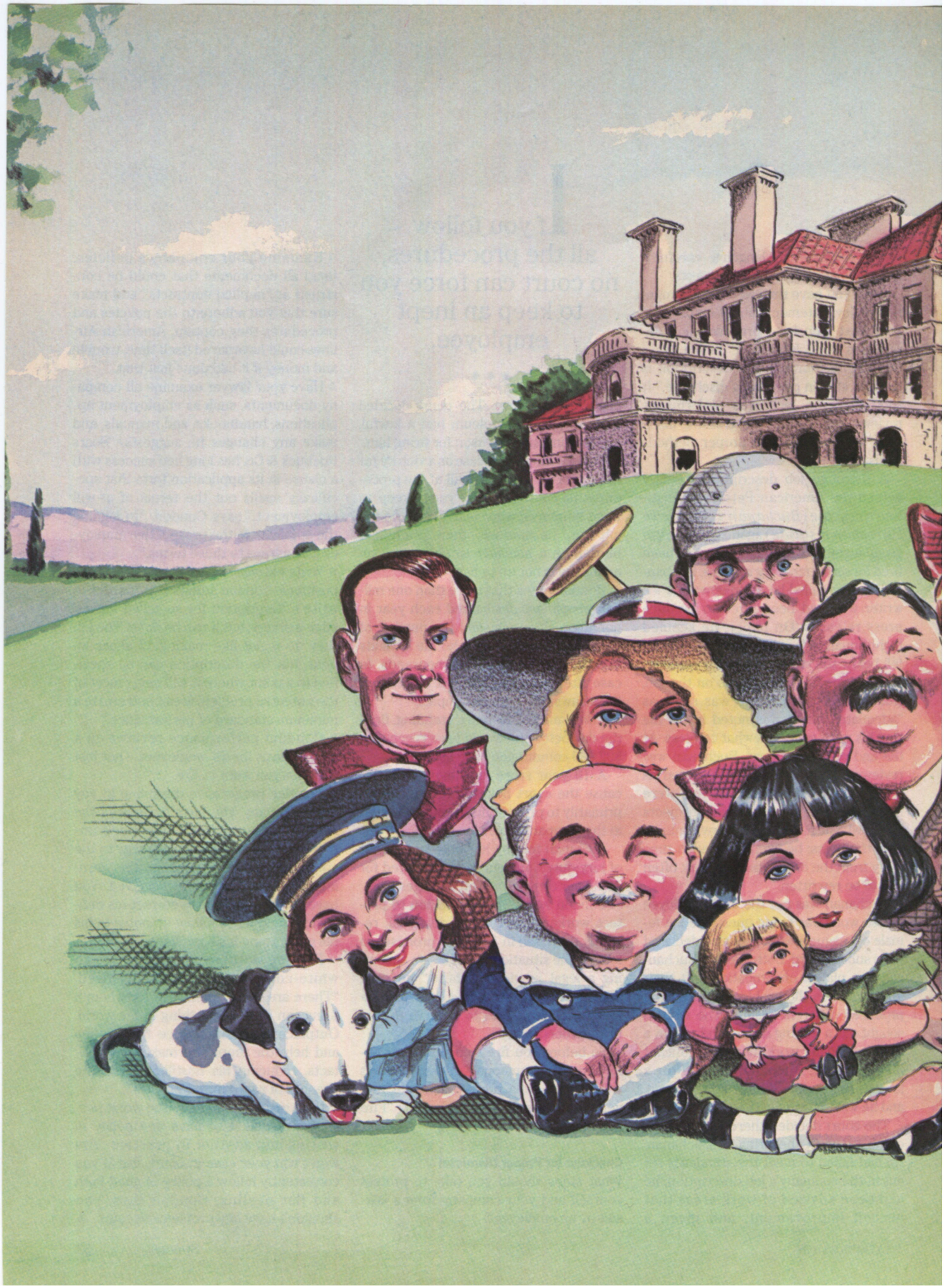

Rich Kids

When Old Money Reaches New Generations, the Price Is Eternal Childhood

By John Sedgwick

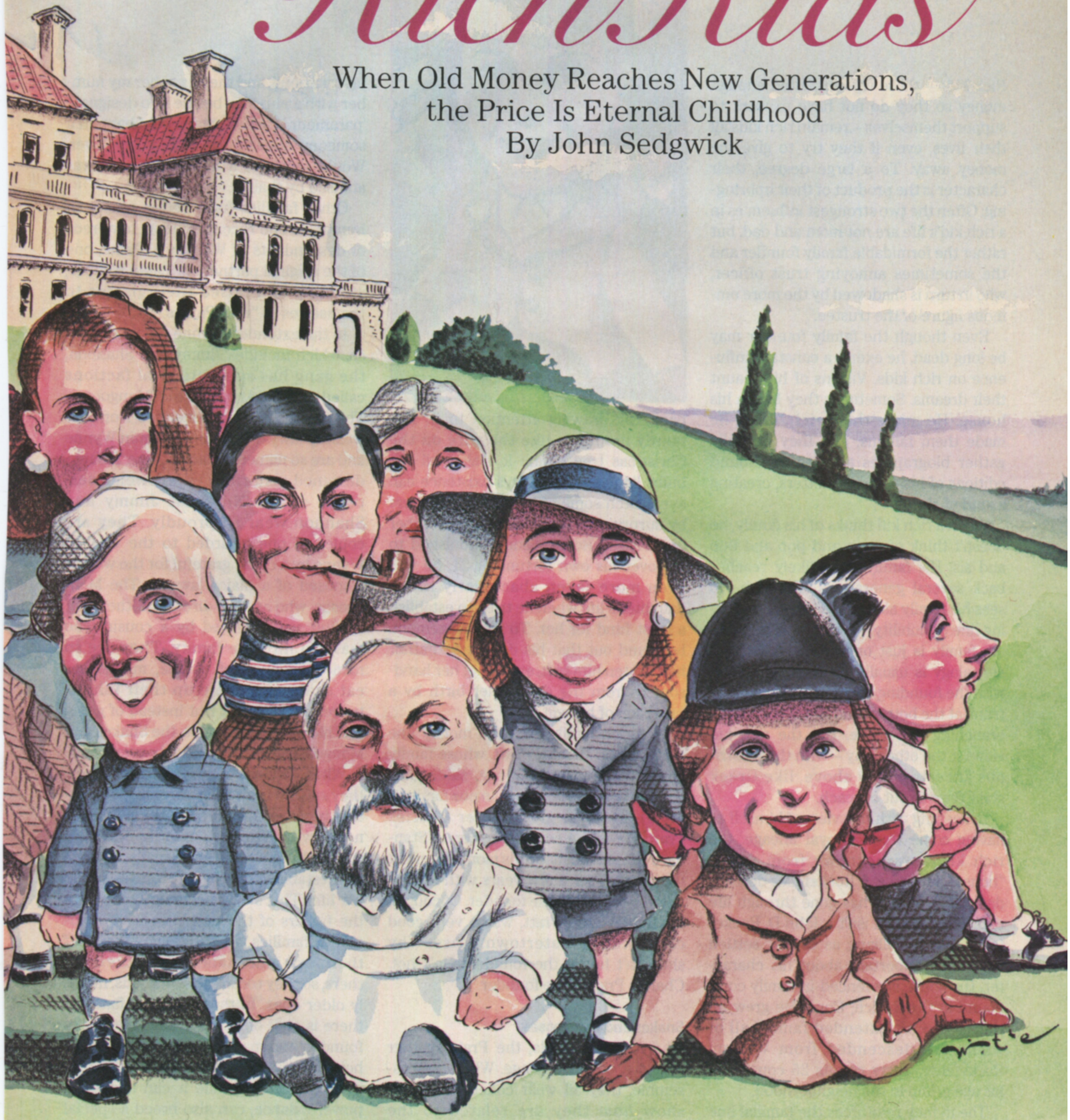

Illustration by Michael Witte

Rich kids – those who inherited enough money so they do not have to work to support themselves – remain rich kids all their lives, even if they try to give the money away. To a large degree, their character is the product of their upbringing: Often the two strongest influences in a rich kid's life are not mom and dad, but rather the formidable family founder and the sometimes annoying trust officer, who in turn is shadowed by the more ominous figure of the trustee.

