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Values-Driven Wealth Planning

How highly successful families can cultivate "genuine wealth," empower their heirs to use it wisely, and achieve a life of significance

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In This White Paper:

Values-Driven Wealth Planning

To leave the world a bit better, whether by a healthy child, a garden patch, or a redeemed social condition; to know that even one life has breathed easier because you have lived…this is to have succeeded.

- Ralph Waldo Emerson

Introduction

When Cornelius Vanderbilt died in 1877, he left an estate valued at about $100 million — one-ninth of all of the currency in circulation in the U.S. at the time. Yet in 1973, when Vanderbilt University invited 120 of "the Commodore's" descendants to the school, not one was a millionaire.

In a 1991 book entitled "Fortune's Children: The Fall of the House of Vanderbilt," descendant Arthur T. Vanderbilt detailed the dysfunction, conflict and unhappiness that plagued his family and decimated its fortune. In that book, William K. Vanderbilt, the Commodore's grandson, blamed the fortune itself for his woes:

"It has left me with nothing to hope for, with nothing definite to seek or strive for. My life was never destined to be happy. Inherited wealth is a big handicap to happiness. It is as certain death to ambition as cocaine is to morality."

Baby Boomers and their heirs are poised to receive an estimated $41 trillion in inheritances by the year 2052, according to a Boston College study. But as the experiences of the Vanderbilts and countless other fabulously wealthy but miserable families show, a big inheritance is no guarantee of lasting security, success or happiness.

Consider that less than 5 percent of all family wealth and enterprises survive to the fourth generation and beyond, according to the Boston-based Family Firm Institute, a professional organization specializing in family businesses. One adage says that families go from "shirtsleeves to shirtsleeves" in three generations, implying that family wealth rarely lasts beyond the grandchildren. A U.S. Trust study in June of 2012 found that Baby Boomers are skittish about leaving their wealth to their children because they feel the kids are unprepared to handle the money.

What does this tell us? It says that families with significant wealth today need to look beyond "estate planning" and redefine how this wealth can truly benefit their heirs and society. It's no longer enough to ensure that their children and grandchildren are financially comfortable. True "success" goes beyond material abundance – the number on the balance sheet, the total on the W-2, the size of the bonus, or the performance of our investments – and incorporates our ability to lead meaningful and productive lives. The Rockefeller family understood this, and their wealth survives today, generations after the death of tycoon John D. Rockefeller Sr. in 1937. So do many other families who never let wealth distract them from their core values, their gratitude for their good fortune, and their desire to make a positive impact in the world.

When we take a quiet moment to consider what is really most important, we realize that we long for more than just material success — our greatest aim is to live a life of "significance." In particular, many wealthy families find that their financial success can be meaningless without a sense of fulfillment and balance. Financial wealth is not valuable in its own right; it only has value if it frees us to live according to our deepest values.

In this report, we will show the dangers that wealthy families face in passing their fortunes on to their heirs, many of whom are ill-prepared to manage their windfalls. We will show how these common pitfalls can derail a family's happiness and fulfillment, regardless of the size of their fortune. And we will show you how we work with families to ensure that their *genuine* wealth — which includes their wisdom and values as well as their financial assets — survives for generations.

The Top Three Challenges Faced By Wealthy Families

In our experience working with families over many years, we have found that those who want to use their wealth to build a more satisfied and fulfilled life face three major challenges: fear of losing the freedom and autonomy that money makes possible; worries about spoiling their descendants; and a disproportionate focus on financial wealth and not on leaving a positive legacy. Let's look at these challenges in more detail.

Fear of Losing Freedom and Autonomy

No matter how wealthy, almost every family is worried to some degree about running out of money and not having enough to sustain their lifestyle. While it may appear irrational, even families with very high net worths have this fear.

> *"Losing this control is among the greatest human fears, and it is extremely difficult to overcome. Such anxiety can cause an unhealthy focus on work, moneymaking, investing strategies and returns."*

One problem is that a family's expenses always seem to rise to the level of their net worth, and often beyond. While a family's assets can become eroded due to a bad stock market or poor economy, its expenses never seem to go backwards. The dual bear markets of 2002 and 2008 have reinforced this feeling. Many families fear another major decline in their investments and net worth, and worry that their expenses may someday outstrip their liquidity and earning power.

