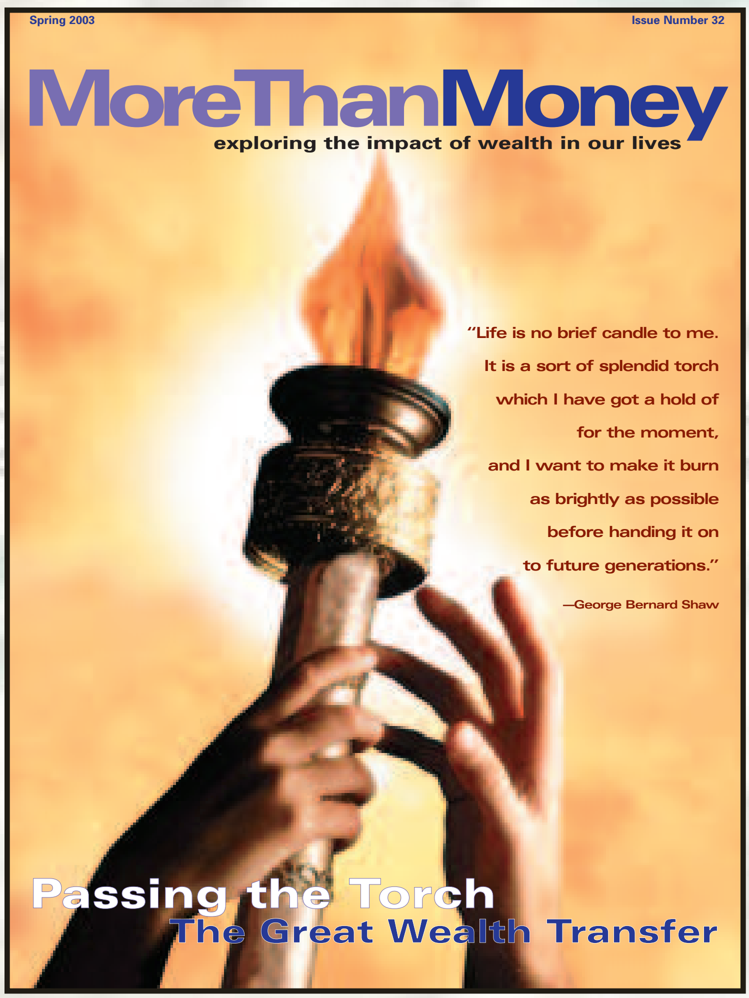
MORE THAN MONEY

Timeless themes & personal stories | Exploring the impact of money in our lives

Archive Edition

Passing the Torch
The Great Wealth Transfer



Issue 32, Spring 2003

A Complimentary Giving Resource

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BOLDER GIVING

Give more. Risk more. Inspire more.

Welcome

Welcome to **More than Money** Journal

More Than Money Journal, published quarterly from 1993-2006, was one of the first public forums where people shared personal stories about the impact of wealth on their lives. Groundbreaking for its time, each issue is filled with examples of ordinary people struggling to align their money and values in their spending, investing, giving, legacy, and relationships. The themes and stories in these journals are timeless and ring as true today as when they were first published.

More than Money Journal was a project of More Than Money Institute, a nonprofit peer educational network that touched thousands of people through its publications, presentations, gatherings, journal discussion groups and individual coaching. When More than Money Institute closed in 2006, its founders Anne and Christopher Ellinger (whom you'll see in More Than Money as Anne Slepian and Christopher Mogil) went on to launch another initiative called Bolder Giving. Individual articles from the journal were archived online with the Project on Civic Reflection.

Today, Bolder Giving is thrilled to be able to offer full back issues of More than Money Journal as a resource for families with wealth, philanthropic advisors, and all those exploring the impact of money in their lives. On the Bolder Giving website you can download issues individually.

Online, you can also order beautiful bound copies where 6-10 issues of the journal are compiled by theme:

- Giving
- Lifestyle, Spending & Investing
- Money and Values
- Children and Inheritance
- Money and Identity

(See full listing on back page of this journal)

We hope that More than Money Journal brings you fresh ideas for aligning your money and values and that you use the stories to start conversations with your own clients, family members, and friends. (Note: We have removed many last names from the personal stories in the journals, to protect the privacy of those who gave us permission before the days of internet).

About

BOLDER GIVING
Give more. Risk more. Inspire more.

More Than Money Journal roams the full territory of money and values. Bolder Giving has a more pointed mission: to inspire and support people to give at their full lifetime potential. A national, non-profit educational initiative, Bolder Giving invites you to help create a culture of greater generosity and to take your next step in becoming a bold giver.

At www.boldergiving.org you will find interactive tools and resources to help you explore three ways of being bold:

Give More: explore your lifetime giving capacity.
Risk More: step beyond your giving habits.
Inspire More: spark conversations about bold giving.

Bolder Giving's resources include:

Stories of Inspiration- The Bolder Giving website features stories of over 100 remarkable givers who have given at least 20% of their income, assets, or business profits. We host monthly teleconferences and web chats for informal conversations with these bold givers. Bolder Giving's stories have been featured widely in the press - on CBS and ABC evening news, in People and Inc. Magazines, The Chronicle of Philanthropy and elsewhere - and speakers are available for presentations and media interviews.

Support for Donors- Bolding Giving provides giving tools such as personal coaching, referrals to donor networks, workshops, the Bolder Giving Workbook and other publications, and a content-rich website. Please see the list of publications in the back of this magazine.

Resources for Advisors- Bolder Giving offers presentations, workshops, and publications for fundraisers, financial professionals and philanthropic advisors.

We invite your participation and support.

Thanks to the financial support of a few foundations and many individuals, Bolder Giving is able to offer free downloads of More Than Money Journal on our site. If you receive value from this publication, we invite you to donate online or contact us to explore ways of being involved as a donor, partner, or volunteer. Bolder Giving is a 501(c)3 tax-exempt organization, so all contribution are fully tax-deductible.

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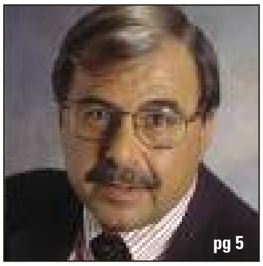
Contents

Passing the Torch: The Great Wealth Transfer

Features


pg 5


pg 21


pg 26

Passing It On

Personal Stories

Departments


pg 28

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"Let the word go forth from this time and place . . . that the torch has been passed to a new generation . . . "
—John Fitzgerald Kennedy, January 20, 1961


FRANK MONKIEWICZ

I was too young to remember much about President Kennedy's inaugural address, in which he declared the passing of the torch to a new generation of Americans. However, like so many others of my generation, I've seen the video—as well as the excitement and vision in the eyes of those who were the first to join the Peace Corps, asking not what their country could do for them, but what they could do for their country. Whatever one's politics, JFK's energy and vigor, and impassioned eloquence, set a new generation of Americans ablaze with the passion to offer themselves and their service to a higher cause.

Now, some 40 years later, John F. Kennedy's generation is at the forefront of those who are readying themselves to pass on another kind of torch.

Research by John Havens and Paul Schervish of the Social Welfare Research Institute recently confirmed the figures of the greatest wealth transfer in history: At least $41 trillion dollars is expected to pass from one generation to another over the next 55 years. That's not just through inheritance, and it's not just at death—it also includes philanthropic giving and taxes—but the point is, one way or another it will get transferred to someone else.

Much has been made of this large numerical figure. After all, it is unprecedented in our history. Some see it as heralding a "golden age of philanthropy."

"What if wealth exists in order to lead us to wisdom?"

Others point out that the average "transfer" to individual heirs is hardly the amount envisioned when one hears the aggregate number. (See p. 8.) However, to my mind, the more significant aspect of Havens and Schervish's research is what it tells us about our potential as humans, and about the capacity of wealth to lead us into that potential, individually and collectively.

Havens and Schervish conclude that, "the leading cultural and spiritual question of the current era is how to make wise decisions in a time of affluence." In his interview in this issue, Professor Schervish expands on this statement, explaining that the age of affluence we live in is characterized, increasingly, by choice. Greater choice, he says, does not in itself guarantee happiness—only choosing wisely does. As wealth increases, people do not necessarily become happier, because they do not necessarily become wiser (in fact, their continued on p. 4

Continued from p. 3

opportunity to make foolish and negligent choices also increases), but the conditions for learning wisdom present themselves in the very circumstances of the expanded choices that come with wealth.

The implications of this are not merely intriguing; they are, in fact, momentous: What if wealth—by compelling us to confront new questions and learn discernment—can make us both happier and wiser than we already are? And what if, on the evolutionary scale of things, that is a fundamental "purpose" of wealth? What if wealth exists *in order to* lead us to wisdom—if we choose to use it for that purpose?

In this issue we present people who are trying to be wise, people reflecting on some of the questions that arise when one starts to wonder how best to pass on wealth to others, whether it be material, emotional, or spiritual: What should I leave my heirs? Who are my heirs, anyway? How much should I leave philanthropically? Should I give it now or in a bequest at my death? How do I leave money or property to family and not cause a fight? How do I prepare the next generation to handle wealth? What else do I want to leave besides money? What legacy do I hope to leave—not just to my family, but to the world?

This journal issue begins to address these questions. It is intended as a conversation starter—something to point you toward resources, raise questions, and stimulate your thinking. As always, we offer a variety of viewpoints, because it is in hearing others' views that we are prodded to look more deeply at our own. As we sincerely reflect on the array of choices available to us, we increase our capacity for wisdom.

What does passing the torch mean to you? When you pass on your wealth, will you also pass on wisdom?

Pamela Gerloff

Pamela Gerloff
Editor

Coming next issue…

The "other side" of wealth transfer—how to prepare for and handle wealth

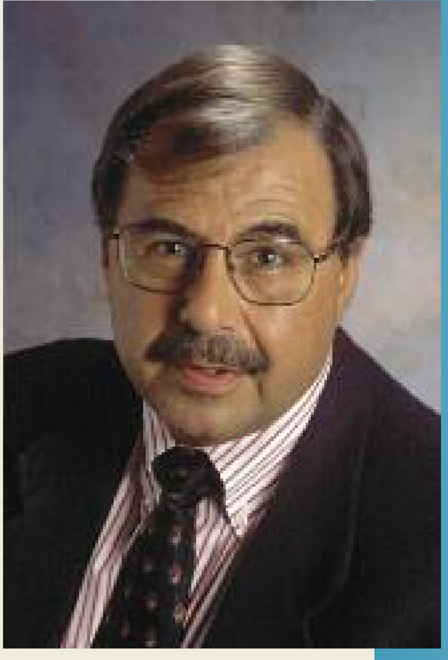
featuring…

Brent Williams, former NFL player, now a money manager for professional athletes

More Than Money is a national nonprofit organization that invites people with significant financial resources to explore the impact of money in their lives and to act on their highest values. Membership benefits include a quarterly journal, individual and group coaching, conferences and events, a resource and referral program, and an extensive online support network, including discussion groups, electronic newsletters, and a members-only website.

For more information, please contact our office.
877-648-0776 • 226 Massachusetts Avenue, Suite #4, Arlington, MA 02474 • www.morethanmoney.org

Wealth Transfer in an Age of Affluence



Paul G. Schervish, Ph.D., is a professor of sociology and director of the Social Welfare Research Institute at Boston College (**www.bc.edu/swri**) *and a national research fellow at The Center on Philanthropy at Indiana University* (**www.philanthropy.iupui.edu**).

He was selected in 2000, 2001, and 2002 to The NonProfit Times' *"Power and Influence Top 50." Dr. Schervish serves regularly as a speaker and consultant on how to surface and analyze the moral biographies of wealth holders, on the motivations for charitable giving, and on the spirituality of financial life.*

An Interview with Paul Schervish

Interviewed by Pamela Gerloff

A 1999 study by John J. Havens and Paul G. Schervish of the Social Welfare Research Institute concluded that over the next 55 years upwards of $41 trillion dollars will be transferred from one generation to another—through inheritance, philanthropy, and taxes. Recently, they wrote a report confirming the validity of those estimates, despite the downturn in the economy and equity markets. (Both studies may be downloaded from **www.bc.edu/swri***.) What does this mean for wealth holders, for philanthropy, and for anyone living in the current era? We talked to Professor Schervish about these questions and some of his groundbreaking research on wealth holders.*

MTM: You're a professor of sociology who studies wealthy people. Why?

Schervish: In 1984, a funder asked the following question: *As individuals become more financially secure, do they turn their attention more to philanthropy?* Also embedded in it was the social question: *Do whole societies, as they become more financially secure and affluent, become more engaged philanthropically?*

I said, "We already know the major answer to your questions: Sometimes it happens and sometimes it doesn't. What we don't know is: When it happens, what does that look like? And when it doesn't happen, what does *that* look like?" To find out, some colleagues and I began interviewing wealth holders who were diverse in source of wealth, locale, age, gender, and race.

MTM: What did you find?

Schervish: Our first report produced themes of empowerment and beneficence. Those have been major themes in all of our findings ever since. Initially, we asked people detailed questions about their philanthropy, but we discovered that the questions we were asking weren't profound enough, so we shifted our focus. Instead of asking only about financial security, we asked about the meaning of money and probed people's thinking and practice about the empowerment that comes with increased financial capacity. For example, what did they consider to be the secrets of their success and what did that success allow them to do? We also asked about the meaning they gave to their financial beneficence—the motivations and events that added purpose, or that they experienced

continued on p. 6

Paul Schervish *continued from p. 5*

as injurious in some way, or as meaningful. We asked a whole range of questions, not just about their philanthropy, but about the full range of their financial care, including the amounts of money they give to their heirs and to their employees.

MTM: And that led you to study wealth transfer?

Schervish: In working on this project, it occurred to me that almost all of the major thinkers, from Adam Smith to Karl Marx to Max Weber and Emile Durkheim, were all asking similar questions: *How is moral life initiated, maintained, and exercised when there is a growth in political, economic, religious, and cultural freedoms? What is the relationship between individual choice and the common good? How is individual choice related to personal happiness for oneself and others, and how do the two intersect?*

Those have become the key questions of our research. Even though most people understand themselves as being in the middle of the spectrum of the standard of living, more and more have had their standard of living increase so dramatically that the exercise of free choice is the most dominant characteristic of modern American life. No longer are there just a very few people who have a fuller range of material choice. Although there is, in fact, persistent poverty in the United States and globally, more and more people are achieving a standard of living that allows for more choice.

