of moral education contribute to learning the proper handling of money, the rules of entrepreneurship, the priority of family over material goods, and a commitment to follow a spiritual path. But to the extent that they come together as a general framework of consciousness and basis of conscience, they provide a foundation for explicit teaching about financial care in the form of philanthropy. "I try to get my kids to think of something valuable [even though] they say it's all easy for you because you've made it and you can now give the time and the effort and the money too," recounts Bacon. I told them that has nothing to do with it. If you don't have it then you don't have it. But I'm getting the message through I think. I don't know whether it'll stick, but a part of their life should be to help people less fortunate than they."

Conclusion

This chapter has discussed five family influences that contribute to the intergenerational transmission of financial care. Let me conclude by citing one additional factor and by indicating the next step in this research. The additional factor involves the various extrafamilial influences that encourage or discourage the transmission of financial care. Respondents speak about several such influences from the vantage point of being parents or children: the broad range of experiences encountered at school and work, contact with the needy in connection with travel or volunteer work, friends and marriage partners, politics and religion, and influential occurrences of fortune and misfortune.

Janet Arnold is a third-generation Detroit philanthropist whose lifelong dedication to issues of poverty began with her childhood travels to developing countries. "We just learned from those experiences," explains Arnold. Her father's business took him frequently and for extended periods to Latin America, and as the children got older he would take them along. "Because of that, we were exposed to people who were not wealthy. We didn't move in a very narrow circle the way many people of wealth do." In addition to being exposed to "the little people," as her father used to put it, Arnold tells how "several of my brothers and sisters and I worked in Latin America in summer jobs when [my father] had business there." At sixteen, she worked for a year in Venezuela in a community center linked to an experimental farm program. The following summer, Arnold lived in a Brazilian village where "we fed the little children in the morning, taught them about brushing their teeth and all that kind of thing. And we worked with the mothers, teaching them how to cook these new vegetables, and planting them on raised beds to deal with the flash rain and flood type things. It was marvelous. I absolutely loved it."

While Arnold's formative experiences occurred abroad, those of Devlin's kids occurred here at home. Each of his kids has become more caring as a result of engagements outside the family. His oldest daughter goes to Georgetown University, where she participates in a tutoring program for high school kids in the Washington, D.C. school system. "She ran that program for a year at Georgetown," says Devlin proudly. "She's also done volunteer work at the Peace Corps and last summer she received a commission from the Public Health Service and worked on an Indian reservation in Wisconsin, and that's the field that she wants to go into now—public health," says Devlin, connecting his daughter's philanthropic involvements to her choice of career. One of his sons volunteers at a Boston halfway house connected to a drug and alcohol counseling program for high school youth and has done "some unpaid manual labor for the Appalachian Mountain Club cleaning trails and things like that." Finally, Devlin's youngest daughter at the age of fifteen has just "started into a tutoring program in Roxbury [an inner-city district of Boston], where she goes one afternoon a week to help tutor elementary school kids."

At this point in my research, I feel confident that I have located at least some of the key variables that propagate the intergenerational transmission of financial care. The next research task in

regard to the interview data is to describe the various ways these variables come together to form a set of distinct story lines about the successful and unsuccessful transmission of financial care. For example, there are important differences in the communication of economic morality between entrepreneurial, first-generation families, and established second- and third-generation families. Also important are the dynamics that distinguish cases where the children become independently dedicated to philanthropy and where they do not. A second direction for research would be to operationalize the variables mentioned above with data collected in INDEPENDENT SECTOR's biennial Survey on Giving and Volunteering. Although there is no direct measure of the intergenerational transmission of a philanthropic identity, respondents provide considerable retrospective information about the orientations and activities that led to their commitment to charity.

While awaiting more thorough analysis of the transmission of financial morality, one can still learn much from this preliminary listing of the challenges parents face in conveying their charitable instincts to their children. In the end, the intergenerational transmission of financial care is a matter as homely and honorable as that of teaching the children well.

Reference

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