The right level of wealth means freedom, autonomy, and control over your own destiny, all values that we deeply treasure. Losing this control is among the greatest human fears, and it is extremely difficult to overcome. Far from being immune, the wealthy often suffer more from this fear, because they have more to lose. Such anxiety can cause an unhealthy focus on work, moneymaking, investing strategies and returns. As a result, many families end up aiming at the wrong target and invest tremendous amounts of time and energy into the pursuit of financial wealth, to the exclusion of everything else.

Worries about Wealth's Effect on Children and Grandchildren

History, great literature and modern-day tabloids are filled with stories about the spoiled, lazy and dysfunctional children of privileged families. Their parents are bluebloods and hotel heirs, rock stars and sports team owners, old money and the newly rich. The common denominator is a poor attitude towards wealth and a disconnect from the toil and discipline it took to acquire it.

Whether the family is famous, infamous or quietly wealthy, this attitude problem is most common among the third generation, or the grandchildren of the primary creators of wealth. Let's look at the cycle that perpetuates this sad dynamic.

First, the senior "wealth creator" develops the knowledge, skills, motivation, responsible work ethic and thrift to create financial wealth beyond the immediate needs of the family, and surplus wealth is generated. The children inherit this wealth and some of the wealth creator's knowledge, attitude and drive, but often less of it because it was learned haphazardly. As the family becomes more comfortable, the wealth creator's children might feel less motivated to work hard or spend responsibly. But because this generation is still a manageable size, they can often preserve and even grow the family's wealth.

Things tend to fall apart by the third generation, when the values and work ethic of the wealth creator are further diluted. It is rare for third generation family members to possess the same burning desire to work hard and succeed since they have known only privilege and abundance. Spending habits often become out of control, as family members have no context for frugality in their lives.

By now the family has also become more extended and difficult to manage. Along with the original wealth creator's direct descendants (children and grandchildren), the family now includes outside spouses and ex-spouses, aunts and uncles, cousins. Competing interests may cause resentments and difficulty in decision-making, and fights and discord may ensue as family members vie for their "piece of the pie." No wonder that the family's business and its wealth often suffer.

Along with eroding the family's financial wealth, this pattern also can lead to significant unhappiness and tragic outcomes for the descendants of the wealth creator. Inherited wealth may prevent them from being happy and productive members of society. It is not uncommon for inherited wealth to lead to mental health issues, depression, suicide, alcoholism, divorce and other family problems. So a wealth creator's worries about the effect of inherited wealth on descendants are valid.

Forgetting About the Real "Legacy"

In our work with wealthy families, we always ask clients to express their highest values and what is most important to them. Nearly everyone tells us that they hope to "leave the world a better place than I found it" or "make a difference".

Yet these values often go by the wayside when the families get down to the tough discussions about "leaving a legacy." Instead, they focus solely on estate planning, or in other words, "using various sophisticated tax, insurance and estate planning strategies so that we can leave a whole bunch of money to our kids and grandkids."

However, it is clear that most wealth creators are wary of transferring all of their financial wealth to their children, for fear of the negative outcomes that might result. A recent U.S. Trust study (June 2012) shows, many wealthy baby boomers feel that their children will not be good stewards of inherited money and hesitate to entrust their estates to them. Clearly, the "legacy planning" must include a transfer of values as well as financial wealth.

The desire to be a force for good in the world and to leave a positive legacy is nearly universal. People desire to be more than successful; they wish to be "significant." But unfortunately most people don't think about that when plan how their wealth will be used after they are gone. At the same time, many successful people are smart enough to understand that just leaving their heirs money — without the skills and values to handle that money — will lead to the poor outcomes that many associate with inherited wealth.

So what do these wealth creators do? Too often, they put off making a plan for their money. Some families even become outright antagonistic to the "estate planning" process, because they don't want to spoil their kids and grandkids. Consider that the two wealthiest men in America, Warren Buffet and Bill Gates, have argued against inherited wealth and plan to leave the bulk of their fortunes to charity.

Like Buffet and Gates, most people yearn for a more robust legacy, and hope to use their wealth to give their heirs not only security, but also a sense of fulfillment and purpose. The money is a tool to help future generations to build on and enhance the values, skills, and knowledge of the wealth creator, so that they can become high-functioning members of society, as well as the business and philanthropic community.

Planning for this kind of legacy is much more complex than simply “estate planning”, and requires a greater commitment from the wealth creator to work proactively to build a legacy. It means focusing on stewardship: transferring the wealth creator’s skills, knowledge, judgment and work ethic along with the money, so that the heirs can become high-functioning, high-impact human beings.

This is at the heart of what we do.

