

How to raise kids in an affluent household

How you can prevent wealth from spoiling your kids

We've all seen it on TV—and perhaps in real life. A child grows up in a wealthy household. The child leads a privileged life, with fancy toys, designer clothing, an expensive car and a generous allowance. When it comes to spending, the child is gifted. But when it comes to earning, the child is apathetic. Instead of being a productive member of society, he or she takes the path of least resistance and lives off Mom and Dad's fortune.

There is a name for this condition: affluenza, or the lack of drive or ambition brought on by a lifetime of wealth and privilege. And it seems many high-net worth parents are worried about it.

In fact, in a seminal survey conducted by the American investment bank U.S. Trust back in 1996, half of all high-net worth parents surveyed were concerned that their children would have their initiative and independence undermined by the material advantages of growing up in a wealthy family.

How can you prevent this condition from affecting your children? By making sure they have a healthy respect for wealth and the effort it takes to earn it. Here are some simple pointers:

Have a frank discussion with your kids about wealth

If you want your children to respect wealth, you need to talk to them about it. Involving your children in discussions about family wealth will make them aware of how important communication and discussion is when it comes to financial planning. This is sure to hold them in good stead later in life.

Give them an allowance—but be cautious!

An allowance can give a child practical experience in handling money. An allowance can also be a good way to encourage financial discipline. But there's no need to go overboard. Extremely generous allowances and unearned gifts contribute to a feeling of entitlement and can make it harder for a child to become self sufficient.

Encourage teenagers to find jobs

One of the best ways to respect money is to earn it. Even though you may have the ability to provide for everything your child would ever want, an honest day's work will teach your child the true value of money.

Give children responsibility

Some parents think they're doing their children a favour by making money decisions for them or by withholding rewards if a child makes bad lifestyle decisions. Such heavy-handed tactics rarely work in the long run. By taking away a child's responsibility for his or her finances, you encourage the child to be dependent on Mom and Dad. Yes, children need guidance. But if you want your children to be financially capable, you must allow them to have responsibility for their own financial decisions—both good and bad.

Consider trusts

For parents concerned about the ability of their children to manage a large inheritance, trusts can offer an attractive estate planning tool. An experienced estate planning professional can help construct a trust that ties payments into the achievement of certain life goals, academic goals, or choices. Be cautious with this approach, however: any trust that attempts to control a child's decisions in life about career, or a choice of spouse, may have a detrimental effect on the child's development, fostering dependency and lack of self-esteem.

Ultimately, affluenza is much more than a problem of the wealthy. It's a social problem with far-reaching implications. If parents fail to give their children direction on how to *respect* any amount of wealth, the next generation will grow up without the desire to create a better life for themselves, or for others. That's something that makes all of us less wealthy.