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AMERICA'S
BURGEONING
MONEY CULTURE
IS PRODUCING
A RECORD
NUMBER OF
HEIRS—BUT
HANDING DOWN
VALUES IS
HARDER THAN
HANDING
DOWN WEALTH.

Rich Kid Syndrome

BY
JENNIFER
SENIOR



As an elementary-school kid

in suburban New Jersey, Jordan Roth says he didn't quite grasp the dizzying extent of his family's wealth, though he got a tart first clue as a 6-year-old, when a classmate opened his birthday gift and proclaimed, "Humph. I thought I'd get a bigger present from you." His family had a live-in housekeeper, but that wasn't especially unusual in Ridgewood; more unusual was the family driver, but because Roth started attending Horace Mann at age 10, he was less self-conscious about this amenity than he might have been, as a fair number of the students got dropped off each day by someone, rather than taking a bus. It wasn't until he was a teenager and moved to a marquee address on Park Avenue that larger disparities began to reveal themselves. His father, for example, had a private jet. "During the holidays, people would ask things like, 'What flight are you on?'" says Roth. "How do you answer that?"

Jordan Roth's father is Steven Roth, the CEO of Vornado Realty Trust, who is estimated by Forbes to be worth \$1.6 billion, making him the 618th-richest person in the world. His mother, Daryl Roth, has produced five Pulitzer Prize-winning plays and has a theater downtown that bears her name. I contacted him because he seemed, by all accounts, as if he'd be thoughtful about the complications of inherited wealth. He's 32; he has a serious job as vice-president of Jujamcyn Theaters.

Discussing money is considered vulgar—it's a taboo worse than sex, something Sigmund Freud famously decided was a metaphorical stand-in for feces (repellent, hoarded, tightly controlled). And inherited wealth was a topic even Freud couldn't handle without conflict, apparently—according to the late economist Peter Drucker, the doctor was ashamed of his family's bourgeois roots and instead promoted the myth that he grew up in penury. Recently, I phoned Andrew Solomon, heir to a substantial pharmaceutical fortune and author of the beautiful depression memoir *The Noonday Demon*, and asked if he'd discuss the psychological effects of inherited wealth. In the most gracious way, he declined. I pointed out that in his book, he was willing to talk about a depression so profound he attempted to contract HIV in order to have a reason to kill himself; yet he

was too shy, on the phone, to talk about his inheritance. Why was that?

He thought a moment before replying. "Because I think talking about money causes people not to take you seriously when talking about other things," he said.

Roth was willing to talk about his money. But even he had his limits. He tells me, for instance, that he had his first "crisis of wealth" when he graduated from Princeton and found himself installed in a beautiful two-bedroom apartment in the West Village that his mother had picked out for him—and helped him furnish. He wasn't working at the time. Yet he was luxuriating in its splendor. "It's very clear, if you don't want it," he says. He's handsome, buzz-cut, as long and lean as a baseball bat; when he speaks, he's unhurried and looks you right in the eye. "It's less clear if you do want it but don't like what that necessarily means."

Right, I say. We sit in silence for a moment.

So how much was the rent on a nice two-bedroom apartment in the West Village in 1997, anyway?

He smiles. "I'm totally not telling you."

WE LIVE RIGHT NOW in a culture of unprecedented, voluptuous wealth. It can be measured in all kinds of gonzo indices (the length of Larry Ellison's yacht, the square-footage of Ira Rennert's home, the price of Berkshire Hathaway stock, which opened the new year at \$141,800 per single share), but the most incontrovertible index, obviously, is the raw economic data from the Federal Reserve, which Boston College's Center on Wealth and Philanthropy has analyzed: In 2000, there were 7,000 American households worth \$100 million or more; in 2003, there were 10,000; and today, though the data isn't yet in, Boston College estimates that the number will be 14,000 or 15,000, or double what it was at the beginning of the millennium. If you pare back the standard from eight zeroes to seven, the numbers are even more surprising: Boston College has calculated that in 2004, the last time the Fed provided data, there were 649,000 American households worth \$10 million or more, a nearly 300 percent jump since 1992. In his recently published book, *Richistan*, *The Wall Street Journal*'s Robert Frank observes that the wealthiest Americans have effectively built their own country within a country, "complete with their own health-care system (concierge doctors), travel networks (Net Jets, destination clubs), separate economy (double-digit income gains and double-digit inflation), and language ('Who's your household manager?')." By 2004, he notes, the richest one percent of Americans were earning more than the total national income of France or Italy.

