

Chapter 1

The Elephant in the Room

Giving within families is a phenomenon that most people hesitate to talk about. Even in the midst of recessions and crises, tens of thousands of households across the globe have the wherewithal to make regular gifts of cash or securities to their children and grandchildren. And practically all parents, no matter how slender their means, dream of leaving something to their children after death. For anyone with parents, children, or grandchildren, giving to “your own” occupies a key place in life.

So why do we not discuss it more? Why is it not as much a part of public discussion as giving to nonfamily members, in the form of philanthropy or charity? More to the point, why is it so hard to discuss such giving where it really counts—in the confines of our own homes and in the bosom of our families? Perhaps a brief story will begin to answer these questions.

Grandparents' Checks

We met a couple we'll call Adele and Albert when they were in their early 80s. He had been a senior executive at a Fortune 500 company. They have several adult children, a host of grandchildren, and even a few great-grandchildren. Albert's career, which Adele dutifully supported, had earned them tens of millions of dollars.

As a result, they had what is called in the financial world an estate tax problem. If they were to die, their estate would be subject to significant taxes—at a rate of at least 50 percent—before passing to their heirs. Adele and Albert are philanthropic and give each year to several charities, and they know that these gifts help reduce their taxable estate. But their main desire is to pass their values and their hard-earned wealth to their descendants.

On the advice of their accountant, Adele and Albert had for many years made what are known as *annual exclusion gifts* (so called because the amounts given are excluded from consideration for gift tax), first to their children and then eventually to their grandchildren and great-grandchildren. They also included their children's spouses. By making such gifts, they have been able to move tens of thousands of dollars each year out of their estate to their descendants, tax free.

Taking from Giving

Yes, the United States government, and many other governments, tax even gifts, at least those over a certain amount (currently \$13,000). Congress instituted the gift tax in 1932, 16 years after the estate tax, to keep parents from avoiding the estate tax by giving all their assets to their children right before death. In 1976, Congress also created the generation-skipping tax to capture gifts that skip a generation and benefit grandchildren or further descendants. These three taxes—the estate tax, the gift tax, and the generation-skipping tax—are together known as transfer taxes.

So every December Adele and Albert would sit down with the checkbook and a list of family members' names, write the checks, and give them to the accountant, and he would send them off to their recipients. Then the couple noticed something: These gifts were vanishing without an echo. Few or no thank you notes arrived. No thank-you calls.

This silence got them wondering. Were their family members receiving the gifts? Yes. Were they ungrateful? Adele and Albert hoped not. Sure, their family is not perfect: They do not get along with one of their sons, with whom they speak only rarely. Another son went through a bitter divorce, and as a result they do not see his children more than once a year. A couple of grandchildren suffer from addictions and so their gifts go into trusts that they cannot access freely. But even with these issues, Adele and Albert found their family members to be generally decent people who know how to say thank you.

The lack of response began to make them wonder about the money's effects. Had their children and grandchildren simply gotten used to the annual gifts? Were they treating those checks more like everyday income rather than something extra? Had the checks become mere subsidies, taken for granted rather than enhancing their children's and grandchildren's lives? Even worse, had these subsidies created dependency and entitlement, which the children and grandchildren were reluctant to reveal? Adele was a mischievous lady and so she asked Albert, "What if this year we just 'forgot' to send the checks?"

Albert reflected on Adele's question and decided to take the matter up in a thoughtful manner consistent with his character. This is the point at which they involved us. We had the opportunity to speak with the children, their spouses, and many of the grandchildren. As predicted, they turned out to be generally good people—not perfect but more often than not trying to do the right thing.

We brought up with them the annual exclusion gifts, and they responded with as many questions as we had from Adele and Albert. One of the children's spouses, for example, had grown up

in a blue-collar family. Once she was married—without a word of preparation—\$20,000 checks from her parents-in-law started showing up in her mailbox each December, as she put it, “like a meteor!” She had never received more than a few hundred dollars as a gift before. She did not know what the right thing was to do in response.

