

CAN YOUR GIVING HELP SHAPE YOUR CHILDREN'S VALUES?

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"Just about every client I work with says that what keeps them up at night is worrying about how to help their children deal with wealth," says Daniel Geary, Managing Director of Lydian Wealth Management in Philadelphia. "It's especially hard for families that are new to wealth, those who have worked for it and are afraid of losing it. 'Shirtsleeves to shirtsleeves in three

"We are surrounded by people who have so much," says Carrie Schwab Pomerantz, President of the Charles Schwab Foundation and the eldest daughter of Charles Schwab (see article, page 3). Ms. Schwab Pomerantz and her husband, writer Gary Pomerantz, have three children and live in the San Francisco Bay area. "Especially in this environment, it's important to demonstrate our values through how we use our own money," she says.



The couple recently struggled with the question of whether to buy a car for their eldest son, and, if so, what kind of vehicle. They decided to go forward with the purchase, but opted for an economy model. "Some of his peers drive luxury cars, but that just didn't feel right for us. These are small decisions, but they communicate a lot."

The Big Picture of Wealth

A founding father of contemporary thinking about responsible wealth management is James E. Hughes, Jr., a sixth-generation lawyer, now retired, and author of *Family Wealth: Keeping It In The Family* (a new edition was published in 2004 by Bloomberg). Hughes defines wealth as the human, intellectual and financial capital of a family. It's much more than money, and it's all "invested," through the daily lives and actions of each family member, including philanthropic activities, as well as through traditional financial instruments.

"Philanthropy can powerfully assist a family in shaping its values," states Hughes. "Philanthropy, perhaps, is the fundamental parental expression of personal and family values."

Wealth advisor Daniel Geary echoes this message. "How wealthy families engage in philanthropy is an integral part of the transfer of values and stewardship to

generations.' That's a proverb that exists in many languages and cultures. Wealth is a tremendous privilege, but it's also a complicated responsibility."

All parents hope their children will lead fulfilling lives, and for most the necessity for work is one element of family life that helps lead children toward this goal. Parents of wealth have a different burden: to help children develop a special blend of character, values and skills that will allow them to responsibly manage wealth in all its permutations, with or without work. If the parents succeed in this effort, it's a good bet their children will engage in philanthropy as a natural expression of their character and values. What is noteworthy is that it is often through the philanthropic activities of the parents that the most effective transfer of values takes place, including the transfer of a deep commitment to philanthropy.



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This issue's feature article is about how charitable giving can be used as one tool for shaping your children's values. What struck me most in the story was the study which confirms what I suspected all along: in giving, as in all behavior, children learn more from what their parents do than what they say.

My mother started volunteer organizations and led quite a few community efforts, and I am certain I gravitated to the nonprofit sector because of her influence. I have not done as much volunteering and charitable giving with my children as I would like, so I take comfort in the idea that they are probably absorbing my belief in the importance of giving by my example. I do let each of my three children, who are now teenagers, make one grant recommendation each year from our Charitable Gift Account. It is fun to see what they choose, and to talk with them about their choices.

Our family also volunteers together a couple times a year, serving in a local soup kitchen or giving time in other ways. Sometimes I get resistance, but afterward all of my children seem to carry with them a greater appreciation for their lives. This was particularly true after a formerly homeless man, who was working in the same soup kitchen that had fed him in the past, told my son as they swept out a storage room together, "I quit school to work in the docks. I didn't have parents who encouraged me to stay in school. When things went bad I didn't have an education, and I couldn't get a job."

A comforting message in this issue's feature article is that you are already doing a wonderful thing by way of your philanthropy – setting a good example for the young people in your life. However, involving them in your giving more directly can also be fun, especially if it becomes a tradition that gets repeated every year. After reading our feature article I am going to try out the following question at dinner one night this week; you may want to do the same: "If you could give a million dollars to charity how would you give it away?" It is bound to ignite a fun and enlightening conversation.

Kimberly Wright-Violich

*President
Schwab Fund for Charitable Giving*

2005 CONTRIBUTIONS TO CHARITABLE GIFT ACCOUNTS TOP \$510 MILLION

Contributions to the Schwab Fund for Charitable Giving in 2005 totaled more than \$510 million, an annual record, bringing donations to the Fund since inception to \$1.2 billion. More than one third of this total, \$412 million, was distributed to charitable organizations by December 31, 2005.

"In the fall of 2005, many of our donors recommended grants to support victims of Hurricane Katrina," says LesLee Burnett, Grants Administration Manager. "Our staff worked evenings and weekends to expedite those grant recommendations. They were happy to work those extra hours because they knew they were helping to quickly move grant dollars to organizations and communities where they were desperately needed."

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children,” says Geary, who is a former Senior Vice President in the Family Wealth Division of U.S. Trust Company, now a subsidiary of The Charles Schwab Corporation. “I have been working with wealthy families for twenty years, and that engagement, in charitable giving and community involvement, is a powerful force.”

Some Easy Approaches

Introducing your children to philanthropy can be as simple as talking with them on a regular basis about your volunteer work and giving, asking them to donate a portion of their allowance to a philanthropic cause, or giving them the option to recommend grants from your family's Charitable Gift Account. “What's powerful is to expose children to giving as part of how you manage family resources, and that it is something you enjoy, are committed to and engage in as a fundamental expression of who you are,” says Kim Wright-Violich, President of the Schwab Fund for Charitable Giving.

If you would like to do more to involve your children in philanthropy, here are some suggested activities.

Be a Model

Children model their parents' behavior, even in philanthropy. One recent study¹ of mother-child pairs in the United States found that although sixty percent of the pairs agree that



they “never” or “seldom” spoke about issues of philanthropy or charitable giving, almost all the studied children engaged in charitable giving in ways that were very similar to their perceptions of how their mothers gave. Talking about money is important, but acting on your commitment to philanthropy, and letting your children know that you are, may have an even more profound and lasting effect.