At some point, the offspring of this charmed class will be the stewards of the dollhouse nation their parents have created—and, more important, the caretakers of its treasury. Already, Boston College projects that inheritances received between

2003 and 2007 will be 50 percent larger than those received between 1998 and 2002, and that's after adjusting for inflation. In Manhattan, one might argue we've already evolved from a borough of aspirational wealth to one of inherited wealth—if the average price of an apartment is \$1.3 million, who besides investment bankers can afford one without parental assistance? “There are already examples of whole societies out there like this,” says Dalton Conley, chairman of the sociology department at NYU and author of the forthcoming *The Elsewhere Society*. “Like the Gulf states. I've compared Manhattan to the United Arab Emirates before. They have a nonnative working class that comes in and does all the labor, and the natives don't have to do anything.”

American blue bloods, perhaps, have a strategy for coping with their inherited wealth—wearing the ratty sweaters, pursuing the eccentric hobbies—namely, pretending it doesn't exist. But this strategy is hardly applicable to any generation that makes its fortune. Members of that generation almost always believe it's their right to flaunt it, to savor it—they've earned it, haven't they, through ingenuity and hard labor? Yet the newly rich inevitably discover that it's very hard to have your cake and eat it while raising healthy, hardworking children. “I just met this morning with a very sharp 48-year-old,” says Charles Collier, author of *Wealth in Families* and senior philanthropic adviser at Harvard University. “And he said to me, ‘I don't want my children to be entitled, but I want to have a jet. I came from nothing. Haven't I earned my jet?’” (Family advisers to the megarich say you'd be amazed how often this comes up, this question about private jets. Anxious business executives raise their hands in almost every seminar about it, seeking expiation.)

And perhaps this fellow has earned his jet. But his children haven't. The problem with money, as he doubtless discovered, is that it sets up its own paradox: Hard work may yield it, but growing up with it often discourages hard work. The aphorism “Shirtsleeves to shirtsleeves in three generations,” commonly attributed to Andrew Carnegie, has proved prophetically true not just here but across cultures (in fact, the same aphorism exists in a variety of other cultures—the Irish say “Clogs to clogs.”)

“The dramatic growth in the number of people who are serious wealth holders has set into motion a new set of questions,” says Paul Schervish, director of the Center on Wealth and Philanthropy, “and the one facing us presently—and it will become more important as this trend continues—will be, what is the quality of choice that wealth

holders will make? Will they choose consumption? Or will they choose a more productive use of their wealth?” He wonders what it would take, what subtle swing of “the moral compass,” to make people weight their choices toward the productive distribution of their money—which might mean giving less to their heirs and more to charity. “We can go in either direction,” Schervish says. “In society, in the family, and in the heart of each person.”

Clearly, it says something that Bill Gates, currently worth \$59 billion, has proclaimed his intention to leave each of his children only about \$10 million (a fine sum, but what financial planners quaintly call “junior wealth”), and Warren Buffett, worth \$52 billion, has said, “I want to give my kids enough so that they could feel that they could do anything, but not so much that they could do nothing.” It suggests that two of the three richest men on the planet see their own fortunes as a ticking time bomb—and potentially corrosive to their children's future well-being. “That quote of Warren Buffett's has become the major formulation, either implicitly or explicitly, of many wealth holders,” says Schervish. “You don't want a whole culture of kids who will be unreliable.”