Even though the family founder may be long dead, he exerts a constant influence on rich kids. Visions of him haunt their dreams. Sometimes they live in his house. He made them rich, often he made them famous, and they dutifully gather biographies and leather-bound editions of his collected letters, creating a kind of shrine.

When a rich kid thinks of his family, he doesn't think of mom and pop and bub and sis. His family most likely reaches back several generations. The rich kid sees his family as a long and ever-widening line of nobility, of which his immediate family is just one speck. A family's genealogy is usually pictured as a tree, with the founding ancestor as the sturdy trunk at the bottom and the descendants branching out above. But the rich kid views it the other way – with the illustrious ancestors way above, like Greek gods, forever out of reach.

In keeping with this view of himself as having come from a royal lineage, the rich kid always knows from which "house" he issues. A Rockefeller descendant I'll call Terry has gone through life explaining that he isn't a John D. Rockefeller, but a William, as if that settled something important about his character. His house is a fenced-in family compound in Greenwich, Conn. He grew up there with his extended family, all of whom are descended from William Rockefeller. Terry counts 25 cousins in his age group in the neighborhood.

The money reinforces the familial line

partly by drawing attention to it. The family money is like the wire on the Christmas tree lights: It makes all the bulbs light up. The wire's existence can even catch some of the family members by surprise, as it did the Paine Webber heir I'll call Roger Elkin. Astonished to discover his own fortune at 21, he was even more taken aback early in his daughter's life when he tried to establish a trust fund for her. To his amazement, he found out that his dead grandfather had beaten him to it, endowing her handsomely from the day of her birth by a provision of his will.

In a rich family, it is the money line that counts. Michael Pratt, whose family endowed Amherst College, said, "The guy who made the money in our family is my great-great grandfather Charles Pratt. He was a senior partner at Standard Oil, and he made his money running the country for a few years with Rockefeller. He is called the founder. Of course, his father, Ezra Pratt, was a very good carpenter in Watertown, Mass. Why shouldn't he be the founder? He's not. Charles Pratt is the founder."

Snakes and Mongooses

Like most rich kids, the Pratts gather regularly to pay homage. When they assemble, they all wear coded badges to show *how* they are related to the founder. Michael found it amusing. "I was C1-something," he said, "but I can't remember exactly how it goes. I went with my girlfriend, and they gave her my number with a plus sign beside it to designate 'paramour.' I asked what would happen if someone showed up with a gay lover. Would they get a minus? No one was amused by that."

Other families have better senses of humor. At one recent reunion, hundreds of descendants of William A. Paine, one of the original partners of Paine Webber, stood up and raised their glasses to themselves as "*real* Paines."

In the extended Wynne family of Texas, which includes Jimmy and Shannon, the gang has split into rival factions called the Snakes and the Mongooses. The Snakes are all descended from the wealthy lawyer William Benjamin Wynne and are so named because of the Tiffany-designed gold rings of bejeweled serpents of the Nile that Jimmy and Shannon wear so proudly. They are copies of one awarded to the original Wynne by a client grateful for the way he disposed of a major lawsuit. The Mongooses, who are not directly in the money line, were formed by a cousin who married into the family. They are so named because, of course, mongooses eat snakes – gobble up their inheritances, in this case. But instead of going at it like natural enemies, the Snakes and Mongooses gather peaceably every year.

When rich kids come into their money, they see life from their parents' perspective in ways the nonwealthy probably never will. When the middle-class kid turns 21, his father has usually become well-established in his profession and in his life. That's not necessarily true for the fathers of the rich kids. In the old-money families, the fathers are living off their own inheritances from *their* fathers, so they too are still rich kids, merely older ones. In these wealthy families, there is only one true father, the family founder who made all the money. All his heirs are his children, regardless of age. This awareness, while it can upset the power balance, can also breed a special intimacy between parents and children.

