A big fear for wealthy families: spoiled kids

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About four years ago, Ann Kaplan, a Toronto mother of eight and president and chief executive officer of iFinance Canada Inc., decided to give her youngest daughter a dream day in New York.

She and Molly stayed at the Waldorf Astoria on Park Avenue. They spent some serious cash at the American Girl doll store – a nine-year-old girl's mecca. Ms. Kaplan even hired a horse-drawn carriage to wheel them back to their hotel.

But when the driver reached out to take Molly's colossal shopping bag so she could disembark, the girl refused to give it up – she was not allowing anyone near her new doll. After all, she had just spent months mopping floors and doing yardwork – earning a dollar for every chore – to save enough money to pay for half. Her mom had kicked in the other 50 per cent.

"It meant so much to her because she had paid for it herself," Ms. Kaplan says now. "To this day she won't ask for a thing. She knows if she wants something, she has to go out and earn it."

Ms. Kaplan is far from the only high-net-worth parent trying to ensure her children don't become the dreaded S-word: spoiled. Whether that means refusing to leave them an inheritance, requiring them to pay for their own clothes and car, or simply ignoring pleas for the latest pricey handbag, some wealthy parents are finding ways to brat-proof their kids.

"For affluent parents, it's a concern – educating their kids about money," says Robin Taub, a Toronto-based chartered professional accountant and author of *A Parent's Guide to Raising Money-Smart Kids*. "Most parents want their kids to be financially responsible and independent."

The billionaire investor Warren Buffett is perhaps the most famous example. He has made no secret of the fact that 99 per cent of his estimated $65-billion will go to charity, not his children. He once said, "A very rich person should leave his kids enough to do anything, but not enough to do nothing."

Overindulgence is one of the main concerns that wealthy people have about their children and grandchildren, says Vanessa Flockton, a financial advisor who works with high-net-worth clients at Nicola Wealth Management in Vancouver.

"Part of it is learning how to manage money, but part of it is also ensuring that money doesn't change your outlook on the world too much," she explains.

Here are ways to raise future adults who appreciate their good fortune and feel grateful for what they have.

Children ages 0-10

This is the time to lay the groundwork for financial literacy. Children at this age don't need to know how many zeros are in their family bank account, but they do need to understand how currency works, how to shop smart and how debit and credit work.

Ms. Flockton advises parents to help their children open a bank account as soon as they understand the concept of money. They should also show them that with compound interest, money can grow.

It's not exactly easy with today's low interest rates, she says, so maybe parents should think of themselves as the interest fairy. Say, for example, your child saves birthday and holiday money for a year. You can offer to pay a bonus.

"That bonus might be 10 or 20 per cent," she says. "You're saying there's an incentive for you to keep doing this and to learn it's a good idea to save and not just spend."

Meanwhile, at Ms. Kaplan's home, chores and self-sufficiency are paramount. Although she employs five people to watch the kids and keep house, all her children make their own lunches – they brown-bag it most days – and pick up after themselves. If a nanny happens to do it for them, the children face discipline, not the caregiver.

"From when they were three years old, they had to learn how to make their own beds. I would actually drop a quarter on the bed to make sure it was tight," she says now. "It doesn't take much to teach a child that."

Ages 11-18

It's hard to say no when tweens and teens start begging for a car or the latest phone. "It's so tricky because if you can afford it, you can't use that as an excuse," Ms. Taub explains.

But Ms. Kaplan advises parents to be firm. "When the children look at us and say, 'Well, you can afford that,' I tell them, 'No. I have the privilege to make decisions about what I can afford. You're not going to tell me,'" she says.

Besides, feeling a sense of deprivation from time to time isn't a bad thing. It prepares children to learn how to deal with inevitable disappointments. It also might keep them from blowing through the family fortune later because they just *had* to have a vacation home in the Alps.

This is a perfect time for parents to start having family chats about what they value. Families should also volunteer together, especially with charities that put the family in contact with those who routinely do without.

"Not everyone lives the way you do. Volunteering teaches [your children] to be compassionate and maybe be grateful for what they have," says Ms. Taub.

University and young adult

Expecting university-age children to pay for at least part of their education is one popular way to help them not take the cost of schooling for granted. Maybe that means parents shell out for only the first and last year of a degree. Or perhaps they tie the payment to a grade, for instance paying 85 per cent of the cost if the student's GPA is 85 per cent.

But what about after university? Ms. Taub recommends having adult children sit in on family finance meetings at least annually and meet financial advisors one-on-one, too. Some firms also offer workshops geared toward the affluent. “There’s lots of resources out there for high-net-worth families,” she says.

Offspring could also help oversee a private foundation. Ms. Flockton’s firm offers donor-advised accounts that release money to charities of the family’s choice. Advisors use these accounts as a way to teach about investing, returns and the distribution of wealth.

For her part, Ms. Kaplan expects her grown children to develop a business acumen to make their way in the world. She might help finance one of their school films, for instance, but they have to create a business plan and a pro-forma financial statement, and make a pitch.

“It’s like a mini-MBA. It’s the confidence and the tools to go out and pitch somebody else for that money,” she says. “I’m hoping I’m creating a sense that they are capable of doing it on their own.”

What is spoiled?

Think of the word “spoiled” as a state of mind, rather than something that hinges on a dollar sign, experts say. According to James A. Fogarty, a psychologist and author of *Overindulged Children: A Parent’s Guide to Mentoring*, spoiled kids tend to have:

- Few, if any, chores and obligations.
- Not many rules – and those that exist are rarely enforced.
- Parents who try to do everything for them and go to bat – swinging and with force – if anyone tries to get in their kids’ way.
- Too many material things given to them.