The prospect of a new, expanded generation of unprepared heirs has spawned an entire industry, a shadow world of financial advisers and estate planners and psychotherapists who work for newly minted organizations with self-explanatory names: Wealthbridge Partners (for families whose net worths exceed



\$200 million), Family Wealth Alliance (which helps ultrahigh-net-worth families find the right kinds of staffing), Relative Solutions (which helps heirs make sure their relationships don't destroy family-run businesses, and vice versa), the Sudden Money Institute (counseling exactly the population the name suggests—those who stumbled abruptly into vast sums). Most of these organizations didn't exist so much as a decade ago. All share one long-term aim, which is to assure that their clients never succumb to Carnegie's supposed prediction. But what that often means, in the short term, isn't simply coming up with succession plans or preventing financial innumeracy in the poet and boatbuilder sons of the superwealthy. It means helping families cope with the many psychological distortions—and moral questions, responsibilities, and obligations—that come from having lots of money. Just as poverty produces its own pathologies, so too does inherited wealth.

"This is the single most important issue our members deal with: not screwing up your kid," says Tommy Gallagher, CEO of Tiger 21, a peer-to-peer investment group on the Upper East Side whose barrier to entry is investable assets of at least \$10 million.

To most conscientious rich people, all you have to say are two words to put the fear of God in them: Paris Hilton. Advisers to the rich structure entire symposia for their clients around the idea of avoiding her fate. (She comes up as often in Q&As as private jets.) Yet most philosophers of wealth will tell you that

the pathologies and complications associated with money aren't confined to those who stand to inherit lots. "We are not just talking about the children of multimillionaires and billionaires who have to worry about the effects of money," says Suniya Luthar, a psychologist at Columbia Teachers College. "Think of any white-collar professionals who want their children to lead the same lifestyles and have the same opportunities that they have themselves. The critical question is how to strive for those things while also striving for their equanimity as human beings. And that's often harder than it seems."

LOOKING BACK ON THAT YEAR after graduation—the one in which he had his crisis of wealth—Roth can offer a very simple diagnosis to explain his malaise: "I was not working," he says. "If I'd decided to be a philosophy professor"—his major in college, "and I was succeeding at it, I think I'd have been fine. But I wasn't. I hadn't figured it out. And that was unacceptable to me."

Roth, at least, was lucky. He grew up fully comprehending the psychological place of work, recognizing it as something whose value extended far beyond the ability to pay bills. He simply had to figure out what his vocation was. But the same thing can in no way be said of all children who grow up wealthy—or, as psychologist Luthar discovered, even the merely affluent. And without the structuring contours of a profession—without the mundane and daily obligations that come with showing up at

your job, doing it well, and getting paid—what remains is often an existential question: What on earth am I meant to be doing with myself all day?

"Malaise is a soft word for it," says Luthar. "Anomie, alienation, anguish—this is what happens when we're robbed of that sense of efficacy."

Luthar has made an academic subspecialty out of studying the interior lives of privileged kids. It was a more difficult career choice than one might think. She says her proposal to do a wide-ranging, ten-year study on the effects of affluence on adolescents was the only one in her career she was asked to redo—twice. Yet what she found is pretty intriguing. In a sample of 314 tenth-graders in a wealthy suburban community, the rate of "clinically significant anxiety" was 5 to 9 percent higher than the national average, and among girls, the rate of "clinically significant depression"



was three times the national norm. Drug use exceeded not just national averages but that of low-income high-school kids she followed in a parallel study. In part, she says, it's because so many children of the wealthy are overworked, trying to live up to their parents' high standards, or at least to take full advantage of the extraordinary possibilities laid out before them. But in part, she adds, it's because some wealthy children are underworked, not held to responsibilities and obligations, and therefore suffering from a certain crisis of utility, of agency—they've never had to do anything for themselves. "These young people obsess, 'What can I do if I were left to my own resources entirely?'" says Luthar. "How much of my success is really attributable to all the forms of help I get, and how much is really me?"

Such relentless self-focus has other collateral consequences. Luthar's research shows that if you compare the extracurricular activities of affluent children with those of children who live in stark poverty, the poor children are far more civic-minded, donating more of their time to churches, the Scouting movement, and social programs. These kinds of altruistic engagements are far more apt to give them a sense of the world's largeness and entry into social networks that extend beyond their household staff. She adds that other research on rich adults shows they're far more likely to feel friendless than poor ones. "Think about it," says Luthar. "How does any of us know we're loved by friends? It's when they come to us in a time of need. If we don't have a time of need because we buy what we need, how are we going to know who truly loves us?"

