

# Acquirers' and Inheritors' Dilemma: *Discovering Life Purpose and Building Personal Identity in the Presence of Wealth*

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*Get to know two things about a man. How he earns his money and how he spends it. You will then have the clue to his character. You will have a searchlight that shows up the inmost recesses of his soul. You know all you need to know about his standards, his motives, his driving desires, his real religion.*

— Robert J. McCracken

*If you want to know what God thinks of money, just look at the people he gave it to.*

— Dorothy Parker

**W**hen a professional advisor sits down with a wealthy client to discuss money management, the focus is typically on the money, not on the person who owns it. Yet personal wealth is never truly impersonal. It has powerful emotional meanings influencing the choices, relationships, and life goals of the owner and his or her family.

This article looks at the experience of the very wealthy family, particularly its members' growth and development in relating to their wealth and its role in their lives. We will look at how various origins of wealth can be a source of internal conflict, how individuals struggle to come to terms with great wealth, and how the quality of their adjustment can influence what happens with the money. This life experience looms large over many areas— financial choices, how individuals face issues

of inheritance and succession in their families, and how people raise their children. In understanding these issues, an advisor can help clients and their families move toward a more satisfying and productive relationship with wealth, something that is often missing in the lives of the rich.

## THE LIFE JOURNEYS OF WEALTH

Much has been written in recent decades about the experiences of the very rich. In the popular literature, in biographies and personal accounts, in psychology, and in family therapy and family business consulting, views of the wealthy have been largely negative until very recently. Beginning with the 1960s rejection of wealth and privilege, some Inheritors began to question their upbringing and their culture through their accounts of self-destructive behavior and confusion about handling inheritances. The mid-1980s brought several landmark studies of Inheritors, drawing back the curtain on many of the difficulties experienced by those raised with wealth. With the great financial gains of the 1980s and 1990s, the newly affluent (many of them young and products of the 1960s) began to articulate a more reflective view about success and sudden wealth. Most recently, there has been a shift toward positive aspects of wealth as exemplified by the turn toward social responsibility and active philanthropy. *Time* magazine's

People of the Year in 2005 were philanthropists Bill and Melinda Gates. We attempt to organize the themes from this diverse literature into a framework useful to the family wealth advisor and to the wealthy family itself. Some of our formulations about personal development will be familiar to psychotherapists but not necessarily to people in financial advising fields.

People come to wealth in essentially two ways: they acquire it during their lifetime through effort or chance, or they inherit it from someone else's reserve. The way by which a person comes into wealth is an important determinant of how wealth affects his or her personality and character. We first explore the experiences of those who acquire wealth, looking at how they must come to grips with their good fortune and how they raise their children under new circumstances. We then examine the very different experience of Inheritors who are raised with wealth, those who come into the world surrounded by the benefits and drawbacks of upper-class life.

Clients' relationship with money depends on where they come from—their personal and family history—and where they are heading with the possibilities inherent in their good fortune. Our goal is to define how the presence of wealth in one's life shapes one's personal sense of self—through the development of a personal identity as a wealthy individual, by one's developmental life journey, and by the legacy that families pass on to their children. We propose that development of an individual's wealth identity moves through stages, ranging from innocence of the power and pain of wealth, through a level of conflict over the wealth, to the achievement of a sense of reconciliation and integration with wealth. For some, there is the potential to achieve a strong and positive life purpose with wealth. Although such a progression is not shared by everyone, the pathway seems universal enough to be presented as a useful model of development. Our hope is that, by learning the inherent dilemmas of wealth and the means of resolving them, advisors can ask their clients "the questions that lie behind the wealth."

## ACQUIRED AND INHERITED WEALTH

*Acquired wealth* can be defined as a significant rise in socioeconomic level within one generation. A hallmark of acquired wealth is the psychological and sociological sensation of *transition*. The individual achieving wealth status travels not across distance but across socioeconomic class, setting out from blue-collar or middle-class

culture toward the promised land of wealth. This journey may be arduous over years of entrepreneurial labor, or it may be a sudden leap produced by the right sequence of Powerball numbers. Either way, acquired wealth involves navigating a change from one social class and culture to another, with all the attendant pleasures, stresses, losses, and new language this change brings. Acquirers of wealth are, in a sense, like immigrants. They undergo the life-changing experience of traveling to a more affluent country from their homeland. This life experience of undergoing a major transition is one of two significant factors about acquired wealth.

A second fundamental point is that these individuals come to their new status having already developed much of their personal identity in the economic culture of their birth. Although personality continues to undergo development well into adulthood, the reality is that many aspects of basic personality are in place by the ages of 12 to 18 (Erikson [1950]; Levinson [1978]). Since the foundation of personal identity is formed largely in the culture and economic class of childhood circumstances, those adults who become wealthy in adulthood must undergo adjustment in who they are. Even for those who achieve wealth early (in their 20's and 30's), many aspects of personality have already been set by the formative experiences of youth. This, then, is the other significant factor: with acquired wealth, *one's identity is partly or wholly established before the wealth occurs*. The task for those with New Money is to find ways to successfully integrate the wealth into identity. We view this as "*The Acquirer's Dilemma*"—the sometimes arduous process of incorporating wealth into the personal identity already in place.

*Inherited wealth* by contrast, describes those of multigenerational wealth who are born into the upper socioeconomic level. They are the natives of the land of wealth, the children, grandchildren, and succeeding generations of those who first made the journey to riches. Compared to the transition in socioeconomic class that acquirers experience, the experience in multi-generational wealth is of *maintenance* of one's class, not transition. Inheritors may be fortunate to improve their wealth status by their own efforts, thereby achieving that rare combination of being both Inheritors and acquirers. More often, wealth maintenance occurs through the skillful resources of the family's wealth managers. Some transition in wealth status may conceivably bring the individual or family to an even more rarefied level of wealth, as in the transformation of a merely rich \$15 million family to an ultra-rich

\$500 million family. For most heirs, however, the fear is of losing the wealth and transitioning downward in socioeconomic class. This may be likened to being expelled from the land of privilege. This risk gives rise to many of the stresses and anxieties reported by heirs. However, the most prevalent circumstance is the preservation of the wealth class already achieved, a task known all too well to be difficult enough in itself.

Following from this first difference between acquired and inherited wealth, there is a second key distinction. For Inheritors raised with wealth, *the wealth is present before the individual*. It exists in the environment, in the home, and in the childhood circumstances enveloping the heir. Compared to acquirers where wealth comes after the establishment of identity, Inheritors begin life as new individuals within the background of Old Money. Young heirs know little of economic cultures other than the land of their birth. Their identity, therefore, is intricately tied to wealth throughout childhood development. Although there are many benefits to this, there also are toxic elements. This then is "*The Inheritor's Dilemma*"—the daunting task of growing a strong responsible identity out of the environment of wealth.

There are common challenges in the lives of people who acquire or inherit wealth that must be resolved in order to live a productive and fulfilling life. The paths, however, differ for acquirers and for Inheritors. They start from very different places and traverse very different landscapes. Advisors to the wealthy need to be familiar with each.

