



# NEWSLETTER

Aspen Family Business Group

spring 2006

**T**he Aspen Family Business Group — David Bork, Leslie Dashew, Dennis T. Jaffe, Sam H. Lane, and Joe Paul — serves as a resource to help families create an environment in which members are open and willing to learn and grow. It is in such a setting that families are able to envision and achieve the positive possibilities of their business as well as maximize enjoyment of their family life. Our goal is for the family to develop harmonious, healthy, constructive, interpersonal relationships and to maximize the success of their family-owned enterprise.

## Wealth ... Blessing or Burden?

Sometimes people laugh when they hear about some of the challenges and travails that come with having a lot of money and express a quick willingness to exchange places with someone who is wealthy and having problems. However, for financially wealthy families these challenges are real and can present significant threats to the long-term success of their enterprise and their family.

No one has ever painted a bright line between “having a lot of money” and “being wealthy.” However some characteristics of the latter are readily identifiable. The enterprise is usually in its fourth or fifth generation, it is financially and operationally successful and complex, interlocking legal and financial entities tie it together, the founder is best remembered by a picture on the wall, the stakeholders are large in number and diverse, and many times professional managers have replaced

family members at senior management positions.

Many aspects of the challenges of wealth can be daunting. Perhaps the most significant issue from our perspective is how to develop self-esteem, personal responsibility and self-discipline when a substantial amount of the material outcomes in a person’s life are not directly a result of his or her efforts.

We will explore several different aspects of wealth and its impact upon families. Leslie will address raising children to be responsible adults and how to avoid some predictable pitfalls. Sam looks at how to define the purpose of wealth from a broader perspective. From a philanthropy view, Joe focuses on stages and levels of motivation for giving. Dennis explores the psychological aspects of money, what it can symbolize to people and how it can get intertwined in the dynamics of the family.

### looking ahead

**April 27–30, 2006**

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*See page 3*

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# The Purpose of Wealth

by Sam H. Lane

Many times clients are startled when we pose the question: “What is the purpose of your families’ wealth?” For some the question may seem trivial; for us it



is laden with important meaning and far reaching implications. At the heart of the question lies the point that, for many people, great wealth does not bring happiness and a fulfilling and productive life. Rather, it is associated with a sad life characterized by self-indulgence and low self-esteem. Greater wealth usually means having bigger and more expensive toys. Rarely are people of great wealth any “happier” than folks with fewer material possessions. The old adage “Money does not bring happiness” turns out to be true. It is important for a family to take this question seriously and address its various ramifications.

*Rarely are people of great wealth any “happier” than folks with fewer material possessions.*

Our first response to this question is at a minimum that the wealth should create joy not grief. In life stories where great wealth has created grief, it typically goes back to poor processes for dealing with it. Only in the last several years have we started to scratch the surface of how to manage wealth in ways to create positive rather than negative outcomes. As David Bork wrote one time, “It ain’t easy being rich.” Stories abound of people who never develop significant feelings of

self-worth because they were never required to be successful or productive in life’s efforts. It was all given to them. The self-esteem that comes from successful personal struggle and hard endeavor never develops. A person never gets a true sense of himself or herself.

The essential point is to yoke wealth with personal responsibility and self-discipline. This may be difficult in adulthood because by the time one realizes a problem exists, it may be too late to reverse the entitlement message. You need to start early — when children are growing up.

We propose that a joyful, fulfilling and productive life comes from pursuing a person’s worthwhile passion in a personally responsible way. This means recognizing the wealth provides an opportunity not usually afforded to others to pursue one’s life dreams. Defining the purpose of the wealth to help people achieve their dreams takes on a transcendent quality. Having someone identify and pursue a passion and a values driven endeavor to mold his life is a powerful dynamic. A family might say: “We will use our families’ wealth to help family members pursue each person’s passion and their life’s dreams – whatever it is and wherever it takes them as long as they are personally responsible in this pursuit.”

The family might support a member’s request to open a camp for disabled children at the same level and with the same enthusiasm as they would a new business venture. However, both would follow the same developmental path. A business plan would be generated and approved followed by ongoing monitoring and oversight.

Defining the purpose of the wealth in this manner opens the door and creates the opportunity for diverse individuals to lead fulfilling lives and participate in the

family. It goes far beyond a family employment policy which defines the qualifications and preparation required to work for the family enterprise.

