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# Overcoming Entitlement and Raising Responsible Next Generation Family Members

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*Not too long ago the greatest concern of wealthy parents' was that their wealth would act as a negative force for their children, leading them to feel entitled and preventing them from productive work and livelihood. Since the financial crisis, many of these families are experiencing a change in the availability and even the loss of their assets and thus a change in current and future wealth. This inflection point has created an opportunity for them to examine how they want to raise their children vis à vis wealth. For some families, the financial meltdown requires they also take a hard look at their present lifestyle and make certain changes too. What happens when you continue to live and feel affluent, when in fact your net worth may have been reduced by a quarter, half or more? Is the potential negative force of wealth still great when the expectation may still be present and the full asset availability is not? What is the difference when the assets for which a young person felt entitled no longer exist in the same fashion?*

*While we cannot provide complete answers to these questions, this essay presents some ways that families can adopt stewardship principles within the family, so that each generation can find positive and creative ways to continue the family legacy and sustain (or even increase) the family wealth. By stewardship we mean a sense that the family wealth is meant not just for personal use, but for the benefit of future generations, and the overall benefit of the community.*

While raising children is always a challenge, a family with substantial wealth faces some special hurdles due to their good fortune. Typically these families are aware of the challenges as well as the opportunities generated by their wealth. While parents who have created substantial family wealth are proud of what they have done and want to share it, they also want to make sure that their children develop a work ethic, and do something special with their lives. Now with the financial turn of events, many are even more worried that while their family's overall financial wealth may have decreased, the expectations with which they have raised their children remain. While no parent can guarantee a positive outcome of their parenting, we find that there are some common practices that create conditions for their children to succeed, even as they experience the changes that may have come with the financial crisis.

Family wealth has a different meaning for different generations. Wealth creators may remember coming from modest life circumstances, and they know what it means to work hard. They know where wealth comes from have the confidence that if the wealth is gone, they could make more. In many cases, they have been driven by the desire to make a difference, not by the prospect of achieving great wealth. Many entrepreneurs have experienced cycles of financial distress as well as affluence. While they may enjoy the fruits of success, their focus of energy has been as acquirers rather than as consumers.

Their children often have a different experience of wealth. Family wealth has been present in their lives from birth (though older children may remember times when the parents struggled). They grew up around other wealthy families, in an environment where things are plentiful and they feel valued and special. They experienced wealth as spenders. With few experiences of work in their early years, children of wealth often have a foggy notion of earning and of where wealth actually comes from.

Entitlement refers to the sense of being special and expecting to always experience that as you move through life. It is an experience most young people have and must master as they move through late adolescence to young adulthood. It is a typical and expected mindset for most young people but perhaps particularly for a young person growing up in a very affluent environment. They tend to live a Garden of Eden-like existence, and they have to emerge from an expectation that they can get everything they want and that they will be treated as special. In addition, they may be so sheltered that they don't see how this "entitledness" appears to others, who do not have this gift.

The current downturn in the economy seems to have begun to challenge this view for both wealthy parents and their offspring. It has shattered the confidence in the senior generation that they can necessarily provide for and provide a large enough cushion for their offspring, since their cushion was severely lessened if not totally eliminated. For young people to succeed in the world on their own, to have a sense of their own abilities, they need to develop the motivation to overcome obstacles, the skills to get things for themselves, and have the capacity to get what they want.

While it may seem that the family's challenge is how to avoid creating this sense of heightened expectation and entitlement (and in part it is), the real challenge is to help their children move through the normative life cycle task and develop a more mature and active sense of their life path and purpose. Our experience is that wealthy parents may actually increase their future parenting challenges when they reinforce their younger children's feeling of specialness and privilege without balancing it with a sense of responsibility. By providing a life with little experience in differentiating need from want and little involvement with others who do, parents may be making the challenges of late adolescence and early adulthood more difficult. For example, a young person may "need" a car to get to a volunteer experience, or may "want" one because he or she doesn't want to take the school bus. The young person needs to understand the difference and also participate in some sort of giving before getting the car.

Another way a family often unwittingly (and in fact often in a well meaning manner) reinforces entitlement is by not talking about the reality of wealth in their family. They may feel that by not talking about it their children won't know about it or will not experience the specialness, but they forget about the many messages that come from others around them that tell them that they are privileged and special. In school, in the community, children discover that not everyone has as much as they have. They may feel special because of having more, but also awkward about how to deal with this fact. Families may even give double messages—by giving their children everything they want and at the same time giving lip service to the fact that they can't expect this to continue forever. In addition many families just don't talk about this at all, leaving their children to draw their own conclusions about the family's means, and what they can expect in the future. And often the children's conclusion reinforces their sense of specialness. Thus, while believing that reality may be too much for their children to understand, parents inadvertently may have encouraged a sense that what we have is what you have. The current economic situation provides ample opportunity for families to be more open and transparent about the impact of the changes on their own and other family's fortunes.

