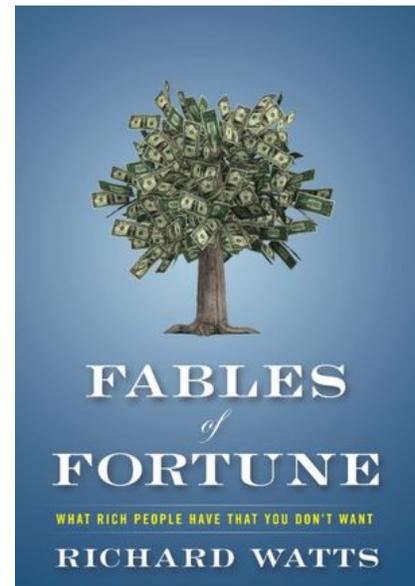


- *Edited Transcript* -



present a discussion entitled

Fables of Fortune: What Rich People Have That You Don't Want



Thursday, March 29, 2012, 12:00–2:00pm

Program and Panel

- 12:00 p.m. Panel discussion
1:10 Question-and-answer session
Anne Lebleu, Associate Director for Foundation Management at Arabella Advisors
Pastor DeForest ("Buster") Soaries, First Baptist Church of Lincoln Garden
John Murray, Headmaster of Fourth Presbyterian School
Richard Watts, Author and Founder of Family Business Office
2:00 Adjournment

WILLIAM SCHAMBRA: Good afternoon. I'm Bill Schambra, director of the Bradley Institute for Philanthropy and Civic Renewal with the Hudson Institute. Kristen McIntyre and I welcome you to today's discussion of a terrific new book written by Richard Watts, entitled [*Fables of Fortune: What Rich People Have that You Don't Want*](#). We are particularly pleased to be able to cosponsor today's event with the [Center for Neighborhood Enterprise](#) organization that was founded over eight years ago by Robert Woodson.

First, our customary preview of coming attractions. Please mark your calendars for April 19th when we will discuss an essay that appeared recently in the Stanford Social Innovation Review entitled "[A Decade of Outcome-Oriented Philanthropy](#)." It was written by Paul Brest, who is the outgoing president of The William and Flora Hewlett Foundation in California. The panelists will include Mr. Brest himself, as well as one of the legendary historians in the field of philanthropy, Stanley Katz of Princeton University.

Now for today's topic. The book before us calls to mind Andrew Carnegie's advice from the famous essay published in 1889 that became known as "The Gospel of Wealth." As he noted therein, "Why should men leave great fortunes to their children? If this is done from affection, is it not misguided affection? Observation teaches that, generally speaking, it is not well for the children that they should be so burdened. It is no longer questionable that great sums bequeathed often work more for the injury than for the good of the recipients. Looking at the usual result of enormous sums conferred upon legatees, the thoughtful man must shortly say, "I would as soon leave my son a curse as the almighty dollar," and admit to himself that it is not the welfare of the children, but family pride, which inspires these enormous legacies.

Fables of Fortune is full of stories that bear out Carnegie's observations, describing problems that wealth seems to create not only for the children of the wealthy but for the health and welfare of the wealthy themselves. We are fortunate to have with us an expert panel to discuss the book today and other issues related to what rich people may have that we don't necessarily want.

We'll hear first the author himself. Richard Watts is founder and president of a family business office; a legal and consulting firm that manages some of the country's wealthiest families and their family's enterprises. We'll then hear from Anne Lebleu who administers the daily foundation operations of Arabella Advisors managed foundation clients. Next, John Murray is the headmaster of Fourth Presbyterian School in Potomac, Maryland. And finally Pastor DeForest Soaries, senior pastor of the First Baptist Church of Lincoln Gardens in Somerset, New Jersey. So Mr. Watts, turning it over to you.

RICHARD WATTS: Thank you for inviting me here to speak with you. I want to thank Bob Woodson and the Hudson Institute as well for having me. I've often asked myself in the last three months, since the book was published, why in the world is this something that people want to hear about? I really wrote it with the intent to say to middle America that what people look for in their lives today, the people that are out buying lotto tickets with a 370 million to one opportunity to win, what is the draw that makes it so interesting to us? Why do we want to know about the lives of the super rich? What is it about them that causes us so much pain because we can't have it?

I have been practicing law for 33 years and I've had the opportunity to be the manager of these families for 30 years. I created Family Business Office because the legal business was difficult to manage since it was really about putting out fires. Clients brought me fires and my job was to put the fire out. Eventually the clients came and said, 'I'd like you to try to prevent the fire. So would you mind going out in front of us, dealing with the public and dealing with the masses. And please keep us in a place where we're uninjured. That we are not affected by what goes on out there.' So it became my job to manage these families.

I want to start out by saying right away that it is not by intent nor has it ever been to condemn the wealthy, the actions of the wealthy, or to make it sound like their lives are miserable all of the time because they're not. They get to do some pretty spectacular things. I promise. And things that are really more spectacular to you than they are to them. When I contact a client of mine that is chartering a boat that's \$300,000 for two weeks in the Mediterranean with six of their coupled buddies and they're traveling around with a chef. And they're stopping places where they get entry into place that they want to go, from a restaurant that you can't get reservations to, to a hotel, to a play. They're there and they're getting in. The thing that is so amazing to me to watch is they don't care as much as you do. The have-nots, which is all of us, care a great deal about what the haves are doing. And the haves are a little frightened of you because I think they don't want you to know that their lives are about the same as yours in a lot of respects. Only finances isn't one of them. The only difference is finances isn't one of them.

So you say, 'Well, I'm willing to take on my life with no financial problems.' Who wouldn't buy into that opportunity? And all of us dream about it. But the truth is that when you get there, there are things that are created by wealth in and of itself that you at this stage, and there may be people of super wealthy here so I'm speaking assuming that there's no one here worth over a couple of hundred million dollars. I'll ask you to stand. [LAUGHTER] Both for Bob and for myself. [LAUGHTER] There are things that are created, responsibilities that you cannot imagine when you get there. It would be like if I said to all of you right now, anyone that would like a check today for a million dollars, raise your hand. All of you would raise your hand. If you really think about it, I'd almost like to see someone here raise their hand that wouldn't take the million dollars if I gave it. The sense is that it can only make your life better.

If I told you that I have a rescue pet up here, a dog or cat for any one of you to take home, and I'd say, how many would stand up and take the rescue pet home? Two of you would take the rescue pet home. And the reason is because you believe that there is a responsibility that comes with that. It doesn't just stop today. There is food. There is taking care of the pet. There is loving it. There is caring for it. Well, just like the responsibilities that come with that pet, there are attributes that come with a lot of money. And I can just gloss over a couple of those. First of all, the friends that you have will change. The friends you had would significantly change. You say, I can find friends. I've got my current friends. I'm going to take them with me. It doesn't work. Because the current friends who go with you eventually get intimidated by the fact that you're doing things that they can't afford to do. And if you pay for them to go with you, they will cease being your friends eventually. So the friends change.

The acquaintances and the people that you meet change. I vet all the people that are coming through to my families. That means anybody that they meet that has any business opportunity,

insurance, brokerage, wealth management. Anything that they want to have done with the family, that is something that I take as a meeting in my office. I am the guy that is responsible for basically saying no to 95 percent of those people and 5 percent of them maybe they get a yes or they get a meeting with a client or we go further. So there is this sense that they have got people coming at them all the time that want something, and what they want is their money.

The second thing is that your friends not only change, but the children and the families around you change. You say, 'No, I've got a great family. If I got wealthy right now, I'd be fine. I'd be able to manage my family.' Not true. What happens is that the children come up underneath parents of wealth and there are certain expectations set by those parents. It's not the kids' fault. It's typically the parents' fault. But I see this every day. I have family that comes to me and they'll say, 'You know, I don't understand what mom and dad's problem is. They have a lot of money. I don't. I'd like to do what they did and I can't. I'm 35 or 40 years old. Why?' And I say, 'That's something that you'll want to take up with your parents.' 'Oh yeah, they said to call you.' [LAUGHTER] So I deal the parents sometimes too, and the kid.

So what happens is you have a circumstance where three children present themselves, and this is in my book. They want a conference. They call. They're in their 40's. And they basically say to mom and dad, there's warm money and there's cold money. Warm money is that money that you give us when you're alive and it feels good and you can hug us when you give it. Cold money is when you're dead. That's when we get it all at one time. And his thesis is, it's better to give warm money than to give cold. So give it to me now. That was it. That was about as sly a chess game as that child could play. And there have been very few times that I wanted to reach across the table and grab some guy by the neck and strangle him, but that was one of them. And they walked out and the parents sat there and the mother started crying. And she said, 'What have we done? What have we done?' What you don't know is they were already receiving \$400,000 a year just to take care of them. Well, it wasn't enough. They wanted more. That's a heartbreak for a family. That's a heartbreak for mom and dad. It's very difficult.

