

The Most Important Moment In A Rich Kid's Life

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Ignoring the emotional aspects of wealth is a mistake.

Families have many pivotal moments—graduations, weddings or watching one's own child become a parent may be among them, where legacies and traditions are passed down and shared with the next generation. The day financial responsibility is bestowed upon an heir is typically not included in such a list.

But it should be.

Why place so much significance on a first conversation often held in a conference room? Because the succession of financial stewardship within families has a 70 percent failure rate. But, how to preserve multi-generational wealth can be planned and taught—so the cycle can be broken.

Context, framing and preparation are essential elements in ensuring smooth financial succession. Intentional, pre-inheritance experiences should be provided for heirs on a regular basis. We suggest families open conversations with heirs using a meeting structure we call "Family Alignment." Here, families gather to discuss their purpose, the value of maintaining unity and the resources they will need to support this.

They explore their individual communication styles and get trained in how to communicate effectively with each other. And, they participate in a variety of exercises exploring their individual as well as the shared values they will perpetuate collectively. Finally, they discuss the benefits of keeping the family together and of keeping the wealth in the family.

As the family continues to have successive, regular meetings, they will teach younger generations how to handle the wealth they stand to inherit and the responsibility that accompanies it.

But, what do families talk about, and *how* do they do it effectively? Topics run the gamut; however, family alignment is borne of framing the day appropriately. First, all family members acknowledge there are different communication styles and viewpoints in the room. Once that vital step is taken, people can agree more easily upon potential intergenerational miscommunication and misunderstanding. *That is a key reason conversations about wealth can be so emotionally charged.* Advisors can facilitate such dialogues by: 1) helping clients identify their viewpoints; and 2) guide conversations and topics so families are well prepared to understand one another's goals.

How do successful families get that way? First, the head of a thriving family knows how to engage his kids to determine their shared purpose for both the family and its capital. (S)he acts as a great role model for his or her children. If the head of the family is leveraged to the max, this is what his heirs will see. If, however, he is actively engaged in living his purpose, his heirs will likely learn a very different lesson.

We recommend, when possible, providing actionable opportunities for children to gain proficiency throughout their lives. Through such teachable moments, the family will have opportunities to discuss and engage multiple

generations in knowing more fully the purpose of their wealth through responsibility, engagement and experience. Such occurrences are the cornerstone of ongoing Family Alignment planning. In addition, family members may simply have fun together.

Advisors, as Family Alignment meetings progress, are poised to guide families toward living their purposes—and aligning subsequent investments and estate planning with it. The first meeting initiates a clear process for families to become stronger and more unified. Their purpose, the role of their wealth and the benefits of keeping it within the family should be identified. By the end of the exercises, families should strive for a comprehensive and balanced view of wealth, which is not limited to money but rather encompasses the true value of the family's human capital. In addition, they'll hopefully better understand why a vast majority of families fail to keep their wealth together for multiple generations. Knowing how to prevent this failing for their family is empowering.

What often occurs in a family is one person, perhaps accompanied by their spouse, makes most of the decisions for the group. They could be small decisions, such as where to host a major holiday such as Thanksgiving, or, larger pronouncements, such as determining the direction of a shared family business. When someone disagrees with the final decision, they might feel a gap between their own personal values and the family's. It is not unusual for people to distance themselves from the others—the thinking often being, it's better to create a little space than to make waves. But this distance—or discord—over time can lead not only to tremendous anguish and stress but, left unattended, be the gateway to wealth destruction and other problems.

As a family evolves and grows, defining what family members' long-term commitments to each other serve to build rapport, strengthen trust, and promote communication. When a family's shared ideals are their common ground, there's a foundation to support each member's individual achievement, happiness and wellbeing. No matter how a family is defined, or who its members are, when each person feels heard, supported and respected, the likelihood of wealth destruction decreases and the odds of continuing family unity—along with building the family fortune—are increased.

Steven Abernathy counsels affluent families on multi-generational wealth management strategies.

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