Philanthropy: Meeting True Needs

The various acts of care encompass both formal and informal philanthropy, like providing funds for parents who are in need; offering to buy clothes for your grandchildren; providing health care insurance for your workers, even though the market does not dictate that you do that; providing high quality products to your consumers, even though it is not a necessary market obligation. All that is care.

These are ways in which people are meeting the true needs of others, and not just through what we typically call *philanthropy*. Philanthropy is then only one potential choice for carrying out financial capacity with virtue. People have an obligation to make wise choices about care in their lives and to make wise choices about their financial care—but what those wise choices are is not for someone else to say. They are certainly for others to ask about—to invite a response, but not to dictate the response.

—Paul Schervish

> "Do whole societies, as they become more financially secure and affluent, become more engaged philanthropically?"

MTM: You have written elsewhere that, "The leading cultural and spiritual question of the current era is how to make wise decisions in an age of affluence." Is that what you're suggesting—that people in our society now have so many choices that wisdom is needed in making them?

Schervish: Aristotle understood that the goal of life is happiness—you could also say love, unity with the divine presence, or a whole range of things, but let's just say that his term is one working definition of the goal of life. Happiness is achieved if you can close the gap between where you are and where you want to be; or, better said, if you can close the gap between where you *and those with whom you identify and care about* are and where you and they would like to be.

We close this gap by wise choices, and wise choices are the exercise of virtue. Without the ability to choose, you have no potential virtue, because virtue is making choices within a range of freedom. You can close the gap by choice, but if your choice is arbitrary, it will not necessarily produce happiness. However, if choices are made with understanding, or the exercise of virtue, then they are wise choices—and they are the choices that will produce happiness.

MTM: So as people have more and more choice, if they want to be happy then the need for wisdom is greater?

Schervish: Yes. The modern affluent age is characterized increasingly by choice. In order to produce happiness for oneself and others we need those choices to be wise. In other words, it's not just choice that counts; it's character. So it is capacity (which comes from having the ability to choose) plus character that leads to happiness. That is what I call, for all of us, a gospel. It is the intersection of our empowerments and our moral compasses—our capacity for choice and our character. If you have capacity without moral compass, you act arbitrarily. If you have moral compass without capacity, you may simply be engaged in non-consequential idealism.

"You will not automatically choose a deeper quality of life just because you have greater wealth and greater choices, but the question and the potential to do so are raised."

MTM: It sounds as if you're saying that in an affluent society, there is an increased need to make wise decisions. If that's so, does this imply that affluence will push us into wisdom, individually and as a society—or, at least, that it has that potential?

Schervish: There is no automatic connection between affluence and wisdom. At every point on the economic spectrum a different array of issues comes to the fore. With affluence, a large part of decision-making around survival and day-to-day living is taken care of; the economic problem is solved. This adds new temptations toward materialism and superficiality, but it also offers opportunities to achieve what is deeper in your life. If you can have what you want, you do not automatically provide deeper answers to the question, *What is it that you want?*—but you do have the question raised in your life. You will not automatically choose a deeper quality of life just because you have greater wealth and greater choices, but the question itself and the potential to do so are raised.

A Golden Age of Philanthropy?

Will the $41 trillion wealth transfer result in a Golden Age of Philanthropy? H. Peter Karoff, founder and chairman of The Philanthropic Initiative, Inc., says some changes will have to be made in the foundation world first. Read his address "Saturday Morning: A Reflection on the Golden Age of Philanthropy," given at the Delaware Valley Grantmakers 2002 Annual Conference, Sept. 2002, at **www.tpi.org/promoting/publications.htm**.

MTM: What does that mean for this time of unprecedented wealth transfer?

Schervish: What is guaranteed is that the potential for wise choices is there. The questions will arise in people's lives either quietly or loudly, subtly or intrusively. This is true not just for the super-wealthy but for all of us who are affluent.

MTM: What factors enable wise choices to occur?

Schervish: It is pretty simple: You are going to make wise financial choices if you care. You might say that the school of wise financial choices is care. Ultimately, what leads to wise choices is love—the attention to others as ends in themselves, as I am an end in myself, not a means to an end. The way love is implemented and practiced is care, which is attending to the true needs of others. So wise choices come about through care.

MTM: And wisdom involves attending to the true needs of others?

Schervish: It's related to it. The Sufis say good people attempt to treat others the way they themselves would like to be treated, generous people treat others better than they themselves would like to be treated, but wise people treat others the way they need to be treated. Wisdom is connected to answering the difficult but right question: *What is the true need?*

MTM: How does wisdom help you know the true need?

Schervish: Wisdom is sensitized intelligence. It is what enables one to learn about how to perceive, and attempt to meet, the true need. That's why if the age of affluence is about choice, we have to develop new experiences and practices of wisdom. We need wise choices in a new era, especially in this era when choices are not determined by the necessity to say, "No, we can't afford it." In the past, our limitations were also our freedom. When we didn't have money for everything, we had to choose, and that helped us decide what we valued. In an age of affluence we sometimes regret that lost past, but it isn't a negative that it's gone. It opens up a new opportunity to find a positive rationale for wealth.

MTM: What might that be?

Schervish: One rationale is meeting the true needs of others in the realm of philanthropy—meeting true needs, not just in accumulation through business, investments, or work.

MTM: Is philanthropy the only way to "meet true needs" with wealth?

Schervish: In the modern era, providing jobs is also a way of meeting true needs. In this model of wisdom-as-meeting-true-needs, accumulation that leads to growth in the economy has a logic of spirituality to it as much continued on p. 8

Paul Schervish *continued from p. 7*

as philanthropic generosity does. In this new model, we're identifying a broader, deeper, and more profound wisdom.

MTM: Is there a right or wrong way to transfer wealth—for example, when deciding whether and how much to leave to charitable endeavors or to heirs or to taxes?

Schervish: Morality in this model is not just an outcome, it's a process of decision-making.

MTM: Would you say more?

Schervish: The very process of figuring out what it is you are to be doing with your talents and your financial capacity is itself a spiritual activity. If I have $20 million, it doesn't necessarily mean I should be giving more to charity. My obligation may mean building a business and employing 50 people. Charitable giving is not the only avenue of financial morality in this age of affluence. There is a whole range of moral options, but they need to be discerned.

MTM: How does one discern?

Schervish: You start by asking the questions *What do I want to do? What inspires me?* You also ask *What meets the true needs of others?* It may be caring for your little child right now or your dying mother. The important thing is that it is something you do yourself, in the realm of direct care, rather than through some organization or government or through other people's activities.

MTM: Why is that important?

Schervish: Because only you can discern what you should do. It's not about what you can put off on somebody else to carry out. When you are directly involved, that enables you to identify with the fate of others and to find happiness as you contribute to the happiness of others. That's why it's important to do something that you want to do.

So you are discerning three things: a connection to your ultimate end, whatever you conceive of that to be (e.g., happiness, service, union with God); an affective part, which you find by asking *What inspires me?*; and an intellectual component, which you discern by asking *What needs to be done?*

The final part is the execution of it. How do you put it into practice? This involves discernment too. In my view, it's figuring out what is to be done by you that is the will of God. That is discerned by finding where what you want to do and the needs of others intersect.

MTM: What if people don't relate to God? Is what you're saying relevant to them?

Schervish: Oh, yes. God is just one statement of a final end in life. Aristotle says happiness. Aquinas says the unity of love of God, love of neighbor, and love of self. Heidegger says participation in Being. A Buddhist would say the entrance into unity of all beings. Your ultimate end is the end that isn't able to be described as a means to another end, whatever that is for you.

MTM: The questions *What work should I do?* and *What do I love?* seem to be questions that more and more people are asking.

> "Philanthropy is only one potential choice for carrying out financial capacity with virtue."

How Much Will Heirs Receive?

…Because most estates have more than one heir, the size of inheritance will be relatively small per heir and the effect will be diffused throughout the population.

…about half of the aggregate bequests to heirs will be concentrated among heirs of the wealthiest 7% of estates with the remaining half disbursed among heirs of the remaining 94% of estates. The average total transfer to heirs from estates valued at $1 million or more will be approximately $1.9 million, 13 times larger than the average amount (approximately $150,000) that will be shared among the heirs of estates valued at less that $1 million. In each case, the total bequest amount will be divided among the total number of heirs of a given estate. As estates get smaller, the proportion going to heirs approaches 100%, with little or nothing going to charity or taxes. The larger the estate, the greater the proportion bequeathed to heirs. Nonetheless, heirs of wealthy estates will likely receive hundreds of thousands, if not millions of dollars, while heirs of less affluent estates will receive at most thousands of dollars, while tens of millions of potential heirs will receive little or nothing at all.

—From *Executive Summary, Why the $41 Trillion Wealth Transfer Estimate is Still Valid: A Review of Challenges and Questions,* **www.bc.edu/bc_org/avp/gsas/swri/documents/$41trillionreview.pdf**

What Will Be the Baby Boomers' Share?

The 2003 wealth transfer report by John Havens and Paul Schervish responded to various challenges brought against their earlier 1999 report. One charge was the following: *The projected estimate is unrealistic since the baby-boom generation, the largest generation ever, will not inherit anything close to $41 trillion.*

In the new report, Havens and Schervish respond: "Many queries about the $41 trillion wealth transfer estimate—often from boomers themselves—wrongly assume two things about our report. First, that the entire transfer of wealth is going to heirs; and second, that it is going only to boomers. First, 'wealth transfer' is not synonymous with 'inheritance.' Our original report carefully points out that only $25 trillion of the $41 trillion transfer will pass from decedents' estates to their heirs. The remaining $17 trillion will go to estate taxes, charitable bequests, and estate settlement expenses. Second, it is equally important to understand that while $25 trillion is going to heirs, that figure is the amount of wealth that will be inherited from 1998 through 2052 by all generations—and not just the boomers. Boomers may well inherit $7.2 trillion, but the majority of the inheritances will be transferred to subsequent generations, including the children and grandchildren of the boomers. As the boomer generation ages and dies during the 55-year period, their role in the wealth transfer process will be far greater as benefactors than as beneficiaries."

To read a summary of challenges to the 1999 report and the researchers' responses in the second report, see *Executive Summary, Why the $41 Trillion Wealth Transfer Estimate is Still Valid: A Review of Challenges and Questions* by John J. Havens and Paul G. Schervish (Social Welfare Research Institute, Boston College, January 6, 2003) **www.bc.edu/bc_org/avp/gsas/swri/documents/$41trillionreview.pdf**

Schervish: Yes, because such choices are more available now. Having a range of choice doesn't provide a certain answer to the question, but when the quantity of one's needs have been met, the next question is *What are the quality of my needs?*

This is what Hegel called the cunning of reason or what we might call the cunning of history. Certain potentials are unfolding, but they don't automatically lead to good. As our choices expand, the potential for both good and evil grow. From the very same foundations can grow control, manipulation, and heedlessness, or great care and love.

MTM: So the wealthy have greater potential to do both good and evil with their money.

Schervish: And when they do good, it is more freely chosen; therefore, it is more heartily embraced.

MTM: Does the unprecedented wealth transfer imply that there will be a "golden age of philanthropy," as the title of your first report suggests? (*Millionaires and the Millennium: New Estimates of the Forthcoming Wealth Transfer and the Prospects for a Golden Age of Philanthropy*)

Schervish: The wealth transfer projections indicate that the country's foundation of affluence is growing. If people just do what they are doing today, there will be a "golden age of philanthropy," because there will be more money to be transferred. If the same percentages are given to philanthropy as they are now, there will be many more dollars given away. But what will make the age truly golden is that we anticipate that people will become more charitably inclined over the years to come. There is coming into play what we call the new physics of philanthropy—a set of forces that combine to foster philanthropic growth.

But the golden age of philanthropy is perhaps more the potential of people to find satisfaction and wise choices in directly attending to the needs of others—because they have an income or financial resource stream that is greater than their expense stream.

MTM: What does all of this mean for making wise decisions about wealth transfer?

Schervish: First of all, wealth transfer is about economic growth and wealth and the capacity individuals have to allocate that wealth, not just at their death but throughout their lives. In fact, in our next model, we're going to talk about wealth transfer to the three major choices—taxes, family or heirs, and charity—as taking place not only at the end of life but throughout life. Wealth transfer is the transfer of wealth you make throughout your entire life—for example, paying taxes, giving to charity, and gifts to children.

> "There is coming into play what we call the new physics of philanthropy—a set of forces that combine to foster philanthropic growth."

Also, one of the interesting things that is generally not understood in discussions about wealth transfer is continued on p. 13

Avoiding the Family Fight

Les Kotzer is a wills and estates attorney whose area of expertise is on families fighting over inheritances. He is the co-author of The Family Fight: Planning to Avoid It *(Continental Atlantic Publications, Inc., 2002). Kotzer has been featured in* Time Magazine, *the Associated Press, United Press International, and on radio and television shows across North America.*

An Interview with Les Kotzer

Interviewed by Mara Peluso

MTM: Are you ever surprised by the emotions that are stirred up by the subject of estate planning?

Kotzer: Throughout my years of practice as a wills and estates lawyer, I have been shocked to observe how often the word "hate" comes up when families are dealing with their inheritances, as in, "I hate my brother," or "I hate my dad." My clients are expressing "hatred" toward the parents who raised them and toward their own brothers and sisters. These are the people we grew up with, the kids who played football with us in the backyard and rode to the Grand Canyon with us in the back of the station wagon. Now these "children" are 45 and hating each other to the point where they won't even be in the same room together.

MTM: Why is this happening?

Kotzer: Because parents and kids are turning a blind eye to planning. Often the parents themselves are destroying their own families without even knowing it, by not planning now. The book I co-authored with Barry Fish, *The Family Fight: Planning to Avoid It,* is not about how to save taxes—it's about how to save families. We need to pay attention to this issue, because we have the potential to avoid the "family fight."

MTM: You say it is a growing trend that more and more people are fighting over inheritances. Why is that?

Kotzer: In my practice, I have seen a trend among baby boomers, who are about to have trillions coming down to them from Depression-era parents. Baby boomers, in general, were brought up to expect the best of everything. The baby boomer generation spends quite a bit—and they lost quite a bit when the market "crashed." Until the stock market slowed down, baby boomers thought they would retire early on their investments, which had been increasing every day. Now, lots of people are afraid to open their retirement savings statements because their holdings have dwindled. The baby boomer generation (which is my generation) also has a lot of debt. Many of us are even being laid off, and it's very hard to find work at age 55.