You say, well, maybe I can deal with my kids. Well, you have to get there to realize that you can only eat so many fancy meals. You can only be on so many boats, so many yachts and then you lose the compression that happens to all of us in life. And therein is another area that the rich people have that you don't want. That is, they lack the compression that makes them able to contrast and feel that today is tough and tonight when I get home, the day is over, and I can sit down, have a beer, and watch TV, and put the problems out of my mind. For them, often times, because of the panoply of everything they can do, it always feels like they look outward. They dream of things they can have and they just reach for those things. They take trips. They buy boats. They buy cars. They buy jets. But ultimately, there is nothing that satisfies and it's difficult because they don't get compressed with very many things.

The things that compress them are things that they can't solve with money, and those are the ones I just talked about: friends and family. It's difficult when those are the only things that create compression and stress in your life. And that is not all of them. Again, these are just examples. I don't want the take away from this to be that everybody in the wealthy category is unhappy every day. That's not the case. But it *is* a mixed bag.

What I did want to talk about a little more today is children of entitlement, because I think that it affects all of them. Some of the articles that I've written for newspapers lately have asked for articles about the children of entitlement. And it has come to the point where I believe for most of my clients that you have to start by asking yourself, if I leave my kids even modest sums of money, what is going to be the effect of that? You think, 'Well, I don't have enough money.' Well, some of you have a home. I've watched families derail when two kids go after a home for \$500,000; \$250,000 a piece. One wants to rent it, one wants to sell it, one wants to keep it; back and forth where they wind up with lawyers and a partition action and eventually they're going to war and they never talk. Over \$500,000. I've watched it happen dozens of times. So you have to ask yourselves the question of what would it have done to benefit you had you received it at that time in your life. It's not that you don't do it. It's that you ask the questions and you recognize that there are consequences.

So the story I want to briefly tell you is about my own circumstance with my son Todd. And here is my screw up but when it happened and how it happened I don't know, just that there are ways to work out of these things and there are right ways and there are wrong. My son Todd went to USC. He graduated with great grades and had the opportunity to go on to graduate school from there. He was on a tough budget with me. I am a real big guy about tight budgets. Live below my means. I've always done that sort of thing. I'm very careful about that. So is my wife of 32 years. And Todd was the middle of three sons. Todd went to school, got done with USC, and got a job within a week. I couldn't figure out why. All the other kids at USC got jobs three months later because they wanted to chill and kind of unwind from the college experience, which that was just a big fraternity and sorority and drinking fest as far as I was concerned. But they all were very busy. They got done with their college careers but Todd went right to work. He almost nervously went to work. And after about a year of working, he finally came to me and broke down. He said, 'Dad, I've a big problem. I've got a little credit card debt.' I asked him where it came from and he said from college at USC. And I said, 'You never told me about that. I understood you were living on a budget.' He replied, 'Well, as a matter of fact, I couldn't keep up with a lot of the kids there on the budget that you put me on. They were traveling. They were going on spring break, going to games, and I couldn't keep up. So I charged it on credit cards because they offer a lot of credit cards. Everybody is giving a card.' So I asked him, 'Well, how many cards are we talking about here?' And I'm thinking a thousand dollar limit. And he says, 'I've got seven cards.' I said, 'Do you have any idea what the interest rate is on those cards?' He said, 'Not really. All I know is that I'm right now required, just to keep the cards active, to pay like \$700 to \$800 of the net \$2,500 I make in a month. I can't pay for my apartment. I can't pay for food.'

And therein became a very important decision to make on our part as his parents. That is a child of entitlement as far as I'm concerned. I asked him how much his debt was and I'm literally squeezing my hands and thinking that it can't be 10 grand. Please God, it can't be 10 grand. And he says, '\$47,000.' So, now we have got a problem. And you know something, this becomes an intermarital problem. There is a yin and a yang always in a marriage. I went home to my wife and she said, 'You know, he's been a great student. Pay it. Pay it off. Give him a break. You're not going to be that typical guy you are, are you? That is putting people on budgets, including me.' And all of a sudden, I got a thing going with my budget and my wife.

[LAUGHTER] And it was tough; it was a struggle. But I knew the right thing was to make him feel the consequences of what he had done.

So I said, 'Here is our deal. I can refinance the debt. Put it in your name. I'll cosign for it. You will pay \$700 a month and that will pay it off in x amount of years. You will pay that no matter what. He said, 'Dad, I can't do what I'm doing right now.' And I told him that he was going to pay the \$700 a month and would have to figure it out. So he did that. He had to move in with three other guys. There were four total in their apartment in Santa Monica. He took sack lunches to work every day. He wanted to go on trips that his friends and coworkers were going on that had net money to spend, and he couldn't go. It was really tragic. And I've got to tell you something, I paid for that debt. I paid for it with a checkbook, but I paid for it with the acrimony of my own marriage for about three and a half, four years. He got admitted to Yale business school to complete his MBA and said, 'Dad, I got into Yale.' Back on the dole, right? And I said, 'Well, I'll help you, but you're going to pay that credit card.' He said he couldn't do it and still survive. And I told him that he needed to figure it out because it wasn't my problem. So he went to Yale and actually got an extra loan for that so he could continue to pay the \$700.

He did continue to pay until he finally graduated and got a job on Wall Street at JP Morgan. He was down to \$25,000 after three years of paying \$700 every month. And he called me on the phone and said, 'Dad, I just got a \$30,000 signing bonus.' And I said, 'Well, that's impressive.' And he said, 'I know what I've got to do. I promised you.' And this is the part I didn't tell you, which is that as soon as he would get any net money or bonuses it had to go to the principal. So I sat in California and watched on the Internet as he punched that button transferring \$25,000 from his account to his card. And I watched it go through. And it was a terrible thing to feel that I was responsible for all of that. But to see what happened to him in the following two years through today, of how tight this guy is. [LAUGHTER] How cheap this guy is. He has turned into a wonderful young man that is actually coming by train because he said he won't pay the airfare. He's coming by train tomorrow here to see me and we're going to go to dinner tomorrow tonight. But the moral of that story is, of course, my wife when she tells people this story, she says "we." [LAUGHTER] And I say, 'I don't know where that *we* comes from.' It wasn't *we* anything. I took a lot of heat for it the whole time. But she says, '*We* did this for our son.' And ultimately, I like her taking credit for it because I think really she understood that deep in her heart that that was something we needed to do.

So we all face that struggle. And the wealthy face it at an exponential rate more than you can ever imagine. And the message that I had hoped to convey to all of us is that we really do have the luxury of a simple life in a lot of ways. We have a lot of struggles and we have a lot of stress. But you guys get to go and sit in a place where you enjoy something just feverishly. You have hobbies, you have something that you like to do. If you get to do that to the Nth degree and 50 things like it, do nothing but imagine what you want to do and do more and more and more, I can promise you, you can only eat steak so many days a week and after that the steak tastes terrible. It just isn't as good as you think. So it's my pleasure to speak with you and thank you very much. And I'll go ahead and open this to the panel. [APPLAUSE]

ANNE LEBLEU: Thank you for that. That was great. Good afternoon. I'm Anne Lebleu and I first want to thank Bill Schambra and the Hudson Institute for inviting me to participate today.

I'd also like to congratulate Richard on his book because it is quite an accomplishment. We were in the green room and he told us about all the steps that he took to get it published, so I know how dedicated you are to the endeavor. So congratulations.

I just want to talk for a moment about what I do, since I think it will help to explain my remarks. I work for Arabella Advisors. We are a philanthropic consulting firm and what we work with philanthropists and institutional foundations, as well as individuals and families. I work with the department that focuses on individuals and families. We do strategic work with families and individuals who have decided to set up a private foundation. So it can be creating a mission or vision for a foundation or even reimagining a vision for a foundation. But we also do the nitty gritty of the back operations. So we also sometimes serve as the gatekeeper for a lot of our clients who are very busy and would prefer to keep their philanthropy and their personal lives separate.

So with that introduction, I just wanted to get to the essence of this work that we're discussing today, that essentially you don't want what rich people have. But I want to focus on the glass half full and really talk about philanthropy; the philanthropic opportunities that people of wealth have. When it's managed correctly and supported the right way, it can be incredibly fulfilling and can actually help offset some of the issues that are mentioned in the book. In particular, I want to address three specific characteristics that came to me when I was reading the book, and also address a more nuts and bolts aspect.

So essentially I thought about how the successful and strategic philanthropists that I've met and worked with really share a few qualities and also set themselves up to succeed in a particular way. It is having a solid philanthropic infrastructure and having a particular passion. And that might seem a little odd because you think this is human attributes versus setting up legal and governance structures to ensure that you succeed in your work, but they really do adopt them. You need both in order to be successful.

So the first aspect is the commitment to engagement. And Richard's book prompted me to think about motivation; the motivation to be committed to a cause. I reflected on the qualities that these individuals and families share. So I think it's very true. You cautioned us in your book that philanthropy can often be a burden for individuals and families because it is people asking them for things and they might not know how to respond to that. But I think for the individuals and families who have identified a need or a passion that they care about and developed a strategic framework for achieving that, they actually derive the most satisfaction out of the whole experience because they have been incredibly forward thinking.

