



**The Next (Rising) Generation: A Conversation between
Jay Hughes Jr. & Richard Orlando**

Podcast Transcript: Part I

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Richard Orlando, Ph.D.: Hello and welcome. You are listening to a broadcast on the very important topic regarding preparing the next generation in the context of family wealth. I am Richard Orlando, CEO & Founder of Legacy Capitals. Today I'm joined by a very special guest, Jay Hughes. Jay Hughes is a pioneer, thought leader, and practitioner in the field of family wealth. Jay has authored and co-authored a number of books, one of which is titled, *Family Wealth: Keeping it in the Family*. Over the past few years Jay Hughes has been a dear colleague and a friend to me and we have talked about numerous topics pertaining to how families can flourish in the context of wealth. Jay and I recently began a conversation about the vital importance of preparing the next generation which will be the focus of our broadcast today. More specifically, in my new book, *Legacy*, that was recently released, I address this very important topic. Jay Hughes has a new book coming out in the fall on the issues of the next two or three generations following the founder. Jay is kind enough to share a preview with us today. Welcome, Jay, and thank you.

Jay Hughes Jr.: Richard, it's a *great* pleasure. I am looking forward to a conversation with you, and the possibility - that as most of us hope - one person we will never meet, will listen and be helped.



Richard Orlando, Ph.D.: Thank you, Jay, let's begin with you providing the listeners with the central theme, or themes, of your upcoming book that will be out in the fall.

Jay Hughes Jr.: (Me and) my colleagues, Keith Whitaker and Susan Massenzio, who are authoring the book with me (and are also the co-authors of a book that came out in October, 2012 called, *The Cycles of the Gift*), are endeavoring to move the word *next* to the word *rising*. While the next generation term is very well established in many fields, we are concerned that it suggests a kind of dynastic succession when, in fact, the core question is the individuation of each separate generation and the members in it. We are using the word *rising*, which we hope will be more accessible to people and remove, to some extent, this dynastic sense of succession. The theme of the book, Richard, is giving voice to the rising generation. Our concern, and my particular concern for many, many, many years, has been the deafening silence - particularly of the second generation - in the face of the *enormous* creativity and *enormous* voice of what we see often as the creator or founder generation.

I have long felt that the silence of the second generation, a deafening kind of silence, has much to do with its inability to differentiate beyond the founder's dream to find its own dreams, and thus, when the third generation emerges in those families, it is hopeless because the third-generation has no parents, nor pattern of individuation itself and the realization of its dreams. So, our conversation in the book will be a conversation with each rising generation and the different stages of life of members of those generations on how each member might find his or her voice - and that individual voice that will lead to their individual freedom and happiness. Rather than,



and I end here with the reality that when the founder/creator's dream ends, which of course it must end with that person because dreams are evanescent and we cannot in fact dream another's dream, that consciousness our species does not have.

So essentially, Richard, one of the images in the new book is that when the founder's dream begins to dissolve with his or her passing on or infirmity, what we think happens is the dream is so big and so enormous that like new suns, eventually these dreams must collapse, and they collapse into black holes - that is how our universe works. The problem with black holes is not that they are positive nor negative - they simply are forces in the universe - the problem they pose, which we think is what happens as these dreams dissolve, is that their gravitational pull is so strong that it brings inside of their vortexes all of the members of the rising generations and extinguishes their dreams. That process of the extinguishment is the rising generation spending their lives stewarding "someone else's dream." They don't individuate - their own dreams don't come to life because the vortex of the collapsed dream, or the now dissolved dream, is so great that it pulls in *all* other forces in the family system.

Including the tragic reality that nearly all Advisors that we have studied, without intending to do so, as they follow the money and the structures the money creates, as that dream becomes structural rather than actually acting. As the Advisors create those structures, and as they follow the money that goes into those structures, they themselves cease to be able to help the rising generation individuate because they themselves are in the black hole of the founder's dream. To illustrate the odd thing about that, Richard, is 95% of rising generation members do not use the



founder's or parent's advisors. They somehow intuit that those advisors – while well-meaning and often trustees and directors of companies and all kinds of things - are not interested in them and their process of individuation but are rather interested in the ongoing development of the residue of the creator's dreams. Which means, that in fact, the Advisors cannot serve the rising generations because their client is the black hole. They have a client, and it is a fine client, it just isn't the client who is the second and rising generation.