Our parents, on the other hand, protected their money. They didn't go to restaurants as often as we do, they kept their cars longer, they clipped coupons and saved every penny. Therefore, baby boomers are telling me, "I may not have lots of money now, but I will in the future because Mom and Dad have this and that." Many baby boomers are depending on their parents' homes as a mattress of protection. Because many children feel entitled to their parents' estate, they fight when their parents don't handle their estate as the children believe they should.

MTM: And what happens then?

Kotzer: Because of these generational dynamics, the concept of "waiters" is becoming an increasingly common phenomenon in our practice. Once I had a client arrive in a beautiful sports car, wearing a suit that glowed in the daylight, with jewelry dripping off his arm. I said to him, "Let's talk about what you own." He said, "Well, my car is leased, I have a mortgage on my house…" His wife jumped in and said, "My husband is a waiter." I was taken aback, wondering what kind of restaurant he was working in to afford him this type of lifestyle. Then it hit me: His wife meant that he was "waiting" for his inheritance. I smiled, but the phrase hit a nerve.

Since this incident, I have talked with many other people who are in the same situation. Rather than investing or saving money, some of my clients are entirely dependent on inheriting their parents' money. I even spoke with a man who calls his brother a "wisher." His brother was not only waiting for his parents to pass on, but was wishing that his parents would pass away sooner.

MTM: You said that parents are "destroying their own families without even knowing it." What are the main mistakes parents make in their estate planning that contribute to the family fight? How can parents avoid making them?

Kotzer: The most common mistakes parents make include:

Failure to plan for the event of your incapacity

Lots of parents don't understand that their will does nothing while they are alive. With parents living longer, fighting often occurs when a parent becomes incapacitated. If you were to become incapacitated, who would take care of you? Who would do your banking or make your investments if you had a stroke or were in a car accident? The executor of your will has no power to act for you while you are sick, so your assets could be frozen.

Solution: Parents can avoid this problem by appointing someone as durable power of attorney for property. This enables someone you trust to step in and make financial decisions in case you can't make them yourself. In many states, you can also write a living will and appoint someone with the durable power of attorney for health care.

Failure to include provisions for your possessions in the estate plan

Parents assume that children will not fight if their money is divided up evenly, but children do not fight over just money. Kids fight over memories. Even if you leave more to the child who needs it the most, your other child or children might be really hurt. I have witnessed awful fights over Mom's personal possessions. In one case, a daughter wanted to keep a vase that she had given to her mother as a birthday present. Her brother, who was executor of the will, was demanding that she return the vase to the estate. I had to tell her that she was obligated to return it. Rather than share the vase with her siblings, however, the daughter smashed the vase in the parking lot of my office.

Solution: You need a plan for how to deal with your personal items. *The Family Fight: Planning to Avoid It* discusses in detail how to deal with personal possessions.

Failure to inform your children whom you have named as power of attorney and/or executor, and why

Children fight over being slighted. They fight over who was appointed as executor or as power of attorney. In the book, we talk about one woman who learned that she was the power of attorney, but was already feeling overwhelmed by her own responsibilities, so she asked her sister to help her handle the estate. The sister refused, saying, "Mom wants you to do it. She must have loved you more."

Solution: Have a conversation with your children to explain your choice of executor. continued on p. 12

On Waiting…

Loving My Dad, Not My Inheritance

I always had the idea that I could afford to be a flake. I could afford to get thrown out of Harvard and be wild because one of these days I was going to inherit a lot of money. Then one day when I was in India, my spiritual teacher called me in and said, "Your father has a lot of money…You are not to accept an inheritance." I was startled. I said, "Okay," while thinking to myself, "I'll deal with that when the time comes."

At the time, I didn't know whether I would honor what my guru said or not. I thought that coming from a family of lawyers I'd figure a way around it. Yet, on a spiritual level the mandate felt right to me. I knew that my father saw everybody as wanting his money and I didn't want to be one of those people. It would mean that he wouldn't trust my love. Ultimately, I set up a special account for any future inheritance with the intention that every penny would be given away.

Once I shifted my intention towards my inheritance, the effect was profound. My lifestyle was no longer impeded by my father continuing to live. I hadn't been aware that I was wanting his money and waiting for him to die. Now that I stopped doing so, suddenly I was helping him remarry. He and his wife and I became close buddies. I just wanted him to be happy; he had worked hard, I wanted him to enjoy spending his money. While I never spoke to him about my intention, once I stopped wanting his money, I was freed up to love him—and he recognized that.

—Ram Dass

Excerpted and adapted from an interview in We Gave Away a Fortune *by Anne Slepian and Christopher Mogil, with Peter Woodrow (New Society Publishers, 1992). Available at* **www.morethanmoney.org**.

Les Kotzer *continued from p. 11*

Failure to appropriately thank the care-giving child

Some children wait in the hospital day after day, or even give up their job or education to take care of their parents. Their siblings, however, may live far away and never even see the sick parent. One woman I know of was a caregiver who felt slighted. After years of living in her sick mother's house to take care of her, the woman's brother was named executor of the estate. When the mother died, he threw his sister out of their mother's house. How does a parent deal with that? Does a parent give equally even though one child gave up part of his or her life to help out the parent?

Solution: One suggestion is that parents discuss this issue and decide how to benefit the care-giving child while the parent is still alive.

Failure to disclose information about your will to your children

Parents and children both contribute to the problem of secrecy. Parents are often secretive about their wills, and often, adult children cannot convince their parents to disclose any information about their wills. Sometimes a child doesn't know he or she is appointed as executor until after the parent dies. On the other hand, many children do not want to think about their parents becoming sick or dying and so they refuse to talk about it.

Solution: Communication is essential because death is inevitable. Careful estate planning designed to avoid family fighting, along with conversations with your children about your will, can do a lot to prevent these problems. One way to get the conversation started is to use our book as a bridge of communication. Parents often ask us to send the book to their kids and vice versa.

Failure to re-examine your will after getting remarried

Parents often fail to consider the issue of second marriages. I

BEATA SZPURA/ILLUSTRATIONS WORKS, INC./GETTY IMAGES

Dangerous Assumptions

To avoid family fights over your estate, be careful what you assume!

Never assume goodwill among your children

Never assume that because you love your kids, they'll love each other. If you have one child with debt and another without debt, don't assume one will look after the other. The pressures put on your daughter to take care of your son with debt, for example, could hurt their relationship, or could hurt your daughter's marriage.

Never assume that your child's marriage will be permanent

In some cases, it may be prudent not to appoint your son and his wife as executors of your will. If you appoint your son and daughter-in-law as executors and then your son should die, your daughter-in-law would still be your executor. It's generally wiser to appoint your son and another of his siblings instead.

Never assume that a "homemade will" will be effective

Because of online will-making programs, there has been an explosion of the homemade will. Regardless of how much money you have, it is worth going to a lawyer and having documents prepared for you. I have heard too many horror stories. People think it's easy to do a will on their computers, but a lot of variations and issues come up in preparing a will. For example, if you own something in joint names with "right of survivorship" with one of your children, like a bank account, your will can't divide the account among all of your children. "Joint survivorship" means that your child who is named as "joint" on the bank account with you gets that bank account and has the right to decide what to do with the money. The same thing goes with land held jointly with right of survivorship. The point is that the surviving joint account holder gets the money (or the land) no matter what the will says.

Never assume that your lawyer is capable of finding all of your assets

A lot of people come to me, dump documents on my desk, and think I can find every asset. Sometimes parents have not organized their affairs and assets get misplaced or are never found. Get a detailed checklist (our book has one and there are others) so you can identify all of your assets. Then tell the children where to find the list.

—Les Kotzer

spoke with a man whose father had a great deal of wealth and property, which he had inherited from his own father. The man's father remarried, and the man was very close with his stepfamily. The stepmother, who was executor and sole beneficiary of the father's will, promised that she would "take care of the son." When she passed away, however, she willed everything to her own children—including all of the money and possessions that her husband had worked for his entire life, as well as everything he had inherited from his own family. The son said he was not as upset by the loss of the money as he was by being forbidden to even see his family's old photographs or to visit his father's old home.

Solution: If your parent is in a second marriage, he or she must talk to a lawyer about his or her will.

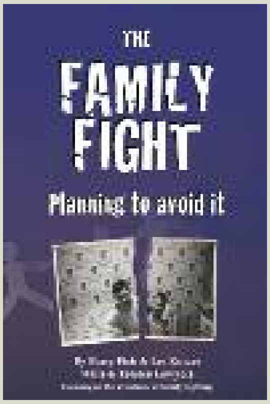
MTM: Is there anything else you would say to parents to help keep their children from fighting?

Kotzer: A lot of people think they are protected from family fights because they have a will and a safety deposit box. But many may be in for a rude awakening, because their children can still have devastating disputes. Parents must use caution not to base their planning on inappropriate (albeit natural) assumptions, which often lead to family fights. (See sidebar, p.12.)

The Family Fight: Planning to Avoid It
By Barry Fish and Les Kotzer
(Continental Atlantic Publications, Inc., 2002)

In plain language, the book discusses various aspects of inheritances, providing simple explanations for some of the most complex elements of estate planning.

The real-life examples, from the authors' years of experience as wills and estates lawyers, are likely to inspire even the most reluctant of readers to take steps to avoid the devastating, and increasingly common, consequences of the family fight. Rather than focusing on saving taxes, the authors provide clear guidance for saving families.



The Family Fight: Planning to Avoid It is available for $19.95 (including shipping) at **www.familyfight.com** or 888-965-1500. The book is not available in stores. Les Kotzer may be contacted about the book at 877-439-3999.

Paul Schervish *continued from p. 9*

that when a substantial amount is transferred to heirs, that doesn't necessarily mean it isn't given to charity—as is testified to here and now by so many who are associated with More Than Money. So an important question becomes: *Are we developing the capacity to make wise financial choices, and are we helping the next generation to develop that capacity too?*

See also:

"The New Physics of Philanthropy: The Supply-Side Vectors of Charitable Giving. Part 1: The Material Side of the Supply Side," by Paul G. Schervish and John J. Havens, *The CASE International Journal of Educational Advancement,* Vol. 2, No. 2, November 2001, pp. 95-113.
www.bc.edu/bc_org/avp/gsas/swri/documents/nppub1.pdf

"The New Physics of Philanthropy: The Supply-Side Vectors of Charitable Giving. Part 2: The Spiritual Side of the Supply Side," by Paul G. Schervish and John J. Havens, *The CASE International Journal of Educational Advancement,* Vol. 2, No. 3, March 2002, pp. 221-241.
www.bc.edu/bc_org/avp/gsas/swri/documents/nppub2.pdf

"Major Donors, Major Motives: The People and Purposes Behind Major Gifts," by Paul G. Schervish, in *New Directions for Philanthropic Fundraising: Developing Major Gifts,* edited by Dwight F. Burlingame and James M. Hodge, Summer 1997, pp. 85-112.
www.bc.edu/bc_org/avp/gsas/swri/swri_publications_how_to_order.htm The description of this report is available at: **www.bc.edu/bc_org/avp/gsas/swri/swri_publications_title_M.html**

An Interview with Olivia Boyce-Abel

Interviewed by Pamela Gerloff

MTM: What prompted you to start Family Lands Consulting?

Boyce-Abel: My business grew out of my own personal experience, both as a beneficiary of my grandmother's trust and as executor of my mother's estate. My siblings and I ended up in 13 years of litigation and five different lawsuits over our family land in South Carolina. My mother hadn't communicated clearly with us siblings, and there were other relatives involved, which made things complicated. (This is very common in families.) After doing a 13-hour deposition and my fifth lawsuit, I decided I didn't want others to have to go through that experience. Now I help people avoid those kinds of problems.

Family Lands

Olivia Boyce-Abel is the founder of Family Lands Consulting (**www.familylands.com**) *and Boyce-Abel Associates. Her work as a family mediator involving estate planning and wealth transfer includes facilitation and environmental advising around land issues.*

MTM: When you talk about land transfer do you mean family farms, beach houses, vacation homes?

Boyce-Abel: Yes, but also any sort of property, like stocks and bonds, Nobel Prize medals, art collections.

MTM: What's different about transferring land, as opposed to money?

Boyce-Abel: Land is more complicated than funds, or even stocks and bonds, because typically, land holds more sentimental value. It brings up strong emotional attachments, both positive and negative, to a family's legacy. Almost every family dealing with land transfer issues has someone who wants to sell, someone who wants to stay on the land, and someone else in the middle. That's a repeating dynamic of families. For instance, I know of one family whose members are in conflict over their ranch. One branch of the family loved going to their summer home on the ranch and wants to pass it on to their children. Another branch of the family with a history of alcoholism associates the ranch with negative childhood memories. Now that it's time to inherit the land, those children want to be rid of it. To lose the ranch would be devastating to the former group of children, while the latter can't wait to sell to a developer.

Even though family stocks, like Sears & Roebuck or Coca-Cola, may have a sentimental value, stocks are not the same as a family place where you know that your great-grandfather sat, your father hunted, or your grandmother tinkered and gardened. Stocks, bonds, and liquid assets can be divided up, but people who are given money from the sale of land are often devastated. If you have an emotional attachment to a piece of land, you tend to want to be sure your family can continue to own it.

Boyce-Abel's family land, Little River, South Carolina

MTM: You sometimes talk about equitable distribution of land, as opposed to equal. What's the difference between equal and equitable?

Boyce-Abel: Equal would be dividing something equally among all the heirs—each gets the same amount. Equitable might mean that an inheritor who has more financial or emotional difficulties would receive more, or someone who has done far better financially than the other siblings and may not need as much would receive less. But if you choose to leave "equitable" portions, you need to discuss it first with your heirs. In the United States, we do equate money with love, so if children are not left equal amounts, they are likely to feel shortchanged unless there has been a dialogue about it first. I find it fascinating that parents will often assume that because they have given parcels of land to each child, there will not be an issue over the land—and yet there is, if they haven't found out what the children want.

One wealthy family had placed conservation easements on much of their land and had given various estates to each of their children. However, they had not talked to their children about which child wanted which piece of land. When I talked to the children, there were many strong feelings about which child wanted what. (These were beautiful, thousand-acre tracts.) You can divide things in an equitable way that works for everyone and acknowledges that there are some differences, but the experience of receiving the inheritance is very different when it comes from the child's own choice. By talking about it ahead of time, you can make a plan that makes everyone feel loved.

MTM: What other mistakes do people make when transferring land and how can they avoid making them?