So what are those characteristics that really help that I've seen over time with individuals and families? The first is passion. They are passionate. We work with people who often have been incredibly successful in their professional lives as well as their personal lives and they want to use those same strategies to achieve a greater good. They don't see why philanthropy should not be used in that same way, in the business approach that they use. And as a transition to that, they're entrepreneurial. I mean, these people are not afraid of getting their hands dirty and really understanding the problem at hand. So they essentially use their professional drive that they have used all their lives and translate it into strategic philanthropy. And that means they have a

high threshold for risk. For those who are interested in philanthropy and who might be working in the philanthropic space, what does that mean if a client has a high threshold for risk? They will tend to think really creatively about the issues and think outside the box. And there's a 5 percent payout for private foundations. Many of them will spend way more than their annual 5 percent payout because they really want to get to the crux of the problem. They'll do mission investing, impact investing. They'll try to work at the federal level and fight to change policy. They also get involved in their communities.

You talked about the connect/disconnect. And I think these people want to see the community leaders at work. They want to get involved. They want to see how they can help them. So it is an engagement that goes above and beyond writing a check.

Finally, I think the third characteristic that stuck out for me was stewardship. There are clients that we work with who really care about values. They know that their tremendous wealth brings an enormous responsibility. So that is where the really interesting and I would say the complex work comes in. They have to play an important role in making sure that the philanthropic investments are greater than themselves. It's something that they're doing outside themselves, outside of their daily concerns. And I think immersing oneself in a cause that is larger than your daily problems really helps retain the spiritual aspect that you refer to in your book.

The clients that I work with have achieved this by developing their additional knowledge about interests and issue areas that they are really passionate about. They've created an entire network and created new colleagues and friends and collaborators in their philanthropic work. They even volunteer for different types of services in the communities in which they decided to give. So this really help individuals and families look holistically at philanthropy as a way to avoid some of those pitfalls.

Lastly, so how does infrastructure play a role in all of this? You get people who really want to give back. They want to use philanthropy to make sure that their family works together. But that could go a multitude of ways. Those who have succeeded and achieved the goals that they want to achieve with their philanthropy, they really approach this as a business. They don't separate business from pleasure in that sense. They are drawn to their philanthropy because they want to develop an entire logic model about how they might be able to achieve the outcomes they want to realize. They use their business acumen and their focus to find solutions. We are talking about people here who have the potential to affect thousands if not millions of lives worldwide. And if it is well presented and really well thought out, I think that truly excites them. Again, it goes back to this idea of where they feel that they're going above and beyond their daily concerns and getting good work done.

So how do you set that up? This may sound a little surprising but there's a host of philanthropic research that shows that family foundations who actually have set up successful grant making processes, like getting involved with site visits or doing extensive due diligence on the nonprofits that they're investing in, they are the ones who report having stronger emotional commitments to their philanthropy. All those systems in place, which is really nuts and bolts infrastructure and governance, might sound counterintuitive but essentially you need a strong organizational infrastructure to derive pleasure and success from philanthropy and not the other way around. So

in other words, good intentions alone are not going to ensure success or happiness no matter what you do.

I would argue that it is not just philanthropy where you need a good base and good infrastructure. You find it in most everything that you do in your life. So among all the complicated stories that you might hear about the super rich or the wealthy, I think that this helps me identify a silver lining, which is that if it is organized well, philanthropy can serve as a vehicle for family cohesion and even for individuals to find a renewed spirituality or meaning in their life. It can also be used as way for many generations to understand the value of wealth and to enjoy giving it away. So hopefully through the collaboration that they have in their family and with nonprofit leaders and people on the ground, they are empowered because they feel like they know what it is that they want to do. They know how to get there. They've identified people in the field who are trustworthy and are leaders. So when they are targeted by fundraisers and people asking them for big donations, they are less compelled to buckle or feel pressure because they know what it is that they want to do. This allows them to reply by saying that they understand the person's cause and that it's probably a great one, but this is where my energies are focused. And hopefully that helps them hold off the tensions that you described in the book where people want to one up each other at times. And this is saying, 'Okay, my colleague here is also really wealthy and he's focusing on x, y, z mission but I want to focus elsewhere. And that's okay.'

So when you identify the benchmarks for success and the support system that can at times serve as your gatekeeper, you are actually more liberated to focus on the things that you really want to enjoy. And that is where real change comes in. Once you enjoy the work that you're doing, I think those who are fortunate to have great means come away with a great clarity of purpose. And that enables them to collaborate with families and friends and power networks to really achieve the change that they seek in the world.

[APPLAUSE]

JOHN MURRAY: My name is John Murray. I'm the headmaster of Fourth Presbyterian School in Potomac, Maryland. First of all, I want to thank Bob Woodson and the Hudson Institute. It's a pleasure to be here. And I want to thank Richard. God bless you, brother, for writing this book. I was just reading some of these stories in here and I'm thinking, did he really do this? Some amazing scenarios and the wisdom that God has given you to work through these challenges, it is truly a blessing that there is someone like you out there working with families who need great guidance. So thank you.

Just a little bit about myself. I've spent most of my career in education. I grew up in Huntsville, Alabama. It was a modest family. I ended up getting a full scholarship to Vanderbilt University and that was really my first thrust into an area with a lot of wealth. All my life I had planned to be a lawyer but God had a different plan for me and took me into education, which has been an incredible joy. I've done youth ministry, but where I saw God leading me was into private education.

I was at the Westminster School in Atlanta, which is in a very affluent area founded by a lot of Coca-Cola money. But what was interesting was that I didn't realize I was going to be dealing

with a lot of what Richard talks about, which is children of entitlement or at least children of means and how to help them be young men and women of character. To give you an example, on my freshman basketball team one of my player's dad was the CEO of a major airline and another player's dad was an NBA professional referee. Another player's dad was one of the most prominent doctors in Atlanta. And again, it was being thrust into this environment, working with these students, and seeing the issues they face that are very different from what I grew up with, which was fascinating. Helping them to realize what is truly important in life. When they have everything, as Richard talks about, a lot of times that can lead to apathy and not knowing what they want to do with their lives. So to work these young people and help them see what God's purpose is for them and how they can use their gifts was very fascinating.

During my life I've worked at different private schools and being the headmaster of a school with a lot of wealth can be very challenging because we want young people to learn from their mistakes. You want young people to see the consequences of their actions, but you have parents rushing in that want to blame the school, blame the teacher, and not let their child accept the responsibility. That is obviously very different from a couple of generations ago. It can be very challenging to stand up to that and speak the truth of love but help them understand the importance of a skinned knee.

I've been in a situation where I had to expel a senior the week before graduation because of drugs. Those types of decisions are very difficult. However it's amazing to see the stories where you are threatened to be sued, versus the ones a year later where the kid comes back to you, and I've had this happen, where we had a kid who totally committed his life to Christ and turned his life around, who thanked me for kicking him of school. Just the life change that he had in his life, however that doesn't happen a whole lot. [LAUGHTER] But when it does, it is a tremendous blessing.

I think one of my passions being in education has been media and teaching children media discernment. This is a course I've taught for many years and written on for different publications. I think it is a real challenge for us, especially now with the introduction of social media. All of you know what kids are exposed to in the course of culture. I think it's a tremendous challenge because of the values that are portrayed a lot of times in the media. And helping students navigate that is difficult, whether they are students of wealth or just average students like our children. I'm not a big fan of reality shows, but I do think it's interesting that sometimes you see the grotesque side of these stars' lives and it's really an eye opener. You also see some of the tragedy of these lives.

I know Buster knew Whitney (Houston) and her family. There was this article that came out Monday in *USA Today* about celebrity addicts, who dies and who survives. It obviously featured Amy Winehouse and Whitney Houston. It starts in on money and success, and then went on to talk about those who have died over the years and why, and those who made it and turned their lives around. It was very interesting to ask my students, who are eighth graders, what their reaction is when they read these stories. What are the thoughts that come to mind? We just started writing these on the board—the price of fame and fortune, your loss of privacy, addiction. They're recognizing that there is a price to this now, which I think is good. Another thing that I thought was fascinating was that they said it makes you think of their work, because a lot of

them were not exposed to Whitney's music and introduced to what an amazing God gifted woman this was. What a beautiful voice that she had. And just realizing what a tragedy to lose that talent, that life, that beauty.

Maybe they had not considered the eternal consequences to their lives. That life is more than just this world. The search for meaning. They have so much but never enough and that was exactly what Richard wrote in the first chapter, that no matter how much you have, you tend to want a little bit more. It's sad but true. People value them more after they're dead. And I think at a lot of these funerals you are faced with the reality of death, that the world is temporal. With fame and money come great responsibility; and the kids think that you are quoting Spiderman. [LAUGHTER] Actually, it comes from Jesus. Jesus said that but most kids know it from Spiderman. But it's true and I think that it is really important to understand that.