## THE DILEMMAS OF ACQUIRED WEALTH

*God gave me my money. I believe the power to make money is a gift from God, to be developed and used to the best of our ability for the good of mankind. Having been endowed with the gift I possess, I believe it is my duty to make money and still more money and to use the money I make for the good of my fellow man according to the dictates of my conscience.*

— John D. Rockefeller

*The way by which you may get money almost without exception leads downward.*

— Henry David Thoreau

Acquiring wealth is both a psychological and sociological experience. When a person comes to wealth, he or she experiences a shift from one social class and status to another. In the shift, these individuals are seen

differently by others, having access to new opportunities and options as well as relief from the burdens of a financially-strained life. They truly are immigrants to a new land, confronting new situations, expectations, demands, responsibilities, and possibilities. Moreover, those who come to wealth in a public way are perceived as changed people. Their place in their community may be disrupted as other people rearrange their expectations to match both reality and the stereotypes of "the Rich."

Acquisition of wealth comes through two fundamental types of journey, each of which has unique characteristics and psychological adjustments:

- Through one's own sustained effort, or
- Through good fortune or a traumatic event, without personal effort.

Other factors influencing integration of wealth into personal identity include whether the wealth is acquired swiftly or slowly, the life stage at which it was largely achieved, how many social classes are leapfrogged along the way, and the money personality style of the individual.

### Financial Windfall by Effort

Perhaps the most notable psychological benefit of acquiring wealth through effort is that the wealth feels deserved. For some who achieve surprisingly great wealth, the magnitude of the reward may be hard to accept. But for most who acquire wealth by effort, becoming rich is at least the fruit of a good work ethic and therefore may feel justified emotionally. The wealth may feel fair in the sense that it is tied to self-responsibility, persistence through time and adversity, and inherent talent. Wealth creation may be associated with the hallmarks of good psychological traits in identity: resilience through hardship, ability to delay gratification and work toward long-term goals, intellectual grasp of how to deal with people or promote creative talent, and what psychologists have identified as "self-efficacy" (Wood and Bandura [1989]), the sense of self-confidence and effectiveness some people have in getting the job done. Integration of the monetary rewards of hard work is easier for all these reasons, so the Acquirer's Dilemma for wealth creators is often less conflicted and more easily solved than for others.

Many successful wealth owners have time to adjust gradually to their increasing net worth over years, getting used to their new status as their success increases.

There are predictable points, however, where Acquirers confront the reality of their wealth such as retirement, liquidity events from business sale or succession, or cashing in vested stock options. "Realizing" a capital gain in business has both financial and psychological meaning at the moment a signature is put to paper. First-person narratives often describe the remarkably emotional moment when years of hard work, risk, and deprivation are finally transformed into wealth, leaving the business owner and spouse rich but lacking an outside identity, with the loss of social contacts, no place to go every day, overwhelmingly diverse investment decisions, and loss of purpose in life. Liquidity events are both heady and disorienting.

A study by *The Economist* [2001] found a great majority of families who had sold their business felt a sense of something lost in the years after the sale. While these families realized greater wealth, they did so at the expense of connection to the community and to rewarding work. In the end, many regretted the trade-off. Hughes [1999] also notes the sale of the family business can be traumatic for family members as it strikes at the core of the family's identity and focus of energy. Anticipatory fear of this is frequently behind the avoidance business owners display when facing succession planning or retirement. Furthermore, an increase in net worth when the family is already very wealthy may not bring a concurrent increase in well-being.

At an individual level, the psychological makeup of wealth creators is highly relevant both for their own personal adjustment and for the interpersonal dynamics in first-generation families of wealth. Many founders and owners of family businesses are entrepreneurs with creative characteristics that affect every aspect of their lives. Many feel that success has come at least partly because of their ability to keep things under their control. They tend to see success as not due to luck but to their own efforts. They may feel entitled to respect for their efforts and may be used to getting their way because of their wealth. Once they are successful, they are proud of the wealth they have created and want only the best for their families.

Taken to an extreme, however, many controlling or charismatic owners demonstrate a deep vein of self-centeredness or narcissism, contributing to their success but making life difficult for their families (Lansberg [2000], Willis [2005]). As Lansberg [2000] notes,

"Narcissism is often a reason why entrepreneurs choose to blaze their own trails. Once family business founders have succeeded, however, the stature

and privilege success bestows can create an unhealthy narcissism ... characterized by a craving for attention and approval, a fixation with success and public recognition, and a lack of empathy for others. If not understood, this dark side can threaten the health of the business and the competence of would-be successors." (p. 1)

At some point this destructive self-importance and need for control leads to a disregard of the virtues and emotions of people around the wealth creator, including family members. As we shall see later in the experiences of Inheritors, one of the more powerful forces acting within families of wealth may be narcissism embedded within the parenting process.

**Sports figures and celebrities** A subcategory of those who acquire wealth by effort includes those few but fortunate athletes, artists, musicians, and other celebrities who achieve great success in their fields by talent and hard work. Unfortunately, the acquisition of wealth by talented sports figures or celebrities often produces the strained adjustment seen with working-class individuals with sudden wealth syndrome, lottery winners, and beneficiaries of financial settlements, overwhelming them rather than integrating with their personality. Professional athletes, for example, typically are young and naive, have few skills in financial literacy, are easy targets for scams and pressures from family and friends, and don't plan for what is normally a short career marked by frequent injury or disability (Gersten [2005]; Reinhold [2000]). The positive quality of exerting sustained effort to achieve riches is swamped by the many more powerful negative aspects of sudden (and often short-lived) wealth. For every successful Tiger Woods, Oprah Winfrey, or J.K. Rowling whose talent becomes a private industry with well-managed wealth, there are multitudes of highly skilled celebrities and athletes who are unprepared for success in terms of money skills.

### **Financial Windfall Without Effort: Fortunate Events**

Some people earn wealth through years of hard work and sustained effort. Their wealth identity and adjustment benefit from the link forged between self-responsibility and financial independence. For them, immigration to wealth happens gradually but with direction by their own compass and navigation by their own hand. In contrast, some people

arrive at wealth relatively suddenly without having created the fortune themselves. Wealth acquired without one's effort may be easy in one sense, but it arrives without the useful connection between self-responsibility and success.

A financial windfall can happen by several methods without one's talent or entrepreneurial effort:

- Lottery winnings
- Marriage or family member's success
- Straightforward inheritance.

These methods typically do not create the level of riches associated with multigenerational wealth. With the exception of certain multimillion-dollar lottery winners, most recipients of financial windfalls achieve mass-affluent (\$500,000–\$2 million) or high-net-worth (\$2 million–\$20 million) levels. Nevertheless, they represent an important segment of those who escape the socioeconomic cultures of their birth to establish a foothold in the land of wealth.

**Lottery winners** Studies of lottery winners reveal complex interactions among several factors. These include the amount of the winnings; the income, race, and personality of the winner; and, most importantly, the level of financial skills possessed by the winner at the moment of winning. Those who play the lottery tend to be disproportionately low-income, minority, male, and lacking in education, although many middle-class people play the lottery on a less-intensive basis (Bradley [2000]; Clotefelter and Cook [1989]; Clotefelter, Cook, Edell, and Moore [1999]). Lottery players tend to possess many distorted behavioral finance beliefs, such as the gambler's fallacy (if you play long enough you can recover your losses because the odds favor a shift in events) or that gambling is the most effective way to achieve one's retirement nest egg (Shefrin [2002]).

