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## **Richie Rich 101**

**More and more camps are teaching trust-fund kids to handle the wealth headed their way.**

By Robert Frank

July 29, 2007

Last year, I went to an unusual summer camp.

It was a three-day affair, held in a small classroom at UC Irvine, with about 20 attendees. They began arriving early in a stream of Range Rovers, BMWs and Mercedes. All were in their early to mid-20s. And all were about to inherit millions of dollars from their parents.

There were two platinum-blond sisters from a big California real estate dynasty, and two willowy brunets from a Northeast trash-hauling empire. The daughter of a wealthy Midwestern developer was there, as were the scions of an electrical-contracting business and the spiky-haired son of California's "strawberry king."

The aim of the camp, officially called the Financial Skills Retreat, was to teach the children of today's richest families how to manage the money they were about to inherit.

They learned, for instance, the mechanics of how to buy and sell stocks, as well as how to save taxes on municipal bonds, how to invest in emerging markets and how to pay their own credit card bills (a first, for many). They also learned "life skills," like how to persuade prospective spouses to sign a prenup. (The main lesson: Call it a "marital agreement" and blame it on your parents.) They learned how to draw money from their trust. And how to interview for a job (also a first for many).

Granted, the kids weren't there by choice. As one of the real estate heiresses said to me, "I should so be in St. Tropez right now." Yet for the kids' parents, the retreat held out hope (against history) that the millions of dollars they were about to give their kids wouldn't be squandered. (The two blond sisters, for instance, had already blown the first installment of their inheritance even before beginning the class.)

The parents wanted their kids to learn to become "good stewards of wealth," which is wealth-management speak for "not spoiled brats." When I asked one parent why she sent her daughter to the retreat, she said, "two words: Paris Hilton."

Camps like the Skills Retreat are exploding in size and number across the country, and it's not just because

of Hilton. The American wealth boom of the last decade has more than doubled the number of millionaire households in the U.S. -- and spawned a vast new generation of rich kids. There are now more than 1.4 million households across the country worth \$5 million or more, with an average of about two kids each.

All those silver spoons are dipping into a record amount of disposable income and cash. According to a study by Prince & Associates, a research firm that specializes in wealth, most millionaires surveyed plan to leave at least 75% of their estates to their children. The percentage is highest for families with households worth \$25 million or more, disproving the widely held notion that wealthier families are more likely to leave a greater share to charity.

All told, more than \$30 trillion will be passed down to the children of millionaires and billionaires between 2002 and 2052, according to a study by the Boston College Social Welfare Research Institute.

Of course, inherited wealth is nothing new in America. John D. Rockefeller, for instance, handed down more than \$500 million to his son, John Jr. But today's new rich, most of whom started out middle class and made their fortunes themselves, don't want to repeat the mistakes of Old Money. They want their kids to have normal lives -- even as they leave them extraordinary fortunes.

Whether it's working, however, is not yet clear. Certainly, television today is filled with images of young wealth gone wild, with pouty heiresses demanding new Mercedes and \$200,000 birthday parties. Hilton kicked off the trend with "The Simple Life," and MTV's "Rich Girls" followed, chronicling the shopping expeditions of Tommy Hilfiger's teenage daughter, Ally, and her friend, Jaime Gleicher.

To keep this from becoming the norm, parents are increasingly turning to camps like the Skills Retreat and a growing number of wealth-education companies. Washington-based Wealthbridge Partners, for instance, works with families worth \$100 million or more and takes an "experiential" approach to training rich kids. They spend a night at a zoo, for instance, to learn how the zoo works as a business. They start lemonade stands, complete with "location assessment teams" and "production committees" (lemons or powder?). To demonstrate their budding noblesse oblige, the Wealthbridge kids donate all the lemonade proceeds to a charity of their choice.

Irvine-based IFF Advisors, which runs the Skills Retreat (and charges \$5,000 per kid for the privilege of attending), is one of the largest and fastest-growing wealth education firms. Its success is owed largely to its founders -- Doug Freeman, a prominent trust and estates attorney, and Lee Hausner, a psychologist who earned her stripes counseling kids in the Beverly Hills Unified School District. Comparing her experiences working with inner-city kids in Oakland and those working with the 90210 crowd, Hausner said: "The kids had similar problems, often because the parents weren't around." For the Skills Retreat, IFF combined the financial with the psychological. Hausner started out by asking the participants questions like: "What does money mean in your family?," "What are the dangers of money?" and "What would you do if you won \$10 million from the lottery?" (One kid's answer: "If that's pretax, \$10 million isn't that much.")

When I got to the Skills Retreat, I thought it would confirm my worst fears about growing inequality. Here was a camp designed specifically to help rich kids get richer (or at least, keep them from getting poorer). It was yet another way for the children of wealth to get a leg up on members of the middle class, who can't afford financial education camps and won't have big inheritances to carry them through life.

Yet after two days, I realized I was wrong. Today's rich kids may be cash-rich, but many are skills-poor, with little chance of growing their wealth or landing top jobs. Raised in a bubble of privilege and insulated from the competitive pressures of the everyday world, many tend to have low self-confidence, little drive and few of the necessary tools to succeed in today's global economy. Only a few of the kids, for instance,

could explain the difference between a stock and a mutual fund.

In the end, I concluded that these kids wouldn't be tomorrow's chief executives and billionaire entrepreneurs. Most would probably drift through life spending their parents' money and hoping it would last. Tomorrow's economic superstars will more likely come from the striving middle class, just as they have for much of American history.

And all that inherited wealth will wind up going to people who actually earned it -- an encouraging sign for those of us worried about the wealth gap.

Robert Frank is a senior writer for the Wall Street Journal and the author of "Richistan: A Journey Through the American Wealth Boom and the Lives of the New Rich," from which this essay is adapted.

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