Then lastly, there is the issue of not taking ownership of one's own life. You know, pointing fingers. I have taught a lot of the millennial generation, who are now in their 20's. A recent article that came out a few weeks ago was titled, "[Millennials aren't amoral and adrift.](#)" It was fascinating, talking about this social justice side of the millennials. David Brooks and Christian Smith have written a lot more about the darker side of millennials. But, you know, a lot of this group went to schools requiring community service, so they have been exposed to philanthropy and reaching out. However a lot of it is required, so sometimes you question, what is the motivation for those who are doing this for something other than themselves? A higher purpose? Do you see the true philanthropy come out?

The flip side of that is what I've dealt with over the years. It was captured in this article about four years old in *Wall Street Journal* called, "[The 'Trophy Kids' Go to Work.](#)" It is adapted from a book by Ron Alsop and talks about the challenges that you face with kids who have always gotten their way or always won. They've always gotten a trophy and they want things now. They don't realize there is a process, a time for gaining experience and so forth. And, you know, I tell my parents that everyone doesn't get an award here. Parents come in really upset because their child didn't make the ensemble. Why didn't my child get in? You know, this is a great lesson of life. You don't always get everything. But it is also tragic when you see that.

One of the books Bob and I have talked about that I've read recently. Again, Tim Keller is a pastor of Redeemer Presbyterian Church in New York. Amazing ministry. He's planned over 100 churches. He wrote a book called, [Counterfeit Gods: The Empty Promises of Money, Sex, and Power, and the Only Hope that Matters.](#) It's an amazing book. I heard him speak at the National Cathedral here in DC about two years ago and the way he framed it was, our hearts are idol makers. We are always seeking something. However what is most important in our lives and if that is taken away, do we want to live? And I had never really thought about that in that way before. For me, growing up it was football. I love football and I remember when I played bad games. It would just ruin my week or month or whatever. But as adults, what's the most important thing in our lives? And I think when they are temporal things we can see the consequences of that. But Keller talks about even good things like family, when they become the thing that we ultimately live for and we put it in a place of God or Jesus Christ. What can happen? And the ministry that he's had in helping people realize what are the idols in their lives that, and you can quote from 1st Timothy, a lot of people misquote this verse, that money is the

source of all evil. No, that's not it. It's the love of money is the root of all kinds of evil. That somebody is eager for money has wandered from the faith and pierce themselves from many griefs. And I think that the key is to keep being balanced in our lives. As people of faith, you know, God at the heart of that.

So anyway, I was just very encouraged by what you're doing, by what you're writing on. I think you're getting at some important issues. So spirituality, one of the things that I really challenge young people on is what it means to be young men and women of character and looking not in the present for great role models but in the past. Because so many times we forget our pasts. I wrote an article for the *Wall Street Journal* a couple of years ago on the history of basketball and it was right at the beginning of March Madness. And what people didn't realize is that James Naismith had been in basketball to share the Gospel. He wanted to create a winter sport in Massachusetts where people could come, play a game, and stay for bible study. His famous quote was he wanted to, "win men for the Master through the gym." And I was like, did you know that about basketball? And it was just amazing for them to see this history. I framed it in David versus Goliath because I love March Madness and that year it was Butler versus Duke. So this article ended up getting a lot of play. But I think that was Naismith's mission and that is how God used him in creating this sport, to do something greater than himself.

The same for J.C. Penney. I wrote an article recently for the *Washington Examiner* called, "[J.C. Penney and the Golden Rule](#)." J.C. Penney has had big success in their marketing and they've totally turned their stores around. I had read a little bit about J.C. Penney, but I didn't know a lot about him until I got a book from our church library about his life. And he was just an amazing guy. He came from nothing. His dad was a pastor and taught him to do unto others as you would have them do unto you. That was what he based his early stores on, and his sales exploded. He had all this wealth, but when he was doing philanthropic work he would tell people that his life was not fulfilled. Then when the stock market crashed in 1929, he lost everything, leading him to experience what he would later call, "a dark night of the soul." He actually entered the Kellogg sanitarium on the advice of a friend and said that it changed his life forever when one morning after breakfast he heard a familiar hymn coming from the small chapel: Be not dismayed whate'er b tied, / God will take care of you! / All you may need He will provide / God will take care of you! He said at that moment something happened to him that he's never been able to explain or describe. It was a life changing miracle and he was a different man ever since.

In his work, [The Spiritual Journey of J.C. Penney](#), Orlando Tibbitts chronicles this transformation into a life of true hope and purpose. He later regained his wealth and more importantly his renewed faith, which lead to his recommitment to serving others. And I'll end on this because you talked about hope as a powerful motivator in your first chapter and I think that is so true when it's rooted in something other than ourselves. Penney went on to spend the rest of his career going to speak to students and this is what he would share with them. "The secret to my father's life and my mother's life was the way they imitated the Master by giving of themselves with selflessness and sacrifice. They never separated the secular from the sacred. As God motivated people, they received blessings no money could buy and they left blessings upon all whom they touched." And those are values worth reclaiming. So, thank you.

[APPLAUSE]

PASTER SOARIES: I went to church to preach one night and I asked the pastor how long can I preach? And he said, “You can preach as long as you want to, but we’re leaving at 9:00.” [LAUGHTER] So Bill, what is our time?

WILLIAM SCHAMBRA: 12 minutes. But we’re leaving in 2 minutes. [LAUGHTER]

PASTER SOARIES: My name is DeForest Soaries. I’m from New Jersey. I’m the senior pastor of First Baptist Church in Somerset. My friends call me Buster. My enemies call me Buster, too. [LAUGHTER] This is very difficult. I’m a Baptist, first of all. So I’m not used to being timed. [LAUGHTER] It takes us 12 minutes just to say ‘Good Morning.’ [LAUGHTER] I want to thank, first of all, Bob and Bill for hosting us and inviting us to this important occasion. I want to thank my colleagues on the panel. But I really want to thank Richard Watts for what I think is a game changer. If you hadn’t read the book, read the book. I think the fact that he’s even here is indicative of how significant this moment is and this work is. I published a book last year and there is pressure on you to support the book. Your publisher wants you to go to Barnes & Noble and other bookstores to help sell copies of the book. So the fact that Richard chose to come here, not for the purpose of selling books, but for the purpose of dialogue and sharing ideas, that is a profound difference in what has become an industry driven by sales alone. So thank you, Richard. [APPLAUSE]

I think the best way for me to do this is to offer remarks around three quotes in the book. In 1953, two years before the Montgomery bus boycott, Martin Luther King preached a sermon at his church in Alabama called, “The False God of Money.” In the sermon, Dr. King said, “We have confused the means by which we live with the purpose for which we live.” And he talked about the idolatrous relationship our culture has developed with money. This is a civil rights leader speaking at a black church on a Sunday morning. Fast forward to 2011 and Richard Watts says, “Money becomes an end in itself rather than a means.” If King was a prophet, having said things like this, then I would suggest that Richard Watts is a prophet, because he’s come to the same conclusion a different way.

King’s concern was that the character of the country, all aspects of the country, was being driven by materialism. The Apostle Paul said, “The love of money is the root of all evil,” but the question is, why do we love money when money can’t love us back? The reason we love money is because we love things and it takes money to buy things. The reason the average American family has almost \$10,000 in consumer debt, in some cases \$47,000, is because when we run out of money, we don’t run out of our love for things. So plastic becomes the way we bridge the gap between what we have and what we want. My book is called [*Breaking Free from Financial Slavery*](#), in large measure because this means by which we live has become our master. We will do and say almost anything to increase our capacity to buy more things. And what you’ve done, Richard, in your book is you’ve really identified a core character issue with this country.

Unfortunately, the concept of morality has become hijacked by religion, so it is hard to even talk about a moral consensus or ethical framework lest you be marginalized by people who don’t want religion. Now the genius of this book is that Richard kind of sneaks in the side door and

says that greatness perhaps has less to do with attainment of things and more to do with the quality of life. So this book is not really about money at all. And it's not really about strategic options for the wealthy. If you noticed, the name of it is, *What Rich People Have that You Don't Want*, which means that you are not rich. [LAUGHTER] And if you think that hitting the \$500 million lottery is a blessing, do some research on those who have hit the lottery. Find out what happened to their lives. It's a phenomenal discussion because the wealthy have whatever they want, yet they don't have what they need and they're not spending all of their time trying to get what the healthy have. We have in essence a sick society that has been infiltrated by a toxic culture and it undermines the potential for greatness. It's exacerbated by the media that continues to celebrate the people in Richard's book and ignore the reasons for funerals like Whitney's.

I had the task of narrating Whitney's funeral on CNN from the outside of the church. The challenge for me was that I really couldn't say what I felt because we were speaking to 5 million people. And that was that the first third of her life was fantastic, before she became famous. The latter two-thirds of her life were tragically played out before the whole world. The first third of her life she lived in a humble home on Dodge Street across the street from one of the original McDonald's and she spent much of her time at McDonald's. Her family had a plastic swimming pool in the backyard above ground. She wore plaid skirts to a Catholic school. She sang in her church two or three times a week. It was a phenomenal life and her parents worked hard to keep her that way as long as they could. The last two-thirds of her life she sold 170 million albums, had seven number one hit records, and generated over a quarter billion dollars herself. And the bigger she got, the more tragic her life became. Not because she got big, but because, as Richard points out in the book, no one is really prepared for the level of complication that comes with money. And even if you give it away, it's complicated.

