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moral biography
of wealth
is a process
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around them.*

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Creating a Moral Biography of Wealth:

A Conversation with Paul G. Schervish

Director of the Center on Wealth and Philanthropy, Boston College

It's not often that an economist's predictions are right on the money—particularly some 70 years after a prediction was made. But John Maynard Keynes' prophesy of a new generation of wealth-holders looks as though it may be upon us. In a 1930s essay entitled "The Economic Possibilities for Our Grandchildren," Keynes predicted the emergence of a new generation of wealth-holders who would realize the goal of attaining sufficient wealth and would then be moved to seek new insights into the meaning of a life with wealth.

Today, an increasing number of wealth-holders, at ever younger ages, are no longer focusing exclusively on accumulating more money. They are recognizing that they've reached a certain level and now have more than enough wealth to achieve their desired standard of living for generations to come, says Professor Paul G. Schervish, Professor of Sociology and Director of the Center on Wealth and Philanthropy at Boston College. "With that economic problem solved, they're beginning to look at using wealth as a tool to achieve higher purposes."

An admirable goal, to be sure, but the question is how to do it? What are those higher purposes? How can they best ensure that their wealth, a tremendously powerful tool, is used to positive effect, rather than harm? And how can they impart that wisdom to their children so that they, too, live lives of greater meaning? Those questions could be considered the prologue to one's own "moral biography of wealth," or what Schervish has identified as a spiritual process of self-examination that goes well beyond portfolio analysis or financial tools. As he explains in the following Q&A, "it is the process that ultimately helps wealth-holders chart a path of greater happiness—for themselves, their families and the world around them."

WHAT IS A MORAL BIOGRAPHY OF WEALTH?

A moral biography is simply the way people conscientiously combine two essential elements in their daily lives: personal capacity—whether intellectual, creative or financial—and moral compass, defined as the array of purposes, aspirations and long-term goals to which they choose to devote that capacity.

What distinguishes a moral biography of wealth is that the financial resources that are in play are substantially greater than they are for the majority of people. Wealth-holders have the capacity, and the power, to shape the lives of others. They are potential “hyperagents,” as I call them. While agents seek to find the best place for themselves within existing alternatives, hyperagents, when they choose, are founders of the institutional framework within which they and others live and work. Their wealth makes them world-builders. And with that comes tremendous responsibility, because that capacity has the potential to have a very positive impact, or a very harmful one. The greater the capacity, the more attention that needs to be placed on how to use those resources wisely.

WHAT'S THE FIRST STEP TO MAKING THOSE WISE CHOICES?

First, you have to clarify what you have, in terms of the financial, intellectual and spiritual resources you have to put into play. This process of discernment, from a financial perspective, is all about figuring out how financially secure you are. So, at the most basic level, that means clarifying your resource stream now and in the future, as well as the expenditure stream you desire for yourself and your children. It sounds intuitive, but many people don't have a clear, realistic picture of that—and until they do, they feel stagnant, insecure, even fearful about what they could use their money for because they've never really clarified just how much they have and their intention for its future.

Gaining a better understanding means working with your Private Wealth Advisor and other Specialists he or she recommends in order to clarify the financial aspects of your capacity as well as your talents and interests. Once you have identified your financial capacity and your interests, you can begin to clarify what your moral compass is—that is, what are the goals you wish to achieve for yourself, your family and the world around you.

Ultimately this is a process that first brings a consciousness, an awareness, a clarity to what you have and then, secondly, a consciousness as to what you want to do with it. The third step is implementation.

BY IMPLEMENTATION, DO YOU MEAN FINANCIAL TOOLS LIKE FOUNDATIONS AND TRUSTS?

Yes, but sometimes, wealth-holders are offered tools—trusts, foundations, insurance policies—before they really know just why they need them. By first clarifying with your financial advisor(s) the amount you have and the purpose you wish to use it for, from the outset, you can more effectively deploy the financial tools that are offered.

