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YOUR MONEY

Among Young Inheritors, an Urge to Redistribute

Your Money

By PAUL SULLIVAN MARCH 25, 2013

MOST people would probably be quite happy to receive an inheritance. They would pay off debt, maybe their mortgage; save for retirement; take a trip or two. It would be blissful, and it would make their lives easier.

Then there are those who have actually received an inheritance, sometimes sizable, and struggled with the accompanying responsibility. How should they manage it? What should they spend it on? Do they even deserve it?

In this group, there is a small subset — call them trust-fund progressives — who want to give all or most of the money away while they're young. Some may call these people generous; others may call them naïve about what life has in store.

Consider Greg, a teacher in Oakland, Calif., who asked that his last name be withheld to protect his family. His trust fund, which he received in 1996, when he was 18, was worth $900,000 at its peak. His great-grandfather had made a fortune as a banker in Europe and the United States, he said, and his grandfather, who set up the trust fund for him, had also worked in finance.

His mother went a different way and got involved in the civil rights movement. She taught Greg about the problems of income inequality in America from an early age, he said.

In 2002, when he was 24, Greg came to the conclusion that he didn't deserve or want all of that money and decided to split his inheritance with two men he grew up with in Cambridge, Mass. Their families had lived communally and he considered them brothers, even though he was biologically an only child.

"After a lifetime of growing up together and sharing our parents, we found ourselves in a really different position economically," Greg said. "That was something I didn't want and didn't feel needed to happen."

He researched how to split the money among the three of them without anyone incurring taxes. He waited to tell his mother until he was ready to do it. He said she was supportive; her main concern was that he help the men understand the complexities of wealth.

"What I found was that having a lot more money than the people you're close to seems to mean you have two choices, neither of which is great," Greg said. "You can be secretive about your wealth or you can share it with them, but then you're in this weird position of economic power. I felt there was a third choice: you could just change the situation and decide not to have lots more money than people you're close with."

Greg is far from alone among trust-fund progressives who are looking not only to overturn the image of the trust-fund child drifting through a life of leisure and luxury, but also to level the playing field in their own small way.

Some of them have come together through Resource Generation, a group that allows young inheritors to talk openly about the challenges of wealth. Its members, ages 18 to 35, have wealth that ranges from inheriting a $500,000 house when their parents die to having immediate access to a foundation worth $100 million.

"We definitely have a portion of the community who are giving away all inherited wealth," said Sarah Abbott, a chapter organizer for Resource Generation. "There are also people in the community who are giving half of it away or some such percentage."

She added, "We really encourage people to look at their lives and to figure out how to realistically plan to take care of themselves and their future children, but also realistically think about the world we want to see and giving to social change organizations."

The sums vary. Jessie Spector, the group's program director, inherited a little over $500,000 from her grandparents. So far she has donated a third of it, lent another third to organizations and friends without interest, and made plans to give away the rest in the next three years. Ms. Abbott says she will inherit money in the future but does not know how much. Her mother, who inherited money from her own parents, and father own a glass business in Minnesota.

Even if her inheritance is not huge, Ms. Abbott said she felt she had already been given a tremendous leg up on her generation: her family paid for her college education at Wesleyan, which costs about $60,000 a year.

"I have a pretty incredible safety net," she said. "I have health care and I have the support of my family. I'm someone who can save money, and I feel I have more than I need."

That fits with Resource Generation's stated mission to make progressive change in the world. Members, Ms. Abbott said, "see wealth inequality, and they want to be an agent for changing that." So they write checks or make low- or no-interest loans to progressive groups or other organizations they believe in, or friends in need.

At the heart of what these trust-fund progressives are doing is a belief that runs counter to the prevailing advice given by trust and estate professionals, if not a broader swath of society. The standard advice goes something like this: People who are fortunate enough to receive an inheritance should manage it well for themselves and future generations, and should try not to dip into the principal.

"Most parents and grandparents want the inheritances left in trusts to have a positive influence, and most encourage philanthropy," said James L. Kronenberg, chief fiduciary counsel at Bessemer Trust. "In these cases, where kids are giving it all away at an early age, it is not entirely contrary to their thinking. Most parents and grandparents would not want to see their children and grandchildren give it away all at once. They would want it done in a more measured and thoughtful way."

Mr. Kronenberg said most trusts contained “brakes” to prevent an inheritor from taking out too much money too quickly, and depending on how the trust is written, the trustee overseeing it can have broad discretion to refuse the beneficiary’s requests. But if the beneficiary lies about the purpose of the money, the trustee has little recourse.

“I’ve never seen the permissible beneficiaries as my child and all of his friends,” he said. “If the child says I want the money for something and turns around and gives it to his friends, the trustee can’t do much about it.”

Some trust-fund progressives see what they have received as unfair. They want a more just society. In giving away what their family left to them, they feel that they are, in a small way, doing their part to make society less unfair and inequitable.

Ms. Spector told a story of a member who inherited $1 million and gave away about half of it before he had a child with special needs who required expensive medical care. While many people might have regretted donating the money, he has continued to give to charities while also ensuring that his family has financial security.

“In his life now, he’s also thinking about how he can support his own family to get the care and support that he needs,” she said. “But part of working for social change is supporting networks and infrastructure so anyone from any class background can have a child with a lot of health care needs and have the resources they need.”

In 2007, five years after splitting up his trust fund once, Greg got the urge to divide his money again, this time with a friend from a teaching fellowship. He said he had learned a tremendous amount from her but felt that she was being held back from contributing greatly to society because of her financial situation.

“I was close enough to her that I could see that her capacity to live the way she wanted to and do what she wanted to do was limited by lack of money in a way my life was not,” Greg said. “She had student loan debt. She had an old computer that didn’t work and had to borrow mine. She couldn’t take a break in the summer and had to get summer jobs as a teacher. She had medical care that had to be deferred.”

He added: “She wasn’t poor. She was employed in a middle-class job and had a college degree. It didn’t make sense that I could have this life and she couldn’t, and I could change it.”

So he split what was left of his $300,000 in half. He said the second time was a little harder. He had been working as a teacher since 2003, and the numbers in the bank meant more to him. Yet he has no regrets. “That second move put me more in line with the situations of a lot more people who are involved in education,” he said.

Today, Greg has a partner, a baby and a house. He said that his partner understood why he had split his inheritance and told him that she found him more attractive for putting his money where his mouth was on social change.

“I sometimes experience a fear of scarcity, but it’s not regret,” he said. “When there are budget cuts, when there are bad choices being made about the economy, I don’t feel completely immune to their impact. But I know that at the same time, I’m aware of all of the privilege I still have as a U.S. citizen with white skin, male, a college degree, a union-protected job, owning a home, having health care.”

He added, “Apart from dollars, these things put me in the top 1 percent of privileged people on this planet.”

It is this sense of having enough that Resource Generation is pushing its members to embrace, even if they understand that people who were born with far less might struggle to understand what they are doing.

“It makes sense that somebody who grows up poor says, ‘Hey, if I had a windfall of $100,000 I would hold on to it,’ because they probably need it more,” Ms. Abbott said. “If you have a lot of class privilege and you grow up wealthy and had a windfall of $100,000, you might look around you and say, ‘Actually, I don’t need to use this money.’ ”

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