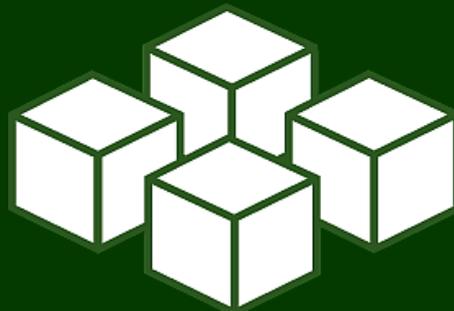

EXECUTIVE SUMMARY OF WEALTH IN FAMILIES

by: Charles W. Collier

Prepared by:
Excellence in Giving



Excellence in Giving

Executive Summary of

Wealth In Families

Third Edition

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Wealth In Families

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Preface

The author's main purpose in writing about family wealth is to cause the readers to think about wealth and its effects on the family, thereby changing the way they plan to bequeath their wealth on generations to come. The book explores themes, meaning of wealth, the amount of inheritance, and philanthropy among other essential topics on wealth management.

The author has retooled his own career and life while introducing his sons to philanthropy and other approaches mentioned in the book. This book is a result of extensive research and interviews with many people, mainly those with a considerable amount of wealth; however the principles gleaned are universal and applicable to anyone.

CHAPTER 1

Family Anchors

Family relationships are the single most important factor in the quality of one's life, and money is a key factor that affects family relationships. It is therefore crucial to have conversations about money and what it should be used for within the family. Some questions to ask are: What challenges do we face regarding our family and our money? What is our vision for our family's future? How do we promote a sense of togetherness in our family while also encouraging each person's individuality? (2)

There are three principles that can create effective families namely the telling of family stories; the tension between togetherness and individuality; and, the role of the parents in giving their children freedom to live their lives and yet stay connected to the family (4). Stories create a context while connecting to the past as well as give a sense of uniqueness to the family. The way the tension between wholeness and individuality balances out shapes the "way we live in ways that often are not obvious" (3). It is here that philanthropy can play a big part in bringing families together. The third crucial principle is where parents can guide their children to find their "calling" in life and then release them to be their own person while still staying connected to the family.

CHAPTER 2

Family Wealth: Asking the Essential Questions

A successful family “knows who it is, what it stands for, and where it is going” (5). Wealth transference in successful families goes beyond signing away money, assets, and resources for the next generation to enjoy. It is wrapped around understanding the deeper issues of wealth, asking questions about family vision, unity, philanthropy and joint decision-making. Defining their core values and principles take a family beyond mere wealth. Their understanding of and relationship to wealth is what defines them.

Apart from finances there is also human, intellectual, and social wealth that needs to be nurtured and passed on. Families, who are successful, make financial choices that are discussed and well thought through. They share some practices together as a family, practices like intrafamily communication, telling of family stories, vision statements, and individual dreams and happiness among other things. The pursuit of happiness goes beyond money; it is finding meaning and purpose in life and helping each individual in the family find their true calling.

CHAPTER 3

Exploring the Meaning of Wealth

Pursuit of wealth creates busy individuals who do not have time to ponder the deeper issues of wealth and its effect on their family. However, more and more people are beginning to look at these issues. Paul Schervish, professor of Sociology believes that for the wealthy, philanthropy has the potential to awaken “sensibilities of gratitude” as well as “deepen their sense of themselves.” In meeting the needs of others it is religion or spirituality that bridges the giver with the needs of the recipient (13).

Significant amounts of money have the potential to change the course of a person’s life in terms of its meaning and relationship as well as lead to charity. Taking the examples of three individuals who grappled with some deeper issues surrounding wealth and turned the course of their lives towards philanthropy of some sort. Schervish concludes that at some point there is a transition that occurs with regard to wealth, an evolution of sorts leading to change. Philanthropy expresses core values as well as provides care for others who are not part of the family. The rest of the chapter has an excerpt of an in-depth interview of Charles Collier with Paul Schervish.

CHAPTER 4

Defining financial Inheritance: How Much is Enough?

