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## ***“Daddy, Are We Rich?”***

Reflections on the advice given to wealthy parents.

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### ***Key Points:***

- *Giving a wealthy parent a script or catchy phrase to say to their children that does not actually reflect their true values or feelings may hurt more than it helps.*
- *Parents who are conflicted or at sea about the meaning, ethics or purpose of their own wealth are likely to transmit those same issues to their children.*
- *Advisors bemoan our clients wanting to take shortcuts through the hard work but those same advisors often enable that behavior.*

Wealthy people have heard much advice on how to answer the ubiquitous question to the paralyzed parent: “Mommy, Daddy, are we rich?”<sup>i</sup> The advice given on this and related issues is getting better as advisors develop robust and sometimes research-backed financial literacy curriculums that help put such advice in context.<sup>ii</sup> Nevertheless, the failure rate of generational transfer is very high<sup>iii</sup> and simple answers, such as giving a suggested script to parents of what they should say, are still given to what is often an emotionally complex interplay.<sup>iv</sup> The problem lies much less in saying the right words but rather in the parents resolving their own complex issues around their wealth and doing so with great conviction.

Gone, largely, are the days when parent’s fear and narcissism was nakedly fed by credentialed advisors with such advice as “Tell them, ‘Mommy and Daddy worked very, very hard to make this money’”(subtext: and if you work hard you’ll be rich too).<sup>v</sup> Such advice when examined reveals at its heart a myth, the lie to which has been given at length in Malcolm Gladwell’s astonishing book *Outliers*. Yet even a rather dull-witted youngster, by simply observing the housekeeper on hands and knees polishing the marble floors, would detect the blazing falseness of such self-congratulatory explanations that feed the parental narcissism observed by other advisors.<sup>vi</sup> Of course, most children have a sensitive nose for hypocrisy, so such answers as these or simply denying that the abundant wealth that is before their own eyes (“We’re comfortable honey, just comfortable”), must have created many long-lasting credibility problems for the ill-advised parents (and, one hopes, ultimately, the consultants who advised them).<sup>vii</sup>

It's not just that the advice is overly cavalier. Such bad advice exploits the parent's own anxieties around this topic. Some of these anxieties<sup>viii</sup>:

1. We are undeserving of the money and feel like frauds.
2. We were motivated by financial gain in our professional career. We can't imagine our children being motivated by much else, and we are worried that the money will sap their drive make them bums and ner 'do wells--a final, horrible legacy of our success.<sup>ix</sup>
3. We fear becoming a target. There are many people in this world who simply resent you because you have money and sometimes need no other reason.
4. A close, close corollary of #3 is our fear of being victimized by those whose true interest in us is only for their own gain – “a wolf in sheep's clothing”.<sup>x</sup>

These paralyzing issues need to be largely resolved for the parents, and money needs to be disentangled from identity, before they can have substantial conversation with their children. Not doing so risks transmitting, magnified, their anxieties to their offspring.<sup>xi</sup> A teenager who self-loathes themselves because they see their identity inextricably linked to their parent's wealth may become self-destructive, depressed, and easily influenced by strong-willed peers (think of Patty Hearst). We may have witnessed some examples of this recently in Zucotti Park on Wall Street. <http://www.yesmagazine.org/for-teachers/curriculum/words-that-inspire-we-stand-with-the-99>

A parent who wants to have a better chance of raising children who are un-conflicted about self-worth, who are multi-dimensional beings that are passionate and motivated on many levels and who have identities that are made up of far more than what peers or authority figures think of them<sup>xii</sup>, must model such behavior or find mentors who can model it or do both.

My personal experience reflects the strength that comes from having clear principles and the dangers inherent in ambiguity (although I do not propose that my experience can be universalized to you or your clients.) Growing up in the seventies in the urban east, I experienced the zeitgeist of America thought to be in decline, the culture wars, and the segmentation of society into minority interest groups, especially in the academy. While the self-satisfied, noblesse oblige of the gilded era is rightly criticized, as I became a father and steward of my family's legacy and wealth I made a decision, to turn my back on the Falstaffian anti-authority and strident individualism that I had learned.

So when my then eleven year old daughter, so smart and thoughtful, rolled her eyes and sneered at the American flag I had recently hung on our home, I asked her what that was about. “Oh, the morons who worship a flag of a country that claims to be about freedom but has had slavery, Japanese internment, The Trail of Tears and all that stuff.”

I am generally philosophical and Socratic with my daughter. I was going to ask “Does a person or a country have to live up to its values in order for those values to be honorable and right?” But thinking about it, I realized that she was going down a path that might come out very badly for her as she identified the ruling class of America as the enemy and discovered, eventually, that the enemy was herself. She would need strength and conviction and a strong sense of place to come out an able leader despite the messages she would likely hear repeatedly in the course of her education.

Socrates would not do, I felt, and I instead drew on the history of our family: “My daughter, one hundred and twenty years ago your great-great-great grandparents made a courageous journey. You see, their parents, and the parents before them for more than a thousand years had been largely treated as second-class citizens. They had been denied the right to reach their full potential: denied the right to certain professions, the right to live in most places, even sometimes beaten or killed. You might have considered their life less than fully human. These are your ancestors. In the middle of particularly awful times known as the Pogroms, there were among the brave minority that made a long and difficult journey with almost no resources to a new land. They were looking for a better life for themselves and their children. This country took them into its bosom and gave it to them. Their children and grandchildren became the most successful and free and prosperous Jews of any time in human history and this country made my father and mother, **and me... and you** princes of this land. **I** think you should get down on your knees and kiss the ground in gratitude to the greatness of this admittedly imperfect country and truly wonder at its generosity to you and our family. I hope you will defend it, and I hope you will be worthy of it.”

