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## 3 Proven Fundamentals to Pass Financial Success to Your Children

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Successful multi-generational wealth transfers are not based on investment strategy alone—nor is wealth preservation helped along by a series of complicated trusts and holdings. What separates families who successfully grow their fortunes, generation after generation, from those who end up destroying wealth?

It sounds deceptively simple – but it’s worth noting since many families do not take the time to examine what they communicate both verbally and non-verbally to their heirs. Families who want their wealth to sustain the generations to come generally have an experienced team of investment and legal advisors. Do these meetings take place in secret? Is money discussed openly? Talking to heirs is where everything begins. When an open dialog is established early on, this can be fundamental in setting up how heirs communicate with the older generation. Family meetings, led by a facilitator from outside the family, establish a learning lab for heirs to hone decision-making skills, gain “real world” experience and have an objective sounding board. This set up puts everyone in the family on an equal playing field conversationally – this is vital.

Assets are not all that’s bequeathed. Every family leaves an emotional inheritance to heirs. Families’ attitudes are embodied in how they act. A successful multi-generational education plan offers heirs tools and key experiential learning to hone decision-making skills, gain “real world experience,” and have an objective sounding board led by the outside facilitator. While much has been said and written about the \$30 trillion dollar wealth transfer, there’s no one-size-fits-all solution for wealth education. The common factor for savvy families who have maintained and grown their wealth successfully is in the implementation of a plan for heirs well before they’re old enough to be considering re-allocating their assets. And no one looks forward to reading a stack of documents.

### **Pre-inheritance experience.**

Pre-inheritance experiences may vary greatly—but they’re an essential bridge between the older and younger generations. As heirs learn by doing, encouraged by their elders, an open

dialog is established. Families who have designed an intelligent investment plan will only have a financial plan and an estate plan – much like a chair with two legs it doesn't work. The third leg on the proverbial stool is to integrate practical, hands-on pre-inheritance experiences into the mix. Generally the best way to learn is by doing. (We can watch Shark Week as much as we'd like, however, that alone won't prepare us for swimming with sharks.) Pre-inheritance experiences for all heirs (some start as young as age 5) function similarly. No matter what their ages, heirs require the tools both to learn AND apply knowledge. Inter-generational education in particular hones this.

Heirs who have some life experience (i.e., perhaps post-collegiate and want to start a business) may have a limited amount of "seed" money to work with which they can either use individually, or, pool to invest a larger amount in a venture. If there is a family business, for example, the new venture, no matter how large or small, will reveal a great deal. Does one child have great managerial or leadership skills? Did another go to every meeting – whereas yet another skipped most of the meetings?

Family decision makers must clearly outline the "rules of the game" so as to promote independent thinking, cooperation and of course learning. If established properly, the dollar amount will not really matter. The emotional inheritance – that is, the learning, values and ideals of the elder generation are what's really being endowed. These may be tough conversations—which is why this learning is not only structured but guided by outside facilitators the Family Office and its partners bring in to work with the family. As these meetings progress, who of the heirs embody (or don't) the ethos of the family will become clear.

Pre-inheritance experiences come in many flavors. Meetings have an agenda and clear structure and heirs can either beta test new ideas, or, report in about ongoing projects. This gives the older generation, as well as the facilitators, an opportunity to observe heirs' reasoning, decision-making, processing and other skills. Potential successors may be named—not everyone gets to be CEO—another reason these gatherings require a facilitator.

As both families and wealth grow, the multi-generational wealth planning process gets more cooks in the kitchen. This is natural – so are multiple opinions. Facilitators bring equanimity to the table and allow the family's decision makers to become equal members of the family table, yet, still retain the decision-making role behind the scenes. They level the playing field and create objectivity—parents and heirs hold equal weight in the conversation. Education is customized.

The question parents are encouraged to ask during the discovery process: who do you want your children to become? Generational values may differ, cultural values can radically shift and times change. But when purpose, regular communication and a consistent working

partnership binds families working together, they have the secret sauce needed to maintain both large family fortunes and a meaningful legacy.

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