A key question in any estate planning is how much should be passed on to the children? There is a tension between wanting to provide financial security while at the same time trying to ensure that it does not hinder the children's own meaningful, productive life. There are four issues to consider with regards to financial inheritance: how much to give, when, in what form, and how much do you tell them? (25)

How much to give children is a complex and highly personal decision. There are various factors and situations that one has to keep in mind. There are no hard and fast rules on this however, it is seen that those with \$15-30 million wealth usually tend to leave \$1-2 million per child as inheritance. The greater the wealth the greater amounts get passed on to children. Within this inheritance is also the desire for families to continue to feed the trusts and the charities as well as pass on to future generations. The amount given should be enough to give the children freedom to do and be what they want to, without becoming dependent "trust funders" (28).

It is beneficial to transfer funds while alive than as an inheritance because of tax laws. There are two approaches to the question of "when;" some feel that it is better sooner rather than later. However, age appropriate financial education is important for this to be a success as is open communication. The other approach is to transfer wealth when the children are 35 or older so that they have had time to establish themselves. Most people though tend to lie somewhere in between these two approaches.

The major question surrounding financial inheritance then is what form it should take. More often than not, it appears to be most beneficial to create trusts that are discretionary, can help a trustee form a mentoring relationship with the beneficiary among other things.

Sharing financial information with a spouse is very crucial. It is also better to share "the meaning and purpose of family wealth" (32) as early as possible with the children. This is a good tool in relationship building and since they are to be the beneficiaries of the wealth it is important to involve them in the conversation as well as the decisions regarding the wealth.

CHAPTER 5

Family Parenting: Managing Family

Every family needs to preserve its most important “asset” namely each individual within the family structure. A family’s health can be measured by how well each family member is thriving and pursuing their own calling in life. James Hughes, Jr. says that, “four kinds of wealth need to be preserved within families:”

Human capital—individual family members with their dreams and aspirations as well as their calling in life.

Intellectual capital— this involves “how individuals learn and how families communicate,” make decisions; while also talking about governance within the family;

Social Capital— How do family members interact with society and the connections that each individual makes within their communities.

Financial capital— Mainly wealth like property, assets, and trusts etc.(33).

There are three steps that one can take for effective family governance—first, to discuss together and come up with a family mission statement; second, to decide the process of decision-making, and third, how is continuing financial education going to be imparted within the family? Over and above all this is the very important need to find one’s calling in order to be a truly unique, contributing and thriving member of society. The chapter then goes on to interview Jay Hughes, Jr.

CHAPTER 6

Psychological Parenting: Managing Oneself

Parenting in and of itself is a difficult task, as the family unit is an ever-changing complex web of relationships. Add wealth to that mix, the task becomes even more daunting. Just as poverty affects children so does affluence. It is crucial for affluent parents then to create a family in which the children are raised to become responsible and productive adults.

Time is often a premium with affluent parents, however so very crucial in the nurture of children as is the role that money plays in their lives. It is important at the very outset to instill within them the value of money and help them make a connection between hard work and its reward (42). It is suggested that parents take part in workshops that teach parenting skills in order to enhance said skills. An interview between the author and Dr. Lee Hausner, a clinical psychologist continues in-depth the discussion concerning psychological issues that surround wealth (43).

CHAPTER 7

Financial Parenting: Managing Money

Financial education is very important for the family. The children who are to inherit the wealth need to know about wealth management and have basic training with regard to money. It is not easy to raise financially responsible children however, there are four things that parents can do to get a head start namely—set an example; provide guidance; allow consequences; and use mentors (54).

Modeling financial responsibility is the best way to pass on that value to the children. Guidance needs to be consistently provided through the growing years even as early as 5 years of age. This guidance for example, can be in the form of regular allowance that can be given as a payment for chores done (55). This is a place where many lessons about financial management can be taught and learned. It is also important to let children make mistakes and then to guide them through learning from those mistakes. They should also be given the space to deal with the consequences of their bad decisions. Another good way to guide children through financial education is to use mentors or financial coaches. These can be family members or friends, or someone else, and can be formal or non-formal. Mentors can be invaluable in financial education of a child.

The rest of the chapter is an in-depth interview concerning financial education, with Kathryn McCarthy, director of client advisory services at Rockefeller & Company, New York.

CHAPTER 8

Philanthropic Parenting Managing Financial Care

Philanthropy that is a family core value has many benefits as it becomes one of the most effective tool in parenting. Children and grandchildren who are included in the decision-making process of charity learn various things like, “understanding financial concepts like investment management...learning to work together; ...and even public speaking. Moreover, you can emphasize core values, such as generosity and volunteerism...” (67).