Lessons From Three Famous Families

> *"It has left me with nothing to hope for, with nothing definite to seek or strive for. My life was never destined to be happy. Inherited wealth is a big handicap to happiness. It is as certain death to ambition as cocaine is to morality."*
>
> \- William K. Vanderbilt, Cornelius Vanderbilt's grandson

Today it's common to portray the descendants of wealthy families as lazy, spoiled, and dysfunctional. Yet many wealthy families manage to preserve and even grow their fortunes over the generations, and use the family money to help benefit society and live according to their values. Here are three famous examples, not all of them success stories.

The Vanderbilts

Cornelius Vanderbilt was born in 1794, and became the wealthiest man in the world by the time he was 40. In terms of today's dollars, his fortune could rival that of Bill Gates or Warren Buffet, and one estimate indicates it was valued at over $143 Billion in 2007 dollars. By the time he died in 1877, he left an estate valued at about $100 million — one-ninth of all of the currency in circulation in the U.S. at the time. While "the Commodore" founded Vanderbilt University, he was otherwise not a very generous man. Less than 5 percent of his fortune after he died was earmarked for charity; the rest went to his heirs. But within 30 years after the Commodore's death, those heirs had squandered much of his money.

This story illustrates the danger of financial wealth that is inherited with no strings attached, by heirs who lack the responsibility and the skills to handle wealth. It is bad enough that the grandchildren of Cornelius Vanderbilt wasted away his fortune. Far worse was the fact that the money itself became a chief cause of their unhappiness, as William K. Vanderbilt pointed out.

The Rockefellers

In contrast to the Vanderbilts' tragic story, consider the Rockefellers. John D. Rockefeller was an industrialist, oil tycoon, and great philanthropist in the early 1900s. Like Vanderbilt, Rockefeller was also the wealthiest man of his time, amassing an estimated $1.4 billion when he died in 1937. (The nation's entire GDP was $92 billion at the time!)

The Rockefeller family has only expanded its wealth and success since then. Six generations removed from its founding "wealth creator," the family is still very wealthy, and a major force behind many high-profile philanthropic efforts. The Rockefeller family has included governors, senators, CEO's and other business and philanthropic leaders who had a significant impact in 20th century America and continue to make an impact today.

How did their fortune survive? The Rockefellers not only built traditions and governances for the stewardship of their financial wealth, but also cultivated financial skills, sensible habits, traditions and character within the family. The first Rockefeller's immediate heir, John Rockefeller Jr. worked very hard to create systems of family governance and philanthropy to perpetuate the family's wealth. He is largely credited with the family's ongoing financial and worldly success.

It was John Jr. who established an office to manage the family fortune and give future generations a strong education in financial literacy, so that they are responsible enough to handle the family wealth. In fact, the Rockefeller family adopted a family mission statement that persists to this day:

> *"To grow the human and intellectual capital of the family."*

The Rothchilds

Born in 1744 in a Jewish ghetto in Frankfurt, Germany, Mayer Amschel Rothschild went on to launch a banking dynasty that survives to this day. Forbes Magazine has called Rothschild "the founding father of international finance" and also named him one of history's most influential business leaders.

Along with being a phenomenally successful banker, Rothschild was shrewd about protecting his heirs from the temptations and pitfalls of great wealth. He developed a "family bank" system to regulate his heirs' access to the family fortune, and to discourage spending family wealth for frivolous reasons. Instead, the Rothschild fortune was earmarked for education, investment, or starting a new business venture. Family members understood that the fortune was there for their betterment, but not an open treasure box. They were encouraged to think of themselves as stewards of that family wealth, to respect it, and to work hard to grow it and preserve it. The "family bank" concept that Rothschild used in his own dynasty became a widely-copied model for successful family governance and wealth management. Nearly two centuries after the death of its original wealth creator, the Rothschilds remain one of the most successful multi-generational families in history.

What Successful Families Can Teach Us

While every family is different, those who have preserved and grown their wealth without spoiling their heirs and compromising their core values share these attributes:

- Made the leap from "scarcity thinking" to "abundance thinking," and have begun to look at their wealth in broader terms, for its ability to empower them as families through many generations. They are willing to transcend an obsession with the "number on their balance sheet" and consider their genuine wealth in more holistic terms.

- Are able to take a much longer-term view during their wealth planning decisions, and focus their attention on the development of their wealth over many generations.

- Share a commitment to the financial education of their children from a very young age. They are committed to teaching children about money and how it works, and foster programs for financial literacy and the understanding of financial stewardship habits.