Take Age-Appropriate Steps

Young children can be included in family “giving clubs” that donate a set amount

of family assets to charities every year. Your “club” can involve everyone in the family, and help children develop an understanding of the trade-offs, risks and rewards of philanthropy. Young children can also be given their own charitable dollars to give to causes and organizations of their own choosing.

From ages fourteen to twenty-one, young people can begin to learn more about managing wealth, including saving, investing and giving of their time and financial resources. “There are so many ways to introduce your children to giving, and to make it an enjoyable process,” says Wright-Violich. “I know a family that volunteers together for Habitat for Humanity several times a year. It has become a family tradition that the kids, now in college, look forward to and insist is preserved.”

In families of significant wealth, young adults from their mid-twenties to thirties can begin to take on responsible roles in the family's philanthropic endeavors, or choose to define a separate direction for their own giving. Charitable Gift Accounts can be an easy way for parents to support this transition to more independent philanthropy. A donor whose grandson graduated from his alma mater decided the best graduation present was a \$10,000 donor-advised fund account. This type of gift sends a very different

SAVING, SPENDING, SHARING

Like many affluent parents, Carrie Schwab Pomerantz, the eldest daughter of Charles Schwab, is working hard to help her children develop the skills and knowledge required to manage wealth.

“Saving, spending and sharing – we talk about all these activities together, as progressive ways to manage money and use wealth,” says Ms. Schwab Pomerantz.

In the Schwab Pomerantz household, philanthropy is viewed as an element of a responsible approach to money, wealth and social engagement. “Philanthropy is not something we force on our children,” she says. “But they see our involvement in walkathons, charity boards and other causes. They know that sharing our wealth is part of who we are, that there's a sensitivity to others, and that is leading them to embrace giving in their own ways.”

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¹Noa Heyman, “Intergenerational Value Transmission Through Philanthropy and Charitable Giving” (Ph.D. dissertation, Adelphia University, 2004.)



Carrie Schwab Pomerantz
President, Charles Schwab Foundation

SAVING, SPENDING, SHARING

continued

An important element of the Schwab Pomerantz children's education about philanthropy takes place outside the family. Local schools require students to participate in community service, and, to fulfill this requirement, the fourteen-year-old son in the family chose to spend time at an urban nonprofit that provides free meals to the needy. "He sat with military veterans, the elderly and others who clearly had an affect on him," she says. "He was struck by their character and the variety of people who were there. He viewed them as 'regular people' who had just fallen on bad times. It was an instructive experience in social realities and will stay with him."

As a parent, Charles Schwab helped his daughter to appreciate the value of work as well as wealth. Ms. Schwab Pomerantz had a paper route as a child and has continued to work throughout her life. "Work helps to build self-esteem, and teaches you that you can do great things on your own," she says. Work also teaches you about responsibility and commitment. "These are wonderful lessons for children to learn," she says, "and they can provide the right kind of foundation for dealing with wealth."

Ms. Schwab Pomerantz says her father's view of philanthropy is unequivocal and deeply rooted. "My father believes strongly that giving back is what everyone should do as a member of a democratic society," she says. "He acts on this belief, and gives a great deal to the causes he cares about."

Carrie Schwab Pomerantz is President of the Charles Schwab Foundation and a long-time donor to the Schwab Fund for Charitable Giving. She focuses her own giving on causes related to women and girls. With her father, Charles Schwab, she is the co-author of It Pays to Talk: How to Have the Essential Conversations with Your Family About Money and Investing (Three Rivers Press, 2003).

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message than other graduation gifts. It implies confidence in the recipient's ability to make wise choices about philanthropy and reinforces the importance of giving back. It sets in motion a habit of giving, which could last a lifetime.

Embrace Flexibility

"In my experience, flexibility is a key to success in philanthropic planning for wealthy families," says Geary. More often than not, this means dividing philanthropic assets into different buckets, which may include a family foundation, multiple donor-advised accounts, trusts or other giving vehicles. One vehicle could be used for family giving, based on consensus decisions, and others for each individual's preferred charitable causes. "What is important is that the family recognizes what is best for the personalities and culture of their family, whether it is consensus and a need for control

or independence, or some combination of both," says Geary.

Making Your Heirs Proud

Hughes notes in his book that he is often impressed by the pride expressed by later-generation members of old-money families who speak with great pride about the "extraordinary philanthropic work done by their ancestors." These privileged people often continue a philanthropic tradition, albeit in fields of activity that previous generations could not have imagined and may not have approved. The important thing is that values of generosity, stewardship and responsibility were transferred, through both actions and words.

For additional references on helping your children understand wealth and philanthropy, go to the News and Information section of our website, www.schwabcharitable.org.

NEW INVESTMENT POOLS NOW AVAILABLE!

Effective February 16, 2006, the Schwab Fund for Charitable Giving expanded the selection of investment choices from five to eight pools. Donors can now recommend from the following investment options ranging from conservative to aggressive in risk level:

- Money Market Pool (*new*)
- Ultra-Short Bond Pool (*formerly 'Gift Preservation Pool'*)
- Intermediate Income Pool (*change to the underlying investment*)
- Balanced Pool
- Equity Income Pool (*formerly 'Growth and Income Pool'*)
- Equity Value Pool
- Equity Index Pool (*new*)
- International Pool (*new*)

For more information, please visit our website at www.schwabcharitable.org or call 800.746.6216 to speak with a Donor Relations Specialist.



To contact us, write to the Schwab Fund for Charitable Giving, 101 Montgomery Street, San Francisco, California 94104. Call us at 800.746.6216 or send an e-mail to questions@schwabcharitable.org.