"In each family there is a piece of land that holds the history, the sense of place."

—Jay Hughes

Boyce-Abel: The biggest mistakes are:

Failure to start soon enough

People need to begin planning ahead now. I would like to see all wealth transfer work done with a mediator or trained facilitator from the outset. When everyone is at the table, it makes a big difference. Many times I have seen parents change their decisions based on information they get during meetings with their loved ones and a mediator.

Failure to consider family dynamics

So often parents say, "I'll leave it to them and they'll figure it out." But parents need to be asking critical questions like, "Are there people who don't get along? Should they be owning land together?" I always try to remember what psychologists say: that 95% of what's going on in conversations is old baggage. Only about five percent is really relevant. For instance, when I'm talking with my siblings, I'm little Olivia again. When I'm with others who see me as a successful businesswoman, I'm mature Olivia. There are all sorts of family dynamics, including sibling rivalries and misunderstandings, that occur whenever land or family possessions are involved.

Failure to communicate

The best thing to do is to have a series of family meetings where family members have the opportunity to communicate openly. Neuropsychologists say that it takes two years to return to a normal state after the death of a loved one. So the worst time to be figuring out a land or wealth transfer is when grieving a loss, death, or divorce. By having conversations now about the land with your loved ones, things are more likely to be smooth. You can help your heirs understand how and why you've made your decisions.

Failure to establish a governance structure

The worst thing you can do is to leave the land to tenants in common without a clear decision-making structure. If potential tenants in common can't agree before they own land together, there is no way they are going to be able to agree when they suddenly become joint land owners, unless you have set up a governance structure for them to follow. Otherwise, if any of the tenants won't listen to the others, the only way to object is to take the others to court. I've seen a number of cases where there is one family member everyone else thinks is crazy. But how crazy would you be—if the others have more money than you do and are spending it on things for the property that you don't support?

Having a governance structure in place before you die is in fact the most important step in planning for a land transfer. I would recommend the following:

In the years ahead, summer home ownership will be transferred to a new generation at a rate unprecedented in real-estate history. Vacation home ownership rose 13% in the 1990s, to 3.5 million homes. Today, one out of every seven homeowners over age 65 also owns a second home that must be factored into their estates.

—From "Mom Always Liked You Best: Who Gets the Beach House?" by Jeffrey Zaslow, *The Wall Street Journal*, August 15, 2002, at **www.familylands.com/article5.html**

- Have a buy-out plan

For example, you might give rights of first refusal to family members.

- Create an endowment fund for land maintenance and capital improvements

Everyone wants to see property with the fields mowed and the raspberry patch weeded, but typically, as land goes to the next generation, the heirs don't have the same kind of cash flow that the parents had and it is difficult to get continued on p. 17

The Role of the Trustee

A Conversation with Elizabeth Glenshaw

I once had a client (a husband and wife) at one of the firms I worked with who had a $40 million net worth. The husband felt his life had been severely compromised when he inherited all his money, so he and his wife chose to pass down only $200,000 to each of their children. I was later asked to work with the children of that couple, with the idea that I would support them in developing good financial habits.

Each child had very different feelings about what the parents had done, yet there were shared questions: Why was I not worth more? How do I manage a lifestyle so different from my parents' life and the one I grew up in? How do I talk with my children about our family and its vast differences in terms of wealth?

The children spent many hours with me trying to understand the mixed messages they had received, and were continuing to receive, about their family's financial wealth. For example, the grandparents liked to take their grandchildren on exotic trips and shower them with the good fortune that wealth can bring. What message was being sent with these actions? Was this healthy? The children clearly perceived it as a mixed blessing. In particular, they worried that the grandparents were exposing their grandchildren to a lifestyle they probably would not be able to attain.

As financial advisor to the parents and then, later, as trustee to the adult children, I found myself in the middle of this family dynamic, which raised many questions for me. Yet as advisor and trustee, my role was to be a good steward of the assets for the benefit of the individuals I was contracted to support. In that role, I have to be careful not to be judgmental, not to take sides, and to help my clients think about who they are, what they want in their lives, and how their resources can or can't help them accomplish their objectives. If they can't do what they're trying to do with their resources, I help them figure out what other avenues they can take to get there. I hope to free them of the constraint the wealth can be in their lives.

Elizabeth Glenshaw is a senior associate with the Calvert Foundation, which provides community investing opportunities throughout the world. Prior to joining the Foundation, she managed portfolios for individuals and families that integrated social criteria as an essential investment objective. She crafted the Socially Responsible Banking Fund for Vermont National Bank (now Chittenden Bank), which makes flexible loans in the areas of affordable housing, education, sustainable agriculture, downtown revitalization, environment, and small business development.

> "Gain your own understanding of the wealth in your life, so you don't pass on your baggage to the kids."

During my professional career, I have often had to introduce new inheritors to their wealth and, at the same time, ask them to draw up a will and think about what they want to do with their assets when they die. I've seen people handle it wonderfully and others not well at all. One couple I worked with had three young children. They were willing to start early on to have family meetings with the kids. We would sit down and talk about their accounts and give the children a chance to participate. I love Charles Collier's idea that you start talking to children when they're young, and at some point you bring in an advocate for the kids—not just your own lawyers and investment advisors, but someone who will advocate for the child. (See "Resolving Family Differences: Asking the Big Questions," in *More Than Money Journal,* "When Differences Divide: Resolving Family Tensions Around Money," Issue #30, pp. 12-14.)

The way I see it, you can't prepare people in a two-hour meeting to even begin to understand the

"We've been thinking a lot about what we want to do with your life."

role this wealth has or doesn't have in their lives. It's lifelong learning. I say to my clients: Start early, talk often, and work on gaining your own understanding of the wealth in your life, so you don't pass on your baggage to the kids. ■

For related information, see:

"Incentive Trusts: Responsible or Controlling?," *More Than Money Journal,* "Effective Giving," Issue #26, Spring 2001, pp. 7-8.

"Trust Funds: Blessing or Curse?," *More Than Money Journal,* "Money and Children," Issue #9, Autumn 1995, pp. 6-7.

"Twelve Ways to Keep Trust Funds from Messing Up Your Kids," *More Than Money Journal,* "Money and Children," Issue #9, Autumn 1995, pp. 8-9.

Talking with your children about money is an ongoing conversation that should be a normal part of your everyday life, like going to school, having dinner, or learning a new sport. Listen to the questions your children ask you. (They do ask you money questions, whether they sound like "money questions" or not.) Then really answer their questions. My daughter recently asked, "Can I get an allowance? My friends do." It gave me the opportunity to engage her in a conversation, letting her participate in a discussion of what that allowance would mean. What would the allowance be used for? Should it be earned by doing chores or not? What did her friends do with their allowance? Should some of the allowance go to savings, to a giving pool? You may be pleasantly surprised by the conversations you will have with your children and how it will challenge your thinking.

—Elizabeth Glenshaw

Olivia Boyce-Abel *continued from p. 15*

heirs to agree on how much should be spent on upkeep. An endowment fund works well to ensure financial sustainability.

- Consider what to do in cases of divorce

Will in-laws receive part of the land or not?

- Provide for the rotation or replacement of trustees or decision-makers

Trusts run the risk of having a single trustee who has all the control or power. Providing a structure for rotating and replacing trustees helps make the process more democratic. You can also set up an advisory board to the trustees, to keep them up to date on what's happening with the family property. And you might include a clause to ensure that the trustees will mentor the next generation.

- Re-assess the plan every three to five years, as needs and situations change

- Begin to mentor the next generation

Finally, it's important to begin preparing the next generation early in their lives. Unless you involve them, you run the risk that they will not know, or care, how to run the land. Children love to feel involved, important, and needed. Even if they are just clearing brush, making decisions about issues such as what areas to clear can give children confidence, autonomy, and self-esteem.

You also can begin early on to talk to your children about the legacy of the land. You can tell them, for example, "This is amazing land that our great-grandfather bought for us. I would like to see it preserved forever. You will have this land some day and it will have conservation land easements on it." You can talk to them about what land and ecology mean, and the special environmental characteristics of your land. Author Wendell Berry is very eloquent about this. He says you can't really understand land until you've been on it for a number of years. In farming, this might mean understanding how the land's drainage systems work or why certain things can be planted in one place and not elsewhere. For other types of property, it might mean taking children with you to repair the boathouse, or teaching them about the ebb and flow of tides and how much it costs to build the seawall and why you have it. Or it might mean letting them help stain the deck or rebuild the stairs. Children are never too young to learn how to steward the land.

I'm working with a family now where one branch wants to stay involved in the land and the other doesn't. Some who want to stay in are only 18 and 19 years old. They have a grasp of how the property needs to be managed and are making points nobody else has made. Sometimes members of the younger generation may be able to bring together families that have been estranged or have miscommunicated for years. They can provide a more neutral voice continued on p. 20

Family Foundations:

An Interview with Kelin Gersick

Interviewed by Pamela Gerloff

Kelin E. Gersick, Ph.D., is a senior partner at Lansberg, Gersick and Associates (**www.lgassoc.com**)*, which specializes in assisting generational transitions in family businesses and foundations. He is professor emeritus in the doctoral program at the California School of Professional Psychology and a management fellow at Yale University. Dr. Gersick is also the principal investigator for the National Center for Family Philanthropy's* (**www.ncfp.org**) *research study of strategies for effective transitions in family foundations, "Generations of Giving: Leadership and Continuity in Family Philanthropy." This interview is based upon the forthcoming research report, which focuses on issues of leadership and continuity across generations. (See sidebar, p. 20, for how to receive additional information about the study, or to order a copy of the Interim Report.)*

MTM: What are the biggest challenges people need to anticipate when transferring leadership of a foundation to the next generation? Where might things "go wrong"—and how does one "make them right"?

Gersick: Based on our research, the approach we would take toward a generational transition is to recognize that it's a process, not an event. Family foundations are constantly evolving. The ones that do it best, which is to say, the ones that feel most in control and satisfied with the outcome, are thinking all the time about where they are in their evolution—of their policies, grantmaking, and governance; of the readiness of family leaders to rise to new levels of leadership; and of the ability of current leaders to pass on the mantle of authority.

Foundations where there is relatively long-term development of the succeeding generations are in a much better position than foundations that haven't provided for that. This means giving the next generations time to, first, become acquainted with the foundation; then to become participants; and eventually, to become active. Typically, the longer the newer generations have been involved in the foundation, the better.

> "Family foundations need to evolve—so they need to be able to evolve."

Secondly, the more meaningful the criteria and selection processes are for the next generation of trustees, the better. Some use rigid representational techniques, like age or geographical location, without regard to such factors as interest, capacity, or point of view. Others are much more concerned about "fit." They consider the work that needs to be done and individual family members' readiness to make a contribution. That generally works better as a way to select trustees and resolve issues as a foundation moves forward. As the foundation evolves, it's good to keep refining the selection criteria, to maximize the likelihood of having family members who are dedicated, prepared, and eager to contribute.

MTM: Are there differences between transitions in family foundations and transitions in family businesses?

Gersick: There are differences in the organizational economics of businesses and foundations. The main difference is that because the performance of family companies is of critical importance to surviving—to being smart and competitive in the marketplace—and the primary stakeholders are all in the family, more attention gets paid in family businesses to setting performance criteria for future leaders; and more explicit demands are made regarding the performance and behavior of family members in their roles.

Foundations, on the other hand, are more likely to make choices based on representation, like whose "turn" it is to serve on the board, or equity ("What's fair?"), or demographics ("This year we need someone from the West coast.") In general, organizational needs in family foundations—like the need for good management and a good infrastructure—are not given enough attention. The people governing family foundations are not generally held to the same standards or given the same resources of leadership as in family businesses. Family foundations are set up for entirely different reasons than family businesses, of course, and it is not entirely surprising that they have different challenges—and opportunities.

The Next Generation

MTM: Your research says, "Actions in family foundations have very long 'half-lives.' Without the ups and downs of business cycles to capture everyone's attention, foundations tend to perpetuate core issues of the family for a longer time, returning to the same dilemmas over and over, even as individuals change." What's a way out of that?

Gersick: Family foundations sometimes can become a primary theater for the enactment of family dynamics. These dynamics involve issues among siblings, families, and generations. Because foundations are closely tied to issues like values, individual differences become very central to the things people talk about in foundations. The foundation is therefore a place where, for example, family members will continue to revisit questions like where their wealth came from and how they feel about it; or one branch of the family may have developed a liberal outlook and another may be conservative, so the two branches hold different views of what the foundation should be supporting with its philanthropy. These questions and differences have meaning in the grantmaking discussions—so that's why family foundations tend to continually return to the same core dilemmas, in ways that family businesses do not.

To the extent that families can separate these kinds of discussions from the foundation itself—that is, create enough of an opportunity to discuss issues of value and identity without always connecting them to specific issues about grantmaking—families have a chance to reach common ground more easily. Those kinds of discussions may occur at a retreat, or a family meeting, or just in talking among themselves about fundamental issues of value.

Family Foundations: Tips for Transferring Leadership

- Recognize that transitioning across generations is a process, not an event
- Involve members of the next generation over a long period of time, giving them time to gradually become more knowledgeable and involved
- Choose meaningful and relevant criteria to select the next generation of trustees
- Focus on "fit," not quotas
- Value high standards of performance and provide sufficient resources to achieve them
- Talk about family issues and values separately from grantmaking, so those discussions don't dominate the work of the foundation
- Set the foundation up at the outset to allow for reinvention and redesign later on

MTM: Sometimes family foundations create a very specific mission, but a generation or two later the world changes and that mission is outdated. From your research, would you say it is better to be more specific or less when creating the foundation's initial focus and mission?

Gersick: Founders who create a specific programmatic constraint that they expect to maintain in perpetuity are taking a huge risk. The risk is that the issue they find compelling will become irrelevant (the buggy whip phenomenon) or that no successors will find it compelling enough. The advantage is that they get enormous focus and clarity.

By being less specific, the founders are creating the opportunity to be collaboratively philanthropic and to leave a legacy of values, not of programmatic constraints. The risk in this is that it requires a lot more continual reinventing by the next generation because there is no directive to follow; but the chances of the foundation being more broadly adaptable and finding a constituency in the future are higher.

MTM: One family foundation I know of originally gave money to provide care for elderly nurses when they could no longer work. Later, when it had much more money to donate, it broadened its mission to support the hospitals and institutions where the nurses work, including purchase of hospital equipment.