It's so complicated that there needs to be an antidote, which brings me to the second quote that I find phenomenal because the second quote does what everybody says we need today, which is it levels the playing field. Here's the second quote, "What can I grow with winnowing the chap, we cannot grow, corn cannot be harvested until the stalk is cut and the healthy adult will not mature without exposure to difficulty and pain." And I say this is a leveler because every parent I know at our church, we have about 3,500 families, most of them are middle income, work hard to make sure that their children have a better life than they did. We define better with gadgets and clothing and vacations. Middle income parents go into debt to make sure their children are happy and to buy their friendship. So one need not be wealthy to benefit from this book because what this says to middle income and even low income families is this. You are buying into the tragedy of the wealthy without realizing it. When a family of four living on \$30,000 a year considers it mandatory to buy a child \$150 sneakers or when a family of four making \$30,000 a year considers it appropriate to pay \$250 a month for pay per view or when a single mother of three considers it appropriate to spend \$150 a month on fingernails or when a father of three who is behind in his child support considers appropriate to enter the NCAA pool for \$100, we have a crisis that is much bigger than we can measure.

It also has tremendous public policy implications, not the least of which being that because our culture has embraced this lifestyle of consumption and living beyond our means, it's virtually impossible to help people understand the tragedy of government living that way. So government

gets away with this structural deficit spending, this ungodly borrowing, this leveraging of our future precisely because it fits within this same cultural framework that has infected the whole country. And the housing crisis that we talk a lot about is one of the more recent examples.

In our church we worked with about 500 families who were having difficulty with their mortgages early on in the crisis and we had a two-fold problem. We hear a lot about the problem from the institutional side, where people were tricked into or steered into loans they should not have had. But we hear very little about the fact that these improprieties were made possible by people having appetites. If I made \$50,000 a year, no one should be able to convince me to sign a \$850,000 mortgage. Nobody. But because I am striving with all my might to be like Richard's clients, even if I don't have the wealth that they have, I want to drive what they drive and live where they live and travel where they travel. I want to live a five star life on a one star budget. This is a character issue. It's a values issue. This is much more important for the normal people in my congregation than it is the super wealthy. If you just do numbers, the majority of people are not super wealthy but they are infected with the same problem—the inability to delay gratification. That is a cultural crisis. It cuts across all races and income levels.

So this idea that pain is a prerequisite for maturity, that helps me as a parent because when my son sends me a text at 12am telling me that he needs \$25 for pizza for him and his brother in college, I want to know, did your cafeteria close down? [LAUGHTER] And he says that they were out doing something and missed the deadline and now they're hungry." [LAUGHTER] See, Richard has helped me respond. In the name of Richard Watts—starve. Because if I satisfy his hunger often enough, I've created a sense of entitlement that is not only not sustainable, but it is injurious to his future. That is a character issue on my part and on my son's part. In fact, what Richard has given us is permission to say, thank god for the pain. In fact, let's expedite the pain process. [LAUGHTER] Because we have been delaying maturation, the experts say now that 30 is the new 21. That parents who had expected their children to be mature at 21, should expect them to be mature at 30. A part of it is because our culture has convinced us that we should at all costs eliminate and protect our children from pain. And this book reinforces the idea that the same pain that contributed to my growth and development is the pain that ultimately will do the best job in helping my sons grow up fast.

The final quote which is absolutely revolutionary is this, "Perhaps the only way to savor the richness in life is to experience being poor." We hear a lot about wealth and poverty. We have a lot of political commentaries. We have a lot of social activism. We have a lot of public policy initiatives. But when Richard said that, it reminded me of my experience in sociology as a freshman at Rutgers, when my professor said that people like Richard's clients who have high income are high class and people like my grandmother who were domestic workers and didn't make much money were low class. And I got kicked out of the class because I argued that class has got to be about more than money. My grandmother was the highest class person I knew, and I knew some rich people who didn't have any class at all. [LAUGHTER]

So Richard has his finger on something, which is that to maximize my experience as a human being, I need to experience being poor. And I don't think Richard is going to tell all of his clients to fire him, give away all of their money, and move to the projects. But I do think there is the potential to experience poverty, to connect to poverty, and to learn from the poor. I didn't

know anything about Xanax and these drugs that calm people down until I met rich people. I never knew that you took pills to relax. So rather than saying that rich people are responsible for giving to poor people or bailing out poor people, perhaps we should be talking about how poor people can teach rich people how to experience the richness in life. Perhaps there is a new paradigm shaping, where the rich and the poor have mutual interests rather than the 99 percent beating up on the 1 percent and the 1 percent protecting themselves from the 99 percent, perhaps there is a wealth in both that contributes to the welfare of each through vehicles that we have got to construct. Because without such, then we are going to have class warfare. We are going to have finger pointing. And we're going to have hardness and bickering that winds up undermining civil society.

I know some people who live in public housing who are doing very well. They're not on drugs. They have intact families. Their children do good in school. They go to church every Sunday. They contribute to other people and they live on fixed income, minimum wage. And what I heard Richard saying is that he has some clients that need to meet my friends because my friends may know more about enjoying a Sunday afternoon. When they're not worried about whether the stock market comes back next week and how many people are knocking on their doors asking for money. So I see this book as a game changer. We need new voices in this country. We need voices of prophetic utterance that are not partisan, that have no agenda, and that rise above the normal noise and really call us to be not just better Americans but to be better human beings. So thank you, Richard. [APPLAUSE]

WILLIAM SCHAMBRA: I want to pick up on just a couple of questions for the panel before we go to Q & A. Richard, the way you describe philanthropy the donors believe they're spiritual and charitable because the masses hold them in high esteem for the gift. But what is in the mind of the super-rich givers? They secretly recognize what the audience really wants is their checkbook, so giving away money becomes boring and unsatisfying. Now Anne describes a way of giving with passion and she suggests that the clients she works with have found a way to overcome this condition that you describe. Pastor Soaries describes a way that one might overcome that condition through philanthropy. John describes another way, suggesting that service projects might be a way for young people to overcome that kind of deadness in giving. Could you react to those suggestions? Is there something in what these folks say that might be helpful to the super rich that you represent?

RICHARD WATTS: I heard what Anne said and certainly what Buster said. And perhaps in my book I characterize a very black and white situation in terms of they either are or aren't. In this case, I'd say that most people have very little spirituality or love for giving away their money. They feel they're being hunted. The fact of the matter is that is true in great part. I think that the times they are passionate about giving is when they can connect to a project or to something they feel they are meaningfully changing the direction of or assisting in. If it's the type of thing that they usually encounter, which is 90 percent of the time, where people are just trying to weave a great story to get a million dollars for their cause, they don't feel any connection to that.

But when you actually take one of these people into the field, I've had some clients that have become so passionate that the entrepreneur in them comes out. They almost take over the project. It becomes another rock to climb for some of them.

But what I'm getting at is that if you're really addressing the issue that I had hoped would be addressed with the super wealthy, is that they are so far removed from the simple pleasures in appreciating what is available for them amongst all of us. They really need to have a better sense of identifying what the problems are that need to be fixed and be part of that to be able to lend their support and their heart through that. It's hard to get to their heart. But once you do, I would agree with Anne as well that they will usually take off and become very involved.

WILLIAM SCHAMBRA: Anne, do you find that to be true? In other words, there is some danger I would think in engaging just the entrepreneurial side, just the takeover part. You know, I can run this project better than you, so get out of the way and let me do it. We've all seen it and there are some of us who have been constructing critiques of philanthropy around this very problem. But, Anne, does that coincide with your experience, that the ones who get more out of philanthropy and are more passionate about it become engaged or connected in some passion?

ANNE LEBLUE: I would say they become advocates for the causes they hold dear. So it's not necessarily that they will take over a project. In best practices terms, you don't want a donor to dictate your program. For most nonprofits that is usually a recipe for disaster. But I think if you do connect with them at the heart level, as Richard was saying, you as a philanthropist are often kind of marginalized because everybody knows that you are very wealthy and potentially give a lot of money to a cause or project. I think if you manage to actually create a genuine network for yourself, I think that the relationships blossom. So you can actually develop working collaborations with nonprofit leaders who are advancing the causes that you wish to develop and support. So it's a little of give and take.

Also, they consider these as investments. They are thrilled when they've invested in nonprofits and leaders who had a great idea and it just flourished. They say that they are happy behind the scenes. They don't need to be in front. Because if they've thought out their strategy, they know that those people that they've identified in the field are the ones who are doing the good work and are the ones who are well equipped to be carrying out that mission.

PASTER SOARIES: I don't know a lot of super-rich people but I know a couple. But I think we need to scale this back to make this accessible. If you look at Richard's book and clients compared to us, it is basically synonymous with us compared to Haitians. When I go to Haiti, I'm super rich compared to somebody living off \$200 a year in a tent. So the question becomes, what is true for both situations? Truth number one is when we take people to Haiti or Ghana or wherever we go, and they come away feeling not only that they contributed but they gained something from the experience themselves. A person says, 'I went down there to help and they helped me more than I helped them.' That is when it's legitimate.

