



Your *Legacy*
begins here



Teaching the value of money through philanthropy

The trouble is we've really been too successful."

A client dropped this comment recently while we were discussing his plans for his estate.

The remark was somewhat tongue-in-cheek — his estate is not uncommonly large — but there was a serious side as well.

It was dawning on him that his wishes to benefit his children conflicted with his desires to have them learn the value of money.

Billionaire investor Warren Buffett has reportedly expressed a similar thought, saying that wealthy parents should leave their children with enough money to do anything they want, but not so much that they are doomed to do nothing at all.

This is a common dilemma for parents who have accumulated an estate to leave to their children.

Having learned a healthy respect for money through hard work, persistence and frugality, they worry about how the gift will impact the child's values.

Will it cheapen the value of money for the child so that they perceive the estate to be worth far less than what the parents understand it to be?

Where these concerns arise, philanthropy should be discussed as one way to build a healthy appreciation for the value of money.

Some parents make gifts to charities during their lifetime and involve the children in the process.

They invite their children to attend recognition events and tours that showcase how the funds will be used.

Others make gifts to their children, during their life or in their will, and encourage the children to donate a portion of the funds to a charity of their choice.

Still others decide to establish a private foundation or donor-advised fund, and then make donations to the fund during their lifetime, in their wills, or both.

The children are placed on the board or advisory committee, which disburses income to the beneficiary organizations, and are expected to carry on this role when their parents are gone.

The particular plan that is settled on will depend on many factors, including family dynamics, what the family wealth is invested in, and tax considerations.

Whatever the plan, the key to its success as a teaching tool is involving the next generation in the philanthropic process.

While the parents may have come to respect money because it was difficult to come by, the hope is that the children will gain a similar appreciation by a different path — by discovering how a dollar well-spent can have a significant impact on the lives of fellow human beings.

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