Clearly wealth enables families to offer more opportunities to their children. Education is one such opportunity; wealthy families are often able to attend the best schools, and unlike many other children in our society leave school without debt. While some families may have a tradition of working during high school and college, sometimes in the family business, most families have not encouraged their children to work when they are in school. Rather, like many other parents, they have offered opportunities to improve their children's education and college choices by, supporting them with extra-curricular activities, lessons, enriching travel and learning opportunities. In most cases, children in affluent families have grown to expect these things rather than viewing them as special opportunities with a sense of accountability or expectation in return.

Yet, when asked, these same families will often express their desire to develop in their children a sense of expectation of their own achievements and accomplishments. They want them to develop a fulfilling and remunerative career. They do not want the family wealth to support their children, just to supplement their income to enable them to live well.

However large it seems, the family's wealth is limited. The fact is that while the family wealth can grow, the family itself is growing geometrically, and over two or three generations family members cannot expect to have the same level of wealth unless they continue to generate more of it. Yet as we have seen above, children are often raised to believe that what they have is what they can expect and that family money is their money. For many families of wealth that expectation is being challenged. Clearly the goal for even a wealthy family with regard to the next generation is to assist them to develop the capacity and the skills to be independent and take care of themselves. This independence is the opposite of being entitled.

So the life task for any young person is to grow beyond feeling protected, special and entitled, to see that their lives can be richer and they can be stronger, if they develop their own capability to do something that makes a difference. This sense of being able to make it on their own without the protection of their family, is part of becoming productive young adults with a work ethic. If parents (or parental resources like money) are always behind them, then it is harder for a young person to learn independent action. It is as if they are always going through life with a perpetual safety net to catch them should they fall. Yet our greatest learning comes from failing, so parents are cheating their children from some critical building blocks towards individuation if they protect them from this experience.

The entitled young person may have begun to feel that the family's wealth belongs to him or her. But is wealth really a possession, something that one "owns"? Some families begin to teach that the wealth is not an individual possession, but something that the family can draw on with limits. These are the concepts of stewardship. They also teach that each family member should expect to go out and support themselves and work toward their personal goals, with very limited support from the family after a certain point in time. Some families may say this, but their behavior suggests that it is not really so. It is hard, for example, to ask a young person to train for or seek an entry level job when the family trust fund could support them with a good income. They need help to develop the motivation or incentive to see that work is a learning and personal development experience as well as a means of survival. As we suggest, this is something that a young person must learn with give and take in the family, over a period of time, and not just listen to and absorb.

If the family has substantial wealth, it may seem hard to make a case that a young person has to add to the family wealth. A young person may even feel overwhelmed, thinking that since the family has so much, what difference will their contribution make? There are stories of a young person whose motivation to prove value to the family, or out-do elders, makes risky or foolhardy decisions about family assets that lead to losses. Yet, when a young person can successfully make his or her own money, when given the appropriate opportunities, they feel a sense of personal achievement that is not conditional on how much they make. By being rewarded for doing something themselves, like finishing a project, they grow and develop outside of the family. While they don't "need" the money, they need the learning and the sense of productivity and self worth that work provides.

This idea of doing something on one's own can be extended into the years between high school and college and those years right after college. Some families begin to build expectation of one's own capacity and competence by expecting that for a period of time each family member will work on their own, and not be supported by the family. Some do this by not distributing trust money until a certain age, except for specific purposes such as education and emergency health care. The expectation that a person do something that supports him/herself or at least that he/she learns to live on what is earned is an important experience for every young person, but we believe especially for the most wealthy. Successful personal development seems to demand a personal journey where the individual separates from the family, and does something real, visible and important on his or her own.

Another important element of becoming independent is to learn to make decisions. For wealthy families decisions are often complex and intertwined with other people. Thus, offering a young person specific opportunity to contribute, have a voice and then vote in the family affairs is important. If a person is not involved by being informed or making decisions about it, then family wealth becomes passive and in the background, not active and needing tending. The next generation may become entitled rather than empowered.

Offering young people pathways to learn, develop skills, and become decision makers in areas regarding the family money can start initially in a limited way. For example, they might be invited to serve on a family committee helping to plan an annual family meeting, or attending a seminar on the family finances. Then as appropriate to their age and maturity other opportunities can be developed. Finally, there are ways that family members from the next generation can become increasingly involved in the family decision making by becoming active participants in family leadership and governance positions.

