

V A L U A B L E S

Ideas, Systems and Strategies for Managing Family Wealth to Fulfill Your Greatest Values.

About *Valuables*.

Many financial advisors focus on communicating with clients to provide complex analysis of the investment markets and economies. However, we have learned that most clients are not particularly interested in this complex analysis. Most clients hire an advisor for their knowledge of the markets, not for their ability to explain that knowledge. Most want to know what time it is, not how to build a watch.

Experience has taught us that wealthy families care most about using their wealth as a means to a desirable end, which is to achieve a more satisfying, fulfilled and impactful life, and to fulfill their most important Life Values.

Valuables is a periodic article series focused on the concepts, systems, and habits which we have observed among families who have been successful in this quest to use their wealth as a tool to live a life of significance. The most successful families share a set of habits, systems, and insights which enable them to use their wealth as a tool to fulfill their Values and what is most important to them.

We are naming this article series *Valuables*, because it will provide an exploration of those habits, systems, and insights. We hope it will help you to consider your assets and possessions which are most valuable to you, and how you can use your financial wealth to enhance and cultivate your true "Valuables".

The Rockefeller Rules

By Erik Strid

"According to Nelson Rockefeller, the one-time Vice President of the United States, his father John D. Rockefeller Jr. gave each of his five sons an allowance.

We got 25 cents a week, and had to earn the rest of the money we got. To earn part of that extra money he raised vegetables and rabbits... We always worked. All the boys were required to keep personal daily account books. They were required to give 10 percent of their income to charity, to save 10 percent, and to account for all of the rest. They had to balance their account books ever month and to be able to tell what happened to every penny they earned. "

- From the book "Kids and Cash"
Ken Davis and Tom Taylor
(1979 Oak Tree Publications)

A Major Fear

In our work advising wealthy families, we have attempted to identify some of the key challenges and dangers faced by wealthy families in their quest for success and meaning in their lives. It is our hope that by identifying the key obstacles faced by wealthy and affluent families, we will be better able to serve your needs by helping you to address and overcome those challenges.

In that search to better understand the dangers our clients face, there is one fear that appears to be held in common by a great number of families, related to their children's (or grandchildren's) attitudes about money. Many of our wealthy and affluent clients have often expressed this fear:

Wealth will negatively impact our children and grandchildren

Indeed, many wealthy and affluent Americans are worried that their money may "spoil" or "ruin" their children, and that growing up affluent may become a major handicap to their kids' successful development and happiness. Many fear that inherited wealth may lead to a great number of bad habits, dysfunctions, and unhappiness, as there are no shortage of examples of families which have fallen prey to this danger. In fact, it has become a well known stereotype in Hollywood and the popular media that children of wealth usually end up spoiled and dysfunctional.

For most of our clients, their children and grandchildren are raised not wanting for anything. Many attend exclusive private schools, enjoy frequent vacations, country club membership, and access to the latest gadgets and games. In many ways, this is a source of pride for parents who are pleased to provide their kids with such a comfortable upbringing, or happiness for grandparents who may take some secret joy in "spoiling" their grandkids. However in other ways, it raises real concerns about your children's relationship to money in their lives.

In our conversations with many families, we have heard this concern expressed in many ways. Parents and grandparents fear that their children have never known what it means to *want* something, and may take for granted that all of their wants are fulfilled, and perhaps they may even expect it. Many are concerned that the children are not able to connect *money with work*, and they don't understand that it takes work in order to produce money in their lives. As a result it is difficult to motivate children to work, do chores, or even help around the house. Finally, there is a worry that children have no concept of saving and building wealth, but only understand consumption and spending.

Although we may take pride in our ability to provide a great life for our kids and grandkids, the flip side of this pride is that it may be doing our children the greatest possible disservice, robbing them of the self confidence and satisfaction of earning and saving their own money, and enjoying the fruits of their own labor. Ironically, in our desire to provide them with all of the material blessings of the world, we may be stealing from them one of the most important emotional and spiritual blessings in the world: self satisfaction of their own personal accomplishment.

Valuable Habits

We love the excerpt above from *Kids and Cash*, because it eloquently articulates a strategy that was used by one of the most successful multi-generational families in American History, the Rockefeller family. John D. Rockefeller knew intuitively not only how to earn and accumulate wealth for himself, but also how to ensure that his wealth would last for many generations, and become a tool for the successful growth and human development of his heirs.

No matter how wealthy the Rockefeller family became, John D. Rockefeller insisted that his children practiced these critical habits from a very early age:

1. You work for your money, it is not given to you without work.
2. You save a portion of all that you earn.
3. You give away a portion of all that you earn to charity.
4. You keep track of every penny that goes in and out.

Five Tips for Raising Money-Smart Kids

1. Start Early Talking About Money
2. Get Them Involved in Family Shopping
3. Give Them a Budget and Control Over Spending
4. Don't Bail Them Out
5. Model Good Habits

In bestowing these habits on his children, and insisting that they practiced them, Rockefeller ensured that his family's fortune would last for generations to come. Indeed, it could be argued that these habits were in fact a more valuable inheritance than the many millions of dollars that Rockefeller passed on, because it was these habits that enabled the heirs to *keep and grow* the family fortune over many years. The reason the Rockefellers remain wealthy today is because generations of the family learned at a young age to **EARN** their money, to **SAVE** their money, to **GIVE** their money, and only then finally to **SPEND** their money.