In middle-class families, the time of greatest closeness between parents and

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children, and between brothers and sisters, comes when the kids are still young. The family still lives together in the same house, the brothers or sisters possibly sharing the same room. The children wear hand-me-downs from their elders, attend the same local schools, go to the same hangouts, perhaps share the same friends. How different these circumstances are from the childhoods of rich kids, so isolated are they from their parents and siblings inside their vast houses, often raised entirely by nannies and servants. For them, the time of greatest family closeness comes after they have grown up and left home.

Sharing the Secret

Their inheritances, surprisingly, bring them together. When a rich kid finds out about his trust fund, he also finds out about the holdings of his brothers and sisters and often gets a pretty good idea about those of his parents as well. In uncovering something so intimate, it is as if he has seen their private diaries. On becoming adults, all the members of the family learn something about each other that possibly no one else will ever know. By sharing such a secret, the family members develop a rare and solid form of trust that is not so different from love. All rich kids feel, deep down, that their families really understand them.

Even in families where the children all go off in separate directions, the money keeps them connected. WASHINGTON POST heiress Elizabeth Meyer is a yachting enthusiast. Her sister is a Jehovah's Witness. They are very different personalities, but their money unites them. In Elizabeth's case, there is a practical aspect to the shared wealth, since she has to join her siblings on a regular basis in a conference call to decide how to manage their joint holdings. As she says, "We're all caught up together in the spider web of WASHINGTON POST stock."

Because they are on top, rich kids often begin to believe they must be squashing those on the bottom. This is the true embarrassment of riches. They often feel a vague need to do penance, to suffer in some way, and give away a fair portion of their money. It's their way of paying for their inheritance.

The urge to atone for one's wealth is not confined to rich kids of this generation, of course. In his famous THE GOSPEL OF WEALTH, Andrew Carnegie went so far as to declare that the rich should be "trustees of their money," and that "the man who dies rich dies disgraced."

In his lifetime Carnegie gave away $350 million, much of it to endow the nation's libraries. Founders, however, have a different attitude toward charity from their heirs'. Rich kids never made the money, they just give it away.

Usually, however, it is not so easy to give the money away – or to spend it – as a rich kid might at first think. The modern trust passes to the beneficiary only via intermediaries, and all of them, from the appointment secretaries to the trust-company presidents, treat the trust like a business – *their* business. Ironically, just as the trust is considered its own legal entity, with its own IRS number and therefore responsibility for paying its own taxes, so the trust itself pays for the services of the trust company. Hence the lament heard from all of the heirs: *Whose money is this, anyway?*

In coming into their fortunes, rich kids gain a new and rather cumbersome aspect to their lives – a layer of bureaucracy that ensnarls them until they die. They don't get their money from their parents, they get it from their trust funds. It is the rich-kid equivalent of the welfare office, and it can be a nuisance.

Trusts come in all shapes and sizes. There is the accumulating trust, which is generally established during the heir's childhood, with dividends reinvested – accumulating – until the heir turns 18 or 21. Then it becomes all his, to save or spend. Another popular variety is the generation-skipping trust, which a grandfather might set up. It allows his children to take the trust's income during their lifetimes, but upon their death the principal passes to their children. The advantage here is the saving of inheritance taxes for the intermediary generation, because the principal of the trust is not taxed until their death. And there is the sprinkling trust, arranged to "sprinkle" money to those in the family with a demonstrable need for it.

Yet the most common variety is probably the personal trust, which is handed down directly from one generation to the next, with as many or as few strings attached as the parents wish. Some heirs have such complete access to their trust that it is essentially a glorified bank account, allowing them to make withdrawals at will and without ever having to make a deposit. At the other extreme, some trusts are written so that the beneficiary may not touch the principal of the account – may not, as their elders would say, "invade capital" – but spend only the interest. In exceptionally restricted cases, the heir may get at that interest from the trust only for certain approved purposes, such as to further his education or improve his health.

Whom Do You Trust?