"For rich children, it'd be very easy and convenient never to take any steps to build an identity outside of your association with your family's wealth," says Jamie Johnson, an heir to the Johnson & Johnson fortune and director of the 2003 documentary about the children of wealth, *Born Rich*. "And that, honestly, is I think what you see in my film more than anything else. That's where those feelings of entitlement come from, that's where you get the snobbery, that's why those characters seem, at times, offensive."

Successful wealth cultures generally attach wealth to virtue. The Rockefellers, for instance, have a long and abiding tradition of public service and hard work in their family tree, producing, four generations later, a senator (Jay), a well-respected religion professor at Middlebury (Steven), and a well-loved doctor in Portland, Maine (Dick). But watching many of the kids in *Born Rich*, one doesn't exactly get the sense they were raised in homes where virtue was made top priority. Most memorably, Luke Weil, heir to the Autotote gaming fortune, described how Brown University couldn't bring itself to kick him out because it needed his family's money—"I think I attended less than eight academic commitments"—and added that in boarding school, whenever a classmate would annoy him, he knew "I can just say, 'Fuck you, I'm from New York. I can buy your family; piss off.'"

Yet even Weil, easily the film's most despicable character (he sued Johnson for defamation in the film's aftermath), said

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that he yearned one day to be "indispensable"—more or less proving Luthar's point about the crisis of purpose in rich kids and their yearnings to be successful. I tried to find Weil for this story, curious to see if he'd succeeded at making himself useful since the film's release five years ago. I learned that he'd certainly tried, working at Bear Stearns and enrolling at Columbia Business School. I also found that he recently got sprung from a detention center in Manhattan after assaulting his girlfriend.

"I think some rich kids just feel they'll never be able to go for the brass ring, because someone beat them to it," says Harris Stratyner, a Manhattan psychologist and vice-president of Caron Treatment Centers whose clientele leans heavily toward children of the wealthy. "So they say, 'Screw it. I'm gonna play around and have anger and hostility toward everyone.' They're the ones who say, 'I didn't ask to be born.'"

Then what, I ask Stratyner, do the most distressed rich kids fantasize about when it comes to their family money? That they didn't have it?

"Rarely," he answers. "They're not stupid."

Having less?

"No, not really."

So what, then?

He thinks for a long moment, then finally gives an answer. "That they'd made it themselves."

A

ALMOST EVERYONE who's ever worked with rich children or their parents has a making-the-bed story.

It's a chestnut, a cliché almost, a cautionary tale about the first twinkle of entitled behavior in a lifetime of potential cupidity, and it goes something like this: Mom wanders into the bedroom, notices her child's bed is still in a rumple, and asks the child to tidy it up. The child, usually about 7 and suddenly wise to the hidden economy of the house, replies, "That's not my job. She's paid to do that," and points to the housekeeper. Susan Bradley,

founder of the Sudden Money Institute, once ran a forum for wealthy parents at which one of them reported that their child was paying the housekeeper to make his bed. “And everyone thought this was hilarious and very enterprising, showing early business capabilities and that kind of thing,” says Bradley.

It turns out there’s research to back up their hand-wringing. Writing in the *American Journal of Psychiatry* in 1981, George Vaillant, a Harvard psychiatrist who’s spent the bulk of his career devoted to the study of adult resilience and coping, argued that childhood capacity for work is one of the best predictors of adult mental health and the capacity to love. He based his conclusion on a famous longitudinal study of 456 young men from inner Boston who, starting in the forties, were followed beginning at age 14. All came from blue-collar and welfare families, and none, at least at the time of their selection, had juvenile records. The subjects were assigned ratings for their ability to work as teenagers—in school, at home, in jobs outside the home, in extracurricular pursuits—and they were reinterviewed at several intervals since, at ages 25, 31, 47. The outcomes were pretty stark. Those who demonstrated the greatest capacity for work as 14-year-olds were five times more likely to be paid well for their work at 47 than those who scored lowest, and sixteen times less likely to have experienced unemployment—and intelligence, Vaillant was careful to note, did little to mediate the latter outcomes. They were also twice as likely to have warm relations with a wide variety of people and almost twice as likely to still be enjoying their first marriages. But perhaps the most striking datum was what Vaillant wryly called a “value-free definition of health”: Those who had the poorest ratings were six times as likely, at age 47, to be dead.

