

Immigration To The Land Of Wealth

Taking on new wealth is like adapting to a new culture. BY JAMES GRUBMAN, DENNIS JAFFE AND KEITH WHITAKER

FRANKLIN D. ROOSEVELT ONCE REMINDED the Daughters of the American Revolution that, as Americans, we are all descendants of immigrants. Notwithstanding the minor inaccuracy of his statement—Native Americans would beg to differ—his point was that even the most-entrenched families of our culture began somewhere in humbler circumstances. When our ancestors stepped off the boat, they faced a huge number of choices: how to interact with the natives, how much and how quickly to assimilate and how strongly to orient their children to the past or the present.

Most wealthy families in America are in an analogous situation: They are, by and large, immigrants to the Land of Wealth. Between 70% and 85% of those in the upper 2% of wealth arrived at their position within their lifetime. That means the overwhelming majority was raised in a lower economic class.

Just as we all have a family of origin that shaped our beliefs, identity, habits and cultural views, we have an economic culture of origin that shaped us in similar ways. As people “move on up” via business success, investment skill or fortunate marriage, it is as if they migrate from one culture to another. Like all immigrants, they carry memories and attitudes from where they grew up. They and their families then face the challenge of learning how to successfully adapt to the new culture.

The Dilemmas Of Assimilation

This challenge creates many personal



difficulties. Economic immigrants import notions of how individuals and families should behave, drawn from their blue-collar or middle-class homeland. They arrive with stereotypes about wealth and often guess how to act, spend, dress, even talk.

Some never lose the sense of being an imposter, a stranger in a strange land, while others plunge into the new culture as quickly as possible, anxious to scrub away all vestiges of the old country.

Some stand apart, never assimilating, never belonging. They feel embarrassed when they visit family or friends and are besieged by people who ask for money or seem to resent them. They may feel they have to hide their wealth or they may delight in conspicuous displays of their new riches.

From Whence They Came

The root of the struggle differs from scenario to scenario, but the challenge of adaptation is a common thread.

Wealth's immigrants have experienced economic transition as a positive force. They have lived the American dream of overcoming hardship to achieve the good life. They know risk as opportunity. However, this ascent brings with it the new task of adjusting their self-image and finding new purpose at journey's end. The challenge for immigrants is to adapt continually to new circumstances, while parenting or grandparenting children who are looking for guidance in their fundamentally different world of affluence.

Natives, on the other hand, seem to live in Alice's looking glass. For them, the family's transition upward may be a vague memory or a distant tale from long ago. Conservative as investors and cautious to preserve their status, they often think of financial risk as more likely to move them down the economic ladder. Personal financial transitions may be frightening, not exciting. Because they have no history

of overcoming hardship, risk is seen as danger, not opportunity.

Native heirs have their own identity crisis—the challenge of growing a strong personal identity and sense of purpose out of the background of wealth. An inheritor may feel like a mere appendage of a family name or an estate plan. If wealth's natives do not find ways to build identity and purpose, they may achieve neither personal happiness nor the strength to claim their personal dreams.

Arrival by marriage—an intercultural union, to follow the analogy—adds further complexity to new wealth, since prospective spouses can be drawn from any of the available economic cultures. The newly wealthy face the same dilemma as geographic immigrants. Do you marry a native who knows the land more intimately than you do or someone who shares your roots? Each choice has benefits and risks. All too often in families of wealth, new immigrants by marriage are greeted suspiciously as dangerous arrivistes from the old country. In fact, immigrants by marriage have much to offer if they bring the old-country values of responsibility, initiative and work ethic. But cross-class relationships of blue blood and new blood face many challenges that spill over into the next generation.

Vulnerable Outposts

With so many people acquiring wealth and others joining by marriage and by birth, why are only about 20% of wealth holders second generation or later? Why doesn't the Land of Wealth swell with natives who preserve the hard work of the first generation and deepen the roots their forebearers put down? Instead, the Land of Wealth is a frontier of often short-lived outposts. Many descendants find themselves eventually deported from the land their ancestors struggled to reach.

The reason may not lie in bad investments or punitive taxes. It rests largely in the sociological complexity of immigra-

tion and adaptation. Parents make it in but can't teach their kids the skills needed to stay.

One pattern is based in the nature of wealth creation through entrepreneurship, especially a family business. Wealth creators are often strong-willed, persistent, creative and unafraid of risk, with a strong work ethic and sense of responsibility—characteristics shared with geographic pioneers. The stories of their journey become dinner-table sagas that teach young listeners the value of perseverance, creativity, purpose and initiative.

But the special qualities that enable the first generation to amass wealth may not serve them well in creating an environment for preserving wealth. Virtues in business are often vices in parenting. These economic pioneers may want to control decisions and not seek counsel. They may find it hard to let go and tend to dominate conversations and choices. This sets up a frustrating family climate that causes heirs to make poor decisions in relationships, business and life. The result is exile from the Land of Wealth.

Immigrant Parents, Native Children

In the face of these challenges, the analogy of immigrants and natives tells us much about how to sustain generations of wealth. The key is that immigrant parents must raise children well in an unfamiliar world.

Being an inheritor brings risks as well as benefits. Substantial wealth makes life more convenient, but spirits many transactions away from sight, impeding the learning of money skills by children. Wealth can reduce needless suffering and the struggles that build character. It can open doors but also provide improper rescues. Having access to great resources can inspire confidence, but just as easily foster a feeling of entitlement or angst. Without the steady, wise hand of a parent, wealth's children get lost—and lose.