Gersick: To the extent that they can find a legally acceptable way to do that, I think that's good. Our conclusion, based on this research, is that family foundations need to evolve—so they need to *be able* to evolve.

MTM: Does the key to continually evolving lie in how the foundation is originally set up?

Gersick: The concept and design at the beginning has many implications far down the road. Sometimes the most important thing that determines the success of a next-generation continuity is a decision early on that affects things 50 years down the road. If a founder couple with three children choose to include only the eldest child on the board for the first 20 years of the foundation's life, that will most likely create a very different long-term dynamic than a founder couple who include all three of the children from the beginning.

MTM: Did you find anything in your research that particularly surprised you?

continued on p. 20

Kelin Gersick *continued from p. 19*

continued from p. 19

Gersick: One interesting concept is that family foundations often do not begin as foundations, but rather as the formalized personal giving of the founders. This means that the foundations have to discover and define themselves later in their lives. That's the creative moment of the family foundation—when it transitions from being a formal operation for the personal giving of the donor to a family foundation with a mission that involves collaboration of many voices to achieve. In many cases, that doesn't happen for a generation or more.

Generations of Giving

A book based upon the *Generations of Giving: Leadership and Continuity in Family Foundations* project will be available in late 2003.

To receive information about this study, send an email with your contact information and "GOG Report Request" in the subject line to ncfp@ncfp.org.

To order a copy or view an excerpt of the Interim Report for this study, visit **www.ncfp.org/publications-passages-current.html**.

"Ninety percent of family businesses don't make it to the third generation, but family foundations tend to live longer. They are transitioning values, not money, which makes the difference."

MTM: Is that the most vulnerable time—that transition from founders to the second generation—in terms of whether a family foundation continues or not?

Gersick: It's not just continuation that's needed, its reinvention. It's a truly collaborative process. Discovering how to do that is the primary challenge of this first transition. Most of the foundations in our research sample found that the transition from the first to the second generation was not simply a succession—it was a significant redesign. Because of that, using an outside consultant was often beneficial to help review strategy, bylaws, and policies. Many fundamental reconsiderations had to occur.

MTM: How long do family foundations usually last?

Gersick: Theoretically, in perpetuity—but we don't really know. Family foundations have been around for only about 100 years. We don't know how long some of them might last. Ninety percent of family businesses don't make it to the third generation, but family foundations tend to live longer. They are transitioning values, not money, which makes the difference. ■

If present trends continue, family foundations will control more than $500,000,000,000 in assets over the next few decades. There are now more than 50,000 private foundations in the United States, providing essential support to our social service and cultural systems, and at least two-thirds of them are controlled by families.

—From the National Center for Family Philanthropy
www.ncfp.org/program-research-generations.html

Olivia Boyce-Abel

continued from p. 17

and are able to move through conflicts in a way that the older generation can't. In my experience, the people who educate and mentor their children about land stewardship have a much better chance of a successful outcome.

MTM: What if you don't have family to leave your land to or you choose not to leave it to family or friends? What other kinds of options do you have?

Boyce-Abel: There are a number of options, from creating a charitable nonprofit foundation to donating the property to a charitable organization of your choice. You can donate land outright to a group such as your local land trust, The Nature Conservancy (**www.nature.org**), The Trust for Public Land (**www.tpl.org**), or the Audubon Society (**www.audubon.org**). I want to emphasize, however, that clear restrictions and conservation easements must be placed on your land prior to gifting—no matter who the recipient is—otherwise the land could be sold for top dollar. As long as you place conservation easements on your land, you can sell or gift it to any buyer and it will be protected. If agriculture is important to you, you can contact FarmLink to hook up with beginning farmers who want land for farming (see **www.californiafarmlink.org** or check the Internet to locate a branch in your state) or you can place agricultural conservation easements on your land with American Farmland Trust (**www.farmland.org**). ■

The Impulse to Make a Difference

An Interview with Cynthia Carey-Grant

Interviewed by Pamela Gerloff

A lot of people want to do good in the world, and at some point, they begin to think about how they can use their wealth to help others beyond just their own family. We spoke with Cynthia Carey-Grant, senior consultant to Changemakers, to explore what it would mean for individuals to think in new ways about increasing the impact of their legacy in the world.

MTM: You have said, "As this nation engages in a historic transfer of unprecedented wealth, it is imperative that the philanthropic sector prepare for the resulting moral questions." What moral questions do you think individuals need to be aware of as they consider giving philanthropically?

Carey-Grant: For me, the issue is not so much about whether individuals will be philanthropic—most philanthropic money comes from individuals—it's about *how* people will be philanthropic. How will they make decisions about where they will give their money? Who will be included in those decisions? How those questions get answered will determine whether or not philanthropy will be allowed to reach its highest level of purpose.

MTM: And what is that highest level of purpose?

Carey-Grant: I think it is to democratize the impulse to make a difference—so that your philanthropy is not just something that comes from your own personal issues, but instead meets a genuine need that is identified by the people who need it. It's shifting the paradigm so that not so much of the inspiration for giving comes from our limited individual experience. How do we change our giving so that it becomes more strategic and effective in creating positive social change?

MTM: How do people "democratize the impulse to make a difference" and become more effective in creating positive change?

Carey-Grant: One wonderful resource is the book *Inspired Philanthropy* by Tracy Gary. That book will help guide individuals who want to leave a legacy of good with their money. It's a workbook that helps you examine your own philanthropic vision, mission, and goals, and put them into action.

The book also helps readers look more broadly at creating change. It used to be that wealthy individuals would just decide on their own where they wanted to focus their philanthropy—and that's O.K., but a new vision of philanthropy is emerging. We're trying to solve complex problems and, to do that, we need the assistance of experts who can address community problems. If you're in business, you have a responsibility to the people who have a piece of your business. You make decisions in some areas and you go to experts to help you in other areas. The same principle should be applied when you want to make a contribution in the greater society. Financial resources are just one component of the solution.

Cynthia Carey-Grant is a senior consultant to Changemakers (**www.changemakers.org**)*, a nonprofit organization that collaborates with others to transform the field of philanthropy.*

MTM: How can individuals leverage their resources to "make a contribution"?

Carey-Grant: One myth typically associated with philanthropy is that we don't have enough resources. I disagree with that. We have plenty of resources—what we don't have is the *will* to leverage them and use them in the most strategic way. So the first step is to recognize the need to be strategic and develop the will to do it.

We also have some strange ideas about money. For example, individuals will go to lots of places to get advice on how to make money, but they don't seek out advice about how to leverage money to make a significant difference in the world. However, there is a burgeoning industry now where people are starting to provide support and assistance for making philanthropic decisions. There is a whole sector of community-based philanthropic organizations where people are working to shift inequities. There are all kinds of women's funds, people of color funds, and gay and lesbian funds, for example, and there are people working with them who can help you and inform you. Lots of family foundations are identifying ways to be much more informed about their giving. Some are even pooling their resources with organizations such as the Funding Exchange (**www.fex.org**), which is a nationwide network of community-based foundations that are funding social change. It's all about democratizing philanthropy, where the people who are being affected by funding decisions have input into them. Under this model, just because you have the financial resources doesn't give you the whole say.

MTM: Can you give an example of leveraging philanthropic resources by drawing on community expertise?

Carey-Grant: Let's say I care about reproductive rights and, in particular, about how reproductive rights impact young women of color. Maybe I don't have personal experi- continued on p. 23

Ensuring Your Legacy

Ethical Wills: What Are They? Why Have One?

By Susan Turnbull

Susan Turnbull (**www.yourethicalwill.com**) *is a former journalist and professional writer who has made ethical wills her specialty.*

When you think about the wealth of your family, the first thing you might think about is your bank account. But what other kinds of wealth do you have? Whatever your financial bottom line, you also have a wealth of experiences and values to pass on.

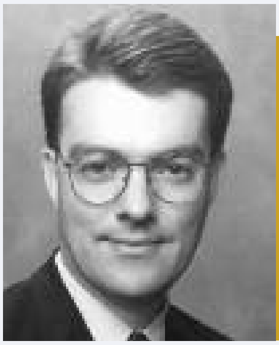
An ethical will is a non-legal document that provides a means to bequeath this non-material wealth. Ethical wills are usually written in the form of a letter and give you the opportunity to answer this question: *What do I really want my loved ones to know and have in writing, forever?* This might start off as an expression of love, and could include discussion of topics such as marriage, education, spiritual beliefs, and money. Ethical wills can be a great vehicle for sharing your personal experiences and family stories, expressing the "glue" that holds past, present, and future generations of your family together.

Writing an ethical will is a tradition that dates to medieval times. Each will is a unique reflection of its author and the time in which it is written. As author, you will be the first beneficiary of this reflective and inspiring process. What you will create is a celebration of your life to date in an intimate letter that can always be updated. It can be written on your own or you may choose to work with a consultant who can provide a structure to follow.

Drawing up an ethical will means that you can be sure that nothing is left unsaid. Ethical wills are valuable for every family, but here are some examples of how they can serve as important complements to legal documents:

Your True Intentions: Legal Protection

By Richard D. Tanner



Richard D. Tanner is a partner and family member of The Koptis Organization and president of Ownership Advisors, Inc. (**www.ownershipadvisors.com**). *He counsels individuals and corporations on creative ways to accumulate, conserve, and transfer wealth.*

You've seen shocking reports of family financial feuds in the most respectable publications lately. Though the news stories may sound like tabloid fodder, even in "good" families, there are cases of children suing their parents over money, grandchildren suing trustees, and lawyers suing lawyers.

The Videotape Solution

If your attorney advises you to do a better job of documenting your intentions when you transfer wealth, it's to prevent future complications. Those who consider themselves "rightful heirs" might feel slighted by your decisions and sue to overturn them. To be sure your true intentions are carried out, one option is to have yourself videotaped as you discuss your intent. With a written document, even an ethical will, a plaintiff could argue that you were coerced into leaving him or her out of your will. That is harder to argue convincingly when others can see and hear you discussing your intentions on videotape.

For tips on planning a tax-efficient wealth transfer, see "Planning a Tax-efficient Wealth Transfer" by James John Jurinski at **www.morethanmoney.org/issue32**.

The Family Wealth Letter of Intent

Another new development in planning for high net worth families is the field of "wealth counseling" to help people better understand the social, emotional, and spiritual aspects of money. This approach helps people gain clarity about life purpose through focusing on a personal or family mission, vision, values, and goals.

■ You sold the family business that your father started and your children will get the proceeds. You can use your ethical will to tell them about how the business started and what it meant to your father and you.

■ Your grandchildren will inherit your insurance policy when they turn 21. Do you want them to know where the money came from; how you managed money when you were a young adult; what you hope they do with it? You can use your ethical will to talk to your grandchildren about the money.

■ You've decided to leave most of your estate to philanthropic causes. You can use your ethical will to explain the values that led you to this decision.

■ You have a disabled child for whom you have set up a trust. Do you want to say something about the emotional care of the child?

An ethical will gives you a place to put all the things that have no place in a regular will. ■

Resources

The following resources provide samples of ethical wills and tips for writing your own:

Books

Ethical Wills: Putting Your Values on Paper by Barry K. Baines, M.D. (Perseus Publishing, 2002)

So That Your Values Live On: Ethical Wills and How to Prepare Them by Jack Riemer and Nathaniel Stampfer (eds.) (Jewish Lights Publishing, 1991; Revised edition, 1994)

Websites

www.ethicalwill.com
www.thelegacycenter.net

More Than Money Seminar

More Than Money National Conference Pre-Conference Seminar, May 2, 2003: *Writing Your Ethical Will*, presented by Rabbi Mordechai Liebling, The Shefa Fund.

The process sometimes begins with a retreat and leads to a "family wealth letter of intent." This document acts as a blueprint to communicate your intentions to heirs and financial advisors, and even, in some cases, your employees. Broader than an ethical will, it provides guidelines for professional advisors, while expressing personal sentiments and reflections to heirs.

The family wealth letter of intent is the culmination of a process that allows you to gain clarity about your intentions regarding family legacy and responsibilities to others. At our firm, for example, we might work with a client to plan for transition in a family business. As part of a broad legacy plan, our client might consider selling the family business to the employees, while integrating social values by using some of the sale's proceeds for philanthropy. We help people make wise decisions about their money in a way that integrates their mission, vision, values, and goals. The family wealth letter of intent (and accompanying video) doesn't replace the need for a will or an attorney, but it can help your advisors better understand your intentions in order to more accurately create legal and financial instruments that reflect your wishes. ■

Cynthia Carey-Grant *continued from p. 21*

ence with that, but I want to make a difference in that area and I have a million or 10 million dollars to put toward it. My challenge would be finding the organizations that have the expertise to address the problem and finding an institution to which I can give resources that follows principles of accountability and inclusive decision-making. If we don't take this kind of approach, we're just continuing to do things the way we've always done them. One definition of insanity is doing the same thing over and over again and expecting a different result.

MTM: What is your ultimate goal in "democratizing philanthropy"?

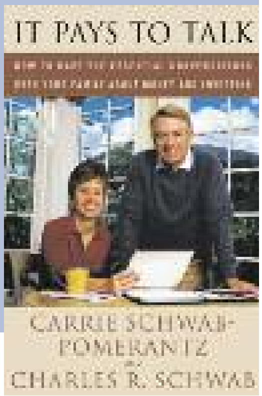
Carey-Grant: The bottom line, for me, is whether or not we'll be able to use our philanthropic resources to create a just society for all people. I think that means that we have to invite people to participate with us in deciding what that looks like and how we're going to create it. That's where sharing decision-making, as challenging as it may be, and valuing different perspectives can make a difference. ■

For resources and information about social change philanthropy, community foundations, and other organizations that seek to democratize philanthropy, visit: **www.changemakersfund.org**.

Lifelong Lessons

A Conversation with Carrie Schwab-Pomerantz

Carrie Schwab-Pomerantz is president of the Charles Schwab Corporation Foundation and vice president for consumer education of Charles Schwab & Co., Inc. She founded Schwab's Women's Investing Network, an initiative to educate and inspire women investors, and is the co-author, with her father, Charles Schwab, of It Pays to Talk: How to Have Essential Conversations with Your Family about Money and Investing *(Crown Business, 2002).*



Throughout most of my childhood, my father was a struggling businessman. It was not until I was in my 20s that Schwab had become a highly successful and nationally-known company. I feel lucky, and proud, in a sense, of the legacy my dad passed on to me. He taught me a strong work ethic and a desire to achieve.