Some rare families have reached the same outcome by a different route. These families have managed to keep the self-discipline and personal responsibility message in the forefront of the values communicated by the parent generation. The wealth is secondary in importance to what one does with one’s life. These families are “values driven” and are careful to maintain a culture within the family that defines, nurtures, and transfers messages about what is important. However, most do not focus enough attention on encouraging younger family members to pursue this point as they are growing up. Too much is left to the individuals to figure out on their own. Attaining this balance is far more difficult than one might imagine. Making it the cornerstone of the family legacy to be passed to the next generation is even more challenging.

*The way a family deals with wealth typically varies from generation to generation.*

If a family goes down the wrong path it is difficult to reverse that direction within any one generation. We have never seen a family, in one generation, be able to significantly change course and go from self-indulgence to self-discipline. That is why it is so important to pay attention, early on, to the development, socialization, and values transferred by the parent to the younger generation. ♦

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# Preventing Affluenza – Parenting in Affluent Homes

by Leslie Dashew

There is a new disease sweeping the US and it's called "affluenza." The most vulnerable are children whose parents have acquired wealth during their young adult years and want to give their children everything they missed and every opportunity they can. The symptoms include lack of motivation, dysphoria, lack of self-worth, compulsive spending and self-destructive use of alcohol, drugs and lack of productive use of their time, energy and talents. While we want to give kids opportunities, we don't want to establish a sense of excessive entitlement, dependence and decadence. This article describes some strategies to prevent Affluenza and encourage healthy growth.



## "Healthy" Kids

What we know about emotionally healthy, competent individuals is that they have:

- a sense of *purpose*,
- a passion in life; and
- a sense of *competence* and *confidence* based on their own experience of *accomplishments*, on facing and overcoming challenges,
- *experienced reciprocity* of responsibility.

## Parental Strategies

As parents we are challenged with how to provide the right environment, opportunities, and "coaching" so that our children can develop into healthy, competent adults. Many heirs have shared with me how important it is that their parents "parent" them, investing the time and love themselves. In doing this, we must:

1. Instill realistic expectations about life and the world. There are limited resources, whether they be money, time, energy, or water. Having wealth

is lucky; not "deserved" nor a culpable act. Neither is it something to take for granted. We all need to appreciate the limitations on other resources and work to manage them carefully.

2. Help youngsters identify their own gifts: talents, interests, and mission. Encourage them to develop these gifts with commitment, persistence, and joy.
3. Share your own views, personal mission, and beliefs. Your own clarity about identity helps them feel good about themselves. Demonstrate a work ethic by your own behavior. If they see you gaining pleasure and esteem through your activities and engagement, they will learn that for themselves.
4. Give them opportunities (and even necessity) to develop competence, allowing them to do what they are capable of rather than doing it for them...including "stretch" goals. Encourage work and volunteer activities that develop skills and challenge their current capabilities. If a child can dress himself, let him. If a child can make her own sandwich, let her. If he or she can make decisions about where to spend allowance, encourage that budgeting.
5. Model and teach effective communication, the most essential competence as a human being: including listening, sharing of feelings and constructive feedback.
6. Avoid over-indulgence and encourage the capability to delay gratification and develop persistence; let them work through their own problems without "bailing them out." Allow them to experience the consequences of their own decisions.
7. Teach financial competence (making choices, budgeting, good stewardship, etc.) as well as understanding of banking, stocks, bonds, and types of investments. Start very early: 5 year olds, who get \$1 allowance can learn about saving some, tithing, etc.

8. As *families* we can also provide shared learning opportunities, policies, and practices that encourage the next generation's development of healthy competencies and attitudes. Whether informally or formally, develop family organizations for this purpose.

- Create a Family Mission Statement and family organizations (e.g., family council) in which the family values are imbedded.
- Formulate a family creed, a statement of values/philosophy that is manifested in the activities and behavior of the family.
- Focus on non-financial assets: What can we do with our own skills/knowledge? How can we continue to grow them? How do we support the community to which we belong? How do we cultivate our spiritual connection or resources?
- Establish policies about the use of family assets and working to earn opportunities in the family business (rather than feeling or being entitled!)
- Provide a forum for ongoing dialogue about the challenges of having wealth (e.g., a cousins group who talks about what it means to be wealthy, the status and stigma of having a name associated with wealth, etc.). This is also a place of offer training in asset management.