As a result of limited financial education and other factors, many who do wind up winning significant amounts eventually lose their millions as they fall prey to scams and lawsuits, get deluged with requests for loans and gifts by family and friends, and endure the breakup of their primary relationships (Bradley [2000]; Goldbart [2001]; Kaplan [1978]). However, the stereotype of the disastrous lottery winner may not be completely accurate. Some authors have noted that many high-net-worth lottery winners are able to maintain their winnings and live a better life than before (Bradley [2000]; Jones [2006]). The keys to good adjustment after a lottery windfall appear to correlate with those necessary for wealth adjustment

in general: well-grounded personality, a prudent money personality, and (often) spirituality. Absent these, however, there is a high probability that the wealth will not be integrated with identity nor change important behaviors, leading to dissolution of the wealth.

A British study of lottery winners (MORI Study [1999]) found that over half of winners of more than £1 million stopped working upon becoming rich, yet their perception of their social class was remarkably unchanged. These millionaire winners still considered themselves to be working-class, down only slightly from the 60% self-rated as working-class before the win. This supports the view that one's identity remains largely intact for some period of time despite new circumstances that no longer support that identity. In some ways the slowness to change identity may be healthy, preserving a sense of continuity in the self and defending against a disruption in self-image. Yet it also fails to reflect the true change in social circumstances, new options, and family identity that come along with the wealth and which would require integrating one's old identity with the new reality.

**Family members and spouses** Another category of acquired wealth occurs when one is associated with the wealth creator but not directly involved in the wealth creation. This can occur in one's primary relationship to the wealth creator as in marriage or other committed relationship, or as the parents or siblings in the family of origin.

Many spouses who accompany the wealth creator through the long journey toward success feel a sense of shared effort in the wealth creation, thereby experiencing the same qualities of self-responsibility, work ethic, and fair compensation that support the wealth creator's own adjustment to becoming rich. Spouses' participation takes many forms. They work other jobs to bring in income while the family incubates a business. They care for the home and children so the entrepreneur can focus on work. They lend emotional support in a true partnership marriage. By contributing indirectly but meaningfully to the wealth creation, they then feel justified in sharing in the rewards. Having a solid, frugal, and hard-working spouse whose values coordinate with the wealth creator has been found to be a significant predictor of achievement of high-net-worth status (Stanley and Danko [1996]; Stanley [2000]).

Adjustment can be more complicated for spouses or family members who are bystanders to the wealth acquisition. This can occur with second wives or husbands, romantic relationships developed after the wealth is in place, and siblings or parents. In essence, these people

get to immigrate to at least some level of wealth virtually overnight. Emotional adjustment for those near the Acquirer can be complex.

Generosity toward parents, siblings, and friends is both a common benefit and a frequent area of tension that arises when acquiring significant wealth. Family members who are granted a share in another member's success may struggle with a sense of guilt for not having contributed to the bounty of the family. They may also feel dependent on their benefactor for his largesse. This underlying sense of feeling "not deserving" may wear several faces. One may be a persistent sense of guilt, embarrassment, or anxiety that detracts from enjoyment of whatever wealth is shared (Domini, Pearne, and Rich [1988]). The other, perhaps more toxic response, turns the lack of deserving outward into a sense of entitlement, claiming ownership where none is due. Either way, those near the Acquirer endure a particularly strong dose of the biases many people believe about money bringing happiness. These biases incorporate the unique mixture of envy, resentment, admiration, and disdain with which the world views the Rich, the "hostile envy" mentioned by Bork [1998]. Without having worked hard to create the wealth, however, wealth's immigrants-by-relationship must find ways to reconcile their good fortune with their prior identity.

***Straightforward inheritance*** Perhaps the most common method of acquiring wealth in midlife without having worked for it is via inheritance from someone in the family system. The reader may question why this method doesn't appear later in the section on inherited wealth, since inheritance is apparently the active process. We distinguish here those individuals who grew up in working-class or middle-class homes, developing middle-class identities and working for a living out of necessity most of their lives until an inheritance comes to them from the death of an aged parent, grandparent, or proverbial rich uncle. These Inheritors are not raised with wealth and so have much in common with others coming into wealth suddenly or by no effort of their own.

If the relationship with the benefactor was loving, pleasant, or simply innocuous, individuals receiving a substantial inheritance in midlife may experience predominantly positive reactions to their good fortune. Nevertheless, their journey toward acceptance of the wealth may have many aspects of *sudden wealth syndrome* with its complicated emotional palette, detailed below. They will also have to contend with the impact of their new status on

the family system including changes to children and grandchildren, choices about estate planning, and entry into the world of trusts, charitable giving, and perhaps even new purpose in later life. We explore the range of these adjustments in our discussion about Coming to Terms with Acquired Wealth (below).

### **Financial Windfall Without Effort: Negative Events**

For a few individuals, wealth arrives as a by-product of an unwanted, often traumatic event. These immigrants are distinguished by having been transported not only suddenly but as a consolation prize for enduring something highly unfortunate. Common events include the following:

- Sudden or complicated bereavement.
- Insurance settlement after injury.

Recipients of bad events mixed with good fortune experience a unique set of psychological stresses. Just as murder, death of a child, or death without recovering a body complicate normal mourning (Rando [1993]), receiving money through a traumatic event can severely taint the windfall and alter the already-difficult adjustment to acquiring sudden wealth. The money may be so contaminated by the circumstances of its arrival that adjustment may be significantly delayed or aborted altogether. Moreover, the psychological disconnect between everyone else's pleasure at the money and one's own angry confusion about it compounds the process.

***Sudden or complicated bereavement*** Some inheritances are strongly overshadowed by either the circumstances of the death or the complexity of the relationship with the donor during life. It is one thing to inherit money in midlife from beloved grandparents. It is entirely different to be thrust into simultaneous wealth and orphanhood at age 13 or 33 by the death of both parents in a plane crash, or to experience the demise of multiple family members in a common accident or disaster. The death of a child can result in a substantial litigation settlement or the transfer to other family members of his/her beneficiary interest in a trust. The death of a wealthy or heavily-insured parent or spouse by violence or terrorism may be equally traumatic (see Feinberg [2003] for discussion of September 11th Victim Compensation Fund). In some instances, wealth may devolve to the deceased's kin through estate transfers that may not have been expected.

Most painfully, money may accrue to a family member through litigation requiring extensive highly emotional testimony and legal battles over what the death is worth in dollars and cents.

Another painful yet “enriching” bereavement occurs when the relationship between the donor and beneficiary was severely tainted during life. Not all inheritance relationships are loving, unambiguous, and emotionally supportive. Benefiting financially from the death of a despised or abusive relative may be highly complicated. It may feel to some beneficiaries as reparation for what was endured during life. For many others, the money only continues a legacy of pain, harsh memories, and perception of the money as dirty and undeserved. Inheritance fights affected by allegations of abuse are the stuff of literature (e.g., *A Thousand Acres* by Jane Smiley [1993], or a retelling of Shakespeare’s *King Lear*) and of well-publicized lawsuits and countersuits in modern-day America. For example, the third wife of Seward Johnson was left the bulk of his fortune after his death, and his children sued her (Margolick [1993]). The wife felt justified in receiving the money for her years of care for Seward. The children felt deprived of their rightful inheritance and were aggrieved about years of poor treatment by their father. A battle like this leaves both sides scarred, creates scandal in the public, and casts a negative quality upon the wealth for both sides.

