Concentus Wealth Advisors

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VALUABLES

Ideas, Systems and Strategies for Managing Family Wealth to Fulfill Your Greatest Values.

About V A L U A B L E S

Many financial advisors focus on communicating with clients to provide complex analysis of the investment markets and economies. However, we have learned that most clients are not particularly interested in this complex analysis. Most clients hire an advisor for their knowledge of the markets, not for their ability to explain that knowledge. Most want to know what time it is, not how to build a watch.

Experience has taught us is that wealthy families care most about using their wealth as a means to a desirable end, which is to achieve a more satisfying, fulfilled and impactful life, and to fulfill their most important Life Values.

V A L U A B L E S is a periodic article series focused on the concepts, systems, and habits which we have observed among families who have been successful in this quest to use their wealth as a tool to live a life of significance. The most successful families share a set of habits, systems, and insights which enable them to use their wealth as a tool to fulfill their Values and what is most important to them.

We named this article series **V A L U A B L E S**, because it provides an exploration of those habits, systems, and insights. We hope it will help you to consider your assets and possessions which are most valuable to you, and how you can use your financial wealth to enhance and cultivate your true "Valuables".

Teach Your Children Well

By Erik Strid

"One of the natural instincts of parents is to provide a better life for their children. This is a noble intent. However, this noble intent can backfire. The unintended consequence of taking care of all or many of the next generation's needs and wants, especially during their formative young adult years, is the great potential to limit or lower their life IQ. Giving too much prevents young people from having the internal and external life experiences that are known to produce the very skills and traits necessary for long term happiness and resilience."

- Dr. Richard Orlando from
Legacy: The Hidden Keys to Optimizing your Family Wealth Decisions

Raising Kids Today

Time after time clients have told us that they worry, or even fear, that wealth will negatively impact their children and grandchildren.

Indeed, many people are worried that their money may "spoil" or "ruin" their children, and that growing up affluent may become a major handicap to their kids' successful development and happiness. Many fear that inherited wealth may lead to a great number of bad habits, dysfunctions, and unhappiness, as there are no shortage of examples of families which have fallen prey to this danger.

For most of our clients, their children and grandchildren are raised not wanting for anything. Many attend exclusive private schools, enjoy frequent vacations, country club membership, and access to the latest iPhone or X-Box. In many ways, this is a source of pride for parents who are pleased to provide their kids with such a comfortable upbringing, or happiness for grandparents who may take some secret joy in "spoiling" their grandkids. However in other ways, it raises real concerns about your children's relationship to money.

In our conversations with many families, we have heard this concern expressed in many ways. Parents and grandparents fear that their children have never known what it means to *want* something, and may take for granted that all of their wants are fulfilled, and perhaps they may even expect it. Many are concerned that the children are not able to connect money with work, and they don't understand that it takes work in order to produce money in their lives. As a result it is difficult to motivate children to work, do chores, or even help around the house. Finally, there is a worry that children have no concept of saving and building wealth, but only understand consumption and spending.

Although we may take pride in our ability to provide a great life for our kids and grandkids, the flip side of this pride is that it may be doing our children the greatest possible disservice, because it robs them of the self-confidence and satisfaction of earning and saving their own money, and enjoying the fruits of their own labor. Ironically, in our desire to provide them with all of the material blessings of the world, we may be stealing from them one of the most important emotional and spiritual blessings in the world, the self-satisfaction of their own personal accomplishment.

Strategies for Success

As we have discussed in past editions of VALUABLES, it is possible to strike a balance between your desire to provide abundant material blessings and security for your children, and their need to learn values such as thrift, responsibility, hard work, and delayed gratification. This balance takes hard work and discipline, and a focus on certain child rearing strategies which have been proven to work for other successful families.

There are many examples of very wealthy families who have been successful in bestowing these values on their children, but the common thread appears to be a conscious commitment to creating training systems and rules for their children as they grow and develop. Our favorite example of such a system is the family bank, which may provide an example that will resonate with most families.

The Family Bank in Practice

Imagine that your teenage son comes to you and asks for a new car for his birthday. This request takes you back slightly, because he is not asking for just any car – indeed, he wants you to buy him a convertible BMW. The hair on the back of your neck begins to stand on end, as unwelcome emotions begin to flood your senses. You are overcome with worry that your son is becoming spoiled, and frustration that you feel powerless to do anything about it. You articulate that frustration and worry with anger, as you begin to berate him with stories about how "in my day, I walked 10 miles to school every day," and "you kids just don't appreciate all your mother and I have done for you."

Your son is familiar with this dance, since he has heard this angry response many times before. This time, he is well prepared with some talking points. First, he appeals to your deep desire for him to be a successful and popular child. He explains that "all of his friends at school" own fancy sports cars, and asks if you want him to end up as an unpopular nerd. He reminds you that he has been earning good grades in school, scored well on his SAT test, and appears to be positioned for acceptance into your Alma Mater, fulfilling your long-held dream. Finally he hits you with the ultimate guilt trip when he observes that you live in an 8,000-square-foot house and drive the latest Mercedes sedan. You obviously have the money, and are willing to spend it on yourself, so why not on a reward for him? He has hit his target, and has made you feel guilty for withholding a reward for his hard work and studies.