The second is when they feel they are a part of something larger than just a task; that that task is connected to a larger truth or movement and they've played a small part in a big thing. And so we built a well in Haiti and the well was part of a larger community. My church members felt good about that, those who went and those who didn't go. I believe that if there is going to be a connection, it has got to be such a legitimate connection that all of the participants and whatever they bring to the proposition have an integral role and they all leave better for it. And I think that is what we're lacking. That is what Richard refers to when people have just been asked to write

checks. When I am called upon by a couple of my very wealthy friends as either pastor or counselor or trusted advisor, my wife and I pray before I go that I will not be completely distracted by their net worth. It's not hard not to be. You got a guy with a four deck yacht and a private jet and houses all over the world and he wants to talk to you about his son. And you want to talk to him about your budget. [LAUGHTER] It's hard. It's hard to restrain yourself, so it takes the Holy Spirit to hold you back. It's hard, but that is where we have to go. We have to get to a point where we can have those kinds of breakthroughs so that we can have a meaningful cooperative endeavor.

ANNE LEBLUE: I think this kind of connects to all of our conversation here. Often times we talk about values. To people that might sound strange to talk about value in philanthropy. But when we usually take in short-term or even long-term engagements with individuals and families, we have a conversation around the table around what are their family's values. And I think that goes to John's point and your point right now. It's like how do you create those genuine connections about what's important to me. Not my net worth, not what I could potentially give to a particular cause but what do I want to see, what kind of change do I want to see in the world. And then you build on those commonalities and hopefully that creates momentum for a greater good.

PASTER SOARIES: But I'll argue, it doesn't just happen. The dry bones did not come together until somebody prophesied. That's why we got to get this book out there, because you need prophetic utterance for dry bones to come together. And that's what you've done, Richard, so you might as well get ready. [LAUGHTER]

JOHN MURRAY: Even at young ages, when we're dealing with wealthy kids that come up in very wealthy backgrounds, at a young age instead of requiring community service giving them a part to want to serve. In our school, just as an example, we have our lower school kids do Operation Christmas Child, which is a program done by Samaritan's Purse, where they give gifts to kids around the world who are in impoverished areas to share the real meaning of Christmas. We don't require kids to do it. We show some testimonials of kids whose lives have been changed and the impact when they receive those gifts. And we show them how to put them together. And every year we have many who participate and are blessed by it and see the difference they make.

The same with our middle school kids. We partner with a school called A Cornerstone School here in Washington, DC, an inner city school. And we have them raise money by running laps and this year we're going to have students from the Cornerstone school come out and we've raised enough the last couple of years for several scholarships for kids that are there. But it's just giving them a heart for a mission.

We are pre-K through 8. In the schools I've been that are high school, we take them on mission trips to Haiti and others where, like you said, they go in thinking this is going to make me feel good. And they realize, wow, I had no idea what I was going to be served and how God can use me. And I think that, a lot of times people give for the feeling they can get and don't realize what can happen when they change your life and how that life changes theirs.

WILLIAM SCHAMBRA: Q & A from the audience please?

Q: Good afternoon. I think the issue for me here is that all of us start from a framework. If you indulge me for a few seconds, I will enlighten upon it. In the African mindset, we believe that everything is a circle in spirit. It's continuous. It's interconnected. The European mindset is that everything is separate and you have to have an opposite side. In the African mindset, we believe that the body and the mind are the same. The Europeans think the mind controls the body and, in sense, is better than the body because you control the body. In the arena of matter and spirit, the Europeans have mastered the separation of matter from spirit. Once you separate matter from spirit, what you get is a thin material and that is a dead material. Henceforth, then in the assistance in this hemisphere, the initiative to drive industry to produce more to have growth, then this object is what we worship and it becomes our second god. I think that's all abstract personally and I like to have their take on it.

WILLIAM SCHAMBRA: Reflections on the framework. Mind and spirit and is that connected with what we're talking about here? Pastor Soares addressed eloquently, namely this, the triumph of the material over the spirit.

PASTER SOARIES: There is no question that you are correct. From the biblical perspective, "thou shalt not have no other gods before me." It's the worship of things. And we ultimately become a thing ourselves that supercedes all else that drives us into this crisis. In my book I talk about why are we drowning in debt. And I talk about the solution being a spiritual problem. What's visibly absent in Richard's book is a call for public policy. There is no law. There is no presidential candidate. There is no executive order that can address the gaps in these people's lives or anyone's lives because the gaps do not come from government or obviously from money, because they have it. There is a spirit realm that is connected to the core of all existence. And when we allow that to be separated or to be neglected even, to be malnourished, then we end up as carcasses walking.

WILLIAM SCHAMBRA: It's easy, Richard, while reading your book to get the impression that the material things are so overwhelming. Right? Not only for the people who have made them but then as you suggest for the children. It's so corrupt that it's very hard for the spirit to work its way back into their lives. Or am I being too pessimistic in reading that?

RICHARD WATTS: No, I think that's a great question. I think that materialism is relative and we're all responsible for the same thing. We have the same thing in your life and my life. It's always the next step. And it's kind of like a cocaine addiction. You start with just a little bit and that becomes your baseline. If you look around and you say you're content where you are now, until you see somebody else who has got something more. And then the next time you need a little more to get the same effect. And a little more and a little more. So at some point you're so involved in the process that it pushes everything out.

Then the part that creeps up on you that scares most people of great wealth often times is when it becomes so complicated. You own so much and you have so many homes. And so many people that want you. And so many people that are trying to distract you from anything you might find important. Then your time begins to become consumed, and that is probably one of the great

complaints that I hear from my clients. And if they came to a group like this, worth two, three hundred million dollars and say, 'Hey people, feel sorry for me because I have no time.' [LAUGHTER] I'm sure everybody would feel really sorry for them. They don't ask that from anybody because the fact of the matter is that nobody cares. I look at them and say, your life should be perfect. You have everything you want. And so there begets the question of what is it that you want. And if it's the stuff that's put in front of you, then it's going to have a hollowness to it. There is going to be a vacuum. As Benjamin Franklin said, money is created to fill a vacuum but it ends up creating one.

WILLIAM SCHAMBRA: The time factor is interesting. That was one of John D Rockefeller's complaints. As he scaled back his involvement with the oil company and began to turn more directly to philanthropy, he was so overwhelmed and his time was so consumed. He felt like he was on the verge of a nervous breakdown. His advisors had to tell him that he really needed to address this in a much more systematic way, which is how the Rockefeller Foundation came about.

RICHARD WATTS: And interesting in that dynamic is John D. Rockefeller turned to his son and said that he had turned the family name into a pretty nasty thing, so his son needed to spend his life giving it away. Let's make our name look good and that is what his son did.

Q: My name is Denise Byrne and I'm one of the founders of Friends of New Orleans. I have a question for Richard and Anne. We have some friends of ours, very, very wealthy, very successful. They have four kids. They decided to do the warm money. The kids range from mid-20's to early 30's. His reasoning was that he didn't the kids to be competing for their attention based on the inheritance later on. They wanted it equal so they gave it all to the kids equally now. The kids have access to all that money now. And both parents, they came from money, very bright. He is an entrepreneur. He's made even more money. He's very passionate. Very, very bright. Very engaged. But it's amazing to me when you see the four kids because there is no passion. I always say to my husband that it reminds me of these movies about the very wealthy French or English back in those days when all the very rich did was seek pleasure. So now he's created a national initiative that he's going to fund single-handedly around music. And I think he's hoping that these kids are going to get involved in this. So I'd love to hear from Richard since you've probably seen situation like this before. And then I'd also like to hear from Anne about any kind of advice that you could give my friend as he is setting up this initiative.

RICHARD WATTS: What he is doing is he's creating a laboratory with a bunch of rats in it that he feels that he can inject this system. He's going to test it and unfortunately there is no return from that test. Once they get there, they're going to be there permanently. I've watched that happen in probably five or six circumstances, all of them against my advice.

I think now I'm going to broaden your answer to say that the difficulty that we as parents in this generation, and when I say we I mean the boomers, no offense, we are the ones that have brought these kids up. We have decided that they all need to play soccer. We've decided that they all need to play tennis. We've decided that they all need trophies, whether they did well or not. You know, they need to find their way. They all need to go to college, which I'm not opposed to education, but there's a lot of kids in my families that the families are ashamed of they didn't go

to college. They are ashamed. So they go to college and they fail and they trick the parents and they really didn't show up the first year. And then they put them in another college and they buy their way into that, and that goes on in a number of instances. Those kids need to develop their own passion. And one of the things we do as parents is instead of just literally let them do what they want, we try to engineer them toward what we feel, with good intent, is a successful path for them. It's actually a successful path for us.

