

By Eric C. Pritz, CFP®, CMFC

How Can I Raise More Fiscally Responsible Kids?

I was recently reading an article describing a newly listed 9-bedroom, 8-bathroom house for sale on the corner of The Strand and 10th Street. The seller's father had purchased the house 60 years ago for \$35,000. Today's asking price? A cool \$28.9 million! There appears to be no end in sight to the skyrocketing rise of local real estate prices. And the result has been an unprecedented concentration of incredible wealth.

In and around Manhattan Beach, money has been growing on trees...the trees that frame our residences and investment properties. Billionaires are not at all uncommon, and multi-millionaires seem almost *de rigueur*. As parents, however, we constantly worry that this life of privilege will adversely impact our children. It's a concern that's top-of-mind with many of the clients I work with. How do we, as parents, keep our kids grounded and protect them from the feelings of entitlement that come from living in a community of "the one-percent?"

Challenges for children of the 1%

Raising financially responsible, ethical and philanthropic young adults is no easy feat. After all, we live in an age where popular culture celebrates at every turn the self-indulgent, narcissistic bad behavior of fame-hungry reality TV stars. And it's not just culture, but demographics that often work counter to our efforts. Years ago, it was rather difficult for a child to assume the world revolved around them when four or five other siblings were vying for family attention and resources. Today, however, with fewer siblings and often sizeable age gaps between them, younger generations have a far greater sense of self-importance.

Instead of a large family unit, our kids have turned to technology as their primary method of socialization. As parents, we worry that they're too insulated, lacking the empathy and strong social conscience that come from personal interaction. We want to see our kids engage with the world and connect with others on a deeper and more personal level...to challenge both their beliefs and their fundamental sense of self, looking beyond the safe confines of their social networks.

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Preparing them for the challenges of wealth

My most important advice to parents? Talk about your values, purpose, family vision and goals before discussing your wealth. Parents tend to get derailed when they begin with the money rather than the purpose of that money; the story and history behind the money and the values driving its investment and use. Additionally, consider the following actions:

- Don't shield your kids from their costs. Invisible allowances (covering their credit card bills, subsidizing their rent, paying for their cars, insurance and travel) are not giving the next generation the real data they need to learn how to manage complex finances down the road.
- Don't fall prey to all the social pressures on grades and extra-curricular activities to get into "*the right*" college at the expense of encouraging them to find part-time work. Money earned versus money given is critical to developing kids with a healthy work ethic.
- Increase your emphasis on experiential learning. Use a part of your family vacations to actively engage with the world. Family philanthropy can be a vital part of this effort. Consider involving your kids in helping decide where both your charitable dollars and charitable efforts will be focused.

Lastly, strive to strike the perfect balance in your estate planning – leaving your children enough so that they can pursue opportunities without financial worry, but not so much that they can simply avoid working for a living.

Regardless of how well-prepared you think your children are to inherit significant wealth, talk to your financial advisor about ways you can more actively utilize trusts to precisely control

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when and how your assets will be distributed over a long period of time. And whenever possible, rely on third-party trustees (with your children serving solely as beneficiaries) to help to avoid any potential family conflicts.

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