**Litigation settlement** Some measure of wealth may come with financial settlements after civil or employment litigation. Causes of action may include medical malpractice, personal injury, work injury, physical and/or psychological damages from sexual abuse, or workplace harassment. The ultimate amount to the injured party is typically diminished by the one-third that goes to the attorney and by any lifetime medical costs that rely on the funds remaining available. For the working-class or middle-class plaintiff, however, these are significant settlements that provide not only compensation but a substantial measure of new financial security.

Since many plaintiffs in litigation cases are working-class or middle-class individuals, management of the settlement proceeds is—once again—largely dependent on the personality and financial skills of the beneficiaries, who may be woefully unprepared for having large assets. Those who can hold and grow the settlement with restraint benefit much more than those whose newfound savings are quickly turned into large screen TVs and expensive vehicles. Prior money personality is the key factor here.

There are few large studies of the long-term psychological adjustment of litigation settlement recipients. In our experience, beneficiaries of financial settlements show several common patterns of emotional adjustment to the money. One group appears to accept the windfall as the legal profession frames it: just compensation for damages incurred. If the settlement is experienced as reasonable, the money is accepted largely without hesitation or ambivalence, even with a certain degree of pleasure for the reparation it represents.

A second group feels conflicted about the money, sometimes taking years to come to grips with what happened. They accept the money for the benefit it brings to their families and their lives, but they remain angry, embarrassed, or depressed, as if financial compensation was granted but emotional reparation was not. For them, the money is a perpetual reminder of the injury, keeping it alive. Psychotherapy is of potential benefit for this group in helping resolve mixed feelings about the entire event, including the financial settlement.

A third group essentially disowns and divests itself of the money, either consciously or unconsciously. Members of this group experience the same ambivalence about the money as the second group but appear to solve their distress by eliminating the money rather than tolerating it for the good of the family. This group loses the money not just through poor money skills, but through conflicted emotional adjustment. Either by gifting it to charitable causes, spending it, or depleting it through loans and gifts to friends and family, they demonstrate their feelings of not deserving the money by getting rid of it. These acquirers of at least modest wealth run from potential adjustment to it by returning to their more-familiar financial baseline.

### Factors in the Acquirer’s Dilemma

We have described how individuals come to wealth by a variety of routes, speeds, and vehicles, sometimes as captains of the ship and sometimes as willing or unwitting passengers. Through whatever method of travel, these immigrants bring with them the culture, values, history, language, and beliefs of the socioeconomic lands of their birth as they journey to the Land of Wealth.

The acquisition of wealth is often seen as an end in itself by those who struggle to get there, never thinking deeply about what will happen at journey’s conclusion. Wealth acquisition does not complete personal development,

however. It requires even more, since identity is challenged to incorporate the transition. Goldbart [2001] and Twist [2003] noted, for example, how new questions of life purpose came to the fore in the lives of young technology millionaires. Having gained surprising wealth, the newly wealthy had to figure out how to live a life that included their wealth in a positive way. Lives constricted by work pressures were transformed in early retirement to new purpose through philanthropy foundations and pursuits embracing deeper human meaning. Life's choices are broader when one is rich, but the criteria for what a person should do, and what will motivate one's actions, are more elusive.

The Acquirer's Dilemma is essentially the set of choices faced by all immigrants: whether and how much to assimilate. One may wish to fit into wealth's desirable characteristics of comfort, security, prestige, independence, and freedom. One may also wish to avoid the more undesirable attributes of the culture: snobbery, entitlement, superficiality, temptation by ready vices, and disconnection from responsibility. We explore the stresses that face the newly rich as they attempt to integrate their identity as outsiders with the reality of their new surroundings in the culture of wealth. This psychological adjustment depends on many factors. These include one's age, the number of social classes skipped on the way to success, pre-existing money personality, and the speed of wealth acquisition.

**Stage of life** Acquired wealth is very different at age 55 than at 25. Both require integration of the fortune into one's personality, but personality at 55 is more established and grounded in experience than is the case during the formative years of young adulthood. High-net-worth individuals in middle age tend to be more conservative, cautious, risk-averse, savings-aware, altruistic, and philanthropic, often with a history of more stable family life and greater life satisfaction and spirituality. Having nurtured qualities of restraint, frustration tolerance, self-efficacy, and delay of gratification, these "millionaires next door" (Stanley and Danko [1996], Stanley [2000]) in fact constitute the majority of wealthy individuals in America. Their primary concerns are preserving their identity as middle-class individuals despite their wealth, avoiding contamination of their children's development from the money, and protecting their assets from taxes, disability, disaster, and/or dissolution upon death. Their personal identities may remain remarkably untouched by their transition to wealth.

Wealth achieved at an earlier age brings a different set of stresses (Bradley [2000], Domini, Pearne, and Rich [1988], Goldbart [2001]). Identity is still fresh and forming, vulnerable to transformations good and bad. Seeking a life partner and dealing with the rapid currents of relationships in one's 20's can be complicated by new stresses brought on by wealth, power, and even fame. In later adulthood, wealth's impact on relationships may be mitigated by greater maturity, generally achieved through the experience of mature adult relationship skills. Yet for some young millionaires, the plasticity of youth allows the adjustment to flow more smoothly.

**Cross-class transition** Rising by more than one socioeconomic class produces at least some measure of disorientation. There is a forced shift in identity, and there may be only a partial adoption of upper-class cultural norms and attitudes. Lubrano [2003] eloquently describes his transition from working-class Brooklyn to white-collar Philadelphia life by way of Columbia University. He writes that the "sense that I comprise two people who aren't always compatible never left me" (p. 1). His term for individuals who cross multiple economic class levels is "Straddlers." These are individuals who, like himself, grew up and still maintain one foot in the world of their family while the other foot is firmly planted in a newly-acquired world of greater wealth and position. This is analogous to the phenomenon of "third culture kids" (Pollock and Van Reken [2001]), where missionary-family children born in one culture grow up in a second, foreign culture, never feeling wholly one or the other but rather an amalgamation of the two. Echoing this sense of being Both yet Neither, Lubrano advises, "ideally, a Straddler becomes bicultural: Understand what made you who you are, then learn to navigate the new setting" (p. 193).

Narratives by individuals achieving great wealth mention these themes (Blouin and Gibson [1995]; Schervish, Coutsakis, and Lewis [1994]). Psychological adjustment to acquired wealth involves "passing" as a native in a world where everyday language contains coded references to places and terms that are known intimately by those born into the good life, but obscure to those on the outside. This leads to feeling like the imposter in some settings, with constant anxiety that one may be publicly—embarrassingly—discovered. Dressing correctly and behaving well at a New York philanthropic gala is an adventure in culture shock for a newly-minted multi-millionaire from the Midwest.

A common sentiment voiced by individuals with acquired wealth is, “this is not me.” They may have worked hard to achieve security, independence, and freedom from worry. Yet, it is hard to feel totally comfortable alongside “the rich folks” they once envied or disdained. They also cannot quite go back to their roots. With even minimal time to adjust, economic Straddlers find themselves no longer fitting in comfortably with their old friends and activities. Even if they themselves feel comfortable, they may encounter the unearned resentments, jealousies, or adoration of the Rich still held by their old friends (Bork [1998]; Bronfman [1987]). Straddlers returning to the old neighborhood may have to endure the stereotypes of the wealthy they once endorsed themselves.

