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**Does Generosity Run in the Family?**

Paul G Schervish

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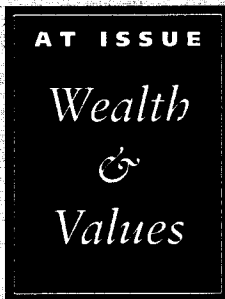
**PUBLISHER'S NOTE**

# In This Issue

**W**elcome to the premiere issue of *Advancing Philanthropy* and the "rebirth" of the Journal of the National Society of Fund Raising Executives.

We began developing the new journal in July 1992 with focus groups among NSFRE leadership. Armed with the results, in October 1992 we surveyed the general membership. The response was gratifying: within three

weeks, we received more than 500 responses from members asking for a concise, informative, visually attractive publication. A publication that not only addresses the "big issues" facing today's fund raisers, but provides specific tips and techniques for getting the job done.



*Advancing Philanthropy's* reader-friendly table of contents and the executive summaries accompanying each article are designed to conserve readers' valuable time and encourage them to pick and choose among the offerings. The article sidebars, "For Further Reading," research summaries and book reviews suggest additional sources of information fund raisers can access.

The theme of this, our premiere issue, is *Wealth and Values: The Changing American Donor*. It examines the challenges presented to philanthropy by the rapid aging of the American population. The how-to articles in *Advancing Philanthropy's* first issue provide suggestions for using financial statements to make a case for support, managing crisis communications, using telemarketing and identifying new prospects.

NSFRE's goal is to establish *Advancing Philanthropy* as the nation's foremost publication addressing theory, practice and issues associated with ethical fund-raising. We encourage you to tell us how well we've achieved this goal — with our first issue and all the issues to come. Your comments and suggestions are always welcome — as are your submissions (See "Notice to Authors," page 64). We look forward to hearing from you.

DONALD R. (CHIP) LEVY  
PUBLISHER

**ABOUT THE ART**

**Art, like philanthropy, helps ensure the transfer of values from one generation to the next. In this, and future issues, the journal will make use of fine art to underscore this link (See pg. 61).**

*Advancing Philanthropy* is designed to respond to this critical input. This issue, and every issue, will examine in-depth key issues and influences in philanthropy. Each issue will also present a series of concise "how-to" articles — informative, pragmatic presentations of practical skills and useful activities fund raisers can put into action.

# Advancing Philanthropy



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# DOES GENEROSITY RUN IN THE FAMILY?

**The number of millionaires in the United States could triple within the next 20 years, as wealth is transferred from the aging wealthy to their children. What can fund raisers expect when they knock on the doors of tomorrow's donors? A researcher on philanthropy and wealth discusses six factors that encourage a charitable commitment in the next generation.**

**H**ow does a child of privilege become a child of responsibility? Many of today's wealthy Americans ask that question, for they desire to "pass the torch" and not merely "pass on." They want to preserve values along with wealth, morality along with money.

Over the next two decades, between \$6.5 and \$8 trillion will be transferred from the current generation to their immediate descendants. Although some of these inheritances will be relatively modest sums passing from middle-class parents to their children, a significant number of such intergenerational transfers will be from the wealthy, tripling the number of millionaires from approximately 1.5 million today to 4.5 or 5 million in 20 years.

Will there be an intergenerational transfer of charitable commitment as well? The simplest and most obvious answer is that it will occur in some families and not in others. To discern the factors that have encouraged the successful transmission of philanthropic identity, 130 millionaires were interviewed for the Study on Wealth and Philanthropy, supported by the T.B. Murphy Foundation Charitable Trust. (For an overview of the study, see chart on page 28.)

Respondents frequently said that they intend to pass on to their children a sense of responsibility along with a financial inheritance. Six factors emerged from our research that affect whether these intentions will become reality and whether a *financial morality of care* — a sense of duty concerning the meaning and use of money — will develop.

## CIRCUMSTANCES OF LIFE

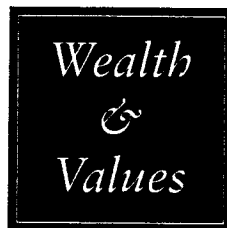
To transmit values in relation to wealth, parents try to engender an economic ethic based in their own history and experience. But today's children often confront challenges that differ sharply from those their parents faced. Parents who were born poor or of modest means some-

times cannot relate their experiences to their children who, early on, became accustomed to benefits and privileges.