Being rich does not spoil people. The culprit is inadequate parenting.

To hold together, wealthy families need to recognize that parents and children face challenges in identity, communication and skill building. "Arriving" changes parenting, but it does not mean parents can abdicate it. For example, using an allowance as a training tool—rather than a prize or a payoff—addresses the inheritor's need to learn and the parents' responsibility to teach. Good parenting should also be part of estate planning. Well in advance of creating restrictive or disempowering estate plans, a family should discuss the decision with everyone. In the long run, it is better to train the beneficiary than to control the money.

But first, immigrant parents must carefully adapt to the realities of the new culture. Rigidly following an old playbook is no more helpful than throwing out the rules altogether. The lessons learned in middle-class life must be retained yet adapted to the Land of Wealth if succeeding generations are to prosper.

The process is like a preflight oxygen mask lesson. Parents must first learn the lesson themselves and then aid their children. Once acclimated to the new environment, parents can give their family the tools they need to navigate the shores of wealth. They should be open, communicative and seize upon opportunities to pass financial knowledge on to the next generation.

Common Scenarios

One way the newly wealthy respond to the challenges of parenting is to follow Warren Buffett and other prominent role models in giving most of their money away rather than to their children. This is unselfish and socially responsible. But if done without an explanation or discussion, it can send a confusing message to the next generation, who may feel punished or confused about what is expected of them.

Another path is to create restrictive

Adapting To A Financial Nightmare

Market events the past two years have affected many affluent families along the fault lines characteristic of wealth's immigrants and natives.

Many among the first-generation wealthy have experience with financial peaks and valleys and adjust spending accordingly. We've seen many wealth creators take today's turmoil in relative stride—by calmly adjusting the risk profile of their portfolios, for example. A few have even tried to find opportunities amid the turbulence.

During this crisis, however, some in this group are uncomfortable with outside advisors handling their investment risk. For them, it's like watching someone else steer their family's ship through a hurricane—especially if this is the first crisis they are experiencing since a liquidity event. As a result, asset managers have been contending with multiple calls and e-mails, as well as angry recriminations, by clients critical of how things have been managed.

For wealth's natives, things are more complicated. Many have no experience living through a major downturn. In denial or feeling entitled, some in the second or third generation continue to spend unchecked, resisting suggestions they need to be more prudent for a while to live within the family's diminished capacity. In good times, these overspenders can frustrate a family. In bad times, they can cause conflict—to the point where their financial support may be cut off.

At the other extreme, some heirs are panicking that their lifelong security may disappear. They live with little sense of self reliance or vocational competence so they aren't sure they could support themselves if their family income were reduced. These natives of wealth feel helpless, dependent and anxious despite the fact the family's resources are more than adequate to support them.

The latest bear market has starkly revealed the true nature of each generation. Wealth's immigrants revert to their roots by living with risk, adversity and independence, while natives are learning how to do this for the first time. The market volatility provides family members opportunities to communicate and empathize with each other, to learn and to bounce back, as the markets always do. Advisors have an equally strong role in comforting each generation with individual guidance and support.

trusts and assign trustees perpetually in loco parentis to monitor choices about spending, education and even relationships. This results in children feeling their parents do not trust them—as indeed they may not. Succeeding generations then feel they will always be children, albeit to surrogate parents—the trustees.

Allowances are another tough spot for

many immigrant parents. Some adopt the middle-class playbook rigidly and say, "I didn't get money for being part of my family and I won't give 'handouts' to my kids." Others become human ATMs, supplying their kids with ready cash but little decision-making experience.

Some parents create a false middle-class life in which the wealth is denied, no one talks about money and children learn to

resent wealth rather than learn how to preserve it. Or they forget the old-country values altogether and only learn how to spend.

None of these strategies is necessarily wrong. But when these methods lead to stasis or, more commonly, infighting within the family, immigrants and natives are unable to sustain the outpost settled by the founders. They move "from shirtsleeves to shirtsleeves in three generations," as the common proverb has it. The point is that immigrants to wealth have to face whether their choices about money reflect their own experiences and uncertainties or a true understanding of what their children need for guidance.

Getting Help

It's rare for wealthy families to transform themselves from founding pioneers to established citizens in the Land of Wealth. This difficulty may explain the failure of outposts across generations and most natives' return to the economic old country. But there is hope. Just as waves of immigrants inspired mutual aid societies, religious groups and governmental agencies to help newcomers adjust to American culture, the same is happening in the Land of Wealth.

Several resources exist to guide wealth-creating families and their native children. These range from classic texts on parenting for financial literacy (*Silver Spoon Kids*, *Children of Paradise*, *Raising Financially Fit Kids*) to guidebooks on what it takes to sustain families of wealth (*Wealth in Families*, *Family Wealth: Keeping it in the Family*). Parents can attend educational seminars for themselves and their children. Advisory firms offer in-house consultants and external counselors as part of wealth management. Perhaps most powerfully, peer communication within the wealth holder community—whether through philanthropic organizations or membership groups such as the Institute for Private

Investors, Family Office Exchange or Tiger 21—allows families to share difficulties and solutions. The insularity and secrecy typical of wealth is dissolving.

Affluence does make life easier. But while everyone seeks relief from economic stress, few are prepared for the impact money has on relationships and parenting. It does not have to be so. With careful guid-

ance and thoughtful attention, families of wealth can meld the best of the old country with the new land's good fortune. *Rv*

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