**Pace of transition** Change in identity necessitated by wealth acquisition is normal. But, like any major change, it requires loss of what was and development of a new identity that incorporates new information, new circumstances, and rearrangement of life options. The disorientation engendered by acquired wealth is particularly severe when the transition is both large and rapid.

The identification of *sudden wealth syndrome*, coined by Susan Bradley, Stephen Goldbart, Joan Difuria, and others during the dot-com era (Bradley [2000]; Goldbart [2001]; Goldbart, Jaffe, and Difuria [2004]) was an important step in characterizing a set of reactions and behaviors experienced by the newly rich. They noted that the experience of suddenly having more wealth than one had ever dreamed of was more unsettling than satisfying. It created ambivalence, guilt, and anxiety rather than pleasure.

These pioneers in wealth counseling identified a constellation of symptoms that, like any psychological disorder, can occur along a spectrum from mild to severe:

- Anxiety, insomnia, obsessive rumination over money issues.
- Excessive guilt, with questioning of the fairness of the event.
- Fears of loss of control.
- Suspicion toward relationships and potential exploitation or hurt by others.
- Depression, with lack of pleasure in activities and inability to derive pleasure from the money.
- Identity confusion.
- Impulsivity in spending.
- Paralysis over decision-making and uncharacteristic passivity regarding money management.

Reviewing the symptoms of sudden wealth syndrome reveals much in common with grief responses, including a sense of vulnerability, a need for security, and a realization that one’s world has changed in ways not entirely expected or desired.

Sudden wealth syndrome complicates the already challenging nature of wealth adjustment (Domini, Pearne, and Rich [1988]). The syndrome is unexpected as well as counterintuitive for most people of moderate means. Anthes and Lee [2002] noted, “The real, often deeply disturbing sense of loss that many people feel [becoming rich] goes counter to the common view of a financial windfall—that it is a gain.” (p. 84). Since the achievement of great wealth is almost universally glorified, opening up about one’s sudden wealth syndrome often meets with incredulity on the part of the general public. Individuals experiencing the angst of sudden wealth are considered as either inherently neurotic or whiners over their good fortune (see Dunleavy [2004]). This compounds the problem by removing any sense of empathy for the individual or for the validity of his reaction. Individuals struggling with their wealth adjustment often hide the extent of their symptoms lest they be ridiculed by family and friends. It was partly through recognition of the validity of sudden wealth syndrome that the field of wealth counseling began to achieve some acceptance and a place in the field of psychotherapy.

A predictor of adjustment to wealth acquired suddenly or slowly is the individual’s prior money personality, those money beliefs developed throughout childhood that crystallize in adulthood into one’s specific capacity for risk, the relative balance of saving and spending, and the level of trust in one’s own skills or in advisors (Kinder [1998]; Gallo and Gallo [2002]; Collins [2000]; Mellan [1994]; Mellan and Christie [2001]; Gurney [1988/2005]). Some money personalities are psychologically healthier than others (e.g., Money Master Profile, see Gurney [1988/2005]). They are also more predictive of adjustment to greater wealth, compared to personalities plagued by anxiety, guilt, desire for power, or perfectionism.

Eileen Gallo, a psychotherapist who has written extensively about wealth adjustment, (Gallo [2001]; Gallo and Gallo [2002]; Gallo and Gallo [2005]), notes many acquirers of sudden wealth do make a reasonable adjustment to their new circumstances. In her study of the suddenly wealthy (Gallo [2001]), she found

“...a significant relationship between early money messages and adaptation to sudden wealth. Eighty-eight percent of the participants rated “positive” [in adjustment] were raised in households in which the childhood money messages were either “save/don’t spend,” “save” or “save/spend responsibly.” Sixty-seven percent of the participants rated “negative” did not receive these while growing up.”

She correlated better outcome of sudden wealth syndrome with pre-existing money personalities that included financial literacy and balanced money attitudes. This is echoed by studies of lottery winners (Bradley [2000]; *Gaming Magazine* [2001]; Kaplan [1978]; Jones [2006]) where money personality is a key variable in the adjustment: “You can catapult people from one economic status to another overnight, but a lifetime of beliefs and experiences changes more slowly” (H. Kaplan, cited in *Gaming Magazine* [2001]).

### **Coming to Terms with New Wealth: Resolving the Acquirer’s Dilemma**

The acquisition of wealth is a unique experience in an individual’s life. Those who come to wealth make a journey that many envy and only a few accomplish. We have seen that Acquirers must become comfortable with the presence of great wealth by managing both the cultural and internal identity shifts brought on by the transition to wealth. This requires integration of new information and a broadening of identity to include new realities.

Resolving the dilemmas of acquired wealth is more complex than society typically understands or accepts. Acquirers often have little sympathetic assistance in their task, as they consider it embarrassing or socially unacceptable to feel conflicted. Through supportive friends, competent therapists, or peers in similar circumstances, they may be able to adjust their self-conceptions to integrate their new status. At the center of the process can be the person most connected to both the wealth and the individual: the thoughtful and trusted advisor. By understanding the many facets of wealth acquisition and adjustment, the skilled financial advisor can help the client as a whole person and individualize the client relationship.

There is yet another phase, however, to integration with wealth. After establishing a new personal identity, those Acquirers who are parents must add a second element: concern for what life will be for their children. Their

experience of not having been wealthy may never be understood by their children. How, then, to pass on positive values and the motivation for work and success to the next generation?

In the following section, we examine the challenges of those who are raised with wealth. We will look at the generational stresses that occur as Acquirers attempt what every first-generation immigrant parents know to be difficult yet eminently important: raising native-born children with the values, culture, and beliefs of the Old Country. This clash not only of generations but of cultures characterizes the stresses experienced by the second generation of wealth. We believe such clashes frequently precipitate transition failures, eventually leading to wealth destruction in the generations that follow. We also summarize the literature that speaks to preventing these failures of heritage so that the promise of wealth can be preserved over time.

### **THE DILEMMAS OF INHERITED WEALTH**

*Wealth is a responsibility and the sharing of it a way of life.*

– Peter Haas, Jr. (Member, *Forbes* 400)

*Our incomes are like our shoes; if too small, they gall and pinch us; but if too large, they cause us to stumble and trip.*

– Charles Caleb Colton

*Some people’s money is merited, and other people’s is inherited.*

– Ogden Nash

Inherited wealth offers many things: opportunity, leisure activities, travel, social status, power, and inordinate influence for the benefit of other people. Like being born with great beauty, it can automatically make someone special without their ever having done anything to earn it. However, as we consider the research and personal accounts of people who inherit wealth, we learn that wealth is far from an unmixed blessing. The presence of money from birth appears to create certain common dilemmas in growth and development of Inheritors as well as add to the normal developmental journey every person must navigate.

Researcher John Levy [1986] envisioned the common problems experienced by young heirs as resulting from the intersection of two sets of issues: the ambivalent attitudes toward wealthy people in society and common patterns in how wealthy families raise their children. We already

commented on the biases about wealthy people that society accepts as normal: the class- and culturally-driven stereotypes termed "wealthism" by Bronfman [1987] and others. Wealthism is an issue for both the acquired-wealth population and the inherited-wealth population. It may be argued that wealthism affects Inheritors more acutely, since they have no prior non-wealth identity to help offset the stereotyping. Young Inheritors are handed the labels of wealthism from Day One, making them vulnerable to accepting the labels as true in a way that grown-up wealth Acquirers can resist.