I began working when I was 12 years old, starting first with a paper route, then babysitting, and then my first office job with my father when I was 16. As I got older, I always had summer jobs and worked after school, mostly with my father's company. I know that when there is a tremendous amount of wealth, that kind of ethic doesn't always get passed on. Some people refer to this as *affluenza*, where kids don't value money or have a desire to achieve.* I've seen that over-giving to kids takes away confidence, independence, and their ability to know they can count on themselves. Working, for me, was a total confidence builder.

My parents also taught me the discipline of saving. I started at 10 years old with nine dollars, and I always saved with my summer jobs. In my early 20s I also began contributing to a 401(k). Saving is automatic for me, as if it's in my DNA; it has never felt like a burden. In fact, I worry if I'm not saving enough. I believe that saving is a value parents need to teach early on, so it becomes a way of life. I think it's important to instill no matter what the wealth level is in the family.

My own kids are growing up in a more affluent environment than I did and I try to instill these same values. My children are 13, 11, and six years old now and they have each gotten an allowance since a young age. They have to pay for extra things, like potato chips at school, and I am getting them into the discipline of saving. When my middle child was seven, Pokemon cards were huge. I remember being in a pharmacy in the aisle with all the toys, with my son begging me to buy him some. My inclination was to just give in and buy him the cards, but instead I thought about what I was teaching him and said, "You have your own allowance—you can pay for them yourself. I'll buy them for you now and you can pay me back later." He had to think about it for a while, and realized he didn't want them that much. My money was not of as much value to him as his was.

Raising money-wise children is about lifelong conversations and lessons. These are often not easy. My father and I have always talked shop, which, in our case, was about money—but it was the financial aspects of money, not the more emotional issues. In the process of writing our book, *It Pays to Talk,* and through my work with women investors, I discovered that there is a shortage of candid conversation about money, and we were a part of that. Now, we're talking a lot more. Changing family patterns, to me, is about getting the guts—the strength—to do it, knowing that it's going to be difficult. It has helped me to know that it's a matter of breaking the ice. Every time you do it, it gets easier. My biggest challenge has been merging my husband's and my financial lives. We both bring different experiences to our marriage and both look at money in different ways. My husband and I talk a lot, but we're not always on the same track—opposites attract!—so we keep talking about it. You have to keep talking to get where you want to go.

I've learned that money conversations are never just about money. They are always emotionally continued on p. 34

* The term *affluenza* has various meanings. The Affluenza Project (**www.affluenza.com**) defines it as "a dysfunctional relationship with money/wealth, or the pursuit of it. Globally, it is a back-up in the flow of money resulting in a polarization of the classes and a loss of economic and emotional balance." The film *Affluenza* defines it as: "1. The bloated, sluggish and unfulfilled feeling that results from efforts to keep up with the Joneses. 2. An epidemic of stress, overwork, waste and indebtedness caused by dogged pursuit of the American Dream. 3. An unsustainable addiction to economic growth." To order a VHS copy of *Affluenza*, contact Bullfrog Films at 800-543-FROG, bullfrog@igc.org, or **www.bullfrogfilms.com**.

Conversation to Make it Clear

A Conversation with Bart Wendell

One of the great things about a family business is you get to learn about the inside of things. My grandparents on both sides of the family were Jewish immigrants and they both owned stores. As a young child I spent a lot of time in them. I have incredibly pleasant memories of watching the switchboard operator, talking with the sales people, and riding in the elevator with Rosie, the elevator operator. When I was about five, I got to see Santa Claus take off his beard and I realized he was a neighbor of mine. I don't have words to talk about how special it was.

My father made his name by creating a small, successful clothing business and acquiring a reputation as a trendsetter. His was a men's and women's clothing store that catered to executives. He was a classic founder—totally committed and very hard working. He was very single minded, had high standards, and was well known in the industry as a maverick.

Bart Wendell, Ph.D., is a consultant to organizations, businesses, and founders. His grandfather's store, Rosenbaum Brothers in Plainfield, New Jersey, is pictured above as it appeared in 1947, its 40th anniversary year.

I grew up in my father's business. I swept floors, did accounting, worked in the shipping room, wrapped gifts at Christmas, and regularly picked out swatches of Harris Tweed. I enjoy stores a lot, but I can't say I loved working there. My father was a tough taskmaster; he was a great guy, but was not easy to get along with—and he had a love-hate relationship with the business. The business ceased to exist when my father and mother closed their last store.

My father had wanted me to be in the business, but he never point-blank said that. It was always implicit. My brother did eventually end up in a retail business with which my parents had a connection, and I became a teacher. My father thought that was neat—he had always valued education—but he thought it would be a temporary job for me. Intellectually, my father admired education, and he had friends who were in all kinds of professions and businesses, but he really was a Depression-era guy who couldn't understand turning down a business that could make money. After I had been teaching for four years, my father thought I was going to come into the business. But we never really talked about it.

About the time I decided to go to Duke for a doctorate in psychology and organizational development, my father went into a depression. It was also a recession and the toughest year since the war. I had been planning to pay for my degree with money from my grandparents, but then my father offered to pay for one semester. He never said why he was paying for it or why he was depressed, or whether he was happy or disappointed about what I was doing.

Later, I set up a therapy practice. When my father came to visit, he saw that I had piles of checks and had to do things like bookkeeping and go to the bank. He said, "This is a real business, isn't it?" I said, "Yeah, it is, Dad. Sometimes I make more than you, and sometimes I don't." That was the only talk we ever had about my profession.

I once gave a talk about growing up in a family business. I talked about turning binds into bonds. A lot of binds that you think are there are just in your imagination. Half the time, the binds you feel are the result of people not being clear about what they really mean and what they expect of you. Your whole life is the family business, but the important issues never get talked about. You talk about the daily headaches and joys of the business, but not the big picture.

So there is a legacy of unspoken expectation that raises lots of questions. Are you going to make a lot of money or a little? What are you going to do with your life? Are you betraying the legacy that the family has built? You're leaving and you're not going to be part of it? The thing my parents put their blood into was the family business. If I had stayed in it, I would have been building on an incredible gift they never continued on p. 34

Stewarding the Land

A Conversation with Bob Ayres

My grandfather was an independent oilman, a wildcatter from San Antonio, Texas. He became successful in the oil business during the Depression, when land prices were very low. That's when my grandparents purchased several pieces of land, which today comprise the 6800 acres of the Shield Ranch, located near Austin in a rapidly urbanizing area of critical environmental concern. (It's still a working ranch, with 200 head of cattle. We also lease the ranch for deer hunting as part of our wildlife management plan.) Though not large by Texas standards, it's the largest family-owned ranch in Travis County. My mother, my sister, and I are the owners today.

When my grandfather died in 1987, we were already beginning to think long-term about the property because there were plans for a state highway to be built through the ranch. The proposed highway would have crossed Barton Creek, a beautiful stream that is a significant conservation feature of the property. We had to decide if this was a good thing or a bad thing. Did we want to fight the highway, or influence its location on our property? Did we want to sell the ranch? To figure out what the next 50 years would look like, we started working with consultants who specialize in both long-range planning and land planning.

Bob Ayres is the managing partner of the Shield Ranch. He lives in Austin, Texas with his wife and two teenage daughters.

Conservation Easements

A conservation easement is a legal means of extinguishing development rights on private property in perpetuity. The easement must be held by a qualified conservation organization. Each easement is individually negotiated between the non-profit or government entity and the landowner. There can be significant tax benefits to the landowner.

For more information about land trusts and conservation easements, contact the Land Trust Alliance, which provides advice on conservation easements and other land transfer options, 202-638-4725, **www.lta.org**.

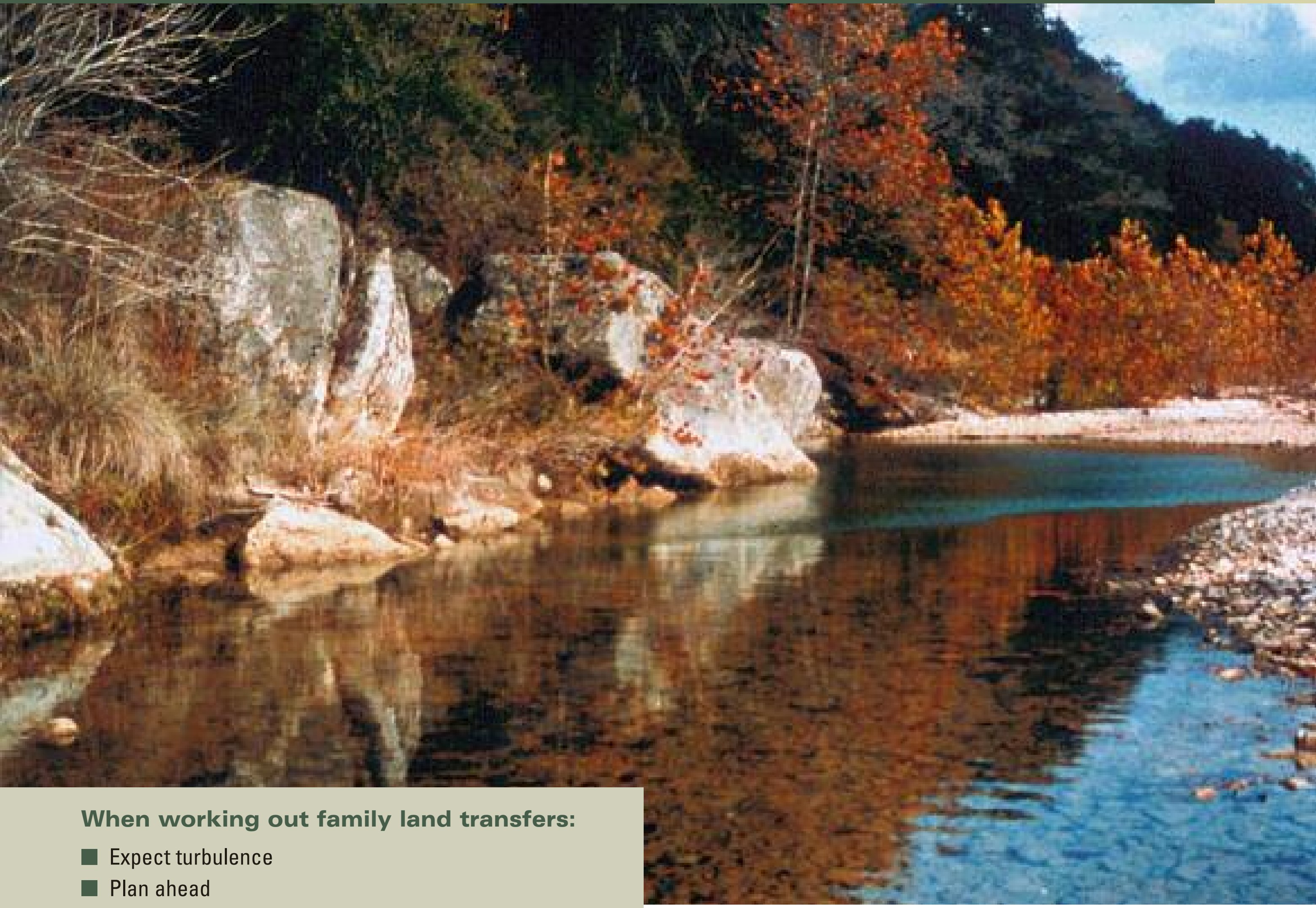
We decided we wanted to keep the ranch and protect the unique features of the property. We were not interested in subdivisions and commercial development. At the same time, we recognized the value of the land as an asset to the family and we wanted to retain at least a portion of that value.

We began to do some inventory work so that we could understand what was unique about the property. For example, golden cheek warblers, a federally-listed endangered species, were occupying habitat on the ranch, and thanks to the range management practices begun by my grandparents, we learned that we had an excellent oak-grass savannah in an area where this landscape has been largely replaced by invasive brush species. In this way, we came to understand the importance of our property to the surrounding community, from an ecological and environmental point of view.

Despite basic agreement on those points, there were several issues we still needed to work out; for example, whether or not to create a conservation easement. Were conservation easements a good idea for us? Did we want to limit the economic value of the land that dramatically forever? Did we want to continue to own the property together? Would we partition the land into our respective ownership interests? Would anyone prefer to sell their share and not be involved with the ranch anymore? Not everyone was convinced that conservation easements were the best strategy.

We are not a family that communicates easily and the process definitely had its difficult moments. At one point we reached something of an impasse, so we engaged a consultant with a background in mediation to help us talk through the issues and find common ground. We were asked to talk about specific places on the property and what the ranch meant to each of us. It was immensely helpful to think about those things, say them to other family members, and listen to their points of view. We could not get to a win-win situation until we knew what everyone wanted and cared about.

In 1998, we decided to donate a conservation easement to The Nature Conservancy of Texas and sell a conservation easement to the city of Austin on contiguous parts of the ranch. We placed more than 95% of the ranch under easement, but left out two developable tracts on the periphery of the ranch. The sale of



A view of the Shield Ranch near Austin, Texas

When working out family land transfers:

- Expect turbulence
- Plan ahead
- Be as proactive as possible
- Work through, rather than avoid, whatever the difficult issues might be
- Look for creative, win-win solutions that address everyone's needs and desires for the property
- Hire professionals, as needed (surveyors, accountants, realtors, attorneys, mediators, coaches—whatever is necessary to make the process go smoothly)

—*Bob Ayres*

the easement to the city meant we were able to realize a portion of the value of the land without having to sell or develop it. We also lowered the value of the land significantly for estate planning purposes, and we received the benefit of a large charitable contribution of an appreciated asset. We continue to own and operate the property as a working ranch. We can enjoy it recreationally and pass it on to our heirs. We can sell the land, but any future owner will always be subject to the restrictions of the easement. We have retained some development rights; my sister or I can build a home, for example, but we can never build a shopping mall or residential subdivision. Because of the property's proximity to town, we're interested in developing some programs on the ranch—for example, a retreat for inner-city kids. We retained the right to do some limited development for those kinds of uses under the easements. It's a win-win solution—we feel we can do what's important to us, and, even if we choose to exercise all our retained development rights, the conservation values of the property will still be protected. (The location of the proposed highway became moot when the state decided not to build this segment of the project.)

It took us almost ten years to educate ourselves about the various options and reach our decision; the actual negotiations with The Nature Conservancy and Austin took only about six months. While things were a bit tumultuous at times, everyone in the family felt pleased with the outcome.

