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Wealthy Kids and the Money Monster

By Elaine Floyd, CFP®

Inheriting a fortune may prevent a life of financial hardship, but the inheritance may bring other problems. Consider how much to leave your kids by asking some important questions.

A popular belief today is that too much money spoils kids. Over the years several heirs have gone public with their stories about the corrupting influence of large inheritances. Jessie O'Neill, granddaughter of former General Motors CEO Charles E. Wilson, founded the Affluenza Project to provide information and counseling to people having difficulty coping with money. She says that in her case her inheritance led to feelings of guilt, fear, and isolation.

Nelson Aldrich Jr., a fourth-generation Rockefeller and author of *Old Money: The Mythology of Wealth in America*, says that money taints inheritors in a way that eradicates their individualism. He says it doesn't matter if you go to college, start a business, or win the America's Cup—whatever you do is by the color of your money. But since you didn't earn the money yourself, your victories belong to the ones who did earn it—daddy, grandpa, or whoever.

Of course, it's hard to say if these personal problems are the direct result of the inheritance. O'Neill already had drug and alcohol problems when she inherited $3 million at the age of 28. Aldrich, along with the other Rockefeller cousins, has to live with the "stigma" of the Rockefeller name and the image of the classic "trust fund baby." Also, it may be said that many inheritors' problems come from the simple fact of growing up in an environment where the parents' pursuit of money hampered normal family life. In other words, there's a lot going on here, so maybe it's not fair to say that large inheritances in and of themselves are bad.

THE BIGGER PICTURE

The most common reason for not wanting children to inherit huge sums of money is that it "disincentivizes" them. But can't it also be said that children who never have to worry about money can be free to pursue careers in the arts, education, public service, or whatever they are called to do? They may not achieve the same degree of success that originally built the fortune, but that's only if you define success by the amount of money amassed in one lifetime. If you expand your definition of success to include quiet deeds and inner peace, the amount of money a child earns on her own is irrelevant. By this theory, you shouldn't worry about leaving your children too much. Instead, you can work on instilling the proper values so your children will have a good life regardless of how much they inherit.

THE ISSUE OF HOW MUCH TO LEAVE CHILDREN IS AN INDIVIDUAL MATTER. ASK THESE KEY QUESTIONS:

- **How old are the children?** If the children are under 30, there may be some validity to not wanting them to inherit the entire fortune at once. Let them get their education, start their careers, and form their identities before dumping millions of dollars in their laps. But if your children are in their 40s or 50s you need not worry about an inheritance destroying their ambition; it will just allow them to have a nice retirement.
- **Who are the children?** The needs and personalities of each child must be examined. Granted, you may love all your children equally, but you do not necessarily have to leave them all the same amount of money. If one child is a corporate president and the other is a teacher, you may want to leave the teacher more.
- **What would the child do with the money?** One child may have big dreams to start a business while the other is content to live a simple, low-profile life. In this case you may want to leave more to the budding entrepreneur on the theory that the business will contribute to the economy and make the fortune grow.

When thinking about how much to leave children, look at the inheritance from the child's point of view. J. Paul Getty, who revised his will dozens of times as children fell in and out of favor, is a good example of how not to do it. Secrecy, power, and control don't do anybody any good. Open discussions between you and your children about how much money is at stake and how it may best be deployed after you pass on is the best way to come to these decisions.

Children's expectations are an important part of the equation, too. A child who was raised amid wealth and luxury has a reasonable expectation that someday it will all (or most of it, anyway) be his. If you have other plans, you owe it to the child to explain why he will not be inheriting as much as he thought.

And it should be remembered that estate plans are not cast in stone. As children grow up and as their values and lives change, you may want to change earlier decisions about who should get what. Estate plans should be fluid and subject to frequent review, especially following major life events such as marriage or the birth of a child.

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