But here’s a question: How do you drum a work ethic into those who, strictly speaking, don’t have to work?

Most advisers to wealthy families have a simple answer to this: You make sure that the kids do have to work. You give them chores. You insist on summer jobs. You restrain their spending with allowances. And above all, no matter what, you keep the children’s trusts out of their hands until they’re at least 35, unless they need health insurance, more education, a down payment on a house, or seed money for a decent business idea.

“It’s very simple: Either your parents are comfortable paying for everything in your twenties and letting you coast financially through that period or they are not,” says Holly Peterson, the daughter of Blackstone Group co-founder Pete Peterson, whose estimated net worth is \$2.5 billion. She’s worked in television and print journalism since graduating from college and recently published *The Manny*, a satire of wealthy women on the Upper East Side. “Are your parents buying your apartment and giving you the clothing budget and giving you cash to go to J.G. Melon’s?” she continues. “My father didn’t. I couldn’t not work. When I was at ABC News making \$32,000 a year as a researcher, my father was giving me \$600 a month, which was the difference between a studio walk-up and a place with a doorman—he didn’t like those townhouses with the double

doors that girls were getting attacked in.” To this day, Peterson still reimburses her father if she uses his car service. Recently, when The Four Seasons accidentally charged his account for something she ordered and sent to friends who were dining without her, he faxed her the bill with a note that said WHAT THE HELL???? “But in my twenties—that was when we used to argue a fair amount about money: How much he would supplement, why he decreased the amount when I got a raise,” she says. “I would point out that in the last 30 seconds, he had just earned in interest the amount I was asking for. And he would lean over the table and say, ‘I know you don’t understand this now, but the greatest gift I can give you is your independence.’ And twenty years later, I hate to admit this, but I think he was right.”

She adds that these limits led to some awkward misconceptions about her means. “Certainly, I had a lot more money than most everyone I worked with,” she says, “because I had help on my apartment and the ability to go to his beautiful home in Long Island or Florida on the weekend. But it wasn’t like, ‘Oh, I’ll pick up the check because I have tons of his money in my checking account.’ People always thought I had more money than I did, which always made me feel a bit uncomfortable.”

In theory, setting the standard of financial independence for your children is a marvelous idea, and paving the way, en route, through budgeting, household chores, and summer employment seems eminently sensible. Advisers to the wealthy say that many of their clients’ children even prefer this approach, finding relief in the idea that their radical freedoms have some hard-and-fast limits. But the problem, frequently, isn’t with the children. It’s with their parents.

“My belief is, kids need to have a summer job,” says Ellen Perry, founder of Wealthbridge Partners. “But parents say to me, ‘But summers are our only family time, and we have this place up at the lake!’” She adds that sometimes parents model bad behavior with the finest intentions in mind, like the client who recently called her and crowed, “I’m going to quit working to spend all my time with my kid—isn’t that great?” “And I said, ‘Um, I don’t know if that’s great, because then your kids aren’t going to see you going to work.’”

So while chores and summer jobs and rationed trust funds are wonderful ideals, they don’t often work in a universe of Birkin handbags and summers on the correct side of the Montauk Highway. Which is why many advisers to the megawealthy take a more pragmatic, nonjudgmental approach to their clients’ spending habits, often of the variety that would astonish the ordinary hardworking citizen. Recently, I chatted with Steve Barimo, the chief innovation officer of GenSpring Family Offices, which serves 450 families whose collective worth exceeds \$14 billion. He mentioned a client whose twentysomething, unemployed child was spending in excess of \$1 million per year and never saw the bills. “Our response was, let’s first tell her that that’s going to be her budget for the next year—\$1 million,” he

said. “Let’s put it in her account, and let’s make her get her own credit card, and let’s make sure she lives within that amount for the next twelve months.”

To someone outside his profession, I told him, this seems like a preposterous—even enabling—nonsolution. Why couldn’t her father have given her \$75,000 for the year and accomplished the same thing?

“Because if her father were to pick an arbitrary number,” he answered, “what would typically happen is, she’d have blown through the money, and she wouldn’t have learned anything. The first step, at least, was about taking ownership over the money she’s already spending.”

