

Who Will Be The Champion Of The Wealth Inheritor?

By Charles Lowenhaupt

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GLOBAL ADVISORS

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Who usually gets treated the worst when a wealth holder, his wealth advisor and his child deal with the family fortune? The wealth inheritor.

That may come as a shock to wealth holder parents who believe they are doing everything they can to help their children be successful and their wealth advisors who are supporting the “next generation,” but it’s no surprise to wealth inheritors. Too often, they are mistreated by their parents and mishandled by their wealth advisors. The result: Many wealth inheritors are miserable.

Wealth advisors can do a world of good for individuals and families of significant wealth if they realize the plight of the wealth inheritor and redefine their role as advisor.

Feeling Trapped

Like their wealth holder parents, wealth inheritors need guidance. They need people on their team committed to them. They need mentors who will help them self-actualize. They need champions.

Wealth advisors are uniquely positioned to serve as the champion of the wealth inheritor. Unfortunately, that doesn’t happen today.

The reason is that the wealth advisory community is too beholden to the fee-paying wealth holders. More often than not, advisors help parents enforce their values at the expense of their wealth-inheriting children and grandchildren.

The craze to have programs “for the next generation” is a good example. These programs are usually advisors pandering to the parents. In reality, wealth advisors are giving the parents what they want for their children, but they are not providing what the children need.

The following story of a “well-educated” wealth inheritor, a boy coming from a very wealthy family in the financial services industry, is illustrative of what frequently occurs.

The boy took courses in how to manage wealth, while I was tutoring him in tenth grade English. He was not working hard and, in desperation, I told him that he had to learn to write a sentence if he ever wanted to be educated. “Mr. Lowenhaupt,” he said. “You and I both know that all I need to learn to write is my name on the bottom of a check.” He didn’t need that “next generation education” offered by his parents’ bank. He needed to grow up!

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I had a similarly enlightening experience several years ago while giving a talk to a group of wealth holders. I rhapsodized about the importance of freedom from wealth—becoming all you can become. After the program, three young wealth inheritors came up to me and said they all were passionate about that idea—gaining freedom from the burdens of wealth. Each one wanted it. One told me: “I hate sitting through investment presentations at family office meetings. I want to be out in the world building my business.” Said another: “My parents expect me to sit at a desk wearing green eyeshades.”

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These inheritors need a wise wealth advisor who can champion their individuality, help them develop their ideas and ambitions, and grow up to become satisfied adults. That kind of help is not likely to come from their parents’ wealth manager because of the way many advisors conceive of their role today.

A Timeless Battle

The dynamic between parent and child over who controls whom is as predictable as the rising sun each day. As a parent tries to win the battle, it almost always has negative consequences for a family.

There was one family I know in which the wealth holder father and his adult children were at constant odds over the family fortune. The father hired advisors who put together family retreats and family sessions about the “family money” and how to nurture it. Away from those sessions, the adult children complained bitterly that their father was arbitrary and “unfair” with the family money. They had in mind what dad expected of them in terms of treating money responsibly, but they accused him of being controlling.

An objective advisor, one who was not dependent on servicing the father’s wealth, finally came into the picture. “Whose money is it after all? Isn’t it your money?” the advisor asked the father. “It is my money, but no one ever put it that way,” the father replied. After some honest and lengthy discussions led by that advisor, the adult children accepted that it wasn’t the family’s money at all. It was their father’s money. In fact, Dad could do whatever he wanted and could make whatever rules he wanted. Once that became clear to the adult children, they got on with their lives. They didn’t need a wealth advisor or manager. Dad did.

Asserting Control

There is at least one clear solution to the challenge of parental control: Wealth inheritors need to assert their own independence. Unless they do, wealth inheritors will forever be under the thumb of their parents and their parents’ advisors. If the wealth advisor and wealth creator are

supportive of the wealth inheritor taking control, so much the better, but that is uncommon. It is up to the wealth inheritor to take charge of his or her life and find a way to live it without parental control.

The advisor community, rather than helping parents keep control, should actively promote “next generation” independence – even if it means the wealth inheritor will have to walk away from the family fortune to become fully in charge of their own life. The wealth counselor should help the wealth inheritor evaluate the advantages of independence and its sacrifices. The advisor should also recognize that independence should almost always prevail, even if the wealth counselor loses a portfolio to manage.

Had a wealth advisor done that for one of the richest men in Asia, a family disaster could have been averted. The wealth holder had one child, and he used his money to try to control his son. His son was unhappy with his father’s behavior, so to assert his independence, he joined a monastery. As a monk, he lived a very satisfied life under a vow of poverty and had little contact with his father. The father was miserable, but the son felt liberated because he was free of his father’s dominance. The son never had the need for a wealth advisor! But what a shame that neither the son nor the father had an advisor who could have helped them through these challenges.

Self-Actualization Is The Answer

That monk may be the exception. Often, if the wealth inheritor decides to self-actualize and live life on his or her own terms, the dynamic between child and parent changes dramatically. Once a wealth inheritor asserts control, the parent often reconsiders the overbearing behavior. Most parents don’t want to lose a child, particularly if the child is leading his or her life positively and decisively. Many parents are actually trying to exert control to help the child lead a fulfilled life.

To self-actualize, wealth inheritors need the freedom to become all they can be without controlling wealth creators or wealth advisors getting in the way. Advisors can help the wealth inheritor by developing big ideas. This includes showing individuals how to put wealth in its place and finding innovative new ways in which wealth can provide meaning to the wealth inheritor’s life. This self-actualization process for the wealth inheritor may take years and is not a straight line. But it’s the journey that matters.

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If wealth advisors actively support and encourage the wealth inheritor’s self-actualization, the advisor can help the family transcend generational differences and play a key role in the family’s collective happiness. If we in the wealth advisory business take this responsibility seriously, we can provide the ultimate goal: Freedom from wealth for the wealth holder and wealth inheritor.

Charles Lowenhaupt is Founder and Chairman of Lowenhaupt Global Advisors, a family office with a 100-year legacy of working with individuals and families of significant wealth. He is also co-author of the book, Freedom From Wealth by McGraw-Hill.

For more information, contact Lowenhaupt Global Advisors, 314.345.8181, www.lowenhauptglobaladvisors.com.

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