- Feel a sense of gratitude, and practice it regularly as a habit to move away from an attitude of entitlement to an attitude of appreciation and abundance.

- Communicate regularly and effectively, sharing experiences, insights and knowledge, as well as information about the family's wealth. Annual family meetings or retreats are very commonly used for sharing experiences, education, contacts, networks, and business knowledge, and to document that knowledge for future generations.

- Often apply family governance structures and written rules. Many have gone as far as to create a Rothschild-style "family bank" as the source of capital for family members through member loans.

- Share a commitment to family contribution. Most have institutionalized charitable giving and philanthropy, and include the entire family in philanthropic activities.

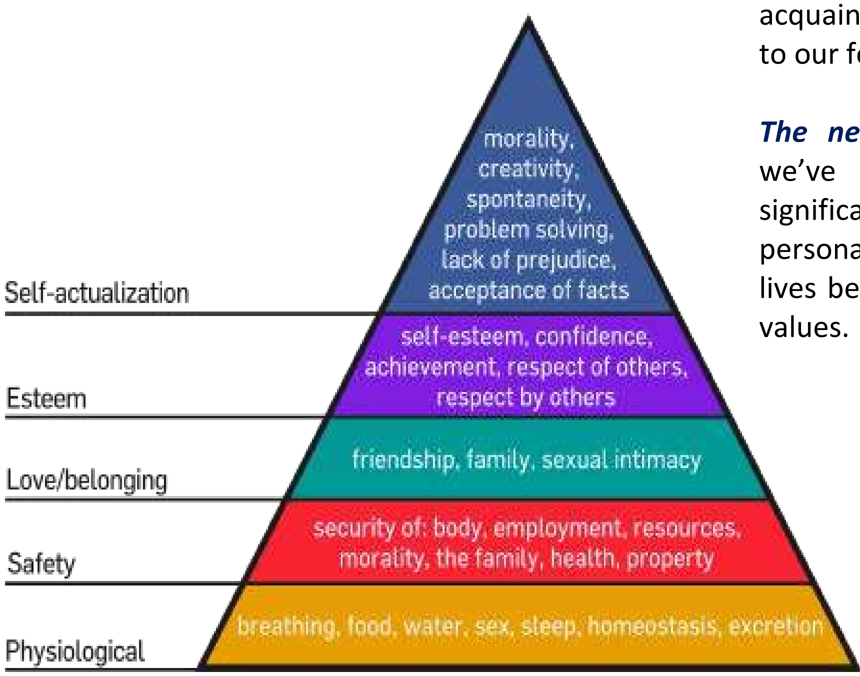
- Embrace discipline, habits and traditions. They understand that these values and the systems that support them *cannot* last and perpetuate, unless they are developed as a set of consistent and disciplined traditions. These strategies are practiced regularly and built as family conventions that will not be broken.

These common themes are universal to all families who strive to build and cultivate their financial, intellectual, human, and social capital over many generations. Any families yearning for a life of significance over generations can adopt these systems, regardless of their level of financial wealth. We have helped many families get them in place.

The Psychology Behind Our Attitudes Towards Wealth

We have found that wealthy individuals and families are most interested in using their wealth to empower them to enhance their happiness and fulfillment, so that they can fully express their values and what is most important to them. Personal values have tremendous power over human behavior. But before these values can be practiced, other more basic human needs must be met.

Abraham Maslow, a noted psychology professor and author, developed a concept known as "Maslow's Hierarchy of Needs," which he used to explain human behavior. In this framework, human beings are in a constant quest to fulfill one's personal values, and we all share a desire to realize our full potential, and to reach a level called "self-actualization," the highest state of being. A self-actualized person lives in complete harmony with his values, and with the fullest level of functioning and achievement of potential. Such a person achieves great significance in life, by establishing meaningful relationships with the outside world.



According to Maslow, the journey to self-actualization is not easy, and other more fundamental levels of need must first be met before reaching this highest state of being. The quest for self-actualization travels through all of the five specific levels of being shown here in this hierarchy, and one cannot ascend to the next level until the needs listed in the lower level have been permanently satisfied.

Maslow's groundbreaking work on human behavior has been further developed since the time of his death. Many have consolidated his "hierarchy" into three important levels:

The need for security. This level entails meeting our material needs, such as safety, shelter, food, health, and security of employment and resources.

The need for community and belonging. This level entails developing robust relationships and loving connections with the world, including family, friends, colleagues, business and social acquaintances. These needs are important to our feeling of esteem and self-worth.