The majordomo of the trust is the trust officer, that rumpled fellow the rich kids first meet to find out how rich they are. Rich kids may deride their trust officers, but in truth much of the abuse is undeserved. At New York City's U.S. Trust Co., which maintains a well-appointed midtown brownstone so clients will feel right at home, the trust officers have reportedly performed the favor of walking clients' dogs. For their younger charges, they have sent allowances and even typed up school term papers.

Like psychiatrists, trust officers get a rare, insider's view of rich kids. But despite their best efforts to stay on close terms with their charges, there are inevitable lapses, and too often the professional manner of the officers makes clients feel that the money is foreign to them – that it is not truly theirs.

The Bad Cop

Women feel this more acutely than men, since they have often been more sheltered from the world of finance than their brothers. One automobile-supply heiress I'll call Marie didn't know the most elementary facts about her trust, or her trust officer, until she was well into her 20s. "I didn't know that you could just call somebody up and get money," she says, "I only figured it out when one of my brothers told me. He'd just gotten a big check out of his trust, and I was amazed. So I called up the trust officer, and sure enough, I got some money too."

Many families still expect women to stay in the dark. In the Pulitzer family, the trusts were set up around the turn of the century by Joseph Pulitzer so that women weren't allowed to come into his fortune; nor were their male children able to receive any money. The idea was not to overload the women, who were expected to find rich husbands anyway, and to discourage fortune hunters.

The trust officer is only the front man, the one who handles the day-to-day business of the trust in as cheerful and accommodating a manner as possible. He's the good cop. Behind him stands a more dreaded figure – the trustee. The trustee is the bad cop.

Generally he's a close family friend, a relative, a banker with ties to the family holdings, or possibly some combination of these. One might thereby expect that the trustee would have the interests of the beneficiary at heart, but that is rarely the case. Legally, his responsibility lies with the trust and not with the recipient. Since he is there to enforce the terms of the trust, he sometimes acts like the loan officer at a bank that is less concerned with satisfying its customers than with maintaining its assets.

When the trustee denies a request by an heir to dip into the capital of the trust, he is bringing home the fundamental truth of inherited wealth: Any heir is just a temporary carrier of the family money. Individual heirs may come and go, but the money always lives on. ♦

The Funding Exchange: Dough for the Kneady

George Pillsbury was rich. Hugely, powerfully, overwhelmingly rich. He was also 22, a college senior and, as a fourth-generation heir to the Pillsbury bakery fortune, completely confused about what he wanted to do with his money. Sally Pillsbury, his mother, had an answer: Give the money away. It is an idea that's growing more and more popular among the ranks of the very rich.

Shortly before George's graduation, Sally Pillsbury traveled to Minneapolis and there she met the director of the Vanguard Public Foundation. Founded in part by Obie Benz, heir to the wealth amassed by the sales of Sunbeam Bread, Vanguard was created for the purpose of collecting donations from other people with inherited fortunes and distributing the funds to worthy groups and charities. Sally liked what she saw at Vanguard, flew back east, and described the foundation to her son.

That year, 1974, George founded the Haymarket Fund in Boston and, along with the Vanguard Foundation and a Philadelphia group known as Bread and Roses, began a joint project aimed at prying dollars from the old-money rich and getting that money into needier hands.

Their success has been remarkable. Since 1974, a dozen similar groups have appeared around the country, and all of them have been gathered under a single umbrella organization dubbed the Funding Exchange. The grants the Exchange provides have grown from a scattered $40,000 given away by Haymarket in 1974 to a heady $4 million gathered up and handed out by all 15 groups in 1984.

Despite the great wealth of most of the benefactors, the individual donations are deceptively modest – perhaps $10,000 per donor. The reason, Pillsbury explains, is that most of the grants come not from the principal in inherited trusts, but from the income the trusts generate to the heirs. A $10,000 grant can therefore represent a significant portion of an heir's annual worth.

In fact, as the Funding Exchange grows more and more successful, donations have often come not just from rich kids, but from not-so-rich kids. One of the earliest contributions to Haymarket's coffers was a gift from a New England schoolteacher who had at last come into a long-awaited inheritance. He promptly gave the fund $20,000. His inheritance had totaled only $60,000.