**Pathways to Responsible Adulthood**

Clearly, a family cannot guarantee responsible adulthood from their children, but they can certainly make it more likely. We offer some core principles and activities that help a wealthy family make it more likely that their offspring become productive and independent.

**Inform.** The first activity for a family is to inform their children not just what they have, but what that means, and what they can expect. Given the chance that they may give their children a mixed message, or that other people may say things that confuse their children, at least the family can talk from time to time about their wealth and what it means. These conversations can probe their assumptions and expectations, and challenge or clarify misconceptions as they arise. This often is not a one-time activity, but must be revisited in different ways to get the message across.

Several types of information are needed. First of all, the young person has probably not seen the family earn its money, so they must learn about where it comes from, and what it took to get there. It is important for the family to look beyond the wealth generators in this history lesson so that the children get the sense that all family members are valued and contributed in some manner to the opportunity that the wealth generator experienced. This is the family's history, and it is a wonderful experience for young people to hear this from the family elders while they are able to tell the tales.

Second, they must learn about the values and expectations that are attached to the wealth. Many family founders have expectations that are not clear or explicit. If family members are expected to work for a living, this should be a topic of conversation as they are growing up. They should know what they can and cannot expect from the family. A good beginning in this area is for young people to have a sense of what it costs to provide them with their life style and how that is paid for. They may also participate in developing their own personal budget.

Third, as they grow up they should learn, in an age appropriate way, what there is in the family resources, and how it can be accessed. When it is age appropriate they should learn about family trusts, and the difference between being an heir and having control. The family should initiate the conversation and over time, make sure that they prepare the young person with increasingly full disclosure, and discussion of the rules and expectations. If there are restrictions on accessing their money, they should learn why that is, and what it means. This is a good time to teach the concept of stewardship, holding the wealth for the benefit of not just their own generation but generations to come.

**Engage.** Too many families are successful at informing, but they do so in a way that is excessively formal or that comes across as telling, rather than an invitation to an exchange. Worse yet, some families have their financial advisors do presentations, or send financial statements, without offering any opportunity for the young people to respond or ask questions. This is a mistake. Many young people hear the words but they don't understand what they mean. They are afraid to ask questions and appear stupid. The competence of their parents and the pressure to appear smart leads some children to not feel comfortable or welcome in asking questions. They may even hide between a veneer of maturity and knowledge, which can appear as arrogance.

The concept of family engagement refers to sharing information in a way that invites the young people to share back in return. They may ask questions, share concerns, or even disagree or express frustration with what they learn. For example, one young person hearing about trusts for educational purposes looked at the enormity of the choices he could make, and wondered aloud how he could possibly figure out what he wanted to do for a living. Another was clearer about his choice but worried whether his family would approve of his desire to travel with his rock band.

The issue for parents is whether they are willing to hear from their children things that they do not agree with. Parents have a hard time allowing their children to have their own values and ideas, make their own mistakes and have their own learning. When family wealth is involved, too often the family puts so many strings on it that the young person is not allowed to explore or learn on their own. The arguments over politics and lifestyle that take place in so many families are important stepping stones to growth. They help a young person learn to define their own ideas, by experimenting with possibilities. If a young person does not feel heard or respected (not necessarily agreed with) they will simply turn off communication and apathy can set in.

**Model.** Children learn about money and wealth not by hearing rules but by seeing their parents in action. In one family, the parents talked about being frugal while their lifestyle was the epitome of opulence. Why would the message of frugality mean anything to their children who lived in such splendor, and whose friends were so impressed by it? Many of the challenges of entitlement come from the disjunction between word and behavior.
Simply stated, children imitate what they see, and forget what they are told. If the family physically sets an example of service by doing things to help others, the children will learn. A family that wants to set an example of giving for its children cannot just write checks to good causes—they need to arrange to visit them and learn first-hand what is being done.

Modeling also involves helping children move out of their protected "bubble" to experience how other people live. While they may initially feel special when seeing less privileged areas, by observing their parents and by parents providing "leveling" experiences for them, children can learn to develop empathy for others.

**Teach.** Learning about money is not just about knowing it is there. Managing money is a complex process, the more there is the more complex the process. A young person growing up in a wealthy family, with trusts and multiple investments has to learn more than how to balance a checkbook. In order to be a steward of the family's investments, and an inheritor of substantial wealth, a young person has to have an advanced financial education.

Some of this can come from school, but it needs to be supplemented. Some families with a family office or operating business offer internships for young family members to assist with this. Others design a financial seminar for young people to learn about the nature of their family enterprises, and the skills to understand the information, or develop an educational seminar on financial skills for the younger generation at their annual family meeting. Such practices send a message about their responsibility to be informed as a member of the family.

