



The Importance of Developing Financial Literacy and Generosity in the Next Generation

1. Resiliency
2. Financial Fitness
3. An Ethos for Giving Back

Every family is unique, but virtually all parents hope their children will grow up to be confident, self-sustaining and happy. In short, we hope they'll be good people and contributing members of society. Families of significant means face unique challenges in this arena, however, because the same wealth that affords them educational, vocational and recreational opportunities has the potential to undermine achievement in their children.

“Ensuring that a family’s wealth has a positive, rather than negative, impact on kids requires intentionality and thoughtful communication,” says Pegine Grayson, Director of Philanthropic Services at Whittier Trust. “In our 85+ years of working closely with high net worth families, we’ve seen that the key here is to focus on fostering children’s resilience, financial fitness and philanthropic activities and values.” Here are some things to consider.

Resiliency

Parents’ natural tendency is to want to protect their kids from pain, but too much coddling deprives them of the opportunity to discover their own courage as well as limits. “My mom used to tell me, ‘I can protect you from many things, but one thing I won’t do is save you from the logical consequences of your own actions,’” says Grayson. “I learned important lessons from that philosophy, and also from watching my parents conduct themselves in the community as I grew up.”

The Whittier Trust Philanthropy Services team encourages clients to model patience and tenacity for their children and to openly share stories about their own failures and how they bounced back from them. Emphasize that the goal is not to avoid mistakes; we’re human and erring is inevitable. Rather, the goal is to own our mistakes, apologize when necessary and take steps to avoid the same ones in the future. Children who learn to treat mistakes and failures as opportunities for improvement will use those skills for the rest of their lives. They’ll learn how to take calculated risks with the confidence that, if they fail, they have the skills and competence to try something new, without expecting others to bail them out.

Financial Fitness

Members of the Silent and Baby Boomer generations were often taught that talking about money is unseemly, and that orientation can be magnified when it comes to raising their children and grandchildren. Many clients tell us they don't want to burden their kids with information they may not be ready to understand.

However, by the time kids are in middle school, they're usually aware that their family is wealthy. What they lack is the wisdom and perspective to make sense of it. "We encourage clients to begin discussing financial matters in age-appropriate ways once children are old enough to notice disparities between their situation and that of other families," says Grayson. "This doesn't mean you should share a detailed balance sheet or even include any numbers. But it's important to talk about where the family wealth came from, how the family uses it wisely to add value to their lives and how financial decisions about saving, spending and sharing are made."

Come up with a strategy to give children age-appropriate ways to practice financial literacy. For example, rather than giving allowances to reward good behavior or as payment for household chores (which should be done just because it's what family members do), instead use those funds as a tool to teach budgeting skills.

An Ethos for Giving Back

Help kids make sense of the family's wealth and become good stewards of what they stand to inherit by being overt about how the family aligns its wealth and values. Talking about what matters most to you and the positive changes you want to see in the world, encouraging your kids to do the same, and then deploying some of the family wealth to promote those changes through charitable giving is incredibly empowering for kids.

"Many of our clients hope we will help them 'save their kids from their wealth,'" Grayson notes. "Invariably, we recommend establishing a foundation or donor-advised fund to get kids actively involved in the family's philanthropic endeavors." By participating in the family's philanthropy, kids develop a spirit of generosity and feel proud of their family's legacy. They also learn important life skills such as investment strategies, budgeting, research, humility, respectful listening and communication, and experience the joy that comes from making a positive impact on someone else's life." This strategy also helps keep the family united in a common purpose, even as kids grow up and move away.

"Wealthy parents often focus primarily on passing on their assets to their children, which of course is important," Grayson observes. "In our experience, though, the most successful intergenerational families

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pay just as much attention to passing on the values and skills that will equip their children to be good stewards of those assets and thriving adults in their own right.”

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