YOU MENTIONED AN INTENSE INTERVIEW PROCESS AS A WAY TO GAIN THIS DEEPER UNDERSTANDING OF WHAT YOU HAVE AND WHAT YOU WANT TO DO WITH IT. WHAT DOES THAT INVOLVE?

I call it an archeological interview. It's an effort to bring to the surface your past experiences, what you are experiencing presently, and your desires for the future, and digging all that up in order to make it more explicit. For example, I counseled a woman who was trying to figure out what her philanthropic interests might be and, specifically, what the focus might be for a \$2-\$3 million gift. She talked about her childhood and mentioned that she was essentially an orphan, having grown up with an aunt and uncle. But when we moved on to discuss where she might want to devote several million dollars, she had no idea. So I was able to just go back over her own interview and point to what she told me about helping children, being an orphan—and suddenly, it clicked for her. She realized that what she really yearned for was to help homeless children, orphaned children, to make life better for kids going through some of the same things she had gone through. And it was the archeological conversation that led to that discovery—and that, in turn, would enable her to find a happier and deeper moral biography. She went on to implement that.

SO FIRST WE NEED TO GET TO THE HEART OF WHAT WOULD MAKE US HAPPY, AND THEN THE APPROPRIATE FINANCIAL TOOLS WILL FOLLOW?

Yes, because tools are the easy part in all of this. If your financial advisors can identify what you want to do with what amount of money, and for what purposes, they can give you the right tools. In some cases, you'll use a family foundation, with your children as trustees, to inspire children to use wealth for philanthropic purposes. Or you might establish a separate foundation for each child, so that each child can clarify his or her own philanthropic purposes and will be in charge of that for the next generation. Or you can simply have a program of planned outright giving with various kinds of vehicles and bequest plans that are directed toward doing what the donor wishes to do. The key is to know what your goals are.

WHAT DO YOU FEEL ARE THE ISSUES THAT MOST CONCERN PARENTS WHEN IT COMES TO THEIR CHILDREN AND WEALTH?

I see four areas of concern parents have for the moral compass of their children. One has to do with accumulation of wealth. Parents want their children to participate in the earning of money—not just physically, but emotionally. They want each child to have the disposition of an earner who understands the world of work and achievement. The second area is around consumption. Parents want children to have some sense of limitation on materialism, on consumerism. Third, they wish them to have a sense of investment and savings, to understand what it means to invest wisely, and how important that is. The fourth concern relates to philanthropy. Parents hope their children will understand that resources can be used on behalf of the welfare of others, and that it's an area of expenditure that will bring them satisfaction and happiness as well as do good for others.

There is actually a fifth area that kind of encompasses it all, which is the disposition of wisdom. Parents wish their children to avoid the arrogance of privilege, and to understand that they are blessed and fortunate. I consider that the spiritual secret of wealth—the understanding that while I myself may have earned and achieved, it is not only by my own merit, but also thanks to fortune and blessing that have come my way as well. That really teaches humility. Because if I have not achieved my fortune simply by merit but by blessing as well, then it follows that the misfortune of others is not due simply to lack of merit, discipline or virtue. And, in this way, my life and their lives are really quite similar. We're both seeking happiness. We both are linking capacity and moral compass. And that's what parents want their children to come away with. I hear this from parents time and time again. They don't formulate it that way, maybe, but they do talk about it: I want my children to be good people, I want them to be happy, I want them to be generous. And they will talk about how they faltered in this, spoiled their children or how in one of the previous four areas they haven't set a good example, or they have pushed their children too hard in one of those four areas and have alienated them.

WHAT DO YOU THINK CAN HELP CHILDREN MOST IN ACHIEVING THESE GOALS OF GOODNESS AND HAPPINESS?