The need for self -actualization. Once we've achieved this level, a life of significance and meaning, fulfillment and personal transcendence is possible. Our lives become the highest expression of our values.

The "Values Conversation"

In our practice, we use a conversation tool called the "Values Conversation" to help explore and articulate the values of client families. The Values Conversation is a series of questions intended to help clients to explore what is most important to them. The exercise is based upon the question:

*"What's important about **money**… to you?"*

After responding to this question, participants are then asked a similar question, based upon their response to the original question. For example, if the answer to the first question were "security", the second question would be:

*"What's important about **security**… to you?"*

This same pattern of questioning continues, until the participant has explored and identified their deepest and most important values, such as independence, pride, providing for family, accomplishment, achievement, balance, making a difference, fulfillment, spiritual attainment, inner peace and self-worth.

We have conducted the Values Conversation hundreds of times, and with clients of all ages, wealth, and stations in life. We have found without exception that these conversations always follow a pattern, which is aligned around Maslow's three levels of self-actualization:

- Typically the conversation begins with a discussion about the importance of using money to achieve some material goals, such as retirement, educating future generations, buying assets such as a vacation home, and achieving financial freedom.
- As the conversation proceeds, responses evolve to more thoughtful discussions about doing for others and being with others. We often hear that it is important to provide for family, make a difference, have an impact on the community, and develop a social consciousness.
- At some point in the exercise, participants make a significant emotional transition and begin to focus on the "higher self". Responses begin to take on an expansive tone, and become more about large internal and emotional payoffs. We hear that it is important to achieve "fulfillment of my destiny or purpose," "becoming the best human being I can," "spiritual fulfillment," "inner peace," etc.

In our work with clients and the use of the Values Conversation, we have a great deal of experience that Maslow's work is accurate in the real world. With few exceptions, people's systems of values are built upon a reflection of Maslow's hierarchy. We help them strive to the top level as they develop a plan for their wealth.

“Genuine” Wealth – The Source Of True Abundance

Most people have great difficulty advancing beyond Maslow’s most basic level: the focus on the financial security of the family. Regardless of net worth, they feel persistent anxiety about this level and focus too much time and energy increasing the level of financial assets, often sacrificing their health and relationships in the process.

The fear of losing assets can become a blockade in the journey towards significance and self-actualization. We help families shift from a narrow focus on financial wealth to a much broader understanding of the family’s “genuine wealth.”

> *“Our focus on the financial “Balance Sheet” can cause us to lose the sense of True Balance in our lives. What is required is a shift from a narrow focus on financial wealth to a much broader understanding of the family’s Values, and what is important to you.”*

Your Most Valuable Possessions

When most people consider their “possessions”, they usually think of physical assets like homes, cash, businesses, stocks, bonds and real estate. These assets are appropriate to be filed under a category called *financial capital,* because they deal with tangible things, or assets of material value. However, you may consider the following question: What is most important to you on this earth? What are the most valuable possessions you have?”

In considering the answer, most people will immediately think of their family and friends, and the health and happiness of the people they love and care about. They would be willing to sacrifice all of their money in the name of these loving relationships. Most people also value their health, morals and character, spirituality and faith, as well as their talents, habits and abilities. These important “possessions” must be considered as part of your genuine wealth, and might be labeled as part of your family’s *human capital,* just as your tangible possessions are part of your financial capital. Indeed, many people see this human capital as more important than finances.

Another important category can be labeled *intellectual capital*. This includes the family’s aggregated education, wisdom, experience, traditions and heritage, contacts and knowledge. Many wealth creators know that it was this intellectual capital that enabled the family to create their financial wealth in the first place.

The final category is a family’s *social capital*, which represents their commitment to philanthropy, charity, and giving back to the community around them. Most wealthy families need to use their wealth as a tool to help make the world a better place, and they tend to place a high value on their charitable and philanthropic efforts and commitments. Social capital provides a way for the family to express its gratitude by sharing its blessings.

Transferring “Genuine Wealth”

Genuine wealth is the aggregate combination of all of your important possessions: your financial, human, intellectual and social capital. Most families intuitively understand importance of all of these categories, and indeed may rank their financial capital at the bottom of the four. They recognize that the family’s human and intellectual capital helped them to build their financial capital in the first place, and can help them rebuild it if necessary. Yet the overwhelming fear of losing financial assets can become a blockade in shifting to a much broader understanding of the family's genuine wealth**.** To cultivate an attitude of abundance, a family must redefine how it inventories its "possessions."

