

# Honest Communication Helps Parents Teach Children Responsibilities of Wealth

*Adviser* recently spoke with wealth planning expert Charles W. Collier about the privileges and responsibilities of affluence and family inheritance.

ADVISER: *Are there other ways to evaluate wealth aside from how much money we have in our estates?*

COLLIER: I agree with Jay Hughes that true family wealth has four components: human, intellectual, social and financial capital. Parents who think about the future of their families have come to the insight that their primary goal is to strengthen the human capital of their family.

ADVISER: *How does one decide how much to leave one's children? Can a child inherit too much money?*

COLLIER: One of the more anxiety-producing decisions faced by families of wealth is how much to give or leave the children. This is a difficult topic for many families because spouses, and indeed, their children, often have very different views on: "how much is enough?"

In addition, there is the perception that too much money ruins kids. I am not sure that this is true. Children who abuse financial wealth usually do so because of a lack of education and preparation. Often, this happens because no one in the family talks about the financial wealth and the responsibilities of being an inheritor.

ADVISER: *Why do parents have a hard time talking about money?*

COLLIER: Many parents have not been prepared to talk to their children about financial wealth. It is easy to use the excuse "the kids aren't ready" to avoid the issue indefinitely.



Charles W. Collier is Senior Philanthropic Advisor at Harvard University, where he counsels prospective donors on wealth planning and charitable giving. He's the author of *Wealth in Families*, a guide to the complex estate planning and inheritance issues encountered by affluent families.

The problem, in my experience, is rarely with the children. Most often it is the parents who are anxious about the conversation and never had a discussion about money with their own parents. Some parents are fearful about how a child might respond. "What if I ask their opinions and I don't want to do what they suggest?" Parents are often afraid about how to respond to the children's reaction. As a result, parents simply avoid the whole subject.

The goal, in my view, is for the two generations to come together and develop a shared dream about how the family's financial assets are to be used in the future.

ADVISER: *How can parents instill a habit and desire for giving in their children?*

COLLIER: I believe that children tend to follow behaviors they see in their parents. They watch what their parents do: how they spend, save,

invest, and give away money. I think parents ought to tell children how much joy they experience with their philanthropy.

The principle that many families want to promote is this: "We are a family to whom much has been given, and much is expected. We care about others beyond our family. Volunteering is important, and sharing some of our treasure is part of a fulfilling life."

ADVISER: *Should children participate in family philanthropy?*

COLLIER: Yes, if they want to. In my family we have a donor-advised fund, and our two sons decide where a portion of those funds are sent every year.

As they were growing up, I used the "invitation" model to expose them to the world of philanthropy. I asked them if they would like to make a gift, which I would match. They did, and this offer helped set them on course where they make their own gifts every year.

Today, my wife and I support a number of causes important to us including our colleges and the Museum of Fine Arts in Boston. Our sons, on the other hand, while giving to their own colleges, decided this year to support two micro-credit banks in Africa and China. Having the fund enriches our family and gives us another way to understand and appreciate what is important to our children and how they may differ from us. ■

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Haverford Trust and *Adviser* would like to thank Mr. Collier for sharing his thoughts with our readers.