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Four keys to wealth the affluent know ... and dentists should too

Steven Abernathy and Brian Luster: November 12, 2013 Follow Author:



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For years, affluent families have passed the wisdom, experience, and core values acquired over centuries to subsequent generations. The Rockefellers' tradition of charitable giving is ingrained in their family legacy — and is well-known throughout the world. Their industriousness, philanthropy, and education have been essential to preserving (and growing!) their vast family wealth.

However, being a titan of industry is not a prerequisite to conserving a shared history, passing down a family legacy to younger generations, or fostering a culture of integrity and education. When a matriarch or patriarch struggled, perhaps came to the United States from another country, and sacrificed for their children and grandchildren to have a better life, a nicer home, and more opportunities, the details of these very personal, individual stories resonate when shared. Thus, heirs might feel a sense of duty, stewardship, and tradition in preserving vital components of their family legacy. Open communication about the underpinnings of a shared past are a fundamental block toward creating effective caretaking of a family's heritage and its means. Today, our culture often encourages us to look to the future, the next innovation, the next technological advance, and focus on what is next to be accomplished in our own lives.

It is decidedly less common to take a look into the past.

But this is often where vital, illuminating information is mined. What constitutes a sense of history for the family's younger members? Who knows what brought meaning to the lives of their grandparents and great-grandparents? Do they know how the family business began, and, what created success? Early on, were collective, fundamental values at work to forge the successes of today? What were they? Many families cannot answer these questions. Today this information often slips away as families move away, change, sometimes don't see one another often, or lose regular contact.

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Storytelling can serve not only to preserve history, but also to reinforce the core values and beliefs of past generations. It opens communication, piques curiosity, and supports intergenerational communication as well as a dialogue between heirs. The collective family history serves as a common bond; a shared past may serve as a strong basis when planning for an uncertain future. This kind of communication not only creates a bond between family members, but also brings to light an often-undervalued asset — human capital. Every family member has the potential to make a lasting contribution to the family legacy. Grandma may have grown a successful dental practice at a time when very few women pursued an education, thus breaking ground. Her children, and their children, could have a high emotional stake in the affluence they inherit. Wealth and success will not be taken for granted if the significance of the road to earning them is communicated clearly.

The shared story must go beyond clichés and rebukes — mere statements such as “money does not grow on trees,” or, “To build his success, your grandfather walked uphill, both ways, in the snow. . .” Rather, the personal components, the specific “how” and “why” behind the success of family members can have a direct impact on heirs who understand where they came from and what motivated the generation before them.

Had there been effective communication in the well-known Vanderbilt family, they might have amassed, according to a recent New York Daily News feature, \$185 billion. But, as the generations following Cornelius Vanderbilt spent lavishly, the fortune dwindled. And while no one in the Vanderbilt clan went, as the saying goes, “from shirtsleeves to shirtsleeves in three generations,” no one is a billionaire today either.

While most of the population will not amass billions of dollars, the lesson are the very same: communication is a cornerstone of preserving your hard work, values, and legacy.

Here are the four fundamental keys successful, affluent families put into practice. This is particularly important if money and wealth are somehow seen as secretive and never discussed. It's vital to start! If some of these practices are already part of your family's routine, consider how they can be deepened to further empower both the current and future generations. We encourage all of our family office clients to regularly:

1. Share. Stories have resonance and collected personal anecdotes inspire, teach, and may even shape the experiences of the next generation. Honor the past by opening communication about what makes the family legacy significant. The benefits of an ongoing, open conversation carry the potential to impact how heirs live, what they value, how they choose to live, and where they may spend and donate their wealth.
2. Educate. It's never too early to start discussing how to manage wealth and assets responsibly. When a child is old enough to sit still and do basic math, he or she is old enough to accompany the adults to the accountant's office. The conversations and teachable moments developed in childhood are often carried into adulthood. Open communication, learning, and seeing the processes needed to manage assets properly are a far better alternative to secrecy around money and wealth which can lead to bad habits, irresponsibility, and emotional distress around money and financial issues. Nip that in the bud with an early, transparent, and ongoing conversation.
3. Craft an ethical will. The ethical will can be traced to early Judeo-Christian practices where fathers passed on “ethical teachings” offering guidance to their sons. Today, the ethical will has expanded to include mothers, family matriarchs, and female heirs. It is often a written document formally expressing its author's legacy in the form of the values and information he or she wishes to pass on to the next generation. It may also be comprised of audio, video, photographs, and other components easily shared with technology. This is not to be confused with a Last Will & Testament, which specifies to whom specific personal property is distributed. The ethical will's aim is to bequeath the intangibles, perhaps values derived from lessons learned over a lifetime, spiritual practices, personal values, or family history to heirs.
4. Demonstrate. Individuals can be encouraged when they know the accomplishments of those who came before them. There may be no greater gift than someone who paves the way through leading by example. When a younger family member, perhaps requiring funding for a new venture, has the chance to see how you did it, this provides an invaluable way to learn. Candid discussions around specifics, such as:

- How was capital raised?
- Was there a business plan created?



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- Was there an open discussion?

Experience is undoubtedly an effective teacher. However, there is no substitute for the candid, ongoing exchange of ideas between generations to illuminate how financial and business risks might look going forward. Those who are able to tap into the experiences and results over time of their collective history as intellectual capital may have a decided advantage over those who do not have access to these stories ... and the fruits of success are all the sweeter when shared.

For more information, contact us [by clicking here](#).

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Steven Abernathy and Brian Luster

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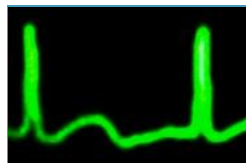


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