

LEGACY: 'LUCKY SPERM CLUB'

The Trust Fund Whisperer

She's an heir's worst nightmare: Lee Hausner coaches wealthy families on how not to bequeath their riches

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WITH A REPORT FROM TRALEE PEARCE

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Three months ago, Lee Hausner flew to Toronto from her California home so she could attend the annual meeting of a wealthy Canadian family.

She is not related to the well-heeled brood, or employed by them as a lawyer or a financial guru.

Dr. Hausner is a psychologist, one who is paid to tell families how to avoid screwing up their children with cash.

Call her the Trust Fund Whisperer, a woman whose tough-love approach to handling families with wealth has made her an in-demand consultant across Canada and the United States.

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"One of the reasons we have a generation that goes broke is that no one teaches them about wealth," she said during a recent address at Toronto's National Club. "It's like throwing the keys to the Ferrari to an eight-year-old and saying, 'Go drive.' "

Dr. Hausner is one of a growing chorus of people who believe the younger generation should not get the Ferrari, the mansion or any substantial monetary reward whatsoever.

"They are very poor people living in rich people's homes," she said.

"And they need that made very clear."

As the baby boom generation ages, North America is about to experience an unprecedented transfer of wealth, and the need to prepare young people to handle their wealth responsibly has spawned its own small industry in the United States.

In California, young heirs attend sessions such as the Financial and Life Skills Retreat presented by the consulting firm IFF Advisors, and many banks in New York run investment courses for those who stand to inherit a bundle. Next month in Miami, a group of high-net-worth families from North and South America are gathering for the Pilot Family Office Summit.

Dr. Hausner is on the speed dial of many a Forbes family, thanks to her book *Children of Paradise: Successful Parenting for Prosperous Families*, one of a number of self-help guides for the desperately rich.

Having started her career as a psychologist at the Beverly Hills, Calif., school board, Dr. Hausner has seen young people of the Paris Hilton ilk be overindulged, and raised to believe they are part of the "lucky sperm club" and entitled to anything and everything their family has earned.

"You have to work very hard to disavow this generation of that notion," she said.

Handling a family's financial windfall is not just a challenge for the American rich and famous. According to Forbes magazine, there are 23 Canadian billionaires, "legacy families" that are likely to pass on their wealth for generations to come.

Investment advisers who attended Dr. Hausner's seminar in Toronto said they are often approached by families who don't know how much to give their kids, and who worry their heirs will "blow it all sailing."

To address that concern, more family advisers are urging young trust-funders to roll their windfalls back into their family estates, said Toronto family legacy coach Jennifer East, who advises clients in Canada and abroad worth at least \$5-million on how to manage massive inheritances and business succession.

Ms. East encourages well-off parents to prepare their children by encouraging them to make choices. Instead of giving them whatever they want, she says, the message should be that "if you want a car and a trip to Africa and a third thing when you hit 18, you need to pick."

That way, "it's about teaching the next generation that there are choices to make."

Other advisers urge the creation of a "family office," a concept that dates back to the early 1900s with families such as the Rockefellers who amassed great wealth and hired in-house managers for both their money and their affairs, including philanthropy.

Dr. Hausner said Canadians should consider two models when they decide if and how to dole out the cash. One is the Pritzker family, owners of the Hyatt hotel chain, which saw its \$15-billion (U.S.) empire broken up after two twentysomething heirs sued their parents for \$900-million, saying their trust funds had been robbed during their childhood.

On the other end of the spectrum is Warren Buffett, one of the world's richest men, who has said his kids

will not receive a substantial portion of his billions (opting instead to divide his fortune among charitable foundations).

Dr. Hausner believes families should embrace the latter option, and that kids raised to expect a windfall will have little impetus to work. "This is not about money," she said. "This is about being productive."

Ms. East, who will attend the Miami conference as a moderator and a workshop leader, recently advised one family after the boomer parents sold the family business. They wanted to know how they should best juggle teen children and millions of dollars.

Ms. East asked the parents about their business values for a clue about how to map out the future.

"I tried to help them become the managers essentially of their family and their money, their estate and their legacy," she says. "It's like a whole new business they've never really dealt with before."

The most important thing older generations can do, Dr. Hausner said in presentations in Toronto and Montreal, is to set an example.

"If you want to play golf all day, that's fine," she said. "But get an office, hang your golf clothes there, get up and put on a suit every day and just head over there like it's a job."

Sharing the wealth

Lee Hausner's tips for psychological wealth management.

Set an example

How children feel about money has a lot to do with how they see their parents spend it. Stay productive, be charitable and invest wisely, and your kids will too.

Encourage philanthropy

Put young children on charitable committees to learn how to collaborate and make a difference.

Do the math

Add up everything you want your children to have - money for education, a house,

retirement and even yearly

vacations. Then decide where you want the rest of your money to go. Stick to the plan.

Avoid cash paralysis

Don't transfer any substantial amount of wealth before or

during a child's career-building years. Pay for education, housing and other expenses, but large sums of cash will just "grind their productivity to a halt."

Encourage passions

If your child wants to be a

teacher, but worries about the standard of living associated with the profession, offer to match their salary.

The rule of thirds

When transferring money, break it into three payments over a

prolonged period - in case they blow it the first time. And the second.

Decide who's in and out

Don't alienate spouses or in-laws - it will only lead to trouble.

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