Richard Orlando, Ph.D.: Thank you for setting the stage. One of the things that excited me, and I was looking forward to continuing our conversation and bringing this conversation to our listeners, is how you connected the relationship between the generations and reframed it. I love that reframe of the next that might connote a perpetuation of something else from a prior generation, versus a rising - their own unique journey - with the role of the adviser. I know that was one of our goals was to speak with both audiences, those who serve the client family and actual family themselves, the multiple generations of the family. I look forward to going further and exploring more of these ideas together. If I can just ask this question, I know it is something that you and I talked about, "Why is this important?" - I remember just a couple of thoughts in our conversation around -- it is important for many reasons and I just want to put one out there and listen to your thoughts.

One, is it important from an individual's perspective - or we will call it that rising generation's perspective - of what it would take for them to flourish in their lives as they defined flourishing? It is also potentially relevant for that correlation to passing on the more concrete tangible of



financial capital, which as you are aware of both in practice and in the research, that one of those variables on why wealth may not be successfully transferring across a generation is the lack of readiness - if that is even the right terminology for what that means for wealth to transfer. Give me your thoughts on a little bit of why is this important?

Jay Hughes Jr.: The underlying question in all families is a proverb shirt sleeves to shirt sleeves in three generations. It's universal culturally, that means every culture on earth has the proverb - and what does it express? It expresses enormous suffering, so the “why” question you have raised is essentially about suffering. What does the proverb mean? Well, it first says that in an act of enormous generativity and creativity an individual takes energy and makes it material - it is a God-like act. In this universe the rules are anything that becomes material must go back to energy...the law of entropy, the second law of thermodynamics, whatever anyone wants to apply. So, essentially, in the first generation of the family, however we define it in this creative generative act, creates something enormous and creates family in some partnering action. The proverb then says that the second generation will change its way of life, its values will go on the opera board and the third-generation will spend the property out, dissipate it, and the fourth-generation will be back in the rice patty wearing shirt sleeves.

Now that is easy to say one, two, three, and out. It is normative, I mean again, every culture on earth has this proverb. It is as old as writing, it is in the Bible. But what isn't seen in that proverb is the enormous suffering of the third-generation as the bonds of materiality break and the family dissipates and disappears. Of course, some symbols for some of our listeners might be



entitlement, dependence, trust funder-itis, remittance, addiction, many, many, many different terms define and describe this breaking of the bonds of materiality. But what the terms don't do is describe the silent suffering of the second generation as it does not individuate, as it doesn't bring its own dreams to life. So the third-generation has the suffering of the breaking of the bonds. I think the “why” question - why it matters - is because none of us in this field want people to suffer, so we seek to find a way to avoid that suffering.

Now, if we made a positive, why does it matter? You were kind enough to mention my book, *Family Wealth, Keeping it in the Family*, and in that book I said that the antidote to the shirtsleeve proverb lies in a family deciding that its purpose is to enhance the individual journeys of happiness of each family member toward the whole family flourishing. If the family does have the intention - very hard work here, as you and I both know, my dear colleague, very hard work - if a family has the intention to postpone, *not avoid*, postpone, the proverbs statement for many generations, hopefully, not just for one or two, then I believe it has to form the intention that its purpose is to enhance the individual journey of happiness of each family member toward the whole family flourishing. Now why do I repeat? I repeat because that intention is the critical first step, and the question of enhancement of the individual journeys of happiness of each family member is a question of each family member individuating, discovering his or her dream.

Why am I here? Who am I? What are my goals and aspirations? The whole family's intention being to enhance that individual's process of individuation of happiness -toward the whole family flourishing. All the boats rising would be away that many of our listeners can



immediately understand what I am saying. The purpose of the family is to have all the boats rise. Now, what it isn't, and I think it is enough on "why" - what it is not, Richard, is seeking to grow the financial capital *only* - that is death. Because all that is stewarding the original dream, which has gone away, it is evanescence, it has disappeared with the death of the founder. The dream is gone, it can't continue after the life of the dreamer. So if the concentration is on the financial capital, then by nature that family must fail. The real question is, again toward the enhancement of the individual journeys, of happiness.

Does the family understand its human capital...its intellectual capital... its social capital...its spiritual capital? Does it understand that its task is to grow those four capitals? Their human selves, their intellectual selves - what they know, what they can share - their social selves, how they deal with their decision-making, how they deal with the world philanthropically, and then most importantly, their spiritual capital. What is that spiritual capital? It is the intention to do something much larger than any one member. It is to enhance all the people's journeys of happiness toward the whole family flourishing. So that's the "why," I think. Does that make any sense, my colleague?