Chores and Allowance

The "Rockefeller Rules" creates a very simple road map for successfully educating your children how to **Earn, Save, Give and Spend** properly, and build a foundation of "money awareness" for children. This training builds the values described above, to develop the essential tools for future generations to possess in order to avoid many financial and emotional dysfunctions. However, as with many things in life, *simple* does not necessarily mean easy.

The early years of a child's life can provide the greatest opportunity for children to learn valuable money habits that will serve them well for a lifetime. It is in early childhood when the most lasting habits can be formed, so this work can be especially impactful with young children. It is also possibly the most *difficult* time for a family to instill these habits in their children, as young children are only just learning the important skills of hard work, responsibility and delayed gratification. It is also difficult for families to "deny" anything to their young children, as we all seem to most enjoy "spoiling" our young children and grandchildren to make them happy.

Traditionally, many families have successfully developed these habits by imposing a program of household chores for children, in return for an allowance which could then be used to fund the child's spending money. Indeed, we are all very familiar with the concept of having a list of chores as a child, and being paid an allowance in return. This concept is a familiar part of American culture and our national Value system, and has been used

throughout the years by families to instill these habits in future generations.

However, in recent years as our nation has become more affluent, it seems that this habit is a declining element of our culture, and it is less common to find a family which consistently implements a disciplined and consistent program of chores and allowance. While many families may desire to develop a program like this, it is hard to implement in the real world. Children are naturally disinclined to work, and it is hard to track, manage, and enforce a list of chores for kids. It generally takes work and persistence on the part of parents, who are already overscheduled and too busy. It is also a practical difficulty that cash in hand can be difficult for children to manage, and many children are at risk of losing their cash allowance in the cushions of the sofa, under their bed, or somewhere on the playground.

A Priceless Online Resource

Fortunately, the world of technology offers a wonderful tools to help your family to build these habits into your children's (or grandchildren's) weekly routine, in a fun, easy, and entertaining way. We recently have partnered with a company called Tykoon (www.tykoon.com), which offers a web based service to help parents and children to track chores, pay allowance, and set rules for saving, giving, and spending the child's allowance.

The Tykoon service allows parents to assign various tasks including recurring chores such as cleaning their room, one-time jobs or daily responsibilities such as their homework. Parents choose how to assign rewards based on your own family practices and values. Rewards can be cash (such as an allowance) or non-cash (extra tv time, stay up late, etc).

Each child can then view their own personal online dashboard to view tasks, progress, rewards, etc. Children may also propose new chores or jobs they are willing to do, for a proposed "fee", which parents may then accept or reject.

Once the child's tasks are completed, the parent can then approve the reward. If the reward was money, an electronic credit is added to the child's online account which they can view on their dashboard. Parents may also set rules for a percentage that the child must save into her online "savings account", as well as a percentage that must be dedicated to

charity. Finally, the child has the right to spend the remainder of their earnings as they wish.

The child's savings account is then tracked on their online dashboard so that they can begin to see their savings grow and accumulate. They can manage their giving, as the system has a built in network of charitable organizations that they may choose and automatically credit as they desire. Finally, they can use their spending money by shopping in a networked marketplace of merchandise that is linked to the site, and which only allows purchases of merchandise which has been pre-approved for purchase by the parent.

We have found Tykoon to be an exciting tool to help families teach their children important money and work habits in a way that is easy and efficient for parents, and fun and entertaining for kids. We recommend that you research this free service yourself, and introduce it to your children, as well as your grandchildren.

A Word of Full Disclosure

We at Centenus Wealth Advisors are big believers in the Tykoon service, and have begun to adopt this website in our own family. In fact, we believe so much in this service that we have become investors in the company!

In order to provide full disclosure and transparency about our recommendation that you use Tykoon, we point out that several of our staff here at Centenus Wealth Advisors have invested in the early round financing of the company, and continue to maintain a financial interest in the success of Tykoon.

Erik Strid – CFP®, ChFC
Principal

Centenus Wealth Advisors

1000 Continental Drive, Suite 560 | King of Prussia, PA 19406

855-568-1500 | erik.strid@centenuswealth.com

www.centenuswealth.com | twitter: @centenuswealth

Disclosures

This article was originally published by The Strid Wealth Management Group (SWMG). In February 2014, SWMG became Centenus Wealth Advisors, an Independent Registered Investment Advisor.

The material herein reflects the opinion of Centenus Wealth Advisors on the date of production and are subject to change at any time without notice. Due to various factors, including changing market conditions or tax laws, the content may no longer be reflective of current opinions or positions. The information provided herein is for information purposes only and does not constitute financial, investment, tax or legal advice. Investment advice can be provided only after the delivery of Centenus Wealth Advisors' Brochure and Brochure Supplement (Form ADV Part 2A&B) and once a properly executed investment advisory agreement has been entered into by the client and Centenus Wealth Advisors. Centenus Wealth Advisors is not a legal or tax advisor.

This content is not to be reproduced, copied or made available to others without the expressed written consent of Centenus Wealth Advisors. March 2013