

## ARE YOUR CHILDREN PREPARED FOR WEALTH?

FALL 2001

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Psychotherapist and wealth consultant Jessie O'Neill sometimes opens her speaking presentations by describing the first thing she did when she received her multi-million-dollar inheritance. She bought cocaine because she was so overwhelmed with the responsibility of wealth.

O'Neill, an heir to a portion of the General Motors fortune, is a leading consultant in the psychology of affluence who developed her expertise through professional training and some difficult personal experiences. "Money is powerful and transformational," writes O'Neill in her book, *The Golden Ghetto, The Psychology of Affluence*. "Left to its own devices, it controls us."

### THE WEALTH TRANSFER BOOM

The transfer of wealth in the next 50 years to the next generation will be staggering. A Boston College study estimates that from 1998 to 2052 more than \$40 trillion will be transferred from one American generation to the next. Even more important, because of a trend toward values-based financial planning, the study predicts that this wealth transfer will also usher in a new "golden age" of philanthropy.

Even if you have only modest assets, what's the best way to instill the right values about money and charitable giving in the next generation? And if you have accumulated substantial wealth, how can you ensure that your heirs are prepared for the emotional and financial effects of inherited affluence?

### THE PARADOX OF MONEY

"There's a tremendous paradox that underlies money," says San Francisco psychotherapist Tom Caldarola. "It's absolutely essential to our lives, and we're bombarded with messages about how satisfying wealth and possessions can be. Yet the really important things we value—our families, our health, and so on—have very little to do with money once we have enough to meet our basic needs. And tremendous gratification comes from sharing personal wealth with the larger community. These are complicated lessons to pass on to children."

Many wealth experts recommend starting simply by letting your children see how your family makes money, budgets spending, and gives to charitable causes. By demystifying money, and showing your children how you choose to manage it and share it, you'll give them a better chance of developing a healthy perspective on wealth.

Workaday life experiences may also be an effective antidote to "affluenza," which O'Neill defines as a dysfunctional relationship with money and wealth, or the pursuit of it. A survey by U.S. Trust, a subsidiary of The Charles Schwab Corporation, revealed that more than 75 percent of affluent parents expect their high school children to hold down part-time jobs and 80 percent expect them to contribute to college costs through part-time work.

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SCHWAB FUND for  
CHARITABLE GIVING™

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## ON A CHARITABLE NOTE



*Earlier this year, we surveyed our donors to find out more about your charitable goals and how the Fund can serve you more effectively. This is what you told us.*

*More than 60 percent of donors surveyed will give more to charity as a result of having a Charitable Gift Account, and more than 30 percent give to charities they would not have given to before because of the account. Congratulations on your growing generosity.*

*An extremely high percentage of you are “completely satisfied” with the service you receive from the Fund. We’re proud of this and intend to continue providing the best possible service to you while we increase our donor base.*

*Where can we improve? You would like both contributions and grant requests processed more quickly. Our goal is to process grants to charities that have received grants in the past in 4 business days and new charities in 12 business days. We hope to introduce a new charity approval process in the next 6 months that will further reduce this time. In the meantime, if you have special circumstances that require your grant requests to be processed more quickly, please contact our staff and they will work with you to accommodate your needs.*

*You would also like our representatives to have a greater understanding of tax issues and the underlying funds that make up our investment pools. We will be training our staff in these areas this fall. In addition, you would like better navigation features in our web site. I am pleased to announce that in November we will be launching a completely new web site that will address most of the improvements requested in the survey.*

*For those of you who participated in the survey, many thanks from the staff and your fellow donors. Be assured that your input—from the survey as well as our daily interaction with you—will drive our plans to enhance the Schwab Fund for Charitable Giving*

*Kimberly Wright-Violich, President  
Schwab Fund for Charitable Giving*

## VISIT OUR UPGRADED WEB SITE

The Schwab Fund for Charitable Giving web site has a new look, and now offers you more. Our interactive calculators can help you estimate the true cost of your charitable giving by estimating your income and capital gains tax savings, and also predict the long-term growth potential of your Charitable Gift Account. And, we’ve added more links to other web sites that will help you stay informed about philanthropic strategies, legislation, volunteering, disaster relief, and much more.