> *"The most important gifts we give to our heirs have little to do with our financial wealth and why it's more important to transfer the gifts of hard work, gratitude, love and friendship before any wealth arrives"*

You are defeated. You put up a token argument for several more minutes, but he has won the battle. Pressured by guilt, you agree to buy the car, but you don't feel very good about it. You feel as if you have taken yet another step to spoil your child, powerless before the peer pressure and guilt that drove you to do it. You also know that owning a BMW convertible in the spring of his junior year will likely distract him from his studies.

Now let's look at how the situation might be handled if you had a family bank.

Your teenage son is about to turn 17, and at this age naturally develops a burning desire to own his own car. He also understands that he lives in a family in which access to money requires accountability and responsibility, and that money is not granted for purchases like this without strings attached. He knows that, in order to obtain the money he needs to buy a car, he needs to apply for a loan from the family bank.

Highly motivated to get his own set of wheels, he resolves to do what it takes to get one. He requests a meeting with his parents to make his pitch. He carefully crafts his application request, keeping in mind the guiding principles of the family bank:

1. *Loans are only made for productive purposes that support the flourishing and growth of family members, such as education, starting a business, professional advancement, or buying a family home.* He creatively constructs an argument that access to a car will get him to school more quickly and conveniently than the school bus. The time he now spends waiting for the bus and on the long ride to school with multiple stops can now be used to focus more intently on his studies.

2. *Loans are expected to be repaid.* As part of his proposal, he outlines his plan to spend his summer caddying at a local golf course and earn the money to pay back the loan. He

includes a repayment schedule with his application, and also points out that the car will help him meet the responsibilities of his new job schedule without inconveniencing his parents.

3. *Loans require the security of collateral.* Your son offers his X-Box and tablet computer as security for the loan, to be returned to him upon the successful repayment of the loan.

4. *Loan requests must be practical and not excessive.* Finally, because he knows that he is going to be required to repay his loan, he doesn't ask for the money to buy a BMW convertible, but instead opts for a much more modest purchase of a used Ford Explorer, which will be an easier expense to repay.

Because of his thoughtful request and presentation, the bank board grants his request, and your son is able to buy his car. He feels a great sense of pride from having earned something of his own, and learns an important lesson about the value of hard work and accountability. He also keeps the car in mint condition, because he remembers the sacrifice he had to make to earn it. You feel thrilled that your son has had yet another experience to teach him these valuable lessons.

The success story ends with your son earning a spot as a regular caddy at the local country club through hard work and persistence. He loves the experience of working as a caddy, and particularly loves the great money he earns. He quickly earns enough to pay off the loan, but decides to keep working because he likes the extra income. He caddies during summers all the way through college, and ends up making some wonderful connections with golfers at the club, who help him start his business career after he graduates.

Although this example may sound a bit like a "fairy tale," this story effectively describes the true essence of the family bank concept. It can be used to transfer more than just money to the next generation, by ensuring that they learn about the accountability that comes with access to money. Regardless of the structure and complexity of your family bank, it will help foster respect for money, the discipline and satisfaction of hard work, and the confidence of experience.

A New Resource

We are very interested in the impact of our clients' wealth on their children and grandchildren, and on helping to understand strategies which may help to ensure that your money does not become an obstacle to their successful development. The Family Bank concept described here is just one example of the many strategies that work.

In this light, we are pleased to announce that we have entered in to a new partnership with Dr. Richard Orlando Ph.D., who will focus entirely on consulting with our valued clients about the impact of their wealth on their children and families. Dr. Orlando is the founder of Legacy Capitals LLC, and has a long history as a trusted advisor and educator to affluent households. Dr. Orlando received a doctorate in family systems from Seton Hall University, and is the author of Legacy: The Hidden Keys to Optimizing your Family Wealth Decisions. We are excited to add him as a valuable resource and to share his wisdom with our clients.

> To learn more about Dr. Orlando and Legacy Capitals, visit: www.LegacyCapitals.com
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> To order a copy of Legacy, you can visit http://www.legacycapitals.com/store/products/

A Valuable Message

We hope that you enjoyed our message in this month's VALUABLES, and we love it when you share our articles. So feel free to post this on Facebook, Twitter, or any other form of social media. You might also feel free to email out to a friend or family member who might appreciate it.

At the very least, if you liked this message, do us a favor and visit our blog and "Like" this post to let us know, and be sure to leave a comment or question. We love to hear from people about the issues they are facing so we offer our take and share what we have learned from our time servicing clients and their families.

To like, share or leave a comment about this article, just visit this post on our blog by clicking HERE.

Erik Strid – CFP®, ChFC
Principal
Concentus Wealth Advisors
1000 Continental Drive, Suite 560 | King of Prussia, PA 19406
855-568-1500 | erik.strid@concentuswealth.com
www.concentuswealth.com | twitter: @concentuswealth