When seeking to cultivate and transfer your "assets" to the next generation, it is critical to recognize that a transfer of just the financial capital — without the human, intellectual and social capital — can have disastrous results for the heirs and the family fortune. Inherited wealth is too often dumped on unprepared heirs, who do not possess the necessary skills, experience, relationships and character to perpetuate that wealth.

Families with genuine wealth include all four categories on their balance sheets. Unfortunately, most financial and estate planners focus only on the financial capital, the least important category.

The Concentus Values-Driven Wealth Planning Process

"When your values are clear, your decisions are easy"
- Roy Disney

The Concentus Values-Driven Wealth Planning process is built on the foundation of Maslow's concepts. Just as the "hierarchy of needs" is depicted as a pyramid with three basic levels of human development, we offer a three-stage process for establishing systems for long- term wealth cultivation in your family. The goal of this process is to identify the strategies and systems that successful families can use to support their deepest values, and to empower their "genuine wealth," an asset that goes far beyond financial wealth.

The Prelude: Identifying Your Values

The process for cultivating your genuine wealth must first begin by identifying and documenting the key principles and values, which are of deep importance to the family. While a family may already intuitively understand a strong set of shared values, it can be extremely helpful to clarify, articulate and document those values and principles in writing, so that all family members can share an understanding of what is most important. This step is facilitated by a series of exercises called the "road map:"

The Values Conversation. The process begins with an exercise to allow all key family members to articulate what is most important, and to identify their most important values.

The "D.O.S." Conversation. The D.O.S. Conversation is an exercise to clarify the future vision for the family, and key objectives for both the near term and the long term. D.O.S. is an exploration of the critical Dangers you face in getting there, the Opportunities you are presented along the way, and Strengths you possess as a family to help you get there.

The "Family Constitution". As your family's shared values become clearer, some families may wish to sum it up in a succinct way. This may take the form of a brief "slogan," or family tag line that sums up how the family wants to live. Other families choose to create a more detailed written "constitution" that outlines the principles and values they wish to strengthen.

Level 1: Securing Your Financial Freedom

Once your shared values have been identified, the wealth planning process can begin to address "Level 1" of Maslow's hierarchy. In this first stage, it is important to focus on the security of the family's financial assets, and develop confidence in their personal long-term financial sustainability. This helps the family overcome the most basic fear of losing autonomy and freedom. The goal of this stage is to build a high degree of confidence in the family's investing and asset plan.

As a first step, the family must establish the financial benchmarks that will provide them with a high degree of confidence, security, and certainty. Although this step seems elementary, very few families take the time to specifically identify in writing their long-term cash flow needs and Financial Life Goals. As a result, future spending patterns seem open-ended, which results in significant anxiety and uncertainty.

Once the primary goals have been identified, it is important to create a series of projections, to determine the probability of success in meeting the articulated goals, regardless of economic conditions. The product of this analysis is to identify the family's "Magic Number", or the level of assets required to ensure that the family's goals will be met, regardless of financial market outcomes. This analysis should provide rigorous "stress testing," so that the family can achieve a high degree of confidence in the calculation of this number. This analysis ensures that the family understands the minimum asset level which will be required to remain "On Track" for securing their future family goals.

Once the family's "magic number" has been identified, the next objective is to fund and invest in a series of conservative strategies designed to sustain the asset base needed to achieve the articulated Goals. The focus should be managing risk, so that the family can continue to feel financially secure. It combines low-risk, risk-managed, and hedging strategies to create a desirable investment result with low volatility.

Families may wish to segregate these assets into a "security lockbox," a conceptual custodian which segregates a certain level of assets earmarked for long-term security but allowing excess earnings to be diverted into philanthropy or other long-term goals.

Finally, it is important for the family to maintain a framework to sustain and extend their confidence and security into the future. The funding and investment of this "Lock Box" is the first step in securing the family's Independence, but spending patterns, goals, and life circumstances are likely to change, as will financial markets. As these changes occur, it will be important to renew confidence in the plan for the family's Security. This requires the ongoing recalculation of the cash flow analytics, and tracking of the family's "Magic Number" over time.

Level 2: Ensuring Positive Family Outcomes

Gina Rinehart, an Australian billionaire who has been called the richest woman in the world, has said that she will never give her children unfettered access to her money, because they "lack the requisite capacity or skill, knowledge, judgment or responsible work ethic." We might challenge Ms. Rinehart on this view, by asking: *whose job is it to **teach** her children the requisite capacity or skill, knowledge, judgment or responsible work ethic?* Are those qualities expected to magically materialize in her children, or is it her job to instill and cultivate those qualities in her children, in addition to leaving them her money?

