UPDATE
Winter 2011

Of Treasured Kids and Treasure Hunts

by Jim Grubman, PhD

Have I told you about my granddaughter, Quinn? She is ten months old and the cutest child in the known universe. And yes, I may be biased.

Quinn is my first grandchild, so I'm still adjusting to this wonderful experience. But danger lurks ahead. As a psychologist who works with affluent families on preparing the next generation for wealth, I know to be mindful of what I do, say and model for Quinn and her parents. My wife and I can enhance the teachings of my son and daughter-in-law, or we can undercut their efforts to raise a responsible well-adjusted child.

Extra Difficulties Associated with Affluent Parenting

Over the past 30 years, we have learned much about educating children for the financial responsibilities of adult life:

- The prime age for teaching solid financial skills is younger than people expect—between six and 14 for most, though learning continues well into adulthood.
- Each stage of money-skills training builds on the previous, leading to readiness for the responsibilities of affluence in our twenties and thirties. Waiting until children reach their twenties is too late.
- A good grounding in healthy attitudes during childhood immunizes a child against future pressures from friends and society. Kids constantly learn money messages from their family, for better or worse. Hearing "A penny saved is a penny earned" or "He who dies with the most toys, wins" sets the stage for later success or failure with saving and spending.

- Children also watch and imitate their parents more than we think. The girl who parades around in her mother's high heels also observes her mother shoe shopping. On a recent *Kate Plus 8*, mommy Kate resolved her indecision about which of two pairs of shoes to buy by saying, "If you can't decide which one, just buy both!" Her kids were nearby, listening.
- Further learning happens during the storms of adolescence, though impacted by the natural self-centeredness and impulsivity of teenagers. As kids enter their twenties, they often show more solid skills and attitudes.

A new problem is that wealth in the digital age makes money invisible in daily life. Opportunities to teach money skills are fewer, not greater. Fifteen years ago parents visited the bank teller for deposits or cash, with their children alert for those ubiquitous lollipops (remember those?). Now, kids mostly see their parents using a thin plastic rectangle for that tall latte or the ATM. The message—a magic card is all you need to make it through the day.

At least when that magic card was a credit card, a bill arrived and got paid by writing a check at the kitchen table, making payment present if not always obvious to a child. Contrast this with affluent parenting where the card is linked to a cash management account paid automatically from funds or a bill-paying concierge service. Savings account passbooks? Replaced by money market accounts, out of sight.

The invisibility of money is especially true for children with no allowance, since little cash is placed in the child's hands for decision-making. It is the rare parent who is careful to use cash at the private school book store or dance lesson so the child sees payment exchanged for daily activities. Teachable moments must be explicitly built back in if kids are to learn.

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PITCAIRN

"There is no limit for better."

From the Chairman

As my family, friends and colleagues are well aware, I have a great appreciation for the author, Daniel H. Pink. While brainstorming an idea for this issue's column, I recalled a thought-provoking quote-of-the-day Pink shared on his web site last January, "There is no limit for better."

These words have stuck with me throughout 2010. I try to incorporate this sentiment in my personal and professional life and motivate others to do as well. In this winter's *Pitcairn Update*, we address educating the next generation, an area which always requires our absolute best.

My views on wealth were shaped by my father who imparted to me the values needed to be a successful inheritor. The feature article by Jim Grubman and the interviews we conducted with three next generation clients discuss the influence adult figures have on the development of a child's financial attitudes and opinions. I hope the articles will provide you with a better perspective on how to help your children and grandchildren grow into successful stewards of your family's wealth.

As you reflect on the close of 2010 and look forward to new possibilities in 2011, remember, "There is no limit for better." We at Pitcairn certainly strive to adhere to these words and will continue to push ourselves to our very best in the important work we do for you and your family.

Warm regards,

Teach Your Children Well

The old adage, "The apple doesn't fall far from the tree," is especially appropriate when teaching the next generation about inherited wealth. Pitcairn recently interviewed three next generation clients (Amy in her twenties, John in his thirties and Sarah in her forties) to learn who and what were most helpful in preparing them to be successful inheritors. Regardless of age, each mentioned the advice and practices of a parent, grandparent or extended family member as an influence on how they view inherited wealth. As they mature, these next generation inheritors still seek out advice from advisors and tweak their philosophies to reflect their individual values, but their underlying lessons of youth and childhood remain fundamental in establishing their strong sense of stewardship and responsibility. Amy, John and Sarah's parents are all, in their words, "frugal." All three had childhood chores and were encouraged to save their "pocket money." "In my house if you weren't on the swim team, then you got a summer job," recalls Amy. Sarah laughs, "The concept of not paying your credit card bill in full was not a viable option. I was out of college before I realized people did this." "My grandfather grew up during the Depression and told me the world treats savers better than spenders," says John. "My dad always told me not to spend more than I make and to save as much as I can."

