

# Transferring Great Wealth and Great Responsibility

According to financial services research firm Cerulli Associates, nearly 45 million U.S. households will transfer a total of \$68.4 trillion in wealth over the next 25 years. The statistic is staggering. No matter your role – whether you’re a family business leader, family office executive, family member – how are you preparing your family for significant wealth transfer or liquidation events? Said differently, how can you make inheriting wealth less like being hit by a comet?

While this “Great Wealth Transfer” is reason enough to focus on appropriate preparation and education, another transfer is coming – the Great Leadership Transfer. Transfers of money and responsibility compound the typical concerns for families of wealth: 1) fear of raising entitled children, and 2) fear they don’t have the necessary education, leadership, or stewardship perspective. Despite these fears, there hasn’t been a lot of action. According to Family Office Exchange (FOX) research, 62% of G1 family members are within 4-6 years of transition and do not have a family learning program.

Imagine two bullet trains speeding down two tracks that eventually merge at one destination. One train is carrying the \$68.4 trillion, the other, unprepared rising generation family members. How do you redirect them toward safety? How do you orient each so they can travel side by side on parallel tracks? As time passes and family members age, the transfer of great wealth and great responsibility is inescapable. The pivotal moment is when you choose to to navigate it, instead of ignore it.

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## FAMILY OFFICE EXCHANGE INSIGHT

While this work isn't easy, here are some simple, progressive steps to address the mounting worry and help you set your family's course.



**EXPLANATION:** When is the right time to share the details about the wealth? Do your children have experiences that set them apart from their peers (traveling or living differently than friends or classmates)? This is a great time to start an age-appropriate discussion about family resources or blessings and how to talk about it (or not talk about it) with friends. Other ways to know the appropriate time to begin a wealth discussion include when: the kids can use Google, you bring them along to family meetings, they tour the family business, they come home asking probing questions about work, money, the family office, or family governance, etc. Share these details when they are emotionally ready and mature enough to handle the information.

**Stress the confidential nature of the discussion and that it's because of their discernment and maturity that you trust them with this information. A frank and transparent conversation is empowering.**

**APPRECIATION:** You can't predictably plan when appreciation will arise. It is not a pre-determined stop on your train's journey. It doesn't arrive automatically after transparent and productive discussions. In time, and by their own timeline, family members will arrive here having prepared for the future and been educated about and appreciative of the past, respecting the work that went into managing wealth. Appreciation comes through instilling values into your discussions. As you share details about upcoming family transitions, talk about perseverance, hard work, determination, and resilience. Discuss the importance of wealth and resources from a stewardship perspective and a philanthropic perspective. Practice storytelling at family meetings. Share stories about family struggles that led to successes and moments of grit that fostered gratitude. Facilitate a moderated Q&A session, asking family members questions raised by the young generation. Ask about family history, business growth, how to maintain humility, or stay grounded. You can't force appreciation, but you can foster it.

**CONVERSATION:** Continue to talk it out. Repetition leads to retention. Talk about this topic often, find the teachable moments. In a meeting? Ask meeting attendees to share how they see family values demonstrated and the ways they've seen wealth change people. In the car? Share the moment in your younger days when you learned about the family business or family wealth and how it affected you. On the phone? Discuss your philosophy around sharing, spending, and saving. Help younger family members see how you have navigated wealth, handled life's responsibilities, and overcome challenges.



## FAMILY OFFICE EXCHANGE INSIGHT

**PREPARATION:** This is where the work happens. Preparing family members for abundant resources or leadership entails personal development, understanding family dynamics, and learning about shared ownership and leadership, governance, and board membership. It's the private, quiet learning that comes from studying the family history and shared learning experiences at financial literacy programs. Preparation includes attending meetings at the family business and family office. It's group learning with family members and peers, individual learning, workshops like FOX rising gen programs, and university-based executive education.

**This work is a lifetime of learning but should not feel oppressive. Starting this endeavor is an invitation to be part of something important, in the family and the business.**

Recently David York, Attorney, CPA, and Managing Partner at York, Howell, Guymon, spoke at FOX's Private Trust Company workshop. His poignant words are especially relevant in this context: "Prepare the children for the wealth, not the wealth for the children." Preparing the wealth for the children is a foregone conclusion. It is the creation of trusts and estate plans. Preparing the children for wealth is an entirely different scenario. It involves family learning, leadership training, intentional family conversations, informational meetings, and years of education. Preparation requires family committees, advisors, structure, commitment, and work. Investing in your family's human capital is the best investment you can make.



**REFLECTION:** Revisit this step often. As a parent or family business leader, take time to reflect on your efforts, celebrate your successes and recommit to the work. Ask your family members and rising gen to do the same. Assess what's going well and what can be improved. Ask tough questions. Are you focused on the wrong things? Have you stared at the trains so long, in deep concern that you are paralyzed and unable to act? Consider the cost of doing nothing. Write down a list of what you believe represents an effective transfer of wealth and leadership. What does success look like by those measures? There are no standardized tests for parenting with wealth.

There are no benchmarks or guideposts. Only you can decide if the efforts have been successful. But sometimes it looks like this: Is the family cohesive? Is there a good practice for making decisions together? Is the business thriving? Are family members joyfully employed? Are they humble, kind? Are they happy? Do they speak up in meetings? Do they volunteer in the community or serve on a family committee? Do they have a budget and a financial plan? Are they independent and personally thriving in their life? Do they reply to emails and demonstrate accountability?

You know already – this transfer can be viewed as a great opportunity or a troubling issue. The challenge for all involved, from practitioners to family leaders, is in moving from information to action.



## FAMILY OFFICE EXCHANGE INSIGHT

In the family wealth space, we're well aware of the "shirtsleeves to shirtsleeves" proverb, but what are we doing about it? We know shirtsleeves to shirtsleeves is often a result of insufficient family trust and communication, unprepared family leaders, and lack of financial preparation.

Look at the Great Wealth and Leadership transfers as their own unique issues and focus on preparing the wealth's recipients to shoulder leadership roles. Prepare the family for the wealth while simultaneously preparing the wealth for the family.

Find your organizational partners and trusted advisors, experienced consultants, seasoned professionals skilled in leadership preparation, who work with families like yours. Redirect those trains, engage family members, and seize the opportunity to prepare and empower the next generation.

**At FOX, we help you address these issues through workshops, peer communities, research, and thought leadership.**



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