I think the major tool you can give your children is to help them reflect on their own capacity and moral compass—that is, not just what you give them but also how you train them to do the very

same thing, early on in their lives, that you're doing. Ask them, what are the purposes for which they wish to use their allowance, their earnings, their intellectual capacity? Help them to understand the structure of a moral biography and to be asking these questions as they're going through college, as they're entering the business or financial world, as they're receiving their inheritances in various ways. The best thing parents can do for their children is to have the children discern their own moral biography as it unfolds. So when the children are younger and have fewer resources, they're having a discussion of resources and expenditures and they develop an appreciation or a sense of the relationship between the two. And you're also helping them to figure out the difference between immediate goals that might have to do with consumption and spending for oneself, and other goals and aspirations, things your heart might want to go after. You want to be having these conversations with your children so that they become discerners and conscientious creators of their own moral biographies. That's the greatest thing we can provide for our children.

SHOULD PARENTS TRY TO ENGAGE THEIR CHILDREN IN THE CAUSES THEY THEMSELVES CARE ABOUT OR SUPPORT?

Well, it's interesting. We tend not to tell our children whom to marry and what career to pursue, but in the area of philanthropy we tend to impose that instead of modeling it. And yes, there is a role for modeling it and for bringing the children in, but parents have to find ways to ask their children how they might want to be philanthropic or might want to take a leadership role. In other words, parents need to encourage their children to go through the same process of discernment. Imagine a family meeting in which the children have a chance to talk about their own moral compass, and the dreams they have for their own children and for themselves as well as for philanthropy. Imagine where that might lead.

Of course, if parents wish, they can structure a foundation to be divided among the children when they pass on, but until then have the children be part of what they're doing. You can really structure those however you want and think is best.

SO ONCE YOU'VE DEVELOPED YOUR PLAN WITHIN YOUR MORAL BIOGRAPHY, ARE YOU DONE?

No, it's always a work in progress, and is constantly being rediscovered in one way or another. Capacity changes, moral compass changes. Maybe the focus has been on running a business and that's sold and now there's more capacity, and more time and

interest in social concerns. Or perhaps you've moved or been divorced or experienced any number of other life changes. So you have a new episode in your moral biography that you first have to figure out and then have to live. What's really important for people to realize is that this is a precious element in their lives. More and more people are looking for the happiness that they've perhaps missed through the struggles of accumulation. Or they're at another point in their life when they realize that searching out the deeper purposes for money as a tool is going to bring them a greater satisfaction in this phase of their life than they have experienced in the past. But it's not an all or nothing thing. There is an element in moral biography of taste and see; you experiment with some new directions, and see how they settle in. And you need financial guides who are sensitive to the changing terrain of your moral biography. They can ask and inquire and, most importantly, help you learn more about the direction you really want to go.

The Private Banking and Investment Group at Merrill Lynch understands the responsibilities that come with substantial wealth. Your Private Wealth Advisor is singularly positioned to discuss the goals you wish to achieve for yourself, your family and the world around you and to work with your attorneys and tax advisors to implement solutions on your behalf, from foundations to personal trusts and family philanthropic strategies.

Merrill Lynch has helped many clients successfully excavate their moral biographies as part of the process of establishing a family foundation. "We work closely with our clients to identify their values and their vision for the world around them, all of which ultimately informs the mission of their family foundation," explains Elliot Berger, Merrill Lynch Vice President for Foundations and Strategic Philanthropy. "By taking on the challenging task of aligning family values and philanthropic interests, our clients create a focus for giving that that will enable them to choose wisely in making their charitable investments and evaluate the impact of the giving."

Other Merrill Lynch clients have successfully identified their financial capacity, along with their financial values, by completing a values-based planning process with the help of their Advisor and a Private Planning Specialist. "An understanding of the principles and values that drive our clients and how our clients want their principles and values to guide their financial behavior is critical to the creation and implementation of a financial plan that will endure over generations," advises Scott Cooper, Managing Director of the Merrill Lynch Private Planning Group.



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