

## The Hidden Risk of Success: When Wealth Changes the Conditions that Form Character

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Families who build successful businesses spend years thinking about succession. They devote significant attention to ownership transitions, governance structures, tax efficiency, and the long-term financial stability of future generations.

Yet in conversations with founders and family business owners, another concern often surfaces—one that has little to do with financial structures and more to do with their children.

Many parents who have spent decades building a business quietly wonder what that success might mean for their children.

The concern sometimes emerges in a blunt form. As one founder put it to me, “How do we avoid raising trust-fund babies?”

Behind this question lies a serious worry shared by many successful families. At best, “trust-fund babies” refers to heirs who grow up entitled, complacent, or disconnected from meaningful work. At worst, it describes situations where inherited wealth gradually erodes discipline and purpose, sometimes leading to destructive outcomes—financial recklessness, substance abuse, or fractured family relationships.

Many founders recognize a difficult reality: the conditions that helped them build a business—necessity, responsibility, and the pressure to succeed—may not exist for their children.

Financial success can remove many of the constraints that once shaped character. As a result, families who create substantial wealth often find themselves confronting a challenge that is less about money than about formation.

In response, many families begin with structural solutions. Trusts may stage distributions over time. Governance systems may introduce accountability. Incentives may be tied to education or employment. These tools can play an important role.

Over time, however, many families discover that legal and financial structures alone cannot fully solve the problem of unprepared heirs.

Even the most carefully designed trust cannot substitute for the formation of character.

The stakes are significant. Researchers frequently note that roughly 70 percent of wealthy families lose their wealth by the second generation and about 90 percent by the third, a pattern often summarized as “shirtsleeves to shirtsleeves in three generations.” (Roy O. Williams & Vic Preisser, *Preparing Heirs*, 2003).

Having worked with families across generations, I have had the opportunity to see how wealth can shape the lives of children in very different ways. Some families succeed in passing on not only financial resources, but also responsibility, discipline, and a sense of purpose. Others, despite careful financial planning, find that inherited wealth gradually weakens motivation or creates conflict among heirs. These experiences raise an important question that lies beneath many conversations about wealth: what actually prepares children to receive it well?

Families that succeed across generations tend to focus on something beyond technical planning. They focus on the formation of their children. They understand that the habits their children develop long before they inherit wealth will largely determine how that wealth is eventually used. In the end, whether a family's success endures across generations depends not only on sound financial structures, but on the character and judgement of the people who will one day inherit them.

The question, then, is how families actually help cultivate that kind of character in the next generation.

### **What Successful Families Do Differently**

Families that sustain wealth across generations tend to approach the formation of their children with unusual intentionality. They recognize that financial resources can either support or undermine a child's development depending on how that child learns to exercise freedom and responsibility. Rather than assuming maturity will develop automatically, these families look for ways to help their children to experience meaningful work, real responsibility, service to others, and the satisfaction that comes from genuine effort.

At the same time, they focus less on controlling behavior and more on forming character. Their goal is not simply to ensure that certain milestones are achieved—degrees earned, careers launched, or financial success attained—but to cultivate the internal habits that allow their children to make sound decisions when external controls eventually disappear.

Raising children in families of means therefore involves more than limiting access to wealth. It involves helping young people grow into adults capable of exercising freedom wisely.

### **Intentional Parenting in Families of Means**

Formation of that kind rarely happens accidentally.

In families of substantial means, it often requires navigating between two tendencies that can quietly undermine development.

Some parents drift toward passivity, offering little direction and intervening only when problems arise. Children are largely left to find their own way, with the expectation that experience will teach the necessary lessons. In families with substantial financial resources, however, that dynamic can break down because wealth often softens the consequences that would otherwise teach responsibility.

Other parents respond in the opposite direction, attempting to manage nearly every aspect of a child's life—from academic choices and extracurricular activities to career direction. While often motivated by good intentions, this kind of over-control can prevent children from developing independence, resilience, and sound judgment.

Between these two patterns lies a more balanced approach: intentional engagement.

Intentional engagement means parents remain meaningfully involved in the lives of their children while gradually expanding their independence. Responsibilities increase with age, and freedom grows alongside accountability. Children are given room to make decisions, experience consequences, and develop judgment while still benefiting from parental guidance. Over time, this gradual transfer of responsibility helps young people develop the habits of judgment and self-direction they will need when parental oversight eventually disappears.

This balance matters because the ultimate goal of parenting is not simply managing a child's behavior but preparing a child to exercise freedom well. Over time, external guidance inevitably gives way to personal responsibility. The question then becomes what inner resources children possess when that moment arrives.

## **The Formation of Character and Judgment**

The qualities that guide how a person uses freedom are often described as virtues—enduring habits of character that shape how individuals think, decide, and act.

More than two thousand years ago, Aristotle observed that virtues are not inherited traits or matters of luck, but habits formed through repeated action. As he wrote in *Nicomachean Ethics*, “we become just by doing just acts, temperate by doing temperate acts, brave by doing brave acts.” (*Nicomachean Ethics*, Book II).

Among these virtues, four have traditionally been regarded as foundational. They are called the cardinal virtues, from the Latin *cardo*, meaning hinge, because the other virtues of character turn upon them.

First, prudence is the ability to discern the right course of action in a particular situation. For those who may one day inherit significant resources, prudence becomes especially important because wealth multiplies choices.