Richard Orlando, Ph.D.: Well of course it does. As you know, because you were kind enough to read my book, I talked about the over weighting on the financial capital. The overweighting tends to be on the financial capital, or preparing the financial acumen of the subsequent generations, and I think it is more important to frame it as preparing their Life IQ (not just their



Financial IQ). Life IQ is about having the knowledge, skills, and experience to flourish in any context.

Jay Hughes Jr.: Yes, your wonderful idea of the IQ that you expressed in your book - and I have said this to you before, is to understand that in the building of those skills and capacities it isn't an intellectual transfer of a coach or a book. It is an experience that leads the person to be more resilient. One of the problems that you and I said to each other is if you concentrate on the financial capital you are not building any human resilience in the system - other than if it is all lost what are they going to do? But essentially life - as it is lived by everybody, even the silent people that we are talking about who no one seems to care about their dreams - life lived has ups and downs. In those downs, if we haven't grown resilience through the IQ (emotional as well as intelligence), if we haven't grown resilient then when the downs come or even when the ups come we will not be able to adapt to them.

Evolutionary biology, evolutionary psychology, any area of life now that looks at the evolutionary process always says any system is only as good as its capacity to adapt to the challenges life throws at it. The quality needed to adapt, that we learn in science and we learn in art, is resilience. If the organic system is not resilient it will not adapt. So, again if we come back for a moment to the black hole, if the system of the rising generations, however we look at them and whatever generation we are in, if those rising generations are not individuating, those members are not individuating, which means using the skills and the processes that you so beautifully enunciated in your book - if they're not doing that then they must be doing something



else. That something else may be just sitting, waiting for life to overwhelm them. By the way, there is an image in the new book that will come out in the fall, which we use very often in the question of action, and that is the image of the frog in the pot. We all know that if the cook turns the temperature up every few minutes the frog boils and becomes dinner. Most frogs in these families, I am sorry to say, ends up boiled unless they use your techniques and systems to become more adaptable, and thus, more resilient. Then guess what...they're the frog that jumps out!

Richard Orlando, Ph.D.: Jay, I have found, although there is always an exception to the rule, that families unintentionally cook the frog. They are so busy with life, or the dream of the founder, or the demands of the day, that they actually create outcomes, that I don't know if they really want, but they've got it on a slow boil. I feel like the work that you and I, and many others, are doing is really trying to take that word "unintentional" and make it "intentional." So they are living in a way that will have the outcomes that will be in the best interest of all the family members, which I think is where you are playing off that word individuate a lot. For some, that word might sound a little bit different – basically, Jay, is it fair to say that each person becomes their own person; they have their own journey as opposed to perpetuating or stewarding the legacy or the journey of the founder or those who've come before them?

Jay Hughes Jr.: Yes, they are about their own dreams - not at the expense of anyone else's, this is very important. They are about discovering who they are and what their dream is and then actualizing that, bringing it to life. That is one of the things that your book and your whole



practice is about. In addition to the frog image, the new book follows, to some extent, the course of the *Odyssey* and the development of Telemachus into a man, and also the issues that his father faces. It is a very nice structure to work through the kinds of questions that we are talking about today.

In one of the chapters, interestingly the one dealing with 40, 50, and 60-year-olds, not the ones dealing with 20, 30s, and 40-year-olds. We are using the image of a chapter in the *Odyssey* called the *Lotus Eaters*. The *Lotus Eaters* is a chapter in which some of Ulysses' men go to island and they find a plant and they eat the plant, it is a lotus plant. It puts them into the most wonderful twilight sleep, so nothing happens in their lives - they could stay there grazing on that flower all the rest of their lives and nothing happens - but of course it is a form of living death. So, Ulysses has to rescue them and they don't want to leave, they love this kind of twilight sleep, this kind of anesthetized life. Well, one of the things that happens with great financial wealth, if one isn't on the journey of seeking one's individual self and finding one's dreams, is that one can become a lotus eater - what a terrible, terrible tragedy that is for human life. To some extent simply stewarding someone else's life and dream is to be a lotus eater because there is nothing of you in it, does that make any sense? Is that a good image?

Richard Orlando, Ph.D.: Absolutely, the idea that, as you said, it is not at the expense of maybe the family story, the family legacy, the family capitals, but it is in addition to. It is really having the individual not be eaten up by the prior generation's goals, intentions, or maybe un-intentions.



Jay Hughes Jr.: Well, I think that it is often unintentional - I think you're right when you said it isn't that the older or previous generations have any negative feelings for the future, but rather that they are so intentional about the extraordinary creativity of their dreams that they simply have no time to be concerned about others' intentions or often the intention of their own children. Again, not that they lack love - it is simply where attention is placed.