All of these strategies give youngsters the opportunity to become competent, interdependent adults who can take care of themselves no matter what happens to their financial assets. They allow wealth to be the bonus that is managed carefully and to help individuals with those blessings to use the assets wisely. ♦

## Leslie Dashew

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# Money, Feelings and Inheritance

by Dennis T. Jaffe

The emotional aspects of passing wealth to your children is much on people's minds today. Several trillion will pass to the next generation as inheritance, and people are justly



concerned about how to pass it on. The issue is complex. We all know that for many families, wealth has been more of a curse than a benefit. The media love to write about heirs who waste their lives and squander their inheritances. Happily, there are also many families whose second, third and fourth generations enjoy the fruits of inheritance, but also find gainful employment, in service groups, philanthropy, the arts, as well as business.

The question is how can a parent pass on not just wealth, but values, a sense of self-esteem, and desire to do something real and important with it. As we know, there are no simple answers. A family can have one child who is happy, well-adjusted and productive, and another who is self-destructive and aimless. What makes the difference?

It is hard to do good research on how heirs handle wealth, because data is hard to come by, and who is spoiled and who is not is often in the eye of the beholder. Nevertheless, there are clearly some best practices that are gaining consensus by their practicality and good sense. Here are some that I have encountered.

In my work I have found that one must pay careful attention not just to the terms and conditions and fairness of an inheritance, but to the way in which money is dealt with in the family. At each stage of life, there are issues to be considered. In childhood and teen years, it is important that the family not avoid the topic of wealth, but actively discuss it. The values that are attached to it should be shared and the role of the family's wealth in making a difference for others, and in living a good life, should be discussed in

an age-appropriate way. Every family will have to respond to their child asking, Are we rich? In my son's school, we have begun dialogues for parents to discuss how they are handling such issues with their kids. I think wealth discussion is right up there with sex and drugs in the hot and difficult topic department.

The question of values and future life style comes up in families. Children can easily develop an entitlement attitude that the family can and therefore should support their high life for all time. This is a dangerous attitude, and it grows when a family does not make an alternate set of values, expectations and desires clear to their heirs. A second issue is the way that parents use gifts and things when they feel guilty about not doing enough or spending enough time with their kids, or when they feel bad that one child is not feeling good. This breeds a dangerous cycle. These twin issues create problems throughout life for heirs.

*The question is how can a parent pass on not just wealth, but values, a sense of self-esteem, and desire to do something real and important with it.*

Your choice about inheritance is one that evolves and lies with your values. Some, Warren Buffett and David Packard are two notable examples, choose to give the bulk of their fortunes to foundations, giving their heirs enough to be comfortable but as they put it, not enough to do nothing in their lives. Others pass on more in phases, or through various trusts. It is important that families talk about expectations to avoid later hurts and fights.

I don't think money in itself spoils a child, but it does make it difficult to find your way. It makes the issue of motivation for achievement, developing skills and finding good work more

complex than in other families. The most consistent theme I have found is that every child has to be encouraged to develop a skill and use it in productive work. Earning a paycheck and being successful is just as meaningful for a rich person as a person who needs the money to live. It is a mark of independence. In the 20s and even 30s, having too much wealth can impair the efforts to attain independence and develop capability on their own.

Families have complex trusts, family offices, investments, business interests, etc. It is important that families pass on financial literacy, understanding of what they have, and how it must be managed. Making sure that heirs learn how to understand where their inheritance comes from, and its care and feeding, is an important aspect of productive inheritance. Having your growing children attend meetings, learn about money and business, and even have some money of their own to invest and manage, is an important part of education.

One activity in families that I find very helpful is to hold regular family meetings and even set up a family council. The more that the family manages shared investments and assets, the more important it is as children become adults, that the family have a business/financial meeting once or twice a year, to look at what they have, and talk about issues such as investment, education, support for each other's activities, philanthropy and other issues that come up. This is not getting together for holiday dinner or ski weekends, though the meetings can be held in conjunction with family vacations. Rather, they are formal meetings, where information is shared, sometimes decisions are made, and there is time and space for each person to talk about issues of concern. ♦

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## Points Gleaned From Newsletter

- ◆ “Money does not bring happiness” — turns out to be true. To read more on this topic, go to [www.davidbork.com/articles.htm](http://www.davidbork.com/articles.htm)
- ◆ It is far better when we lend aid to others unconsciously: When we give ourselves over to others so completely that our egos merge with theirs.
- ◆ Wealth discussion is right up there with sex and drugs in the hot and difficult topics department.
- ◆ Affluenza — A new disease sweeping the United States  
Tips on assisting your heirs to become competent, interdependent adults who can take care of themselves no matter what happens to their financial assets.

