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HIGH ANXIETY

By Tony Allen-Mills

Leaving the fruits of your success to the children is going right out of fashion. Tony Allen-Mills finds that super-rich Tigers' prefer to ease their consciences

If there's one thing guaranteed to make a multi-millionaire wince, it is being told by someone not quite so well off: "I wish I had your kind of problems." Not many of us want to hear how hard it is to find a responsible chauffeur these days.

Nor do we care much about the black-truffle shortage impairing the preparation of a decent risotto.

Yet there's a problem related to the accumulation of fabulous wealth that even those of us who drive Ford Fiestas might recognise as a genuine headache. Most millionaires are parents, so how much of their loot should the children inherit when mum or dad dies?

The global economic boom of the past decade has created private fortunes on an unprecedented scale. There are now at least 500,000 people in America with more than Pounds 5m of personal assets. Most of those millionaires are not snooty aristocrats or Wall Street tycoons. They are doctors, lawyers, builders and retailers who worked hard, invested wisely or maybe just got lucky. Some still drive Fords. Many have never eaten a truffle in their life.

Yet with this new-found wealth has come a largely unanticipated array of family and philanthropic pressures. The new rich are being forced to consider questions that their own parents rarely needed to address.

Where is the dividing line between securing your children's financial futures and turning them into spoilt brats? How much is enough? And after you've spent your life accumulating a fortune, how quickly should you give it away? "It's the biggest thing that every rich person gets around to," says Tommy Gallagher, a former Wall Street investment banker who found himself sitting on a large nest egg when he lost his job after the attacks on the World Trade Center in 2001. "How do you not screw up your kids?"

Like many executives or entrepreneurs who retire, lose their jobs or sell their firms, Gallagher suddenly became a rich man with nothing to do. "I don't want to make it sound like it's the worst thing in the world to be rich," he says, "but whether you're rich or poor, if you work for 40 or 50 years at something and that stops, you face an abyss. It's difficult for everybody, but when you have a lot of money, it's pretty hard to find someone to talk to about your problems."

Gallagher, who has two sons, realised he needed a support group where millionaires in similar circumstances could help each other with the rarefied world of full-time wealth management. It was not only about diversifying portfolios; it was about thrashing out the challenges and obligations that come with a large pile of dough. Then a friend introduced him to Michael Sonnenfeldt, a multi millionaire real estate developer

who sold his company in 1998. A year later he and entrepreneur Richard Lavin set up an elite co-operative called Tiger 21 for rich investors. It sounds like a millionaire boys' club -the Tiger name stands for The Investment Group for Exceptional Returns in the 21st Century -and you need at least Pounds 5m of investable assets to join. Its real purpose is to enable rich Americans to discuss frankly and confidentially among themselves the problems that the rest of us envy or disdain.

Gallagher has become Tiger's president, directing a network of 148 multi- millionaires -assets Pounds 5 billion -who pay Pounds 12,500 a year to join in with its investment-related activities, administered from offices in a Manhattan townhouse.

Confidential discussion of investment strategy remains at the core of Tiger's philosophy, but as Gallagher swiftly discovered when he joined in 2002, some of the members were worried about more than the differences between private equity and bonds.

"Many of us have a very expensive lifestyle," he tells me over coffee at the Upper East Side townhouse. "Our kids live in Park Avenue apartments, go on vacation with us, drive our cars, go to private schools. Their world is different from everybody else's, but our worries as parents are the same: will they drink too much, smoke pot, stretch the laws a little bit, or will they be honest and hard-working like we were?"

Sonnenfeldt is a father of four and, while he prefers not to discuss his private family arrangements, he acknowledges that most of Tiger's members "are wrestling with how much or little to leave the children. And philanthropy is the flip side of children".

The problems for a rich parent are clear -give them too much, too soon, and they have no motivation to work. Donate too much to charity, and the children -who may be Googling their parents' investments to check out the family worth -may become bitter that their inheritance is shrinking.

"I don't believe there's a single member of Tiger who would want to leave their kids 'too much'," Sonnenfeldt says, "but every family has a different idea of what is too much. The interesting thing about Tiger is that learning what other families are doing is an important part of our process."

Some members create trust funds accessible at a certain age or give fixed allowances. Others require achievements in return for access to funds -a college degree or time spent in a job. A third group establishes charitable family foundations in the hope of engaging children in philanthropic activities, which embrace hot issues such as education and peace-making.

America's rich have always been charitable, not least because US tax laws allow significant rebates. Yet the spread of modern fortunes has turned philanthropy into something you no longer write into your will to be executed after your death; the practice of "giving while living" has become popular among the ultra rich.

Last year's announcement by Warren Buffett, then the world's second-richest man, that he was giving at least Pounds 15 billion to the health foundation established by his friend Bill Gates, the Microsoft billionaire, electrified the philanthropy business. A recent survey of Tiger members found that four in five approved of Buffett's decision not to leave more to his children.

Yet where do you start if you've sold your chain of auto dealerships in Kansas, you're sitting on tens of millions, and you don't want to leave it all to Junior in case he blows it on a visit to the racetrack with a pair of coke-snorting beauties? There are comparatively few places in America where a multi-millionaire can say in public: "Okay, I'm worth this large fortune, how do I avoid turning Junior into an addict and how much should I give to charity instead?"

These are questions that are often addressed when Tiger members gather in groups of up to 12 for presentations, which are known as “portfolio defence”. Each month, one member opens his financial balance sheet to scrutiny by others.

Confidentiality is obviously crucial, but members have learnt to trust their peers with the most intimate details of their income and spending. In return, they receive unbiased advice on their investment decisions and -perhaps more intriguingly -polite critiques of their family and philanthropic performance.

“One of our members was a father with an only child, and it became clear that he was giving the boy money fairly haphazardly, then wondering why he wasn’t more motivated,” Sonnenfeldt says. There was a discussion on the need for parental discipline and the relative merits of trust funds and allowances. “He couldn’t have had that kind of discussion with friends who were not in similar economic circumstances.” Two years on, the son has started his own company with his father’s backing.

In another case, a new member proudly presented his asset sheet, showing he was worth Pounds 15m. His charitable giving was Pounds 50,000 a year -generous by many standards, but not to Tiger members.

“Ours is an environment where someone can say with sensitivity, ‘Do you really think that if you’re worth Pounds 15m, giving away Pounds 50,000 can be considered charitable?’” Sonnenfeldt says. “I believe that person rethought whether he should be giving more, and suspect he’s now proud to have gone through that transformation.”

Tiger’s recent philanthropy survey found that members were already giving away up to 2% of their assets a year, or Pounds 300,000 in the case of a Pounds 15m fortune. The largest single gift reported in the survey was Pounds 1.25m.

Most of the money went to education-related charities, with some members funding college tuition for all the teenagers in their home towns. The bulk of the donations went to charities with which members had some personal connection; very little is given in response to unsolicited appeals.

“Only in America could the world’s second-richest man decide to give all his money away, then give it to the world’s richest man to spend for him,”

Gallagher jokes.

It is hard to leave the Tiger townhouse without wishing I had some of these problems for myself.

Yet the bottom line is that charitable giving is increasing in both the USA and UK, and nobody should feel unhappy about that.

You don’t need to be a millionaire to recognise that giving while you’re living is infinitely more appealing than leaving your chequebook to Junior.