Next, justice is the habit of giving others what they are due. It reminds children that wealth does not place them above others but instead creates responsibilities toward employees, communities, and the larger society.

Third, fortitude refers to perseverance in the face of difficulty. Children who develop fortitude learn to face setbacks with resilience rather than retreating into comfort. Finally, temperance is the virtue of self-restraint. It cultivates humility and discipline even when one has the means to indulge every preference.

Together, these virtues shape how a person understands and exercises freedom. For individuals who may one day inherit significant wealth, these habits of character become especially important. Wealth expands the range of choices a person can make. Without the internal discipline that guides those choices, freedom can easily drift toward comfort, indulgence, or aimlessness rather than responsibility and purpose.

These habits of character rarely develop through instruction alone. They take shape gradually through lived experience—through responsibility, effort, success, failure, and the small decisions that accumulate over time. Parents cannot simply explain prudence, justice, fortitude, or temperance to their children. They must help create the conditions in which those qualities can grow.

### **Learning to Use Freedom Well**

Those conditions largely arise through how children are gradually allowed to exercise freedom. At its core, raising children is not simply about controlling behavior, but about forming that freedom.

The aim is to help children reach the point where they want to do what is good and possess the intellectual and moral resources to do it from their own conviction. Parents cannot force virtue, but they can structure a child's life in ways that allow children to see for themselves the real and positive reasons for choosing what is good.

Families that succeed in transmitting wealth across generations often recognize this reality and look for ways to give their children meaningful opportunities to exercise responsibility, make decisions, and experience the satisfaction that comes from effort and contribution. While each family's circumstances differ, certain practices appear repeatedly in families that succeed in transmitting both wealth and responsibility across generations.

### **Experiencing the Value of Work**

Children benefit from opportunities to contribute meaningfully through work. Age-appropriate responsibilities—whether in the home, the family business, or outside employment—help develop discipline and a sense of purpose.

## **Developing a Spirit of Service**

Many families create opportunities for their children to serve others through community involvement or charitable activities. These experiences help children understand that wealth carries responsibilities beyond personal comfort.

## **Cultivating Gratitude**

Families that transmit wealth successfully often emphasize gratitude. Children who learn to recognize the sources of the opportunities they enjoy are more likely to approach wealth with humility rather than entitlement.

## **Encouraging Personal Initiative**

Personal projects and pursuits foster independence, confidence, and a sense of ownership over achievements.

## **Learning Through Example**

Children observe how their parents treat others, approach work, and use financial resources. Parents who demonstrate humility, generosity, discipline, and self-restraint in these arenas provide a living model of the virtues they hope their children will develop in the everyday life of the family.

## **Preserving Limits Within the Family**

Even in families with substantial resources, parents sometimes intentionally preserve limits within the life of the household. Substantial wealth may make almost anything possible, but the presence of limits often plays an important role in forming discipline, gratitude, and resilience. For that reason, many parents choose to say “no” to certain opportunities or comforts—not because they cannot afford them, but because the experience of limits helps children develop the habits of character that allow freedom to be exercised wisely.

Through experiences like these, young people come to see firsthand why acting virtuously is worthwhile, equipping them with both the motivation and the understanding needed to exercise their freedom wisely as adults.

## **Conclusion**

For families of substantial means, the central question is not simply whether wealth will be preserved, but whether the next generation is being formed to use freedom well. That formation does not occur automatically. It requires the gradual cultivation of

virtue—prudence, justice, fortitude, and temperance—through responsibility, effort, service, and the experience of limits.

That is why families who sustain success across generations tend to be highly intentional not only about planning, but about the kind of family culture they are creating and the experiences they are providing to their children.

In the end, the most valuable inheritance a family can pass to the next generation is not simply wealth, but the character required to use it well- especially in a world where success can quietly reshape the forces that once helped form it.

### About the Author

**Michael J. Offenheiser** was admitted to the California bar in 2005 and has practiced as an estate planning attorney since that time. He earned his Bachelor's degree (magna cum laude) from the Catholic University of America in Washington, D.C. and his Juris Doctorate degree (cum laude) from the Ave Maria School of Law. Michael is board certified in estate planning law by the California Bar Association. He is a Blackstone Fellow and recipient of a Distinguished Scholar Award from the State of Maryland. In law school, Michael served on the Executive Board of the Ave Maria Law Review. In 2019, Michael was recognized as Attorney of the Year by St. Thomas More Society of Orange County during the 31st Annual Red Mass.

Michael has worked the majority of his career at Brown & Streza, and has taught estate planning as an Adjunct Professor of Law. In his practice, Michael works closely with individuals and families to create estate plans that reflect their unique goals and desires. This may involve the preparation of wills, living trusts, irrevocable trusts, powers of attorney, advance health care directives, special needs trusts, or the implementation of other estate planning techniques.

Michael once served as a member of the Board of Directors and as a member of the Planned Giving Committee for the Orange Catholic Foundation. He is currently a member of the Board of Directors of the St. Thomas More Society of Orange County and leads an initiative of the St. Thomas More Society called the Charles Institute.

Since 2022, Michael has been selected for inclusion on the Southern California Super Lawyers list by the publishers of Los Angeles magazine and The Journal for Law & Politics magazine – a distinction recognizing only 5% of the attorneys in Southern California (excluding San Diego). He was also recognized as a “Rising Star” by Southern California Super Lawyers in 2014 and 2015.