

# Wealth 'Poisons' Kids, Says Aussie Finance Tycoon



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**Graham Tuckwell** is not exactly a household name, even among his fellow tycoons. The Australian entrepreneur who built the multi-billion-dollar financial empire ETF Securities has long avoided the press, scandals and flashy spending. But he's making headlines recently with his announcement that he's giving \$50 million to Australian National University for scholarships.

The big news was not so much the gift, but the reason for the donation. Wealth, he said, can ruin your children, so much better to give it away.

"Lots of money is poisonous to have," he said of his kids. "If they create things themselves, then it's a sense of achievement. Whereas if you just give them stuff, it almost destroys their desire to do things and you actually end up with kids that are a lot worse off."

He said that while many of today's rich are giving their fortunes to charity, "in some cases they pass the wealth down to later generations who have behaved badly. And I think that's a really bad example."

His gift to the university will go to scholarships for kids with "innate smartness" and who have a well-rounded life.

Of course, Tuckwell is generalizing about kids and wealth. Plenty of families manage to pass down wealth without ruining their kids. Donald Trump's kids often seem more polished and savvy than their billionaire dad, despite their silver-spoon lives.

But the Tuckwell Principle is part of a sweeping change in the mindset of the wealthy when it comes to inheritance. Throughout the world, self-made millionaires and billionaires who didn't grow up with money are seeking to instill the same middle-class values, hunger and independence in their kids.

**Warren Buffett**, of course, is the high priest of the anti-inheritance movement, saying that the wealthy should leave their kids "enough to do anything, but not so much that they can do nothing." (To be sure, Buffett's kids aren't exactly struggling: they've inherited hundreds of millions in their foundations).

"Generally speaking, if you look at the people in Australia that have got huge amounts of wealth, without naming any, they generally have not put the majority of their wealth behind strong philanthropic causes," he said.

He told reporters that his four children will receive "a bit of money" and "a great education courtesy of their parents." Other than that, he said, they would have to have earned their own success.

We have yet to hear comment from his four kids.

## Wealthy Don't Want to Spoil Kids, but Can't Help It

Published: Wednesday, 9 Jan 2013 Giving Rich Kids Middle-Class Values

CNBC's Robert Frank reports on the great paradox facing millionaire parents: how to avoid spoiling their wealthy children. It's the rich parent's paradox. The wealthy want their kids to have middle-class values: To be humble, hungry and hard-working and to know the meaning of earned success. But they also give their kids nearly everything they want: from cars and house payments to college educations and travel.



A new survey from PNC Wealth Management found that 82 percent of American millionaires said that their kids should be responsible for creating their own wealth. That's up from 65 percent in 2007. More than 80 percent also said that raising successful, hard-working children is their most important goal.

They want, in other words, the same middle-class childhood they had themselves. The survey found that 75 percent of the millionaires said they grew up in an "average" financial situation. Only 12 percent grew up well-off and 12 percent grew up "poor."

But when it comes the lifestyle they're actually giving their kids, millionaire parents are anything but average. They study found that half of them are leaving their kids more than \$500,000. Fully 61 percent plan to pass along a "substantial" inheritance to their kids. That's not to mention the financial support they give them along the way.

"It's a conundrum," said Stephen Pappaterra, managing director of wealth planning for PNC Wealth Management. "There does seem to be a gap. They want their kids to be responsible and self-sufficient and independent. At the same time they're dealing the practicalities of their economic situation." Pappaterra said that wealthy parents want their kids to make it on their own, but they also know that economic opportunities today may not be as plentiful as they used to be. Hence, the need for more help. Kids today also feel more entitled to support and material comforts, he added. "If they grew up in an affluent town, they might expect to have their college paid for, along with car payments, and other things," he said.

So while wealthy parents may want their kids to be middle class, their economic reality is decidedly different. Inheriting millions of dollars has its obvious benefits. But a new study finds that inheriting vast wealth also some less obvious downsides. For the study, called "Next Generation Wealth," Morgan Stanley [Private Wealth Management](#) and [Campden Research](#) interviewed 53 wealthy families, most of them with net worths of \$100 million or more. The main subject was how to pass wealth successfully from one generation to the next.

The survey found that managing, making and protecting wealth were important concerns for the wealthy families surveyed. Yet it was the "softer" issues that families worry most about when it comes to the impact of wealth on their children. Specifically, the study found that the top concern for both parents and rich kids was the impact of wealth on their relationships. Another top concern was falling victim to scams and thieves.

Nearly half of the inheritors were highly concerned that wealth would complicate their relationships with spouses, partners, friends or colleagues. These concerns far outpaced financial concerns like taxes or effectively managing their wealth. The results are even more interesting when you look at differences between men and women who inherit wealth. Fully 79 percent of women who inherit wealth worry that their wealth would complicate their relationships.

Only 22 percent of men who inherit money worried about wealth and relationships. While more than three quarters of women worried that wealth would complicate their childrens' relationships, only 35 percent of men worried about the issue. Women were also more worried about becoming targets. Half of women were concerned about becoming "a target of unscrupulous people," compared to just 28 percent of men.

Why do you think heiresses worry more than men about the impact of money on relationships?

*-By CNBC's Robert Frank*