What I found most valuable in the process was reaching a place where we, as a family, could say there's no right or wrong action for any one person to take. Any of us could have chosen to partition our part, with or without easement, or to sell our part of the property to other family members—all those came to be considered legitimate options. Once we reached that basic understanding, we began a process of looking for solutions where everybody got to do what they wanted without imperiling what others wanted. That meant, however, that we had to accept the possibility continued on p. 34

What Will Your *Legacy* Be?

JOSEPH DEVENNEY/GETTY IMAGES

How much money will you leave behind? That's easy: You can't take it with you, so all of it will have to go. But how much will you leave your heirs? And who are your heirs? Your children, your spouse, other relatives; your church or synagogue; your community, your country, your world? Will money mess up your kids? How much is too much? How do you pass on your wealth in the most healthy way? And how do you decide?

Here are a variety of viewpoints, representing some of the many different facets of "the legacy question."

When I was doing my own estate plan, my advisor asked me, "When do you want your kids to have access to their money?" I looked at him like, "What do you mean, *when*?"

She said, "Do they get access at 18, 21, 25? Do they get some of it or all of it at those ages? Do you step them into it, little by little? There are lots of different ways to arrange it." I started thinking about these questions and we went back and forth on them for a while. I had been accustomed to thinking about these things as a financial advisor, but suddenly I was thinking about them as a parent, which felt quite different. I had to ask myself, "Why am I trying to control their lives?" I want to make sure they don't spend it on drug money, but I'd like them to go to school and get a college education, if that's what they want to do. How do I make this judgment today about their lives tomorrow?

You can set it up so they can withdraw the money for certain things—like health or education—through a trustee, but not give it to them outright. I decided to step my own children into their money gradually—give them a third of it, for example, at age 21. This allows them a chance to make some mistakes and develop the skill and responsibility to handle it, so they don't just blow it all at once.

I found out how much harder and more emotional it is to make these decisions than I had thought when I was merely the advisor. I also learned that your best guesstimate of today may not fit the reality of tomorrow. You just do the best you can.

—*Elizabeth G.*

Deciding how much to leave your kids is a real dilemma. On the one hand, the desire to help your kids never goes away, even when they're grown. Being able to offer financial

Respectful dialogue among people of diverse viewpoints is a hallmark of More Than Money. Because our members vary widely in age, family history, politics, religion, net worth, source of income, geography, and other factors, lively conversation happens whenever members get together—in person or in print. We welcome and encourage thoughtful commentary on topics of interest to our readers. The opinions expressed by the writers of Viewpoint are not necessarily those of More Than Money.

POINT

help for graduate school or a first home is very rewarding. And when it comes to estate planning, it's tempting to leave them as well off as possible. On the other hand, you don't want an inheritance to rob your children of their incentive. You may want to provide for them so that they never have to worry about money, but with that comes the danger of taking away their initiative. I know that I personally want my children to experience the immense satisfaction that comes from hard work and making it on their own.

Of course, there is no easy answer. Your answer will depend on your circumstances and on your kids. To my mind, you need to try to find an amount that will be meaningful to your kids but that won't make a paycheck meaningless—an amount that will help them do something but that won't allow them to do nothing.

—*Charles S.*

Reprinted from *It Pays to Talk: How to Have the Essential Conversations With Your Family About Money and Investing,* by Carrie Schwab-Pomerantz and Charles R. Schwab, Copyright © 2002 by The Charles Schwab Corporation. Published by arrangement with Crown Business, a division of Random House, Inc.

Years ago I was flipping through a magazine and saw an article addressing the question, "How can I make sure my assets are passed on to my heirs?" Suddenly it hit me: "Who are my heirs? Is it just my two kids, or all the kids in the world?" From that point on, I began to think more in terms of my global family, with my own children as one small part of that.

My children were young then. They didn't know we were wealthy and weren't expecting an inheritance. My husband and I talked about what we really want to pass on to them, which is a more peaceful and just world. To us, that's more important than leaving money to our kids. We wrote our teenage children a warm letter explaining our viewpoint. They both read it and, I have to say, it was not a big deal to them. My son is interested in economic justice and so it rang true to him.

It's not as if nothing will go to our kids. We're paying for their college education, so they'll be debt free when they graduate. We'll give them some money over their lifetime—we don't know yet what the figures are for that. But the point is that at our death, we hope there won't be much left.

Just as important, I think, is how we prepare our children for handling money—whether they receive it from us or they make it themselves. We do what we can in this area. For example, we created an allowance system designed to help them deal with larger sums of money. It started when my oldest child was in sixth grade and wanted expensive tennis shoes. We decided to give him a shoe budget for the whole year. He could buy more of the less expensive shoes or less of the more expensive. We ended up deciding to give our children a weekly allowance until they got to high school; then they started receiving it monthly. In their sophomore year, they began to receive it yearly. It looked like a lot because it came once a year, but they had to pay for their lunches, clothes, and entertainment out of that, and if they ran out and needed money, they had to get a job. I found that this took them out of a dependent role—they didn't have to ask us for money and they learned how to make their own decisions.

—*Nancy T.*

I thought a lot about the question of how much to leave my kids when my son was getting close to 18. I have three kids and I didn't want them to have the issues I have, like lack of motivation to work, but I wanted them to have the choices that money offers. It's a balancing act. When is someone old enough to deal with all this? When does money start to affect how they are in the world? My children had already received an inheritance from their grandmother, so I had to figure out how to help them handle it.

When I set up my son's account, I made myself a co-trustee with him, until he's 25. When he wants money from his account, he has to consult with me. A lot of people in my family thought he shouldn't have any control at all, because he has not made wise choices in the past, but I thought that was taking away from his capabilities. He has proved to be trustworthy. When it came down to going to a lawyer and getting it set up, he said, "You mean I'm a trust fund kid?" He realized that he was the kind of person a lot of people don't like. I gave him some *More Than Money Journals* that discussed the use of money and social responsibility. That was helpful to him because he could see that there is another way to think about wealth. Instead of using money to be a spoiled kid, there is a way to use it in the world. Working through this with him has shown me that money can dampen your spirit or give a lot to your spirit. It's your choice what happens.

—*Susan R.*

Inheriting money at age 30 was one of the best things that ever happened to me. I believe most of the "problems" of inheritance are avoidable with good parenting. Personally, my inclination is to pass on to kids more money rather than less. Some business people leave only token amounts because they want their children to make it on their own, but that implies the only thing worth doing in life is making money. Face it, if you are a successful entrepreneur, your kids will probably never make as much money as you did. Do you want them to spend their whole lives trying to compete and falling short? If you leave them enough to live on, they are freed to do other things with their lives.

Throughout history, some inheritors have done wonderful things with their money. I believe in giving children the opportunity and motivation to use continued on p. 30

VIEWPOINT *continued from p. 29*

their money for good. I think if you aren't leaving them money, you had better fully explain why.

—*John Levy,* excerpted and reprinted from "Trust Funds: Blessing or Curse?," *More Than Money Journal,* "Money and Children," Issue #9, Autumn 1995, pp. 6-7.

When any parent says, "I have a right to give all my money to my children," I think that's pure bunk. (I'm not talking about leaving *some* money—that's what I'm going to do—but not $80 million each or even $10 million!) This country was founded on ideas of political and economic equality. We're doing well on the first but flunking the second. People want to get in the economic race, but when they get started they find that a whole bunch of others are already on second base. I believe that kids should have an even place to start.

Wealthy people in this country have an implicit indebtedness. America is a place where the values of assets are enhanced by virtue of the regulatory laws and discipline of this country. For example, one of the major expenditures of the federal government is research. Without government funding of fundamental research, there would be no Internet, no software, no biotechnical advances. The federal government is *the* venture capitalist of this world; a lot of the federal government's money is wasted on research projects that turn out to be failures, projects that no one else would have funded, but which, eventually, lead to new breakthroughs. This is what fuels the unbelievable productivity of our economy in this country. Everybody who prospers does so because of the health of our economy. There is no large accumulation of wealth that is not substantially credited to the public and charitable investments that we all make together. That's why I believe that people should be willing to have their estates taxed at their death, and give money back to society in that way and through philanthropy, and not pass on their wealth just to their children.

—*Bill Gates, Sr.,* from remarks made at "Wealth and Our Commonwealth," Boston Public Library, January 16, 2003.

We are a family with young children and investment assets of about $10 million. Our goal as parents is to help our children pursue their own interests with a sense of financial security, and a commitment to service and philanthropy.

We recently used a portion of our lifetime exemption to make a gift to our children, which, together with annual gifting from their grandparents and us, puts their combined assets at about $1 million. Each of them will have access to their share outright when they reach age 18. Of the remaining $9 million, $2 million is in a generation-skipping trust from which they will begin receiving principal after the death of the income beneficiary parent (so long as they are at least 25 years old). We anticipate continuing annual gifting of the tax-free amount, and will make additional gifts if and when it seems advisable. Our wills provide for 25% of our assets to go to nonprofit organizations and the remainder, after taxes, to be shared by our children. Additional annual gifting and, we hope very far in the future, inheritance from grandparents, would increase their assets by 10 or 20%. Finally, we currently make annual charitable gifts equal to 2 % of our investment assets (excluding the kids' money and the trust). We hope to involve the children in these philanthropic efforts as they grow.

—*N.W. and B.R.*

My kids already have a pretty hefty stock account that cannot be changed, so the question for me is whether to keep adding to it or not. Many people I know who have inherited a lot of money have told me it has not been a positive thing for them and they do not intend to leave their kids much—or at least not at the early age they were given it. I understand that line of reasoning, but I also think it's possible for that money to be a positive thing, as it has been for some amazing young philanthropists around the country. It is my challenge to myself to do a better job of preparing my kids for what they're going to get than I was. I think part of making it a positive thing is to train the kids to manage it, to give it away, to not be derailed by it, and to know that it's coming! I hope my children will be able to do amazing things in their lives and perhaps the money can help it happen. Having said

What About the Four-Legged Ones?

In the aftermath of September 11th, thousands of pets were left without people to care for them. Though it may sound frivolous, this often overlooked aspect of estate planning is important to plan for. Some estate planners advise specially designating funds to be sure your companion animals are well taken care of, financially and otherwise, in your legacy plans. (Residential "homes" will even provide long-term care.) For more information:

All My Children Wear Fur Coats: How to Leave a Legacy for Your Pet
By Peggy Hoyt
(Legacy Planning Partners, 2002)
Provides information about including your pet in your estate plan and real-life examples of legacies for pets.
407-977-8080 **www.legacyforyourpet.com**

Tax and Estate Planning Involving Pets:
Stupid Pet Tricks for the IRS and FIDO
By J. Alan Jensen, Esq.
Gives legal guidelines and restrictions for planning a legacy for your pet.
503-243-2300 **www.weiss-law.com/Pet_Tricks.htm**

all that, I am also very interested in giving a lot of it away outside of my family.

—Martha N.

To me, the question of how much to leave one's children is not so much a question of how it will impact them individually—e.g., whether or not it will "mess them up"—it's more about how it will affect all children. The way I see it, the choice to pass on substantial wealth to one's children is a vote for individual security over collective security. It essentially says, "I do not believe my child will flourish in our society without special privileges"—in education, recreation, health care, safe neighborhoods, clean environments, et cetera.

I've noticed that each time we choose individual security we generally withdraw support for collective security. Car commuters do not have to be concerned about the quality of train service. People who live in gated communities often resent having to pay twice for security, municipal services, and open space—once privately, and then again through taxes. It is hard to sustain a sense of commonwealth ("common wealth") especially when those of us with the most resources have opted for individualized solutions. And the more we do, the more we feel justified in withdrawing because the services for the majority have crumbled further and further, creating a self-fulfilling prophecy.

I received a large inheritance in my 20s and chose to give it away to impact the greater good. Now a parent of a first grader, I am working against the severe budget cuts in my daughter's public elementary school resulting from local, state, and federal cost-cutting measures. Instead of buying special privilege for my child, I have an enormous stake in the quality of public education for her and a lot of other children from much different starting points in life. I encourage people to invest in the common good by paying taxes and giving strategically, rather than to create islands of inherited wealth and privilege, which may provide solutions for a few, but not for the many. In the end, it's best for all our children.

—Chuck Collins

My views about how much money to leave my children have changed greatly over the past few years. A few years back, a lawyer friend asked me about putting philanthropic gifts into my will. At the time, I had absolutely no concept of giving great amounts of money beyond my family. I never had it modeled to me that there is a level of "enough" for myself, let alone for the people I would leave behind. I also had yet to experience the joys and rewards of donating to and working closely with a terrific charity. Today I am a different person, having been exposed to many people who are choosing to give generously to others while still providing for their families, and having directly experienced the enormous joys of giving for the purpose of benefiting others beyond my family and friends.

—Jackie ■

How Much Do You Want to Leave?

Some Questions to Consider

- What is the ultimate goal you want to accomplish with the financial capital you leave to your heirs—including individuals, organizations, and society?
- If taxes were not an issue, how much would you leave your children? How much would you give philanthropically?
- How much of your charitable gifts will you designate to be given away while you're alive, when you may be able to exercise greater control over their use? How much of your charitable gifts will become a lasting legacy for future generations to distribute?
- What do you want to accomplish with the money left to your children? e.g., Do you want to help your children with their home? Business? Education?
  - -Is it an attempt to prove love?
  - -Do you want to protect and make them secure?
  - -Do you want to teach charitable giving?
  - -Do you want to leave a philanthropic legacy?
  - -Do you want to allow for continuity of a family business?
- Which of the above (or other reasons) are most important to you? Can you prioritize them?
- Would you be more upset if you left a lot of money to your children and found out they could not handle it, or if you did not leave them very much and found out they could handle it?
- Have you considered making some bequests contingent upon the inheritor meeting specified conditions or appointing someone to monitor the bequest according to your wishes?
- Have you discussed guardianship, trusteeship, or custody of your dependents with those you would appoint? Is it appropriate for you to prepare them in any way?
- Do you have a plan to communicate your financial and philanthropic mission statement to your family? What is it?
- If you have communicated to your children, what have you communicated?
- If you have not communicated to your children, why not?
- At what age to you feel the communication should start?
- Do you and your spouse or partner agree on a plan for wealth transfer?

—Excerpted and adapted from Wealth Transfer Decision Making Process, **www.generousgiving.org/images/uploaded/BLUE_Wealth_Transfer_Decision.pdf**

BANG for the BUCK

Legacy Long-term

What comes to mind when you think of the legacy of Benjamin Franklin? He left the world richer through his contributions as a statesman, author, printer, inventor, scientist, musician, and philosopher. (See the book review of *Benjamin Franklin* by Edmund S. Morgan, p. 33.) But did you know that his Last Will and Testament contained a legacy that produced millions of dollars for charitable causes, and continues to do so to this day?