When she was growing up, Amy, a college student, never realized that she would one day come into an inheritance until one of her friends asked her when she would gain access. "I knew my older brothers had purchased expensive cars when they turned 21, so I put two and two together," she laughs. Sarah was in college when she learned from her father that her grandfather had set up a trust for her. Shortly after, she met with her parents' lawyer who administered that trust. John, on the other hand, admits he "always knew" that his family was well off financially, but "pretended that it didn't exist." He admits, "I didn't really pay attention to my statements until I was 26."

In Amy and John's case, life decisions intervened, forcing them to become more proactive about understanding and managing their financial affairs. Amy wanted to take a "gap" year between high school and college. Her Pitcairn personal financial manager helped determine which programs would meet the provisions of her educational trust. John witnessed the effect the economy had on his investments and notes, "I began to take more of an active role in managing my portfolio to ensure it would be there and continue to grow."

> Next generation inheritors are incredibly grounded and focused on the big picture—not specifically what their inheritance can do for them in the short-term, but how it can help them achieve what is important to each of them.

Sarah continued to be educated by her parents' lawyer, meeting with him annually. In 1996, when the trust ended and her father set up another one, she began paying closer attention. "I started discussing with my sister companies in which we held stock and reading the articles from *The Financial Times* and *The Economist* that my father sent." More recently, her parents and sister established a family partnership to manage their collective investments. Sarah and her sister are "co-operating directors," a responsibility she takes seriously. "One of my goals is to be more habitual about following economic news and events, not just on a quarterly basis," she comments.

Sarah admits there are gaps in her financial knowledge. John wishes he knew more about taxes, specifically the ramifications of taking a shorter-term perspective on his investments. Amy realizes many approaching life decisions will require deeper financial knowledge

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And Then Comes Grandma and Grandpa

Grandparents can strongly impact the development of money personalities and skills. Handling real money may actually take place more often when grandparents visit, though the lessons may be complex. The Grandpa who slips his grandchild $20 while whispering, "Don't tell your daddy, it's our secret," may cherish the shared moment. But what messages are being delivered with the cash?

Children watch their families closely. Is there tension between parents and grandparents around money, roping the child into the conflict? Is the child caught in a power struggle played out around money but really about deeper issues that date back decades? Or are the money messages presented in a united fashion, reinforcing their truth?

I often give clients a money history questionnaire which surveys childhood influences from family members, religion, and economic factors. A grandparent is frequently cited positively or negatively via such statements as, "I learned most of my money skills from my grandmother" or, "I promised myself I would never be dependent on my husband, like Grandma was." Children live within a family system occupied not just by parents but by grandparents, aunts, uncles, cousins, and their collective influences about money.

So What's a Good Grandparent to Do?

Here are some recommendations, partly from my professional experience and partly as a new grandfather to Quinn:

- Little eyes are watching. Be aware of your own money skills and personality. Address your vulnerabilities now.
- Cash is more instructive than plastic for kids under 12. Use it.
- Restrain the temptation to spoil. I've seen grandparents overindulge their grandchildren for years, then complain later that they are spoiled. Resist that happily squealing grandchild who momentarily loves you because you set no limits. You know it's wrong.
- Support your adult children in healthy parenting. Fight the temptation to end-run consequences they may be enforcing as they teach their child healthy responsibility. Character building sometimes requires tears.
- Attend to the Grandparent's Dilemma: How to offer guidance about unproductive or harmful situations without seeming to criticize. Feedback is always better when balanced rather than one-sided. Praise your grown child's parenting skills whenever possible. Try to offer at least one piece of praise before making a suggestion for doing something differently. If you build a reserve of good will, your suggestions will be more welcome.
- Your value is not in what you buy, but what you teach. Instead of spending sprees, try the Treasure Hunt approach, modeled after an example described by Eileen Gallo (co-author of *Silver Spoon Kids*): Organize a shopping day with the grandkids. Establish a budget using cash, then go on a "treasure hunt" together through various stores. Price items, discuss the value of potential purchases, evaluate choices, but don't buy. Just have fun. Next, over lunch or a snack have everyone brainstorm what to get. Don't control, and don't intrude; just ask questions, listen and offer wisdom. Even let your grandchildren pick the flashiest but flimsiest toys as long as they "make their case" (*Hint*: They will learn from experience). Calculate whether the purchase fits the budget, including taxes (another teachable moment). Then go get the winning treasures, letting the kids pay using the cash. They will learn decision-making, math, restraint, and the staying power of quality over glitz. The best part? They will associate those wonderful treasure hunts with you. Now, that is love.