The omnipresence of wealth during upbringing has a secondary effect not experienced by individuals who come to wealth as adults. Multi-generational wealth often creates influences on parenting that have unintended effects on child development. These child-rearing behaviors can make it difficult for children to mature emotionally, to experience a sense of efficacy and self-worth, to feel positively connected to others, and to develop fulfilling work. Growing up very wealthy can delay or retard the process of maturing, sometimes preserving dependency long into adulthood.

### **Developing Wealth Identity: The Inheritor's Dilemma**

Compared to incorporating new wealth into an already-formed identity (*The Acquirer's Dilemma*), Inheritors raised with wealth have a different task. The psychology and sociology of inherited wealth conspire to produce the *Inheritor's Dilemma*: how to create an effective individual identity strong enough to separate from, yet integrate with, the massive power of wealth itself. Continuing our metaphor of the Acquirer as the immigrant to wealth, we view the Inheritor as the native-born citizen of the land of comfort and exemption from financial worry. The heir grows up surrounded by the language, activities, attitudes, and unconscious beliefs that infuse upper-class culture. The Inheritor must still accomplish the task of any individual: to grow a productive, responsible, and well-adjusted identity within the environment of one's birth. What is under-rated is how difficult it can be to grow this identity when the land of one's birth is Wealth. The very nature of the environment makes this growth a uniquely daunting task.

As we shall see, for Inheritors there are many challenges of wealth. These range from the heavy weight of unhealthy parenting practices to the mixed messages about wealth that are given by both parents and society. An

additional issue is the inherent challenge of finding life purpose when one's life is financially set.

The professional and personal literature of the past 30 years has made great strides in our understanding of Inheritors' developmental stresses as well as the damage that can occur in trying to create a fulfilling, emotionally successful, and productive adult life. In recent years, with the marked increase in people acquiring and inheriting wealth, there are now more resources available than ever for people who are experiencing these dilemmas. For those able to solve this unique task of maturation, the potentially crushing strength of great wealth is tamed and harnessed into service for both the individual and society.

### **THE DEVELOPMENTAL EXPERIENCE OF INHERITORS**

A core theme in the literature on inheriting wealth is that a personal struggle often takes place within each person raised with substantial wealth. Each individual must come to terms in his or her life with the mixed blessing of wealth. For example, one may have to reconcile a sense of entitlement about money with the opposing belief that extreme riches put one in debt to the world. Reconciling opposites, however, is never easy. Some heirs succeed and come to live good, fulfilling, and effective lives, while others simply fail to thrive, caught up in destructive relationships and dysfunctional behavior. Some initially struggle but are able to achieve positive balance later on through difficult and painful learning. Each individual must ultimately understand the value of living a meaningful life, and discover how to use one's personal resources to do so.

What causes this internal struggle to occur? First of all, upper-class parenting is heavily influenced by the source of the parents' wealth. Each type of acquired wealth leads parents to communicate certain messages about money to their children, and to have different expectations about how the next generation will use its wealth. Indeed, a source of great concern for parents with acquired wealth is how to raise responsible children who are happy and productive. Yet families with new fortunes lack a tradition of how children are raised with wealth and how wealth is passed on. A family with recently-acquired wealth may therefore treat its children differently than a family that has had wealth for generations.

Many newly-rich parents feel caught between the fear that wealth will harm their kids and a desire to give

their kids the best. They may see their wealth as an obstacle rather than an asset in this task. This ambivalence may confuse their children and lead to contradictory messages about wealth. Schervish [1995] aptly describes this dilemma:

“Especially for the entrepreneurial wealthy—but for those with family wealth as well—the quandary is how to teach their children the responsibilities of wealth while also providing for their needs. Having gone through hard times, they do not want their children to face the same insecurities. As a result, they furnish a life of affluence for their children while at the same time attempting to instill frugality, humility, and responsibility. ... the problem is that once he chose an affluent neighborhood in which to live, his children automatically became exposed to an environment that threatens to make them materialistic” (p. 115).

Second, powerful forces operate inside the family systems of multigenerational wealth and affect the growth and identity of Inheritors. Despite the envy of those peeking into gated communities and stealing glimpses into the lives of the rich and famous, growing up within an ultra-wealthy family has a very definite downside. These forces range from the personalities of the parents to the cloistered and sometimes oppressive nature of exceedingly good fortune.

The earliest research on parenting wealthy children came from psychoanalytical therapists (Stone [1972]; Grinker [1978]) who reported that wealthy children often grow up in an environment where parents are largely absent or neglectful. Stone and Kestenbaum [1974], studying 15 wealthy young adults, noted that maternal deprivation was the one common factor in their development, affecting normal processes of attachment and a firm foundation for security in the world. These studies postulated that, to a greater degree than in middle-class families, the wealth population may contain a higher base rate of people who can be described as narcissistic—exhibiting the self-absorption and self-involvement that deprives other people of attention or emotional space.

Recall from our previous discussion of wealth creators that the narcissist has difficulty realizing the needs and uniqueness of other people, which impacts family life and ultimately the raising of children. Whether narcissism precedes or is an effect of wealth is not completely clear, and may be a matter for extensive debate and

research. As we noted in the section on Acquired Wealth, the busy lives of the wealth creators may, at the very least, simply leave little time for children, giving the appearance of self-centeredness to the detriment of the child.

Children may respond to the emotional deprivations of narcissism in several ways. They can take on similar qualities in their own lives, expressing arrogance, entitlement, and insensitivity to others. Alternatively, they can feel chronically impaired and unprepared for their lives and conflicted about their wealth. Either outcome produces many of the behaviors society associates with the dysfunctional Rich.

The next wave of research about the psychological development of heirs occurred in a series of studies in the 1980s, greatly advancing our understanding of the experience of inherited wealth. One of the first was John Sedgwick [1985], a wealthy Harvard graduate who interviewed 75 Old Money heirs. His respondents reported their money was often a surprise, handled by intermediaries and never discussed in their family. To a person, they were unprepared for the future, neither warned nor guided into their situations. Trust officers made them feel subservient, and heirs had not learned to handle their affairs independently: “Trusts are rich kids’ equivalent of the welfare office. The trust officers are the good cops; trustees are the bad cops. This secrecy and lack of knowledge and preparedness helps build real passivity into their nature,” [p. 52] noted Sedgwick. He continued:

“For all rich kids, the act of inheritance is entirely passive. Yet this sometimes makes the guilt more severe, and more permanent. True criminals, at least, have something to confess. They can receive forgiveness, they can reform, they can put their sins behind them. But rich kids start to feel they are the sin themselves, and every crime that was ever committed out of greed now hangs on their heads. They see the inequity that lies about them, or read about it in their money mail, and they think they are responsible for it. Because they are on top, they must be squashing those on the bottom. This is the true embarrassment of riches.... To clear themselves they often feel...an unspecified and diffuse need to do penance, to suffer in some way so as to square things with the almighty dollar.” (p.106–7)

“A lot of rich people I know don’t know what they want. That’s the biggest curse of the wealthy.