### ASSESSMENTS

*As an advisor to complex wealthy families and family businesses, how often have you wished you could quickly get information about areas where family members do not see eye to eye, and find a way to bring those areas to the attention of your clients in a non-threatening way?*

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*In the end, it's not the years in your life that count.  
It's the life in your years.*

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Abraham Lincoln (1809–1865)  
16th President of the United States

# Eight Levels of Charitable Giving

by Joe Paul

A few years ago I had back-to-back consulting engagements with families in United Arab Emirates, and Nepal. On the flight home from Dubai and



Katmandu, I thought about the profound differences between these two countries and the ironic similarities in the issues facing the two family businesses I was working with.

The cultures of the two families differed in religion, wealth, education and technology. However, both families were concerned about similar succession issues and the roles their daughters would play in the company. Both were concerned about how secular (Western) some parts of their family were becoming. And among other things both families were concerned about how best to focus their charitable giving.

As I was flying home I reflected on the fact that most cultures seem to encourage the charitable redistribution of wealth. The mechanisms and customs may be very different but it is typically wealthy families that are in business who are the source of most charitable giving.

These musings eventually led me to the writings of Maimonides, a 12th century philosopher, and his concept of eight levels of charitable giving. I quote below from "Eight Degrees of Giving" at [www.Chabad.org](http://www.Chabad.org)

## Level Eight

Giving grudgingly is certainly better than not giving at all, and thus merits the eighth place on Maimonides' list. But this is the lowest of all forms of charity. This form of giving is ironically selfish – it is not motivated by true caring or love, but rather by a sense of guilt or obligation.

## Level Seven

The benefit of a friendly response is so powerful that it even offsets the sting of an underwhelming donation. Even if you don't feel ready to commit yourself to meeting someone else's needs to the full extent of your capacity, you can express genuine interest and empathy. A sincere expression of caring can satisfy the person emotionally and give him the strength to go on, even if you weren't able or willing to grant his request completely.

## Level Six

While it's certainly preferable to be proactive, at the very least, don't give a cold shoulder to those who approach you for help. You can never know just how laborious and awkward it was for them to ask you for a favor, and how desperately they are counting on you to respond graciously.

## Level Five

Learn to anticipate the needs of others even before they approach you. Don't wait for the self-destructive behavior or the cry for help before stepping in to lend a hand. Don't limit your involvement to those who appeal to you; seek out opportunities where you can make a difference.

## Level Four

In this form of charity the giving is done in such a way that the recipient is aware of the identity of his benefactor, but remains anonymous to him. In this case, the donor feels more humble, since he is not aware of to whom he is giving. However, the recipient's feelings are not spared to the same extent, since he knows who gave him the charity.

## Level Three

In this level of charity – which is the converse of Level Four – the donor's ego has some room to express itself. Since the giver knows who is receiving his bounty, there is room for some sense of one-upmanship or dominance over the receiver. However, the beneficiary

is unaware of who the donor is, and so his dignity is preserved.

## Level Two

Receiving mutually anonymous charity takes much of the sting out of being on the receiving end. It is far better when we lend aid to others unconsciously — when we give ourselves over to others so completely that our egos merge with theirs, and neither is conscious of being in a superior or inferior position.

## Level One

The most basic need of a human being is to feel needed and capable. Thus, the highest form of charity is to help someone find a job or set them up in business. This preserves their dignity, and at the same time transforms them from being a recipient into one with the capacity to give to others. Similarly, if you are in a position to counsel or give advice to someone, it is important to instill in them confidence in their own ability to find solutions to their dilemmas, and even be a source of strength to others.

Although written in the Middle Ages these thoughts still have relevance today.

Which level would you say best describes your family's attitudes about charity? ♦



Maimonides, a 12th Century Philosopher

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