Richard Orlando, Ph.D.: One of the questions I sometimes pose to the matriarch, the patriarch, or the founder is, "What are we preparing them for?" Maybe I should change it to, "How are we thinking about the rising generation?" How one answers, "What are we preparing them for?" has an awakening to it and it goes from unintentional to the intentional. I use the idea that if we were trying to contribute to our child becoming a doctor, that would be one path. If we were trying to create wealth managers, which unintentionally I think is that over focus on financial IQ, that would be a different path - unless they are in fact, for example, going to run the family money, if they are going to build their own family office. How one prepares a rising generation to have a happy and individuated life is another path. I don't think that's the one that is really considered in the way that we're talking about that unintentional vortex that gets created by the founding generation.

Jay Hughes Jr.: Yes, isn't it fascinating that the lives of the founders are about as extraordinarily individual and the actuation of dreams as any life could be? So they are illustrative of exactly what we are talking about. But if they take up all the air in all the space then how do the rising generations find the secure place in which to do the same journey? Not with the same financial



result – no. With the same level of happiness in whatever is their journey of life. Isn't it fascinating that that model exists so powerfully and yet it disappears to some extent into the sort of Godlike actions that occurred the first time and yet it is the same process.

Richard Orlando, Ph.D.: That's powerful, that the very modeling of this individuated life already exists in their family story, now let's allow each generation to create their own version of that.

Jay Hughes Jr.: Yes, and here is the key, but the outcome of that is not necessarily any addition to the family's financial capital but rather its exceptional addition to this family's human, intellectual, social, and spiritual capital. I say it that way because all my life experience in this field, Richard, is that the financial capital is very rarely not taken care of adequately. It is very rare that it is not taken care of adequately, I repeat myself. Equally, very rarely in my experience - if the rising generations are given the true opportunity to go on their journeys to become themselves, to know themselves, to discover their dreams, to actuate their dreams - are any of them interested in being the means by which the financial capital grows? Unless their ability to get the financial capital depends upon them being interested, which is a terrible trap. So if I'm told, "The game is you get these by stewarding it" then that is the game I play because I don't know any other game. Then I am a frog boiling in a pot. If, on the other hand, I have people whose dream is to dynamically preserve my financial capital - that is human beings for whom that dream of doing that for me fulfills their dream - then I can get on with my own life. You see the trap?



Richard Orlando, Ph.D.: Absolutely, the very underlying or maybe covert message is “behave in a way that is going to honor my dream” then the subsequent generations may choose to do that and ultimately defy what they may want, or the generations may want, and this idea that each generation would be able to individuate in a way that would succeed and flourish in the context of whatever that financial capital might be. I think it is the big point you make in your writings around really investing into these other capitals and having the financial capital serve those other assets. As you know, Jay - I believe you’re sixth generation family of attorneys - you were doing that technical work and you came to that realization that the planning was bigger than just preparing the assets for the family. It was really about putting more time into preparing the family for their assets.

Jay Hughes Jr.: Yes, absolutely and I really had a major midlife crisis, in part, over that question, Richard, as I said very honestly in my books. I just found I couldn't go on because I didn't feel I was doing any good. I don't know if I thought I was harming, although certainly those thoughts did occur to me, but I was sure I was doing no good. Because the structures of the financial results of the explosion of the first-generations dream were very interesting to lawyers, accountants, and bankers, they profit from them - the creation of these things. What I discovered, which is one of the reasons I went into crisis, was that the human beings, that is the rising generation, could not operate any of those things themselves. So if dependence is one of the great disasters for a family, as it is for a human being, I was creating structure after structure that were very elegant, and my colleagues were praising my ability, but I realized that I was actually rendering the family members dependent because they couldn't make the work.



But essentially I was asking them to operate legal, financial, other kinds of what are certainly not human relationships with really no capacity to do it. So it was a trap. I decided that maybe the better thing to do was to do what you and I are doing today, and that is consider first what could we do to help the rising generations find their own voices, become what they are meant to be, and then if some of them were interested late in life in managing some of these things because they had discovered who they were and that this was of interest to them, then it was very likely they could learn to operate them because they would have the intention to do so rather than the inherited responsibility to do so. Make any sense?

Richard Orlando, Ph.D.: Yes absolutely and since we've begun to really touch on this idea of the advisor, the trusted advisor or the advisor that service these families, let's take a few minutes to talk about their invaluable role, or potential role in the family's life, it in the family's capitals.

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