A gauge of how much you want something is how hard you'll strive for it. If you work for your money, then you know how much your money is worth." (p. 83)

John Levy [1986] interviewed 30 heirs as well as several psychologists and wealth advisors in a research project sponsored by a family foundation. Like others in the field, Levy uncovered several aspects in the development of wealthy young people:

- Inheritors are often delayed in their emotional development, lack adequate motivation, and have difficulty with self-discipline.
- Self-esteem is often inadequate and many Inheritors are bored with their lives.
- Many have difficulty using power effectively.
- Inheritors often suffer from guilt and alienation.
- Suspiciousness is almost inevitable.
- Male and female Inheritors face different problems.

These themes were confirmed and further delineated by one of the more remarkable explorations of the impact of inherited wealth, a study by wealth consultant Joanie Bronfman [1987]. Interviewing nearly 100 heirs for her doctoral dissertation, Bronfman provided a rare portrait of the lifestyle and experience of wealthy people, along with their struggle to develop comfort and satisfaction with their money and their lives. Her dissertation and similar accounts by others in the past 20 years illuminate several common stresses in multigenerational wealth:

1. *Lack of intimacy and contact with parents.* Parents are busy—with their business, social events, traveling—and don't have much time for their children. They delegate child rearing to servants and caretakers of mixed levels of warmth, competence, and caring. To deal with their guilt, parents may shower their children with "things" to supplement the deficiency in contact. Added to that, caretakers may come and go, so that young people may learn to embrace money as a source of nurturing. They grow to resent the lack of contact with their parents and to feel entitled to material possessions as substitutes for what they didn't get within the family. Many of Bronfman's respondents spoke about feeling like "poor little rich kids" and longed for a more normal, less privileged life.

2. *Parents using money to control their children.* Wealthy parents may be used to being in control and having other people listen to them. They may use money to control others not only at work but at home. This habitual style may sow the seeds of rebellion, passivity, or self-destructive behavior in some heirs who may later recreate similar relationships with their partners. Parents reward "proper" behavior, and the spoken or unspoken threat to cut children off from the family money can have a chilling effect. Threats by working-class or middle-class parents to disinherit a disobedient child carry little weight, so those parents must use a broad range of methods to express anger or extract compliance with their wishes. Wealthy parents can not only use this threat, they may need no other. This control often extends not just to daily behavior but to schools, careers, mates, and other life choices. Arenas where Inheritors can exercise their own will may be much more limited compared to the experience of children from non-wealthy families. Furthermore, this may create a reverberating pattern of intergenerational conflict: parents over-control their children's choices and then later bemoan their offspring's lack of initiative, decision-making skills, and ability to take risk. Some children get worn down by this, while others choose to rebel in self-defeating ways.

3. *Family isolation and distrust.* The wealthy family may see itself as inherently special and may distrust others whom they fear will take advantage of them. Children hear messages that lead them to distrust others. Given society's attitudes toward the wealthy, there is some validity to this suspicion. However, taking on this blanket suspicion affects young people by inculcating a generalized distrust of others without teaching the social skills for trusting others or for taking care of themselves in relationships. How can heirs really know if a person cares about them for who they are? Sedgwick, Levy, and Bronfman discuss the often-elaborate defenses and schemes heirs use to discover the true feelings of friends, lovers, and acquaintances, while trying to manage their deep feelings about being exploited and taken advantage of.

Very wealthy children also keep to themselves. Raised in large estates, they may have few other children to play with and may be kept to a very small circle of family and friends. Like members of

a royal family, wealthy children go to exclusive schools or are tutored at home, and have few peers to play with. Gibson, Blouin, and Kiersted [1994] present the reflections of one man who recalled,

“...I’ve always felt... there was a fence around my world. For several years, I lived with my grandparents. Their mansion had a fence around it and a gate. The servants were always watching because my grandmother had been shot at. So they weren’t about to let any tasty little heirs run around where they might be grabbed. I was not allowed to go anywhere without a servant or a family member in tow. (p. 4)”

Twist [2003, p. 57] noted that “excess money often creates conditions of entitlement and isolation that diminish one’s access to the genuine wealth of human connection and interaction.” Recollections of the Dupont (Mosley [1980]); Rockefeller (Collier and Horowitz [1976]); Mellon (Koskoff [1978]); and Vanderbilt (Vanderbilt [1979]) families include growing up with few playmates (other than family), and living and playing within a family compound in great luxury but without much contact with ordinary people. Children’s isolation may be fueled by the fears of kidnapping and related security concerns. All of this can lead to confusion and lack of certain social skills—where a wealthy person is automatically suspicious of other people, yet fails to develop the ordinary social defenses against criticism, ridicule, and bullying.

4. *Entitlement amid luxury.* Young affluent children live in a world of plenty with little sense of where things come from, what they are worth, or how they come to be there. Coles [1977] coined the term “entitlement” for the expectation that the world will always provide heirs with the very best. Inheritors grow up with a lifestyle that they expect to continue, often with no idea of how (other than inheritance) they might sustain such a lifestyle. Deep down, they frequently feel anxious about what would happen if the money went away.

Interestingly, an important factor for Inheritors is the disparity between their own expectation of wealth, society’s view of them as wealthy, and the degree to which they actually are in control of any real wealth. In various ways, many Inheritors do not

come into their inheritance until they are well into adulthood. The most common methods of estate planning have trusts in which an heir gains control in stages, ranging from the early 20’s to much later in life. An irony, therefore, is that many heirs live with the implication of great wealth but, in reality, have only limited access to it.

5. *Dependency and lack of knowledge.* Many wealthy families tend to be secretive about their wealth. It is considered vulgar to discuss money openly. Hence, it is something of a mystery to youngsters, who feel they cannot ask questions about this taboo subject. By avoiding communication, families fail to prepare or inform their offspring about the demands, pressures, responsibilities, and potential power of their inheritance. Later, the convenience of a trust fund may take away the necessity to understand or do basic financial tasks. This is especially common in women, who may not be expected to become wealth producers. The lack of financial skills and awareness can lead heirs to feel inadequate, confused, and afraid in relation to their money. They are unprepared to deal with the money they inherit and may feel dependent upon advisors whom they fear, resent, or distrust. They also delay or neglect to develop basic life skills, including working and taking care of themselves. Heirs can be both privileged and impaired as they remain “children” far into adulthood.
6. *Confusion about career and life purpose.* Coming from wealth and expecting to inherit it can dampen a young person’s motivation to earn a living or think about a career. Many heirs find it hard to develop interests or sustain involvements. They don’t know what they want in their lives, and they are confused about the very notions of career and life involvement. In the face of so much money, they are not sure what to do in their lives or how to develop the motivation to stick to something. While the wealthy person is essentially defined by having the enviable choice whether or not to work for money, this may not have an entirely positive effect. Without an inherent economic motivation to stick to anything or to sustain focus, heirs may drift untethered through their lives. Many wealthy people have an extended late adolescence, embarking on endless journeys to discover themselves.