And that may be the best you can do in a situation like this: forestall the regression toward shirtsleeves for yet another generation. But that’s not a very high hope to pin on your children, is it? To pray that they don’t undo all you’ve done?

LET’S SAY YOU’RE A NORMAL PERSON with a normal income and struggles,” says Tommy Gallagher of Tiger 21. He’s the Crown Heights–born son of a toll collector and school crossing guard and, as such, still looks at his money a bit as an outsider would. “You have a child,” he continues, “and that child decides to do something. You’re going to try to help them in a way you can help them. But I can really help my child if he wants to do something. I can pay his rent. I can buy a house for him. I can enable him forever. And that’s really tempting.”

“The funny thing is,” he adds, reflecting on it, “if you’re sitting around with the members at Tiger, four or five of them will always say, ‘The most important thing I ever learned in my life is, when I fell down, I could get up.’ And that’s one of the things you’re taking away from these kids. We don’t let them fall down.”

Talking to Gallagher, one realizes that wealth, to some degree, simply exaggerates the instincts and urges that all parents experience. All parents, for instance, have to restrain themselves from spoiling their children at some point or another. And as Gallagher points out, almost all parents, from the moment their children are born, fantasize about being able to protect and help them in a sustained and continuous way. Yet it may not be the best thing for them. I ask if there’s any one particular way his peers won’t allow their kids to fall down. “Yeah, college,” he says. He mentions his days in the brokerage industry, when he’d watch his colleagues stream through the chairman’s office like supplicants, hoping he’d be able to get their kids into the Ivy League school where he served on the board. “The acknowledged understanding,” says Gallagher, “was that you’d eventually need to give a million dollars in some way, shape, or form if your kid were accepted.”

THE UGLIER FACE OF this protective instinct, of course, is wanting to control every aspect of your child’s life—limiting their pursuits, trying to mold them into Mini-Mes. Again, it’s an urge that most parents have, whether they’re rich or poor—

seeing their own children as extensions of themselves, fighting their own vanity in order to allow their kids to become who they’re supposed to become. But wealth tests this instinct to the breaking point.

“When I was active,” says Jay Hughes, a retired estate planner who wrote *Family Wealth and Family: The Compact Among Generations*, “one of the things that happened almost every time I was working with a new family is that they’d all start out by saying work was critical. But every single time, they’d also say, ‘Well, we can’t have anyone in this family become a surfer.’ And I’d say, ‘Well, what if they had a life-goal to win the medal at Waikiki?’ Because if you found the journey of your family on the premise of your child dreaming your dream, you’re founding it on a fallacy.”

“We often talk about this at meetings,” Gallagher says. “That what we have to do as parents is not prevent our kids from doing their passion. So if one kid wants to go off and be involved in horse racing, or try professional golf or start a rock band . . . what are you going to do? It’s not the end of the world. In two years, they might have had enough of the racetrack and go back to school. At 18, you’re entitled to make some mistakes.”

And what about private jets? “I think the better question, which my wife and I argued over, is whether or not our kids should fly first class or coach,” he says. “Because even most rich people can’t afford their own planes. We couldn’t. But for many years, we rode in coach with our children though we could afford first class. But at some point, we surrendered. These kids went on all these fabulous vacations to all these fancy resorts. What am I trying to prove by making myself uncomfortable?” So he bought his entire family first-class tickets. He’s aware it’s not a choice all parents would make. “But at some point in time,” he says, “you make an evaluation of your kid, and how they treat money, and how respectful they are of other people, and how generous they are. Me, I’m lucky. I have plenty of issues with my kids, but them taking advantage of me? Or wanting more than they should? No. One’s in the military and has been for ten years. And the other one’s a communist, a self-hating rich kid.” He thinks. “Of course, he’s a self-hating rich kid who’s been to Cuba, India, and China—twice. Who the hell paid for all this stuff?” Then he stops himself, realizing that perhaps this boy deserves more credit than he’s giving him. “I want to walk down Madison Avenue and have people think I’m a super in one of their buildings,” says Gallagher. “But my son, he always says, ‘Dad, they’re going to look at your watch and they’re going to know you’re rich.’”