The majority of his estate went to his daughter and other family members. However, in a codicil to his will (**http://sln.fi.edu/franklin/family/lastwill.html**), Franklin noted that he attributed his success in life to the support he received as a young artisan in Philadelphia and Boston. Wanting to repay that civic debt and invest in the society's future—and knowing the value of combining cash, time, and interest—Franklin set aside 2000 pounds sterling to be invested at interest and held in trust for the benefit of the citizens of Pennsylvania and Massachusetts—for *two hundred years* (from the time of his death in 1791 until the fund's maturity in 1991).

Franklin understood that over the course of time, circumstances would change. He tried to anticipate various conditions, but realized he couldn't cover everything that might happen. So he left certain decisions to the people who administered the trust after his death. Over the decades, a variety of managers interpreted Franklin's wishes, and at times, those decisions have been heavily contested. Nonetheless, Franklin's bequest generated millions for his favored causes, with some of those original remaining funds now reinvested to continue the legacy. In Boston, the $100,000 reinvested at the end of the first hundred years grew to $5 million at the end of the second hundred years. In Philadelphia, the $39,274 reinvested at the end of the first hundred years grew to $2,256,952.05 by the end of the second hundred years.

Beneficiaries of the original fund—grown large over time and managed with creative response to the needs of the times—have included schools, businesses, museums, and public service organizations. As one example, Franklin wished to

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Buck to the Future!

The idea of investing money for a hundred years still sparks the philanthropic imagination today. Although Benjamin Franklin wasn't the inspiration for The Tricentennial Fund of Nashville, Tennessee, the idea that spawned the fund echoes Franklin's thinking.

"I'm embarrassed to say I wasn't aware of Franklin's will when we established The Tricentennial Fund," said Ellen Lehman, executive director of The Community Foundation of Middle Tennessee (CFMT). The CFMT houses dozens of special interest funds, each earmarked for specific nonprofits or fields of interest. The Tricentennial Fund differs from all other funds in one respect: the principal will remain untouched for a hundred years. Begun in 1996 as Tennessee celebrated the 200th anniversary of its founding, the Tricentennial Fund will continue to appreciate until 2096.

The solicitation campaign helped contributors get an idea of how a small contribution today becomes a major gift in a hundred years. For example, a gift of $22 today might be expected to be worth $303,173.47 in a hundred years. To make a $30 million contribution to the future, a donor needed to contribute only $2222.22 (all those twos honored the bicentennial!). Even with conservative rates of return, hundreds of millions of dollars will be allocated by and for future generations.

Lehman says The Tricentennial Fund is just a long-term version of what the Community Foundation does. "It's the community's savings account, where people put money aside to meet the needs of the community. Take a look at your community, and see if you can imagine what the needs will be a hundred years from now," Lehman says. "There is one thing you can say for sure: that the people who live in the community are going to be best equipped to say what that community needs."

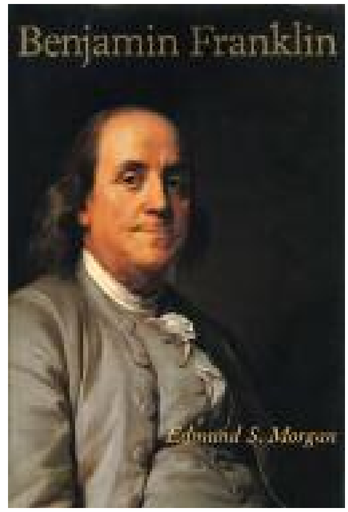
Community foundations offer a variety of options for donors to help meet community needs today and as far into the future as you can imagine.

Visit: **www.fdncenter.org/funders/grantmaker/gws_comm/comm.html** help young apprentices. What to do with the designated funds when career training no longer included apprenticeship? Trustees founded the Benjamin Franklin Institute of Technology. That namesake school has offered training opportunities to more than 80,000 people, and Franklin might be amazed to know that many of them are women.

Although many prefer to fund high-impact projects now, rather than later, Benjamin Franklin's foresight is an outstanding example of the bang for the buck that long-range planning can deliver. ■

"… I wish to be useful even after my death, if possible, in forming and advancing other young men, that they may be serviceable to their country in both these towns. To this end, I devote two thousand pounds sterling, of which I give one thousand thereof to the inhabitants of the town of Boston, in Massachusetts, and the other thousand to the inhabitants of the city of Philadelphia, in trust, to and for the uses, intents, and purposes hereinafter mentioned and declared…"

—From "The Last Will and Testament of Benjamin Franklin," **http://sln.fi.edu/franklin/family/last will.html**



Benjamin Franklin

By Edmund S. Morgan
(Yale University Press, 2002)
Reviewed by Bob Kenny and Mara Peluso

In this engaging biography, author Edmund S. Morgan paints a vivid picture of one of America's greatest minds and influential figures. Because Morgan's research material consisted primarily of the volumes of letters written to and from Franklin, readers are afforded exceptional insight into Franklin's private thoughts and deeply held ideals. Surprising in some of its revelations (e.g., of all the adjectives used to describe Benjamin Franklin, the words "humble" and "athletic" may not typically come to mind, but they will after reading this book), the book also chronicles more well-known aspects of Franklin's life—including his founding role in establishing the country's first fire department, the University of Pennsylvania, and the Philosophical Society; his positions as the country's first postmaster and first president of the Quaker anti-slave society; and his status as a world-renowned scientist.

Franklin believed that, "The use of Money is all the Advantage there is in having Money." Had he not retired at 42, he could have easily become the richest man in America. But as Franklin himself explains, "I would rather have it said, He lived usefully, than, He died rich." The remainder of Franklin's life was devoted to public service, which he offered not out of obligation, but because it was his passion. Morgan also helps us to understand that what distinguished Franklin, beyond his incredible scientific mind and devotion to public service, was his commitment to living a virtuous, moral life. This commitment explains Franklin's remarkable ability to overlook his own wishes in order to help support what he thought were the most realistic means to achieve the good for all.

> "I would rather have it said,
> He lived usefully, than, He died rich."
>
> —Benjamin Franklin

This is a great read about a brilliant, wealthy, charming, optimistic, virtuous and tenacious *bon vivant* who lived life to its fullest and was admirable for his ability to evolve as a person, to continually learn, to admit where he was wrong, and to take action to remedy his mistakes. For *More Than Money Journal* readers, Dr. Benjamin Franklin is an inspiration, a role model, and a bold challenge to pursue our dedication to the public good. ■

Carrie Schwab-Pomerantz *continued from p. 24*

charged, which is why they can be so difficult. But talking about money is a means for talking about what is most important to you, and knowing what's important to you is the filter you can use for having a more fulfilling life. For me, that includes giving back. That's what makes life rewarding.

I have focused my own giving on women and girls because there has been a lot of inequality over the years. Sixty-eight percent of the elderly poor are women. Being in the business I'm in and knowing how empowering investing is, one way I give back is by sharing my time and expertise to help women become more knowledgeable about money. I also run the Charles Schwab Corporation Foundation, the philanthropic arm of our organization. This, for me, is a way to give back to my community and to inspire others to do so. Our company encourages employee giving. We've long provided matching contributions to employees' financial donations to charitable organizations. We're also starting a program where we will make financial contributions to organizations to which our employees are giving their time and expertise, as well as their money. We want to show that we value all ways of giving.

The legacy I want to leave my kids is not just monetary. I want my own kids to feel fortunate, to strive for themselves, and to have empathy for others. I want to raise kids who value money—who do good things with it for society. I think that if I instill that throughout their lives, they are going to be responsible citizens, no matter how much money I leave them. I want them to develop good work ethics and learn that money is not about identity or self-worth—it's a tool. ■

—Based on an interview with Pamela Gerloff

Bob Ayres *continued from p. 27*

that we might not continue to own the land together in the future, and that was a big step for all of us to take. Once we took that step, no one felt coerced. In terms of the emotional dynamic, that was a critical moment in the process.

One piece of advice I would give to others is to expect that in making decisions about family lands, other family issues will probably come to the surface. You need to be prepared to deal with that. The process of reaching agreement will of course be different in other families, but in our case, a consultant was critical. I knew the most about the day-to-day operation of the ranch and had done the most research on the issues, and I also have facilitation skills—but I was hardly a disinterested party. It is extremely helpful to have a third party without a vested interest in the outcome who is familiar with land planning and who understands how families work. ■

—Based on an interview with Pamela Gerloff

Bart Wendell *continued from p. 25*

got. My mother had grown up relatively wealthy, but my father hadn't. He had been admitted to Harvard, but there was no money to go. He and my mother were determined that neither my brother nor I would face that disappointment. No one ever said, "This is our hope, our wish for you"—I just knew those feelings were there.

In a family business, whether or not you go into the business yourself becomes a litmus test of loyalty. It's as if someone is saying to you, "You're going to let my baby sit there on the counter while you walk away?" Yet you don't really talk about it. When I got out of graduate school, I said to my therapist, "I feel like there are binds, obligations about having to work in the business." He said, "Are there?" I said, "Nobody's said anything."

When you've grown up in a business, you have a certain business sense; like an athlete, you just know certain things that others have to think long and hard about. It's hard to put all that into words. How do you put into words what's absolutely intuitive and innate and overlearned? For most people of action, it's excruciating to describe what you do. When I move furniture with my wife, for all the ways that we get along incredibly well, that will start a fight, because I have to put into words what I want and what I'm doing. Yet if I move furniture with my brother, I don't have to say anything. We just know. In family businesses, there is often that assumption. My parents just assumed I knew.

Now I'm a business consultant. I've never been to business school, yet I regularly consult to CEOs about their businesses. I learned it all growing up in my parents' store. So, in certain ways, the legacy continues. Running the store wasn't what I was meant to do, but I did learn from it that I wanted to work for myself. I wanted to directly feel the excitement of successes and the pain of defeats. My consulting practice is kind of like a store to me. I get to share it with the community. I like being with people and, to give back to the community, I regularly facilitate leadership meetings between the school and town boards in my town.

I think there are three ways to leave the legacy with a family business. You can sell the business and leave the money to your heirs. You can pass on the business to your children. Or you can create a legacy that exists past the physical business. That can be as simple as making a scrapbook, but you can also actually have a ceremony, a family ritual where you talk about what was valuable about the family business and how it contributed to the community.

My father died relatively suddenly. He didn't get to see me become a successful consultant with a national reputation, but my mother has, and she is terrifically pleased. In reality, my parents were supportive of anything I ever did. I couldn't have asked for more, except conversation to make it clear. ■

—Based on an interview with Pamela Gerloff

A study by the U.S. Trust disclosed that less than 1/3 of millionaires had shared their estate plan with their adult children.

—From *Silver Spoon Kids: How Successful Parents Raise Responsible Children* by Eileen Gallo, Ph.D, and Jon Gallo, J.D. (Contemporary Books, 2002)

At least 90% of businesses in the United States are family owned and controlled, and this pattern holds true across the world. In Germany, 80% of all companies are family-controlled; in Mexico, 80%; in Chile, 75%. The highest percentage is in Italy with 99% of businesses run by families.

—From Attorneys for Family-Held Enterprises, as cited on www.afhe.com

Nearly 70% of family-owned and closely held businesses have no succession or transition-management plan.

—From *Parting Company* by Andrew J. Sherman (The Kiplinger Washington Editors, Inc., 2000)

Less than 30% of family companies survive to the second generation and just 10% make it to the third.

—From *Family Business Magazine,* as cited on www.familybusiness magazine.com/oldestcos.html

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"This, surely, is the most valuable legacy we can pass on to the next generation: not money, not houses or heirlooms, but a capacity for wonder and gratitude, a sense of aliveness and joy."

—Arthur Gordon

"If your riches are yours, why don't you take them with you to the other world?"

—Benjamin Franklin

"Blessed are the young, for they shall inherit the national debt."

—Herbert Hoover

"Direct your efforts more to preparing youth for the path and less to preparing the path for youths."

—Ben Lindsey

"I'll have someone from my generation get in touch with someone from your generation."

Resources

BolderGiving Resources

Available at www.boldergiving.org

Story and Video Library

Over 100 brief vignettes of extraordinary givers from across the economic spectrum. These Bold Givers have committed at least 20% of their net worth, income, or business profits toward making a better world.

Bold Conversation Series

Monthly teleconferences and online chats offer an informal chance to interact and learn from Bold Givers.

Explore Your Giving Potential

An invitation to explore in the coming year ways to become more bold in your own giving, and to take the next step that's right for you.

Give Half Pledge

Bold Givers, be counted! This pledge is for people of all financial levels who commit to giving 50% -- of income for three years or more, of business profits, or of net worth.

Bolder Giving Workbook

Through articles, exercises, and stories from outstanding givers, this workbook offers step-by-step guidance for people exploring their lifetime giving potential.

We Gave Away a Fortune

This award-winning book features stories of sixteen people who gave 20% or more of their wealth and highlights common themes among them.

More Than Money Journals

Explorations of the impact of money in our lives. Each 16-32 page issue includes personal stories, articles, and resources. Available in three different formats: free pdfs of each issue, print-on-demand books that compile 5-7 issues by theme, or separate articles you can browse online. *(See list of 40 back issues in right column.)*

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- #34 The Art of Giving

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- # 8 To Spend or Not to Spend
- #15 The Human Side of Investing
- #25 Working with Financial Professionals
- #27 Lifestyles of the Rich and Simple

Children and Inheritance

- # 9 Money and Children
- #24 What Are We Teaching our Children?
- #32 The Great Wealth Transfer
- #33 Embracing the Gift
- #39 Money and Children

Relationships

- # 1 Money Between Friends
- # 5 Money and Couples
- #17 Cross-Class Relationships
- #30 When Differences Divide
- #37 Money and Community
- #40 Money and Relationships

Money and Identity

- # 3 Money, Work, and Self-Esteem
- # 7 Money and Spirit
- #14 Young and Wealthy
- #18 Art and Money
- #19 Women, Money, and Power
- #22 Money and Death
- #36 Money and Work

Money and Values

- # 6 Outrageous Acts with Money
- #11 Embracing our Power
- #28 Who Knows You're Rich?
- #29 Money Changes Everything
- #31 The Everyday Ethics of Wealth
- #35 Money and Leadership
- #38 Money and Happiness

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