We’ve also enhanced the site’s Donor Center to allow you to initiate contributions online from Schwab brokerage accounts, beginning November 1, 2001. Typically the assets will be transferred within one business day.

More than 60 percent of your grant requests are made through the Donor Center. To provide you with even better online service, we will begin sending you email confirmations with the details of each grant you have requested online. We’ll also continue to send you a written confirmation of each grant check when we send it to your charity.

[www.schwabcharitable.org](http://www.schwabcharitable.org)

## AMERICANS ARE GENEROUS GIVERS

PHILANTHROPIC CONTRIBUTIONS AS % OF GDP\*



Data is from 1995 and excludes religious contributions  
Source: Johns Hopkins Comparative Nonprofit Sector Project  
\* Gross Domestic Product

Although Americans are the world’s most generous givers, charitable giving is increasing around the world, most notably in South America. “Philanthropy is the way to invest in a better place to live,” says Victor Sialuly, boss of Ache, a Brazilian pharmaceutical firm, in the June 16, 2001 edition of The Economist magazine.

The same survey (see chart) showed most affluent parents worry that their children will place too high a value on material things. Early education about charitable giving can help. Fred Rogers, better known as the star of the children’s television show Mr. Rogers’ Neighborhood, points out that a lot of charitable giving is invisible to children, since many parents use credit cards to give or make donations when children aren’t around. Instead, he suggests talking with your children about charitable giving when you make donations. He also suggests involving children in volunteer work and, most important, letting them hear you talk about how satisfying it is to help others, which can go a long way toward helping them understand that charitable giving may be a source of great enjoyment. Rogers has written a book to teach children about giving, titled *The Giving Box*, published by Running Press.

“One way to look at it is that money is based in community,” says Caldarola. “Whatever you have you churn back into the community in various ways—whether it’s buying theatre tickets or giving to charity. Either way, you are expressing your involvement with your community through your spending and giving habits, and your children will see that.”

**AN INHERITANCE CAP**

Denise O’Leary and Kent Thiry, affluent Silicon Valley parents of two and donors to the Schwab Fund for Charitable Giving, are working hard to help their children develop a balanced perspective toward affluence. They plan to limit what their children inherit because, in the tradition of Andrew Carnegie, they simply do not want to transfer all of their wealth to their heirs. The Boston College study cites this as an emerging trend among the affluent in the United States.

“I knew kids growing up who were counting the days until their trust fund kicked in. Oftentimes, the inheritance seemed like a crutch, enabling them to avoid hard decisions and serious choices, which are part of growing up. We don’t want that to happen to our children,” says O’Leary, a former venture capitalist who is now active in the nonprofit community, including as a board member of the Community Foundation Silicon Valley and Stanford Hospital. “We think it’s important to let kids have their own sense of achievement – there is a lot of personal satisfaction that comes from that.”

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<b>AFFLUENT PARENTS’ CONCERNS</b>	
Concern for Children	Cited By
<i>They will...</i>	
Place too much emphasis on material possessions	68%
Be naive about the value of money and how hard it is to earn	64%
Not do as well financially as parents	60%
Have limited exposure to people with different socio-economic backgrounds	58%
Spend beyond their means	55%
Have limited initiative	50%

Source: U.S. Trust Survey of Affluent Americans (1996)

**Q. My account has lost money in the last year from investment losses. How can I avoid future losses?**

**A.** Any investment in securities is subject to market fluctuations, and in the last year many investment vehicles have declined, including some of the funds in our investment pools. Remember you can rebalance your account online at our Donor Center at any time to reflect your investment preferences. Our investment pool choices are designed to offer you three levels of risk and potential return. The most conservative is the Gift Preservation Pool, which is composed of 60% Schwab Value Advantage shares and 40% Schwab Short-Term Bond Market Index Fund. Remember that past performance is not indicative of future results. For more information, visit [www.schwabcharitable.org](http://www.schwabcharitable.org).