ANNE LEBLEU: I agree with Richard. Before you started talking about the actual initiative of your friend, I wrote down on my notes, is this the parent's philanthropy or their children's philanthropy? So I would say there are some honest conversations that have to happen with the kids and maybe not even in front of their parents right away. Maybe just one on one. What do they care about and what do they want to be involved with? Do they want to be involved with their parents' philanthropy and this initiative? If they do, how do they want to be involved? Do they want to be at the front lines and actually meet the people that they'll be funding? Or do they want to take kind of a back seat and manage operations and other very important tasks that perhaps might not necessarily be so high profile. Or they may say that they love music but they want to focus on the environment. And if it's their money then hopefully they can start having a discussion with their parents and thank them for this opportunity.

So I agree with Richard that sometimes it is kind of the dream where we all imagine how our children might grow into their own and share the same passions. But I do think that the key here is that they have ownership of that money. If they feel like it is somebody else's mission and somebody else's vision, they're never really going to get involved.

PASTER SOARIES: I would ask them to find somebody who did exactly what they're trying to do the way they're trying to do it and it worked. [LAUGHTER] I mean that's what we do in business. If your friend has been as successful as you described in business, he has created a business model based on some assumptions that were reasonable. I'd like to know what his assumptions are that caused him to believe that this will work. Because I think you'll find that she's right.

DENISE BYRNE: I'm wondering. The family is struggling to get their kids involved and passionate about something. So have you seen any of them come up with this experiment and it actually worked?

RICHARD WATTS: It's exactly what Anne said. It's about trying to determine if they have a donative intent now. They may not. They may be young enough. They are just not in a place where they want to go out searching for something to give to. And if they have a donative intent, what is that about? What would they like to see changed? The trouble is that a lot of times kids, we're talking about kids in their 20's or something like that, the question is just identifying whether there is a passion or not? Once that happens, you can steer it in a direction. I'll make an offer to you that I've never made to anybody in this deal. You tell them to read the book and you tell them the author will take your call. This is a tough area. And I have counseled many of my clients in this area and they have changed their direction about what they're doing with their kids and what they're forcing on their kids. And really kind of taking this position of letting them struggle.

I'll tell you very briefly, there is a major university whose namesake of the grandfather has the last name on it. Private, one of the best in the country. The granddaughter is a client of mine. The grandfather endowed hundreds of millions of dollars into this university to make it happen. The granddaughter lives on a budget of \$6,000 a month and that's all she gets. And she says, I'm so happy. And went along with it was a foundation that she wasn't allowed to spend any money until she could identify what she was going to do with it. And she finally at the age of about 50 went on fire for something she really loved. She goes out and gives millions of dollars to this one particular organization that she has vested her life into.

WILLIAM SCHAMBRA: Actually there are many stories of family patriarchs and matriarchs who thought they would resolve family problems by setting up foundations and involving their kids. And the stories have not always turned out well as you can imagine. One can go down the list, MacArthur Foundation and so forth. If the patriarch had understood what was going to happen to the money, he might not have been quite so happy. There is actually a pretty well defined track record and many of them have not turned out well.

I'm struck by this question. Developing a passion. How on earth do you develop a passion when everything comes so easily?

RICHARD WATTS: You can write the second book. [LAUGHTER]

WILLIAM SCHAMBRA: Well, and I'm wondering if Pastor Soaries' point about the need for pain---

PASTER SOARIES: It helps. It helps.

WILLIAM SCHAMBRA: There's a connection.

PASTER SOARIES: Pain helps passion.

WILLIAM SCHAMBRA: There is a connection and I wonder if you might not say something about that connection between pain and passion. I think there is something there and I'm not quite sure what it is but I was struck by the way Pastor Soaries put it. Maybe you all---

RICHARD WATTS: I think in my book what I called it is that idea of contraction and expansion. I tried to be non-biblical. If I was being biblical, I'd say Romans 5:3. And I think more than that, I think you embrace the struggle. That is the thing we don't do. Be joyful in the struggle. Right. Struggle creates character, perseverance and perseverance hope. That is what my clients want. They want hope that they make a difference. And the difficulty is it's hard to get to a place of struggle. So the struggle becomes not a financial one but a struggle of where did the rest of my things go? Where did my family go? What happened with all of these things? Why are they so dysfunctional? And in that sometimes they wind up having a struggle that creates a passion to do something about it. [OVERLAPPING VOICES]

PASTER SOARIES: When my father died, he was 47. I had an eight year old sister. I was 24. And, of course, we were so overwhelmed by the fact that this child will not have a father like we did, that by the time she was 14 she was spoiled rotten. I couldn't stand her. I mean, I just didn't like my own sister. And I sent her to Jamaica for a summer to stay with friends of mine up in Saint Anne's parish. No running water. No electricity. No paved sidewalks. And she lived there for a month. Her life has never been the same. She came back with a different perspective on life. She had to use an outhouse. She didn't have any electricity. Every day she had to watch the butcher come and kill the cow. And that experience changed her life.

My sons are 22. I've been a pastor all their lives. They have been the princes of the church. They've got their own deacons to drive them around. The biggest mistake my wife and I made was to let my sons watch the movie Richie Rich when they were kids. [LAUGHTER] My two black sons grew up believing they were rich. And tomorrow, right about this time we're going to dinner, and we are going to have that talk about pain and options and entitlement and budgets and deadlines. And just the news will be pain. [LAUGHTER] And I don't know about white people, but with black kids you have to induce pain. You can't hope they will, you've got to send them somewhere. You've got to take them to hell and leave them there. [LAUGHTER] Then have them work on crawling out because it's a tragedy.

It's worse with us because I was diagnosed with prostate cancer in November 2010. All of my sons' lives we talked to them about finances and they know that I'm not rich but I'm well insured. And as we were preparing for surgery, and my father died in surgery so it was kind of traumatic, it occurred to me that a part of them wanted me to live but a part of them wasn't that worried because they knew I'm well insured. Insurance money can help you get over your grief. So I took them to the bank and I sat down and I said the good news is that if I don't come through this surgery, here is what you and your mother will be worth, but here is how yours is structured. There are triggers to release those funds. And they were like the rich young ruler. They went out away sorrowful. [LAUGHTER] I mean because it occurred to me that they didn't understand I'm well insured but you are not getting a big check the week after my funeral. So it takes different kinds of catalysts to provoke our children especially. I'll call it constructive pain.

ANNE LEBLEU: I would also say, and John probably can speak to this much better than I could about media, but I'm struck with all the stories that you share in your book, Richard, that at the end of the day we are all human and we all have heartbreak. And it doesn't matter how much money you have or how little you have. We all experience the loss of a loved one. We all experience rejection. We all experience all these, all the variety of different things that hurt.

You were talking about a lot of media and how these celebrities are exalted in a sense. And it would be interesting to focus one's attention on the real life stories of even pain sometimes. Or even surmounting that pain and getting out of those trenches. Because if you shift the conversation, if you start shifting perhaps the emphasis, maybe the kids who do feel entitled might feel a little less so.

JOHN MURRAY: I think of the story of Bethany Hamilton. You know, this soul surfer. A young lady who lost her arm to a shark. It was horrifically tragic and it is a miracle she lived. And just an amazing young woman of faith who obviously questioned why would God allow this

to happen. But she came back and surfed again with one arm. As a championship surfer and the platform she has had, and she had no idea what God was going to do with her life, and seeing the people who had lost limbs, who were hopeless. And she went all over the world and still is. Just an amazing person. I know that story really spoke to my daughters. We had lived in California for a short time period. I know you are a surfer.

RICHARD WATTS: Yes, but I know Bethany too.

JOHN MURRAY: So you know she has just been an amazing witness. My girls, we read her autobiography together before we saw the movie and it's very powerful. But I think when you look at people like that and it's amazing role models who've been through tremendous tragedy and have all the reasons to question and say why, and how she persevered, you know, to your point of perseverance leading to hope. Going through those crises. I think it's great for kids to see.

WILLIAM SCHAMBRA: More questions? Yes, please.

Q: My question relates to whether the speakers can say anything about the examples that are provided by the parents to the children. Is it a situation where the father is so busy making money that he's never home? I don't know about that. People ask me where I got my passion. I'm a child of the Great Depression. I was poor in 1927 so we saw sadness all around us. But my father and mother never sat me down and said, 'Now this is the way you do it.' But they showed me. They tried. My father was a pharmacist. He hawked my mother's jewelry to be able to buy medicine for people in the community. So the example that I have had, that's what I'm asking you really. What is the example that these kids have had? Would you try to change the way parents give examples to their children because that's my business.