In order for philanthropy to become an effective family strengthening tool it is important for these four things to happen, namely—defining of core values which involve asking basic questions like, what does the family stand for? Second, choosing the best way through which this philanthropy can be realized, like family foundations etc. Third, in order to make grants, there are many decisions to be made and crucial questions to be asked about goals and strategy, engagement, assessment of grantees, grant making and measuring outcomes (71). Fourth, is the decision regarding transference of leadership. The key question here is whether the fund should go on through the generations or end with the family that started it? (72). There are arguments to be made on both sides of this discussion and some suggestions are, “to keep the foundation going and trust the succeeding generations to make effective and responsible decisions, or to include a specific provision in the foundation’s charter to “sunset” or dissolve the foundation (after 20 years or the grandchildren’s generation, for example), etc.” (73).

This chapter ends with thoughts from four Harvard alumni who have managed their family philanthropy well.

CHAPTER 9

Family Meetings

Formal family meetings can be a source of great value for the family. Such structured multigenerational meetings allow a safe environment for families to communicate, make decisions about various wealth related issues like philanthropy, discuss vision, and carry on traditions, etc. These also help in creating governance within the family. There are two themes that help in making such meetings successful—one, recognizing and allowing the uniqueness of each individual in the family, the idea being to appreciate the “differentness” of each person and to then “...define themselves around the topics and issues that are discussed as components of the agenda” (81). Second, families should be able to recognize the transitoriness of life, births, deaths, etc. and deal with these changes accordingly.

Jay Hughes suggests that a chunk of the family time together should be set aside for story telling. These family stories form the context of the family and its wealth acquisition and help in making the present and future generations understand the past. They help in establishing roots while also heralding the uniqueness of the family.

Agendas help in making the meetings effective and successful. All the topics to be discussed can be put under the four headings of human capital, intellectual capital, social capital, and financial capital. This helps in giving an overall picture of what is to be discussed. The chapter ends with an interview with Kathy Wiseman, founder and president of Working Systems, a consulting firm who fleshes out the importance of “planning” for successful family meetings (85).

Epilogue

The overarching questions to ask are, “What do you and your family *really* value? How can you help to guide your children’s life journey? What kind of vision does your family aspire to achieve? My message is a simple one: The real wealth of your family is not financial” (91). These and other questions need to be asked, discussed and answered before any estate planning takes place. Our money decisions are largely dependent on our values and what kind of legacy we want to leave behind. Philanthropy is a way to leave a lasting legacy that will go on well after we are gone. “How do we want to be remembered? Thinking through what life is evolving toward is the central task in ‘making a life.’ Enjoy what you have by sorting out what to leave. Legacy ought to be a life’s work” (93).

Appendix A: Discusses a “Family Systems” approach to estate planning

Appendix B: Has two extensive questionnaires to help you think of wealth, philanthropy, and the future of the family.

Appendix C: Looks at three challenges families face, those being family inheritance, pre-nuptial agreements and stepfamilies.

Appendix D: Has names and addresses as well as website information for additional resources.

About the Author

Charles W. Collier retired in December 2011 as the senior philanthropic adviser at Harvard University. He is a nationally recognized expert on planned giving, family philanthropy, and family wealth advising. Collier has also served Phillips Academy, Andover; Dartmouth College; Brown University; and Princeton University. He is a senior fellow at The Philanthropic Initiative Inc., is on the board of the Family Foundation Advisor, and is a member of the Committee on the Emotional and Psychological Issues in Estate Planning of the American Bar Association. Collier has published articles in *Trusts & Estates*, the *ACTEC Journal*, *Family Business Review*, the *Journal of Gift Planning*, *Advancing Philanthropy*, and *Gift Planning Today*. He has been quoted in the *Boston Globe*, *New York Times*, *Wall Street Journal*, *Financial Times*, and *Forbes*. The *Chronicle of Philanthropy* featured his work in an article entitled “Gaining a Family’s Trust,” and he was also named to *The NonProfit Times* Power & Influence Top 50. Over the past 35 years, Collier has worked with hundreds of individuals and families to help them think through the questions addressed in this book. He graduated from Phillips Academy, Andover, and holds an AB in Religion from Dartmouth College and an MTS from Harvard Divinity School.