Parents speak about the dangers of decadence: not having to earn wealth, being wrapped up in the culture of consumption, not understanding how to handle money, not being able to relate to common people. For their part, today's children emphasize the problems of establishing an identity independent of their parents' roles and expectations for them. The Depression plays a vital role in this dynamic, for the younger generation did not experience its trauma and often has not

developed the virtues it instilled. The chasm, however, is not unbridgeable. Many of the people we interviewed offered anecdotal evidence of the ways they viewed a morality of wealth. (For this article, the names have been changed to ensure the anonymity of the respondents.)

"Through my father, I have direct contact with his being born very poor and now being very rich. I can feel that. But a lot of the kids that I went to school with have never seen poverty," reports Camile Russo, a middle-level manager in a successful brewery founded by her father. "They were very, very sheltered. They were very much into status, they were very into how wealthy they were." As second-generation wealthy, Russo recognizes how differ-



**Parents born poor sometimes can't relate their experiences to their children's.**

ent she is from her third-generation friends who are “so far removed” from a life of modest means.

Russell Spence, a real estate entrepreneur, is concerned about his children growing up without the virtues encouraged by economic accountability: “I worry about the kids and the atmosphere that they live under, the Westchester and Forest Hills tennis crowds that they’ll be moving in. Kids don’t have paper routes there. I did as a kid. I mowed lawns. Now you hire somebody to mow your lawn.”

The quandary? How to teach children the responsibilities of wealth while also providing well for their needs. Having gone through hard times themselves, parents naturally do not want their children to face the same insecurities.

#### **A RESPONSIBLE LIFESTYLE**

**L**ifestyle issues are of significant concern in raising the next generation to embrace virtuous economic values. One parental strategy is to

insist that children earn their allowances or work to pay for what they want. A second technique is to provide a limited allowance to keep children from knowing how rich they actually are. Jacques Katkov, for instance,

strives to insure that his family’s “private lifestyle” is changed in only a small way by its wealth. The electronics entrepreneur claims, “I don’t think my oldest daughter, who’s now 22 years old, knew about our substantial wealth until she was 15 or 16, and even then she had a budget and an allowance so that she’s had to learn to manage her affairs.”

A third approach is to restrict the luxury of daily life, espoused by media magnate Michael Hollander: “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.”

Yet the wealthy often inundate their children with conflicting messages. Children who have to do chores still travel frequently, often in first-class seats.

**The wealthy often inundate their children with conflicting messages. Children who have to do chores still travel frequently, often in first-class seats.**



Charles Wilson Peale, *Peale Family Group*, c. 1770

**PARENTAL EXAMPLE:  
DO AS WE DO**

The example of one's parents is a powerful influence toward financial responsibility and care for others. Katkov, for instance, makes sure that his children know that "nine-tenths of the money has been spent on what I still call philanthropic activities, in the form of contributions to social change and social progress." The same is true for real estate developer Sheldon Lewis, who devotes an extraordinary amount of time to fund raising on behalf of the Jewish Federation. He says, "I hope that my children will emulate my example."

