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No need to keep it in the family

Many are choosing not to leave their fortunes to their children, writes **Anora Mahmudova**

Helping hands: Bill Gates (left), his wife Melinda and Warren Buffett have succeeded in putting philanthropy centre-stage

Once a month, a group of 12 people meets in a discreet townhouse in New York's Upper East Side. They are part of Tiger 21 (acronym for The Investment Group for Enhanced Returns in the 21st Century), whose 104 members all have at least $10m in assets.

The idea of Tiger 21 is to "provide a peer-to-peer education for high net worth individuals". Its membership is drawn from wealthy entrepreneurs and top executives, who have sold their businesses or exited their careers. Split into smaller groups, their monthly meetings, which last a day, include an agenda with such points as a "dissection" of one member's portfolio. Each in turn must open up his or her books for a rigorous peer review.

During their full-day meeting, a group of 10 to 12 members discusses many issues that might be expected to concern the wealthy: how to manage and invest their fortune, how to be prepared for terrorist attacks, and so on. Increasingly, one new question has bubbled to the top: not only how, but whether, to transfer their fortune to their family members. Leaving it to the children after death is going out of fashion.

According to Tommy Gallagher, a long-time Tiger 21 member and the group's current president, the subject of leaving money to children often comes up during the discussions. "Most members started out without any money, they are self-made. In their lives they have witnessed a lot of people transferring money to their children without any discussions about learning how to invest, responsibility to give back to society and they have seen people ruined as a result of this," he says.

"They are also cognisant of the fact that it is likely that you can go from short-sleeve to short-sleeve in three generations," he adds.

> 'If you don't determine how your money works when you are alive, you will never know how it will be used in your estate'

Between Carnegies, Rockefellers and Fords, there is a long tradition of posthumous philanthropy, but so far in this young century, the trend is not to wait for the will. Sir Richard Branson, owner of the Virgin Group, last week became the latest high-profile billionaire to donate almost half of his fortune to a cause he feels passionate about while he is still very much alive – in his case, the fight against global warming.

Legendary investor Warren Buffett made headlines in June when he announced that his entire fortune of $34bn would go to Bill Gates' foundation to fight poverty and disease across the world. Earlier this year, Mr Gates had followed his donation to the foundation with the announcement that he would step down as the head of Microsoft and concentrate on philanthropy.

Neither Mr Gates nor Mr Buffett will leave a significant proportion of his legacy to his children, and both seem to regard this as important on principle.

George Soros, a very different but almost equally legendary investor, was a trendsetter for the recent "doing-it-while-alive philanthropy" in the early 1990s. Since 1969, he has spent $4bn and continues to spend $400m each year on building "open societies" across the world – a cause about which Soros, born in Hungary, feels passionately. Paul Newman gives the proceeds from his food business to charities.

Tiger 21 is the ideal group to take a sounding on whether this new wave of relatively youthful philanthropy will take hold. And an informal survey of its members aimed at understanding their attitudes to philanthropy confirmed the trend – most members, whose assets range from tens to hundreds of millions of dollars, were deeply involved in charity activities.

While Tiger members' interests and passions ranged from peacekeeping to micro credits, the survey found that education ranked as the most popular cause. "Most of the Tiger members went to public school even though their own children don't. They feel that on a competitive basis the American school system is trailing other countries in the world and they want to change that," says Mr Gallagher, a former vice-chairman of Canadian Imperial Bank of Commerce.

He adds: "We found that most of our members are more likely to give substantial money to charitable organisations that either they were personally involved in or their family and friends are personally involved in. Of course, people give money when disasters hit, like the tsunami or Katrina, but I don't know of members who work with the Red Cross as a principal part of their charity."

Tiger members felt that Warren Buffett's decision to give away his fortune was the right thing to do. But they criticised him for leaving it so late. "I have always felt that if you don't determine how your money works when you are alive, you will never know how it will be used in your estate. I applaud his doing something while he is alive," says David Russell, a software entrepreneur who now serves on the board of Trickle Up, a charity that gives micro credit to the people of developing countries.

Michael Sonnenfeldt, the founding member of Tiger who made his fortune in real estate development, echoes these sentiments: "It's less important that the bulk of their assets go to philanthropy, because they can achieve a much larger impact by being philanthropic not just with their money but with their time and energy throughout their lives and that's a great legacy."

Deciding what proportion of their fortune goes to their children is the biggest concern for most of the members. They believe that leaving them too much money can be negative. "My observations of the members is that they believe if they leave too much, it could de-motivate their children from being not only productive but it can rob them of the opportunity to be successful and get personal gratification from that," says Mr Sonnenfeldt.

Although the survey did not specifically ask what percentage of their assets the members were planning to leave to their children, Mr Sonnenfeldt's personal observation is that 10 per cent was a widespread philosophical number. Tiger members also give between 5 and 10 per cent of their incomes to charitable causes.

These tigers want their cubs to make it on their own, while helping the rest of the world.