Adele and Albert’s estranged son suspected his parents of trying to buy his affection. He blamed them for not sending a card or note with the check. He feared that “Mom and Dad’s money” came with strings attached. Also, he was angry with his parents for giving money to his three children (their grandchildren) without his input or oversight as their father. He worried that his parents’ generosity would create dependency and entitlement in his own children. (He did not know that his parents were worried about the very same thing with respect to him!) His reaction reflected the levels of hurt that existed between him and his parents that eclipsed the money.

One of Adele and Albert’s daughters summed up her response to her parents’ checks very simply. She knew from reading books on finance that such gifts were a regular part of estate planning. She was grateful to receive the money, but she also wondered, “Are these really gifts for *me*? Or are they just a tax-reduction tactic for Mom and Dad?”

Why had she or her siblings not asked Adele and Albert some of these questions? They all had more or less the same response: “It’s their business and their money. I would not want to pry. I would appear ungrateful!”

When Giving Becomes an Opportunity

Adele and Albert’s story reveals some of the reasons that most families have trouble discussing gifts or hide them behind a veil of silence. Even when not involving millions of dollars, family giving raises questions of control, expectations, caring, respect and responsibility, privacy and publicity, and freedom and dependence, not to mention favor and fairness. Given the tension such questions

can generate, it is no surprise that many families decide to act first and talk later—or not at all.

But where there are questions, there are also opportunities. Family life does involve control, love, justice, and fairness. That is just another way of saying that it introduces us to some of the most serious aspects of life in general. And it requires that we come to terms with those matters again and again. We have choices, not just in what we give or to whom we give, but also in how we give, how we receive, and how we talk about these things. In making those choices, we have opportunities to give and receive well.

What does *well* mean? For family giving, *well* takes its meaning from the well-being of family, which we capture with the term *family flourishing*. Families flourish when they help each generation—parents, children, and grandchildren—live their lives, on their own and together, as flourishing individuals. Giving is at the core of flourishing. As the researchers at the University of California–Berkeley’s Greater Good Project have found, people are generally happiest when they have the choice to spend quality time with loved ones, feel gratitude for gifts received, and do something good for others.¹ The goal is simple. The difficulties come in reaching it.

Anything so important to family flourishing is also central to parenting. Many parents recognize that gifts of money or property can affect their children’s growth and development. But family giving extends well beyond money or stocks or bonds or other material things. It involves giving time, care, advice, and love as well as freedom and room to grow. Parenting itself can be understood as a many-faceted form of giving—one that, due to its complexity, requires the capacity for humility and self-forgiveness.

Understood this way, parenting and family giving go hand in hand. Giving can support a family’s core work—preparing each generation to be free and flourishing individuals—by helping children feel loved, cared for, and ultimately secure in their own lives and livelihood. It can also complicate that work, because gifts may make recipients feel obliged to or dependent on the giver.

As a result, we will continually ask in this book, *how can we give and receive in ways to enhance growth and freedom rather than subsidize dependency and entitlement?*

Adele and Albert's situation shows that silence, as tempting as it is, will not guarantee success in family giving any more than in the rest of parenting. Actions may speak louder than words, but they cannot speak without words. If you do not explain your deeds, others will do so—and perhaps ascribe motivations you never intended. Giving will not be all that it can be or that we want it to be without thoughtful communication.

Parents and grandparents want to help their children and grandchildren become free and flourishing individuals. They want them to be happy rather than to suffer. Likewise, children and grandchildren want to be happy and to grow, remaining connected to their parents but also becoming independent and free. Family giving—understood in the broadest sense and prepared by reflection and communication—can play an integral role in achieving these goals.

That is why we wrote this book.

Question:

What has complicated your own discussions with your children or grandchildren about gifts you have made or plan to make to them?

Note

1. For more on the Greater Good Project's research, visit their website at <http://greatergood.berkeley.edu>.