And with that I turned and left her to decide what she stood for. Since then none of her many teachers or peers has been able to utter an unbalanced criticism of her country without getting a, most of the time, respectful argument and the gift of a different perspective.<sup>xiii</sup>

My daughter will serve her community, country and her own passions well. She will help to pay our debts as a family to this country; perhaps more than any of our family has yet.

Are we rich? Yes, I firmly believe: so very rich. My daughters and nieces and nephews may discover how much richer we are than they can now imagine. *E Pluribus Unum*. The extreme individualism of modern sensibility will fall away from them. They will realize that their strength is not theirs alone, and they will find themselves part of a chain binding them to family: past, present and future.

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<sup>i</sup> Among the many works that have inspired this article is one I found after choosing my title. By Suzen Peterfriend and Barbara Hauser, it is entitled “Mommy, Are We Rich?” Ms. Hauser’s thinking on this subject are I think some of the most cogent in the field.

<sup>ii</sup> However Charles Lowenhaupt and Don Trone in *Freedom from Wealth* provocatively question the value of separate education targeted directed at the ultra-affluent and wonder if it might aggravate a sense of isolation.

<sup>iii</sup> In a careful data study of thousands of families (rare in an area where the professional literature is dominated by philosophical works and storytelling), The Williams Group concludes that 70% of estate transitions fail and that the majority were caused by communication and trust failures, including not requiring participants in the process to “practice what they preached.” A study with a very small sample size conducted by Morgan Stanley and Campden in 2012 found that those inheritors who had been told of their wealth at a late stage in life were strongly inclined to tell their own children earlier.

<sup>iv</sup> Joline Godfrey in *Raising Financially Fit* kids writes with warm frankness: “The problem with withholding information is that it communicates a lack of trust, takes away from kids the chance to act responsibly, and leaves a void for fantasy and imagination that won’t necessarily be filled in ways you’d hope.” John O’Neill refers to this as well when he discusses John Levy’s work counseling wealthy families in *The Paradox of Success*.

<sup>v</sup> Collier’s much-cited *Wealth in Families* is one of many places where this dubious advice appears, not necessarily with Mr. Collier’s endorsement.

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<sup>vi</sup> In the August 2005 edition of *Worth*, Davison and Thayer refreshingly focus on the problems of “Parental Narcissism” rather than the supposed *affuenza* of wealthy children that was so much the theme in the financial press of those years. McMenamin touches on this too in her June 12, 2000 *Forbes* article, “Who’s Spoiled?” giving examples of several inheritors who were highly productive and well-adjusted people. One of John O’neill’s central themes may well be the dangers of hubris on the successful leader, and he discusses the damaging effect to an organization when secrets are kept. Of course, this theme is as old as literature. When Zeus got above himself with his brothers (including his older brother Poseidon), demanding they call him “Father Zeus”, he is punished by being tied up in one hundred knots to teach him humility. The issue of self-doubt and loss of confidence of leaders at certain stages of life is explored in Gersick and Lansburg’s work on Family Businesses.

<sup>vii</sup> Incredibly bankers and other (so called) “advisors are offering to talk to the kids on behalf of their parents.” according *Barron’s* in a September 19, 2011 piece of the old school aptly titles “Goodbye Family Fortune.”

<sup>viii</sup> Thayer Chaetham Willis discussed the pitfalls in great and personal detail in “*Navigating the Dark Side of Wealth*.” One expert panelist was quoted by the New York Times on June 12, 2000 as saying that the fundamental risk facing inheritors was “You can buy whatever you want without lifting a pudgy finger.”

<sup>ix</sup> Barbara Hauser powerfully and I think with some truth asserts that the commonly held value that one must make it on one’s own to be a worthy adult reflects a fundamental worry among wealthy parents that “if their children do not have to struggle they will not live lives of value.” From: “The Next Generation and the Pursuit of Happiness”, *Journal of Wealth Management*, Fall, 2005.

<sup>x</sup> Jay Hughes writes in *Family: The Compact Among Generations* “[They] inadvertently teach [their children] in an effort to caution them to be skeptical of other people’s interest in them, that no one is trustworthy.”

<sup>xi</sup> Susan Remmer Ryzewic touches on this in her essay “Clearing the Emotional Hurdles” collected in *Wealthy and Wise*, Heidi Steiger, editor.

<sup>xii</sup> There are of course many works in this area, not referred to enough in the family wealth milieu, including Robert Kegan’s, *The Evolving Self*. Stuart Lucas’ outstanding book *Wealth* describes the idea of a person who perceives themselves as a client to others versus service to a greater entity, such as a family enterprise and its customers. This is why he feels that a family that sells the family business faces a crisis. I have expanded the concept here by including the idea of service to a common enterprise that has served one’s family for generations. To be indebted is not to be enslaved, indeed, it can be a point d’appui to that fundamental pursuit of happiness.

<sup>xiii</sup> In his seminal work, *Family Wealth*, Jay Hughes is far pithier than I when he asks “Do [you] understand the difference between hubris and humility and the consequence of each to [your] pursuit of happiness?” Jay gives the nod to Aristotle here, more economical than either of us: “Know Thyself.”