The secret to keeping family money

Building family unity correlates directly to maintaining family w ealth — and communication about money should start early

By Steven Abernathy and Brian Luster
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When it comes to the family fortune, silence is not golden. History has repeated this lesson for centuries as nine out of 10 affluent families have consistently seen their financial legacy destroyed, and family unity right along with it, within three generations. The culprit is rarely bad investment advice, a risk-prone portfolio or economic turbulence.

Roy Williams and Vic Priesser collected data from 3,250 families who had lost their wealth. Less than 3% reported that poor planning and investments were to blame for their reversal of fortune. Sixty percent reported the cause to be lack of communication and trust within the family, while 25% said heirs were unprepared. The bottom line is: When families fail to successfully pass down their intellectual capital, and prepare heirs to receive their inheritance, financial capital suffers.

What do the 10% of families who retain their wealth do differently?

The head of a thriving family knows how to engage the children to determine a shared purpose for the family and its capital. Multi-generational planning starts with a conversation, the first of which often occurs at a family round table. Here, the heads of the family share their vision and discuss where they are at present and what separates their current reality from their potential future.A process we call multigenerational planning provides the steps and formal exercises to explore this.

When a family's story, important life lessons and values of its leaders are unearthed and written down, a blueprint for a meaningful dialogue between generations is created. The family's intellectual legacy crystallizes. Building family unity correlates directly to maintaining family wealth. And communication about money as well as opportunities to model behavior can start early.

Ron Lieber's candid New York Times article, "**Why You Should Tell Your Kids How Much You Make**" shares oft-ignored truth: "Money is a source of mystery to children." When they are small, non-verbal lessons influence kids. Parents are advised to take stock and ask:

• Does my life reflect what I truly value?

• Do my words and actions support those values?

• Am I introducing these principals to my children on an ongoing basis?

• Do I speak candidly about how our money is spent?

• Do my children have a sense of the allocation of the monthly budget?

Scott Parker dumped $10,000 in dollar bills on a table to illustrate this point for his own children. While this is one way to abolish secrecy within a household and give children a strong visual sense of how each dollar is allocated, setting aside the time to communicate regularly and openly about the family's finances is the goal.

Actionable opportunities for children to gain proficiency can be standard throughout their lives. Pre-inheritance experiences through adulthood will act as the building blocks of one's values. Through structured family meetings, occurring at least once annually, the family will unite to continue building opportunities for stewardship and family unity.

When the experiences are hands-on, and later discussed to determine if pre-determined benchmarks were met, families are not only customizing a mini-course of sorts in responsible stewardship, but reinforcing the benefits of the open, multi-generational dialogue.

Steven Abernathy and Brian Luster co-founded The Abernathy Group II Family Office which counsels affluent families on multi-generational asset protection, wealth management, and estate and tax planning strategies.