

FAMILY WEALTH REPORT

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Exclusive Interview: Passing On Wisdom, Raising Responsible Children With Wealth – New Book

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This month family office consultant Joe Reilly interviews Coventry Edwards-Pitt of Ballentine Partners on her new book, *Raised Healthy Wealthy and Wise*, and asks her why it is so hard to pass on wisdom, raise responsible children and why she thought it was important to note the success stories.

Joe Reilly: I just finished reading your new book, *Raised Healthy Wealthy and Wise*, and noticed it was not like other financial advice books. It has a different overall feel, and avoids the charts and complicated diagrams you usually see, and flows easily. What was your thinking in the design and structure of this book?

Coventry Edwards-Pitt: I wanted it to read like a novel, and be aesthetically pleasing. I wanted it to look and feel like the books you're drawn to in the bookstore. That felt right to me, because this book is first and foremost about the stories and voices of real people – it's the opposite of technical and dry, although the advice it leaves you with is very practical and concrete.

Joe Reilly: What drove you to write this book?

Coventry Edwards-Pitt: My day job managing our firm's wealth advising practice requires me to think deeply about the problems our clients are trying to solve. I've come to see in my ten years advising clients that there is no problem that weighs on a client's mind more than when their wealth is interfering with their children's ability to launch successful and independent lives. It turns out that, above a certain level of wealth parenting is harder, not easier. This surprises people – they come to firms like ours looking for investment results or estate planning advice. It's rare that the issue of how their money will impact their children is even on their top ten list of priorities in the first several conversations. But it should be an issue people are looking for good advice about because 70 per cent of wealthy families fail to pass their money successfully on to their children – and not because of poor technical planning – but because their children are not sufficiently prepared to know how to deal with the wealth.

Yet some families get it right. How? I've read every book I could on this topic over the last five years or so, trying to answer this question. There are a lot of wonderful books, but I found I couldn't find the one book I really wanted – a book that talked with real-life children raised with wealth who grew up to be successful, self-motivated, productive, and content, and asked them how they got that way. What did their parents do? I decided to write this book because I really wanted to hear from these kids who were success stories. I figured others might too, and maybe if I shared what I learned, I could help people beyond just our clients.

Joe Reilly: There is a great story in the book about a son who was encouraged to earn enough to buy his own car. The father then bought the car from him and gave it to his younger brother, spoiling the lesson for both sons. Why do you think families act this way?

Coventry Edwards-Pitt: I think families naturally have different expectations of what each of their children is capable of. But what's interesting in this situation is that, whether it was causal or not, expectations became reality and a pattern that had been set in the teen years continued for much of these brothers' lives. Of course there are severe cases of disability in which different expectations are absolutely necessary; but it was clear from the people I interviewed that the best thing their parents did for them was to aim high and expect much. More often than not, the children met these expectations. And more importantly, they took away the message that their parents thought they could. That gave these kids tremendous confidence in their own abilities.

Joe Reilly: What is the most critical skill you should teach your teenager about money?

Coventry Edwards-Pitt: How to earn it. Everything flows from this. Once a child understands what it takes to earn money, they have a much greater appreciation for anything they buy with this money, as well as what they are actually giving away if they give their money to others. What I saw in the interviews also was that children who learn how to earn money often teach themselves many of the nuts and bolts financial skills. They want to learn how to save so they don't blow what they've earned, and they're curious about how investing could help them grow it more. There is a sense of ownership over this interest in learning that is very hard to replicate by just trying to teach your children about philanthropy and investing.

Joe Reilly: Why is it so hard to transmit wisdom about dealing with wealth? It is not a new issue.

Coventry Edwards-Pitt: Because most people think this will not be a problem for them until it's too late. This is particularly true for first-generation wealth creators (and statistics show us this is a lot of wealth holders because 80 per cent of wealth on a rolling basis is new wealth.) First generation wealth creators were typically raised in middle income or lower income settings and they assume that they will be able to pass the lessons they learned on to their kids. It doesn't occur to them that doing so will take lots of intentionality, and lots of effort to create opportunities for their kids to learn lessons that their more affluent setting will otherwise deprive them of.

Joe Reilly: It would be great if all clients were young parents who could get their children started with the right messages. But what can you do when you are coming into the client relationship late in the game?

Coventry Edwards-Pitt: In some ways, there is always something that can be done because as a parent you are never done. A lot of what the book talks about is how parents can change their own behavior to enable their children to have more ownership over both their successes and their failures. I think any parent could benefit from reading the book to see whether the way they are acting in the here and now facilitates their children's independent success or increases their financial dependence.

Joe Reilly: How do you as an advisor know how deeply to engage the family on some of the tougher issues? How do you know how far to go?

Coventry Edwards-Pitt: In my experience, clients are looking for help on these issues. They may not know how to voice the question, and they may start from a place of not even quite knowing what the problem is, but you can tell when a client is troubled by something. And then it's my job to ask questions in such a way that they feel comfortable opening up and getting to the heart of what is on their mind. I've often found that a simple question about whether a client is planning to make an annual gift to a child leads to a very deep conversation about the parent's concerns about their child's path in life and whether the child is sufficiently motivated. It's my job primarily to listen, but also to know what the important questions are to ask. The hardest thing is when a parent realizes that their own behavior may be exacerbating their child's dependence. It takes a lot of self-awareness and courage for a parent to look that fact in the face and be able to move on from that, empowered to change their own behavior so that their child can be given the opportunity to own their own success. And sometimes, you're right, there may be only so far that a person is willing to move. In those cases, I view my role as making sure they understand the implications of this.

Joe Reilly: You refer to many insightful psychological studies in the book. Which of them were most compelling? Did you find some of them counter-intuitive?

Coventry Edwards-Pitt: There's a great one that shows that high scores in self-discipline are better predictors of future success than IQ. The test required kids to persevere through a simple but exceedingly boring exercise of matching numbers from one part of a page to another. The kids who showed not only the discipline to get the task done despite the tedium but also the conscientiousness to give the task their all even though they had been told no one would see their scores, did the best later in life. Parents can help their children practice this kind of discipline and commitment by holding kids accountable for basic chores like keeping their rooms tidy and setting the table. These activities certainly aren't glamorous (or even challenging), but they require the discipline to motivate yourself to do something you would rather not do.

Joe Reilly: There is an emergent picture of the successfully developed child implied in the text. If you had to describe the ideal child in two sentences, what would they be?

Coventry Edwards-Pitt: I would say: A child who weathers the ups and downs of life buoyed by a blend of optimism, confidence, and resilience. Their optimism comes from the sense that their talents are a contribution to the world, and their confidence and resilience stem from the fact that they have been given a chance to own their own successes and failures.