Family financial seminars have added benefits for the family. As a younger generation in the family learns together, the cousins who grow up in separate families learn about their common legacy, and how to work together as a team. They see that, unlike other families, they are a family joined by financial and other enterprises, and that therefore they have to work together to manage them. As they grow up and discover opportunities to participate in family governance, they go from being students and learners to become more active and engaged in decision making. This is training for responsibility. Families have added what are called Action Learning projects to seminars, where groups of young people work together in activities like service projects, or for example, with a pile of real money to invest. By learning to make choices and decisions, and seeing the results of their actions, young people can learn and develop financial acumen.

**Empower.** In their desire to make sure that young people do not squander the family's money, family elders sometimes create a structure that does not allow a young person to ever grow up. Trusts often make them permanent beneficiaries, always under the benevolent guidance of a trustee. While this protects the family wealth, it does not promote adulthood in the family member. If there is no way that the young person can ever become able to make decisions about the family's wealth, there is no time that they can feel that the money is truly theirs. Therefore, as a dependent, they can only express themselves by spending, not by taking care or building the family wealth.

Reaching young adulthood means that they need to be able to make their own decisions about their money, and have a role as a "citizen" of the family. Families are understandably reluctant about this, because they fear the results of irresponsible actions. But by providing opportunities for experimentation in decision making and thus in making mistakes families can offset the possibility of capricious actions. There comes a time when young people must have the power to take care of their own money, even if some strings are attached.

Young people need the ability to experiment and make mistakes. If a young person is kept from trying anything, he or she can develop a habit of excessive caution and inability to act. Many a young person is raised with the internal lesson that the worst thing they can do is make a mistake. They grow up afraid of risk and unable to test themselves in action.

Families often try to enshrine their values by creating trusts that limit a young person's ability to use resources. This is good practice, to avoid liability and protect assets. However, it can have the unexpected consequence of limiting the young person's ability to experiment, take risks and learn from experience. Every young person needs to have this learning experience, and the family may be able to protect their family assets while still allowing the young person to experiment and learn. Offering a graded amount of money to control can help the young person shift from an attitude of consumption to one of stewardship, by learning to sustain and add to family assets.

To support risk taking and entrepreneurial development of young people, some families have developed funds for new family ventures called a family bank. A family member can ask for support for a profit-making venture, or perhaps a philanthropic project. They are required to make their case to the family, and if supported, are accountable for the results they promised. Family members can learn from each other, and even generate positive competition for excellence.

By providing a network of family connections and mechanisms for decision making in family governance, the family can also provide a backdrop for a young person's education and involvement.

**From Theory to Practice**

The path to developing young people able to sustain and act as stewards to family wealth is complex and multi-faceted. It begins with a realization of the complexity of the challenge, and understanding that all affluent children naturally develop a sense of entitlement. While we are a culture that has spawned entitlement in all of our children, there is a special challenge for a child from a very wealthy family. We are also a culture which has the unique opportunity to examine what we have done and implement a variety of steps along developmental pathway to reverse this process.

For young people, their developmental path must take them through a series of educational experiences, dialogues and challenges that help he or she begin to move beyond the seductive safety of that feeling. This is a matter of continual engagement and active involvement by parents, not a question of setting up trusts, hiring people to speak at family meetings, or telling them what is expected. All of these are important, but the overall family process for moving from entitlement to stewardship is one of many activities, and a great deal of work.

**A Time and Opportunity**

Consistently over the last several weeks, we have heard many families describing the kinds of experiences they are having with their children regarding the financial crisis and its impact. For some, like the affluent young mother that we met at a conference, described how her son was worried about his best friend's father who was now unemployed after being very successful in one of the financial services firms. Her son wondered what they could do to help his friend's family and whether this could ever happen to their family. While his mother hesitated to offer too much reassurance she did say that it was unlikely but they always had to be prepared and able to think about what counted at times like this. She suggested that they invite the friend over for dinner since that seemed to be calming to her son.

This is a time of opportunity; there is a window available to educate our young people about the transience of money and the need to develop an ability to rely on one's self. For many young people their world is being shaped by the current financial crisis. For them, the experience may be similar to those who were very young during the Great Depression. They many grow up different than their parents, mainly baby boomers who thought they were invulnerable and wanted more. If assisted to think about the current economic conditions and to use the learnings from the experience to forge a set of principles for the future, these young people may have the opportunity to grow beyond their sense of entitlement quickly and perhaps without a great sense of angst or anger. It may encourage them to raise more questions, be more empathetic, understanding the circumstances of others and to become more self sufficient. All of these are good things and need to be led by their parents and their family advisor who provide the safety for them to grow beyond their age appropriate entitlement dilemmas.