

Protecting the family fortune

Steven Abernathy and Brian Luster, co-founders of the Abernathy Group II Family Office, reveal how a family vacation could support the generational transition of wealth

A fortune is said to rise and fall. However, its eventual ruin may come along faster than expected, particularly if its demise happens within the lifetime of the person whose hard work, ingenuity, and perseverance created that wealth.

Surprisingly, the majority of the families who destroy their fortunes haven't done so through poor investment strategies, flagging economies or turbulent financial markets. The real culprit is far more insidious. Roy Williams and Vic Preissler, authors of *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*, surveyed 3,250 families and found that 70% of wealth transitions to the next generation are unsuccessful, and only 9% for the third generation. Additionally, only 3% of wealth transfers fail because of bad advice from legal, accounting, or investment professionals. The common root causes leading to reversals of fortune, according to their research, are twofold: 1) a lack of a shared family vision and 2) poor communication within the family. So how might a family vacation prevent the destruction of wealth?

When it's tied to the heritage planning process, a family vacation can effectively alter the course of family history - and preserve the familial fortune. Heritage planning comprises experiences which are passed down in two vital ways: 1) education; and 2) communication. A living document captures the family's stories, values, and traditions, often in the form of a website, video, or book, and shows how the leader of the family envisions management of the inheritance. Grantors share their journey with their family members, thus opening the dialogue beyond conversations about assets. Each family's unique perspective shapes their financial - and personal - futures.

We often liken heritage planning to fishing - an activity best learned by doing. Until seated in the boat, fishing rod in hand, fishing is only an idea. Even if the instructions are written out by the world's best anglers, it is not practical to teach someone how to fish by handing them written instructions or showing



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them a "how to" video. People become better fishermen through experience. This is also how heirs learn to be successful stewards of capital; by actively taking part, not by reading a series of documents. If there is no context connecting heirs to the values and beliefs of their predecessors, those values, along with any wealth, are statistically likely to be lost. When subsequent generations are able to better relate to their families' shared vision and understand their role in it, this is a solid beginning to preserving family unity and wealth. So how does the process work?

The family meets at least once per year. Leaders may (and should) ask themselves, what do I want my family to know in 50 years? How can family members pursue a meaningful life? The ultimate goal of heritage planning is to offer every participant the support needed to do so. Optimally the gathering is twofold: the business of the family is discussed in person, and, family members will have time to get to know one another better during a shared experience.

Senior generations create and provide heirs with a set of shared pre-inheritance experiences to understand the legacy they will inherit. When a family stands united, proud of a tradition of shared accomplishments, perhaps through civic engagement related to a larger mission, the odds of preserving both the family fortune and their familial bond are greatly increased.

The family's unique story is known among its members and acts as a bellwether for the family. Sharing memories, experiences, and life lessons of the older family members are the foundation of successful multi-generational communication. When ideals and beliefs that might otherwise have been left unsaid are expressed, family unity is reinforced.

A successful multi-generational wealth management strategy goes beyond savvy estate and financial planning. When heritage planning is properly implemented and practiced, a family increases its chances of maintaining wealth and family unity instead of destroying it - and the family vacation becomes about much more than simply the destination. ■

Steven Abernathy and Brian Luster counsel affluent families on multi-generational wealth management strategies, including asset protection, wealth management, estate and tax planning, and heritage planning. They regularly contribute articles and commentary to industry publications. The information contained in this article is provided for convenience purposes only and all users should be guided accordingly.