RICHARD WATTS: The reason that you're passionate is because the distance between where you were and where you are is great and that is what a lot of passion is about. It's about the struggle from where you start. You said you're a baby of the Depression. You know what that feels like and you get to this place. You feel the gap and you feel the accomplishment of getting where you are. The difficulty with them obviously is these parents often times are negligent. I tell the parents in my case that this is the parents' fault. Don't strap this on the children because the children are just following the lead. Everybody gets to an age where the kids are 25 and they come to me and they say, 'My kid is so disenchanted and so uninterested and so dispassionate. And what's the matter with them? Shame on them. They ought to go work in a camp for a while.' Well the revelation came when they were 25 years old. Parents need to be proactive about that early on. And I'll tell you one of the ways I did it. And I wasn't going to say this either, but my father was relatively well off. He came from nothing. When I went off to college he said, "Well I paid for your brother. I'll pay for you, too." I told him no because I wanted to do this on my own. I'd work and pay for college myself. Well I did that. I then went on to law school from there. I worked during the day and I went to law school at night. I remember when my wife and I didn't have enough money to pay the rent. All of those times. Well my older brother got kind of coddled and we love each other. We're really close. But if you could see where he is in now passionate wise and where I am now, you know, he is asking me, how did we grow up in the same family? And you got the passion and I didn't. And he's a great guy. The

difference is that he didn't have that chasm that was created. I self imposed the chasm. And what I've done to my own kids, again with my wife, she'll we. We did this later on.
[LAUGHTER]

And I sat all my kids down. We have been relatively successful. We have got a beautiful home and things and stuff. However I said I wanted to be very clear with them that I'm leaving absolutely everything to a charity. It is all going into a foundation and they will get nothing. My dad did that to us. My dad told us. He thought it was a good idea. He saw the difference of what was happening. He said when he died we would get nothing. And we got nothing. And you know what it did from about age 16 when he told us that? I got moving. [LAUGHTER] I got moving. I didn't go to law school because I just thought it might fill some void. I went to law school because I thought I could make enough money to live on. By the time my dad died when I was 35, all four of the kids were off in careers and everybody was very proud. We love him and mom for doing that. I'm going to do the same thing for my kids and they know it.

PASTER SOARIES: Well, my kids are going to hate you. [LAUGHTER] My children are you going to hate you.

RICHARD WATTS: I don't doubt it.

PASTER SOARIES: I promise you. You've just widened the chasm. [LAUGHTER]

RICHARD WATTS: I know. I wrote [an article](#) about this in the *Huffington Post* last week. And I've got to tell you that I've never gotten so much backlash as from when I said that maybe no inheritance is a better inheritance. And I wasn't saying inheritance is bad. I'm just saying, know what you're doing when you do it and schedule it if you're going to schedule it. But I got to tell you something. The backlash from all the people that are waiting for their parents to do the old croako dance, you know, do the liquidity event and exit stage right. They were upset. And they wrote blogs back and forth. This guy is out of touch with reality. Well so be it. It worked for me.

Q: Hi. I'm Edward Roeder. I'm a journalist here in town and I do some freelance tutoring on the side. And I wonder if any of the panelists would care to comment on an observation. That is that a lot of the children of the wealthy in the better schools in town and the better graduate schools, I could swear that they cheated on their SATs. They ask me not to help them grasp a subject or write a paper but to write the paper for them. And it seems commonplace today in graduate school at the top schools that the children of the wealthy cheated to get into school and are cheating to get their degrees without learning anything. The consequences of that would seem to be huge. And I'm wondering if any of you have any observations on that.

PASTER SOARIES: I've taught at two different graduate schools. One very prestigious. And I was shocked and appalled at the lack of intellectual and academic capacity of my students on a Master's level. And I wouldn't make a blanket statement but I'm not shocked by what you asked.

Q: A University of Chicago professor who wrote to me because I had recently written about what my own economics professor suggested of a college equivalent GED. Because we have this big gap, that Charles Murray writes about, between college and the high school diploma. We have got this big gap as you're mentioning. Not everybody is going to go to a four year school either and they've got the knowledge. Anyway, this retired University of Chicago professor wrote to me about how this college professor wrote to me how she gave a critical thinking assignment to evaluate this article from a scientific journal. Several students were quite upset with her. One young lady who was a top student and a senior wrote a digest. She didn't write an evaluation and got really upset when she got a zero. You were asking us to think. Nobody has asked us to think before. [LAUGHTER] So that is part of the problem too. The students aren't even being asked to learn critical reasoning skills. I've gotten mailbags full of emails, if there's such a thing, from other people and graduates saying the same thing. So I think the entitlement society, I'll bring this right back to that, there is an academic entitlement as well that is embedded in the system now. And faculty members, including my own wife who teaches at GW here has run up against it. So it's not just money. It's just having some sense of independence and critical thinking and leadership skills.

Q: I'm Bob Woodson from the Center for Neighborhood Enterprise. I have a companion question I've always wanted. One of my children, we applied to Sidwell Friends and he did not test and therefore was turned down. The question is yet when the sons and daughters of celebrities suddenly find themselves appointed to office, their children always get admitted. Jesse Jackson, Jr, Eleanor Holmes Norton, Bill Clinton. Are the sons and daughters of these celebrities smarter than the rest of us or do they get some special consideration when they apply to schools like Sidwell Friends?

WILLIAM SCHAMBRA: Let's use that as the last question and last, last comment because it is almost 2:00 and as I told Pastor Soaries, we leave at 2. [LAUGHTER] Last reflections and any thoughts on Bob's question.

JOHN MURRAY: I'm sure that at any school you have favoritism. You have big alumni. You have big donors. And I think that's the challenge of being fair, having a standard, and staying with it. I was at a school in North Carolina where I had a very prominent bank president who came in. And I had a lot of pressure from certain people to admit his child. And to his credit he said, "I know you're under a lot of pressure with my son." And I said he was right, but also that his son would not thrive there. Academically he had some serious severe learning issues that we were not able to accommodate. I told him that this would not be a good fit for his son and we wanted him to succeed. So a year later I ran into him at a party and he came up to me and again, just by God's grace, thanked me. He said he had sent him to school. He was thriving and he was so thankful because he knew the pressure I was under to accept him. And I just think that again it is putting the child first, but it is a huge challenge when you need a big family can bring notoriety to the school or money.

PASTER SOARIES: Richard slept in a sleeping bag all night long so that he could be first in line to get his child into a school and he knows everybody.

RICHARD WATTS: I think I just got thrown under the bus. [LAUGHTER] I did do that just to get my kid into a good school. Yeah, what was I thinking? That was long time ago. Okay, final reflections. This is way off topic but I just want to leave you with a quick story about the janitor. And I just want to tell you this because it's from my world and I think it shows the connections sometimes that these different classes. We talk about the super rich and now we're connecting to people that are middle income. And what connects us to the other people that are low income? I surf. I'm a big surfer. When my kids challenged me about 10 years ago, I started long board surfing and I've done it at 6:00 in the morning every morning for 150 mornings a year for 10 years now. And there are these handles that people use for people in the water. You have different names and nicknames. There are about 200 people and the best surfer in the lineup is a 55 year old guy named Pete Herrera, who just texted me and said, where are you? [LAUGHTER] That's meaningful to me because today, Thursday, is my surf day and at 6:00 I wasn't there.

The important part you need to know is that Pete is a janitor in the local high schools. He's a Hispanic janitor. He happens to be the very best surfer that you could ever see in the water. So everybody reveres him. In my world, he gets what he calls stink eye. Where people just look down their nose at him and so he's not comfortable sometimes in the places he goes in my world. But I get out in the water and for the first two or three years anybody that gets a nod from Pete, nicknamed the Janitor, is in the lineup. And if you understand what that means, if you're not on the in crowd of the line up, you don't get a wave. You sit out there for hours. You get nothing. But if you're on the in with the lineup, you really are somebody special and everybody automatically likes you in that neighborhood, in that world. And I had been courteous to Pete. I had done everything I could to be nice to this guy. He knew my boys who were all good surfers. And about two years ago, I was surfing and some guy we hadn't seen before on a big wave cut me off. That just means he snaked me. He came in, caused me to hurl into the wave and that's a traumatic thing.

And Pete watched it in the lineup and it happened again about 10 minutes later. Well Pete is the mellowest guy you could ever imagine. He would never yell at anybody, never curses. He has perfect etiquette in the water. And Pete came up to this guy. He took off and everybody saw him paddling. I thought, my god, Pete's paddling under the same wave as this guy. And he got up next to him and he kept going, going, going, and I saw his board bump and this guy went hurling into the wave. And everybody was astounded. I had never seen Pete do anything like that. So the guy comes back out. He's yelling every kind of profanity at Pete. Pete doesn't say a word. He comes back out. The wave builds up again. He gets on the wave again. Here goes Pete again. Everybody's watching, thinking, God, Pete must be on some kind of drug. [LAUGHTER] Because Pete's going for this guy again. And he goes out there and he bangs this guy and the guy hurls up. And now the guy is serious and Pete says, "Unless you want a problem with all the 50 other people in the water, I think you need to go ashore. You need to leave." Well, everyone can't believe that this is happening. And out Pete paddles and I'm sitting around with people pointing at me. He hardly knows my name at that time, two years ago. And he points at me and says, "Rich, that's what I could do for you. You're a good guy and I want you to know that I care about what you're doing here." I want to tell you for the next 10 times I was in the water, all that I heard from people was, did you hear what Pete did? The Janitor did that for you! [LAUGHTER] Well, I've got to tell you something. In his world and my world

now, when I go out there, I get 50 people saying hello to me. In my little world of surfing out there where nobody with money means anything, the king is giving me the nod. [LAUGHTER] So, it's a nice thought. Thank you. [APPLAUSE]