In the second stages of our planning process, the focus is on the "Level 2" fears and needs of the family. Families can now build on the strong foundation of their financial security, by taking the next step up Maslow's hierarchy – the need for community and belonging — and focusing on nurturing future generations.

This means transferring not only the family's fortune, but also its human, intellectual and social assets to future generations. This stage addresses the second basic fear: that money will ruin children and grandchildren. It strives to instill these values in heirs:

- An appreciation of money and material goods, and an understanding that money and possessions must be the product of hard work.

- A strong work ethic and sense of satisfaction and self-esteem from work and accomplishment.

- An understanding of the importance of saving, budgeting, and living within one's means, as well as a taste of the accomplishment that comes with saving and growing one's financial resources.

- An appreciation for the value of contribution, and using a portion of one's earnings to give back.

- Financial literacy skills and education in financial planning topics.

- A respect for their roles as stewards of family wealth, and the importance of helping to preserve and enhance the financial well-being of the family.

We have worked with many wealthy families to help them cultivate the right attitudes towards wealth in their children and grandchildren. It is important to build a foundation of "money awareness" for even very young children. This training helps future generations begin to acquire the tools they need to avoid the financial and emotional problems that can accompany inherited wealth. Here are some components:

Chores and Allowances (Age 5-13)

Many families use a system of chores and allowances as a structure for instilling these values at a young age. Concentus Wealth Advisors offers a proprietary online chore management and money management tool that helps children build these skills in a fun and interactive way. This helps young children understand that they work to earn money; they should give a portion of their earnings away to charity; they should save a portion of their money; and they should manage what they spend within their budget.

Regular Financial Education Training

Families may wish to design a program of teaching these values in a face-to-face "workshop" setting, and in a way that is fun and engaging for children. For many families, these workshops are generally arranged as a "young members" element of annual family retreats, which are described below.

Financial Literacy (age 13-18)

As children mature, customized education programs help them master the basic skills of personal financial planning. Workshops or written education tools may be arranged as an "intermediate members" element of annual family retreats to teach the basic skills of saving, budgeting, investing, tax planning, and the intelligent use of borrowing and credit.

Becoming a Mature Financial Member of the Family (Over age 18)

As children grow older and master basic financial literacy, they may have the opportunity to "graduate" to participating in the planning decisions of the family. They can begin to step into their roles as stewards of family wealth through the following:

- Becoming adult participants in annual family retreats, with access to complete information about the family's wealth. Many families keep their adult children in the dark about the family finances, for fear that this knowledge will "spoil" the kids. Very often this leads to unprepared heirs, who have no idea how to handle the implications of their wealth. Families should educate adult children about wealth at an early age.

- Earning a "Vote" in important family decisions regarding the family's wealth plan

- Access to the "Family Lock Box" for financial needs approved by the family.

- Support from professional wealth advisors. The family's financial advisors should actively develop the young adults' independent personal financial plans.

Level 3: Creating a Strong Legacy

In the final stage of the process, the focus shifts to "Level 3,"cultivating your family's genuine wealth through building an enduring legacy of significance. This parallels the highest level in Maslow's pyramid: the need for self-actualization. The goal of this stage is to cultivate the family's wisdom, values, traditions, relationships and spirituality, and achieve the self-esteem that comes from making a difference in society. Its goal is to establish traditions and governances that help preserve the family's values and genuine wealth for generations, such as the following:

Family Retreats

Conducting regular family meetings or "retreats" is the most common habit among successful multi-generational families. It's an effective way to bring the family together to confirm and strengthen its values, and to make financial decisions in harmony with those values. Family meetings foster a sense of teamwork and togetherness when financial decisions are considered, and help to avoid resentments and disagreements.

Launching and Nurturing Family Philanthropy

A powerful legacy of contribution and philanthropy includes the whole family, and is perpetuated by making charitable awareness an integral part of the fabric of the family. Participation in family philanthropy can begin at a very young age, and in fact can have the greatest impact on young children. The first step is developing a family foundation or other system that makes philanthropy possible and real, and that dedicates a set amount of family assets for this purpose.