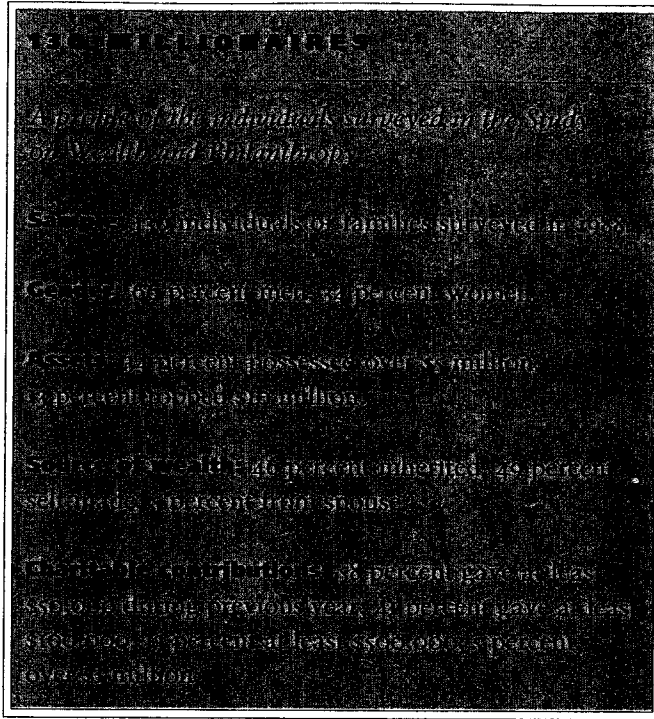
Does such parental modeling in philanthropy affect the children? Can today's youth learn to care? Hollander believes so: "There's an obligation that's implicit in the teaching process. It starts with a sense of responsibility to the community."

**GETTING THE CHILDREN INVOLVED**

**M**any parents involve their children in various economic institutions. To train members of the next generation in the duties of wealth, parents deliberately involve them in business, money management and philanthropy.

In addition to encouraging involvement in a family business, some affluent parents establish formal procedures to teach their children how to handle their inheritances properly. Many take steps to pace the generational disbursement of wealth. Community activist Eileen Wilson and her husband have staggered disbursements to their children at ages 18, 21, and 26. As she describes it, "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." Others set up trust funds to promote fiscal competence.

Still others formally involve their children in their philanthropic endeavors, perhaps by requiring involvement in a family foundation. (See "Family Foundations: Transferring More Than Money" by Paul L. Comstock, in this issue.) Harold Bacon, an executive with a corporate charity, 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 has become charitable in his or her own way; one still sends him a list of the charities he gives to every year.

**A MORAL EDUCATION**

**P**arents eager to instill a financial morality of care can also directly teach a moral framework that helps shape their children's orientation to money. Much of this process is the teaching of priorities. Raymond Wendt is a contractor and former professional football player. The major problem he confronts is convincing his

children that the meaning of life is not found in buying everything they see in their friends' closets, family rooms and garages. "I try to explain that we're not here to have all these things. We're here mainly to be a family."

For some families, priorities are ordered by religious principles. To them, wealth is appreciated as an undeserved gift and one's desires are of lesser importance than following a spiritual path. Hollander says that this is part of his children's training toward a philanthropic way of life, learning "to not be selfish and to be aware of what is going on around you in a community."

**OUTSIDE INFLUENCES**

The children of privilege are also influenced by experiences at school and work, by contact with the needy, through travel, volunteer work, friends and spouses, by involvement in politics or religion of one's own, and through personal and societal fortunes and misfortunes.

A well-known example is Robert F. Kennedy, certainly a child of privilege by any measure. As attorney general and later as a senator, he was deeply affected by his travels in poor areas of the South. He sought through political and financial means to meet such needs and in turn taught his children to respond to the New Testament exhortation that "to whom much is given, much is required."

Philip Ridgeway, cofounder of a social welfare organization in Los Angeles, had lived a sheltered suburban life until he went to college in New York City. "It was being in a city for the first time in my life," he recalls. "My first encounter with a housing project was one of the more radicalizing experiences of my life."



Henrietta Mantooh, *Small Family: NYC*, 1988

Katkov's life was changed when he heard a sermon after the death of Martin Luther King, Jr. He wanted to contribute to social change in the United States and chose the indirect route of starting a company to accumulate wealth and influence.

#### **TRANSMISSION RECEIVED?**

**T**hrough our studies of affluent families, we can begin to understand the obstacles that parents face when they try to encourage charitable instincts in their children. At its heart, "passing it on" is as simple and as complex as socialization, as simple and as complex as making a child feel both unique and part of a larger tradition.

Michael Hollander may have put it best: "The chari-

table impetus is strong in me, it was strong in my father, and I've done my best to carry it to my children." He adds that having the family name associated with their traditional charity has been very meaningful to the younger generation of Hollanders: "They understand that their family was responsible and is a responsible family. That's part of the teaching process." 🍷

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