Is this all guaranteed to work? Come back in 20 years and ask my granddaughter, Quinn. Did I tell you she's the cutest child in the known universe?

Jim Grubman, PhD *is a consultant to ultra-high-net-worth families, family offices, and other advisors. His firm, FamilyWealth Consulting, is based in central Massachusetts. Website: www.JamesGrubman.com.*

Teach Your Children Well

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than she currently possesses. All mention the advice of their Pitcairn financial planners in helping them navigate this terrain, one decision at a time.

Overall, these next generation inheritors are incredibly grounded and focused on the big picture—not specifically what their inheritance can do for them in the short-term, but how it can help them achieve what is important to each of them. "Coming from a place of gratitude has been helpful," Amy says. "It would be easy to spend it all or save it all. Finding the balance is trickier." John agrees. "We've been very fortunate. With my upbringing, it's not hard to realize that the money is for important things and I don't take it for granted. I want to do for my kids what my family did for me."

News & Events

Pitcairn Honored...

The Ackerman Institute for the Family honored Pitcairn with the Ackerman Corporate Partner Award at their annual *Tribute to Families* celebration on October 19, 2010 in New York City. The Ackerman Institute works with families in distress and helps them cope with modern life's complexities. Ackerman selected Pitcairn for the award based on our history of working with families and our shared belief in the importance of sustaining and supporting the family system.

Pitcairn Presents...

Chief Investment Officer **Rick Pitcairn** joined **Jean Brunel**, Managing Principal of Brunel Associates, and **Elizabeth Miller**, President of Summit Place Financial Advisors as panelists for a CFA Institute hosted webinar entitled *The Impact of a Family Business on Managing Wealth* on December 16, 2010.

Chief Investment Officer **Rick Pitcairn** and Managing Director **Rebecca Meyer** participated as panelists at the CFA Society of Philadelphia's *Family Office Symposium* on December 2, 2010. Meyer shared her thoughts as part of the panel on "Behavioral Finance and High Net Worth Investors" and Pitcairn imparted his expertise with other panelists during the session, "Chief Investment Officers on How They are Investing Today."

Pitcairn Pictured...

Pictured from left to right: The Dearstyne family, Rebecca Meyer and Sandy Herzlich.

Director of Wealth Advisory **Sandy Herzlich** and Managing Director **Rebecca Meyer** joined one of our family office clients at their family meeting in Boston. The group took a break from their agenda to attend a Boston College football game where Herzlich's son plays starting linebacker.

Pitcairn Participates...

Pitcairn attended the Family Firm Institute (FFI) *Annual Conference: New Rules, New Games* in Chicago on October 13-15, 2010. While at the conference, Chairman and CEO **Dirk Jungé** presented with a blockbuster lineup of experts including Pitcairn Director **Barbara Hauser,** de Visscher & Co. Vice President **Terry Hannafin** and Founder of the Institute for Excellence at the University of Pittsburgh **Ann Dugan** on "When Advisors Collaborate, The Family Wins."

Personal Risk Increases as Social Media Evolves

by Paul Funk, Frank Crystal & Company

The negative impact of social media has been oft reported, with chilling stories of online posts costing people jobs and college acceptances or even instigating crimes. Once released, information in cyberspace is forever and retrievable by any interested person. Personal reputations can be easily, and in some cases, irretrievably, damaged. It is important to remember risk is not limited to adults; children and teens innocently using social media to connect with friends have been caught up in web bullying and slander.

As social media evolves, new risks have emerged, including such real dangers as lawsuits, theft, bodily harm and kidnapping. The computer depersonalizes interaction. Remarks are often more uninhibited and callous than if expressed in person. While users may feel safe commenting online, online interactions are still grounds for slander and defamation lawsuits.

New location applications such as Facebook Places and FourSquare allow users to "check in" via a mobile device upon arrival at a particular location. Providing public notification of one's location has risks. For the wealthy, already a target for theft, sharing your location is especially unwise. For potential targets of stalking or kidnapping, such announcements are clearly dangerous.

The following advice will help safeguard oneself from the risks involved:

- Stay current on trends by regularly researching what is new through sites such as www.SocialMediaExaminer.com and www.Mashable.com.
- Maintain a personal level of engagement to stay on top of social media trends. Develop a Facebook page and follow others (including children) on Twitter.
- Hands-on experience proves privacy settings need particular vigilance. Never assume privacy settings are automatic; they most often are not. Review the privacy settings of children's pages as well as one's own on a regular basis.

Being unaware of social media applications and their policies leaves one vulnerable. Education and awareness will go a long way to protect against the risks.

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