Many families set up a "contribution lock box," assets dedicated to philanthropy and contribution, which can take the form of a family foundation, donor-advised fund, or other simpler vehicles. Once established:

- The lock box is funded regularly, and all stakeholders are kept informed about its progress.
- The family meets on a regular basis to review the lock box and to make decisions about future contributions. We recommend quarterly meetings, perhaps to coincide with family retreats.
- All family members are provided with information about the assets available, and are given a vote in funding decisions.
- Each family member is offered the opportunity to identify a charity or other contribution source to consider for support.

Installing Gratitude as a Core Value

Many families have found that gratitude is a critical habit for developing a successful legacy. It is a key weapon in fighting one of the primary causes of dysfunction among future generations: the feeling of entitlement. Heirs who feel "entitled" do not value the family's wealth, and take no responsibility for stewardship because they take wealth for granted. Families who foster gratitude teach future generations a deep respect and appreciation for the blessings in their lives.

> *"The most surprising development about the expanding world of abundance in the 21st century is that it most richly rewards those individuals who are increasingly grateful for every aspect of the extraordinary world that is being created around them. To the degree that you are grateful for what you have, you will get more of what you want.*
>
> – Dan Sullivan

Gratitude is the single most important skill distinguishing families who achieve genuine wealth and significance, and those who do not. However, it is also a skill and mental habit that must be practiced and reinforced to engrain it in the family. Core elements of the gratitude system may include:

- Developing a deep commitment to charity.
- Creating a system of "gratitude reminders," or small family occasions to discuss the importance of gratitude and reflect on the family's blessings. These reminders may be built in to the agenda for family retreats.
- Frequent "positive focus" discussions, at least at annual retreats.
- Taking time daily to reflect and celebrate daily achievements of the family and individual family members.
- Developing a system for recording, sharing, and learning from positive experiences.

Family Governance

Some families develop formal written family governance rules and supporting structures. Family governance is a system of agreed-upon principles, policies and day-to-day practices that are followed by the family members, with three primary goals in mind:

- Create a system of rules and protocols to manage the competing and interrelated interests of various groups within the family, in order to define each group's roles and boundaries and support the family's collective vision.
- Develop a process to enable the family to gain a sense of direction, make decisions and communicate shared values, mission and vision to its various constituents.
- To operate as a tool that enables the family to recognize and manage specific family, wealth, and enterprise dynamics.

Many successful multi-generational families may wish to formalize the rules and protocols they wish to follow as a family, and to reduce these guidelines to writing. This document becomes a kind of "family constitution" that must be followed in making financial and enterprise decisions that all family members can agree upon.

Systems To Preserve Financial And "Genuine" Wealth

Many of our client families manage their financial wealth by creating three separate family asset pools:

- The ***Security Lock Box*** is designed to house those assets required to provide for the lifetime financial security of the wealth creators.

- The ***Contribution Lock Box*** is designed to house those assets dedicated to philanthropy and contribution.

- The ***Family Wealth Lock Box*** represents the long- term financial legacy of the family, and is designed to house the assets that will be available to family members in the future for productive purposes. The assets in this lock box are dedicated to helping successive generations cultivate long-term wealth.

The Family Wealth Lock Box may be a structure designed to protect the family's financial assets from frivolous lawsuits, taxes, and other unintended consequences. The purpose is to create one or more legal entities capable of holding and protecting these assets, sometimes in perpetuity. More importantly, it can help cultivate the family's human and intellectual capital for generations to come, by setting clear guidelines on how the money can be used.

For example, this lock box may be established to work like a "family bank," similar to the Rothschild family's, that allows access only for specific purposes: education, starting a business, or buying a new home, for example. It is typically open only to adults in the family, and it can make loans. The family governance documents would set guidelines about how the money can be used.

A Lock Box for your "Genuine Wealth"

Along with lock boxes that store the family's financial wealth, many successful families seek to perpetuate their legacy through systems that document and pass on the family's other kinds of capital: human, intellectual, social. These families hope to preserve their work ethic, habits, skills, knowledge, experience and relationships, just as they would invest and preserve their financial assets.

The family retreat agenda should allow time and space for members to share their experiences since the last meeting. Members of all generations should discuss what worked and what didn't work in their lives, from business ventures to personal experiences, and the knowledge they have gained in the process.

Ultimately, the family may want to consider a repository, online or otherwise, where written records may be made of these experiences and this knowledge. It might also include recorded interviews with family members, family photos, and other important reminders of the human and intellectual assets of individual family members. This repository can act as a family history that ensures that future generations will have access to the experiences, knowledge, and character of those who came before them. It can also be the foundation of a long-term family history, to help perpetuate the original wealth creator's values and instill an appreciation for the hard work that built the family fortune.

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