**Q. I try to spread the money in my account evenly across the three investment pools. But I just made a grant from my account, and now there is no money left in the Gift Preservation Pool. Why?**

**A.** All grant requests are funded first from the Gift Preservation Pool. If there aren’t enough assets in that Pool, then we turn to the Balanced Index Pool to fund the grant and, if necessary, to the Growth Index Pool. If you want to retain the allocation you had prior to the grant being issued, you can rebalance your account after the grant is issued either online at our web site or by sending us an Update an Account form.

## YEAR-END DEADLINES ARE APPROACHING

It's not too early to make note of year-end deadlines that could affect your charitable giving, and your taxes.

We encourage donors to make contributions prior to the last week of December, especially if you are transferring assets from a financial institution other than Charles Schwab & Co., Inc. "We can't fully control the processing time for these transfers because we rely on the other financial institutions, and we want donors to get the full tax benefits they are looking for in the current year," says Kim Wright-Violich, President of the Schwab Fund for Charitable Giving.

We'll be processing contributions and grants until December 31, but be sure to follow these guidelines if you want to ensure your request is processed by year-end:

- Request transfers from a Schwab Account by December 27 (Thursday);
- Request transfers from other institutions by November 15 (Thursday);
- Arrange for wire transfers to be received by the Fund by 1 P.M. (Pacific Time) December 31 (Monday); and
- Mail contribution checks or security certificates by December 31 (Monday).

If you'd like to request that a grant be issued before year-end, we suggest you make your request by Friday, December 14. While we will make our best effort to issue grants promptly if they are requested after this date, we cannot guarantee year-end delivery.

## MINIMUM CONTRIBUTION AMOUNT REDUCED

Beginning October 1, 2001, the minimum contribution to an existing Charitable Gift Account will be \$500, a reduction from the current \$1,000 minimum. We hope this change will make it even easier for you to increase your charitable giving.

## ARE YOUR CHILDREN PREPARED FOR WEALTH? *continued*

O'Leary also points out that in highly affluent communities it's difficult to ensure that children understand limits. "We're not lacking for much of anything, but we try to show our children that you should use things well. I drive a really old Volvo, and my son keeps asking me why I don't buy a new car. I tell him that I like my car just like it is. It's true, but I also think it sends an important message that a lot of affluent kids don't get today."

The children receive allowances that are allocated – half for spending, 40 percent for saving and 10 percent for charitable giving. "My daughter loves animals, so her contributions often go to the Humane Society, and she really enjoys the newsletter she gets for being a donor. She loves the stories about animal rescues."

O'Leary and her husband have decided to limit what they leave to their children and family members and donate the remainder of their wealth to charity. "We've set what we think is a reasonable amount for our heirs to inherit, and we've been lucky enough to have more than that," she says. "How we'll use the remainder is somewhat of a work-in-progress. For example, we know now that we will leave something to a few educational institutions and environmental groups. And after Kent established a scholarship program for children of employees in his company, we decided we would match a portion of it personally. I'm sure our thoughts on giving will evolve over the years, but this is what makes sense to us now."

## RESPECT DIFFERENCES & LET GO

"It's important to deal with your children equitably and yet respect the differences among them," says Caldarola. "Some people are conservative with money and some aren't. You have to accept these differences and acknowledge that your kids may spend money differently than you would." He also recommends giving children consistent messages through financial words and deeds, avoiding the use of money as a way to control behavior, and keeping a constant dialogue going about money and its paradoxical place in our society.

"If you approach money thoughtfully with your children, and give them affirmative models regarding charitable giving, the meaning of material things, the value of work, and so on, there will be real benefits," he says.

Interested in learning more? Links to the studies referenced in this article, as well as to web sites and other resources about preparing children to inherit wealth, are available on our web site, [www.schwabcharitable.org](http://www.schwabcharitable.org), under Philanthropy Resources.