7. *Anxiety about fulfilling the family legacy.* Inheritors may feel dominated and stifled by the legacy surrounding their money. A family's tradition around wealth can come across as a deep and limiting set of obligations. For some heirs the magnitude of their parents' success makes it difficult for them to do anything of significance. Others may feel pressured to follow a certain career path or participation in a family business. It may not be permissible to choose alternate ways of making a difference in the world. Instead of being an individual, heirs may feel an oppressive obligation to act properly as part of the family and to live up to the family name, even if they are less than clear about just what this means. One person in the Schervish [1995] study mentioned that, as the heir to a family fortune, he lived in continual fear he would do something to lose the money, which in turn led him to avoid any behavior that could be risky or controversial. Collier and Horowitz [1976], in their multi-generational biography of the Rockefeller family, document this feeling among the fourth-generation heirs carrying the family name. The Rockefellers bore a burden of carrying on a family tradition—a fear of disgracing the family—that led them to feel constrained or controlled by their legacy.

Other researchers of inherited wealth have confirmed these themes. Blouin, Gibson, and Kiersted [1995] of *The Inheritance Project* present edited transcripts of 17 interviews with heirs. These underscore the difficulty of overcoming a culture of isolation and coming to terms with shame and guilt. The authors conclude that

“...abundant wealth has a way of separating heirs from the grist of life. For some Inheritors, this separation manifests as a painful inability to identify their real needs and longings. More than anything, such heirs are searching for ways to bridge the distance they feel from themselves. Other heirs find it difficult to establish authentic and trusting friendships; they worry that perhaps their net worth matters more to friends than their self-worth. Still others find it hard to connect with meaningful work, often not knowing how to take the first step toward developing a gratifying vision (p. 1).”

A recent video documentary, *Born Rich* (Johnson [2003]), updates and explores many of these same themes, with somewhat more emphasis on the entitlement and lack of personal focus of very wealthy young adults. The viewer gets the clear sense these heirs are very attached to their money yet are finding it difficult to develop a personal identity on their own, even as they express feelings of unfairness and other negative aspects of their riches. They are plainly struggling through a difficult stage of self-development. Jamie Johnson, the director and cameraman, reveals his own struggle to come to terms with his wealth. At the other extreme of videography are reality shows such as the notorious *The Simple Life* with Paris Hilton, which reinforces the caricature of arrogance, irresponsibility, and cluelessness among wealthy heirs.

The dilemmas of inherited wealth also may be affected by gender, though social norms and parenting attitudes may finally be changing over time. Schervish and Herman [1988] commented that:

“This experience of being excluded from the rites and knowledge of initiation into productive wealth is primarily ... characteristic of women... The traditional responsibilities of these women have focused on the maintenance of the upper class... [F]or these women, alignment is a limited and imposed one consisting of a position that focused on the distribution and consumption of wealth rather than its production.” (p. 77)

In addition to Bronfinan [1987], other dissertations that included interviews with female heirs echo themes of emotional conflict and ambivalence in coming to terms with inherited wealth (Frankfort [2002]; Burka [1985]; Freeman [2004]; Grossman [1989]; Holub [1987]; Kristal [1991]; Levinson [1985]). Men may find the Inheritor's Dilemma easier to negotiate than women who, having been treated with more paternalism and devaluation, may feel cut off from both control and participation in their wealth:

“Men are taught a broader vocation of being wealthy and are trained to fulfill a wider range of responsibilities and expectations associated with their wealth. From an early age, such men are groomed to assume positions of leadership” (Schervish and Herman [1988, pp. 107]).

Burka [1985], studying 15 young people who inherited significant wealth before age 35, found that all had to overcome significant personal difficulties on the road to a positive identity, but that the males had an easier time than females. Frankfort [2002] interviewed six wealthy young women, finding that money was often used to exercise control over them within their families and had a profound effect on their development of personal identity. Kristal [1991], studying 40 wealthy people—half self-made Acquirers and half Inheritors—found that the self-made group had higher levels of self-control, achievement, and motivation, and lower distrust in relation to money. Across groups, women tended to feel more confused and uncomfortable with the power and status that money grants, while men were often expected to continue to produce wealth. Female heirs more often feel empty, disenfranchised, or detached from control and connection to their money. Their journey to develop a positive wealth identity may be fraught with greater conflict or fewer guides.

The personal accounts of wealthy businesswomen overcoming adversity support these findings. Novelist Sallie Bingham [1989], the eldest daughter in a Southern family media empire, achieved notoriety when her father suddenly sold their businesses out from under her and her brother, who were in conflict about buying out her share. After being fired from the board by her family, she went public with revelations about growing up female in a family of wealth weighed down by excessive constraint and WASP values. Raised to ignore her feelings and taught that, as a woman, she had little to contribute, she writes movingly about the damage dealt to her self-esteem and her efforts to make a place for herself in the world.

Similarly, Katherine Graham [1997] was the lineal heir to the Washington Post, the renowned newspaper built largely by her father. When her husband, organizational heir-apparent to the newspaper, committed suicide, Graham refused conventional advice to sell the newspaper empire. She instead took over as CEO, ultimately growing the business into an even more renowned, profitable, and politically influential corporation. Her story of overcoming obstacles describes the lack of preparation, deep and formidable self-doubt, and social disapproval she had to face being an heir, not just to wealth, but to the more substantial personal strengths of power, purpose, and identity.

Men may have a broader range of socially acceptable choices during young adulthood than women, with a cer-

tain romantic view of the reformed rebel who eventually takes over leadership. Unfortunately, some young men never recover from rebellion and fall into self-destructiveness. Grossinger [1997] has written a moving account of his struggle toward growth and development, counterpointed with that of his equally talented brother who was never able to recover from the wounds of his childhood.

The traditional journey of male heirs is often framed as moving into a role similar to one's father, either by profession (politics, investment banking) or into the family business that is the source of the wealth. This progression contains the foundation for a positive developmental path, though many challenges must still be faced. The second-generation business heir must develop a sense of stewardship over the family's assets and gain true competence in a world that tends to defer to the wealthy. He also must come to terms with a powerful Dad, developing legitimacy in his own right. The entrepreneurial father is an extremely strong figure, both in growing the family's wealth and in shaping the family's children. A traditional entrepreneurial father may want his sons to be like him, not understanding that part of becoming entrepreneurial is striking out on one's own. The father may misinterpret a son's desire to go his own way as a personal affront, only to end up limiting the son's potential to develop the desired traits of independence and creativity. Some fathers create compliant, uninformed heirs who will do anything to please them. Tom Watson Jr. of IBM [1990] wrote in his autobiography of the brutal and demanding treatment he received from his father, leading to his lifelong quest to prove himself worthy.

Many entrepreneurial fathers do not know how to create successors and are somewhat ambivalent about successors in any case. For every heir that worshipped his father, there is also one John D. Rockefeller Jr., who moved his family from infamy and the oil business to an investment and philanthropic orientation that continues three generations later; one Edsel Ford, who was pummeled and degraded by his father and met an early death from illness; and one Howard Hughes, who toiled self-destructively to outshine the ghost of his father.

Fortunately, differences between male and female Inheritors may no longer be quite as great as when some of these studies and personal accounts were written. The past decade has seen significant changes, whereby young women are becoming more confident, assertive, educated, and trusted as well as less pressured into traditional roles. Increasingly, women are taking on more positions as

successors in family business, family offices, and in family leadership. The rebalancing of gender roles in society appears to be impacting the world of wealth as well.

Male or female, the second—or third—generation heir has many ways to fail or succeed, though not in the entrepreneurial way that most founders do. Ultimately, the reality is that heirs grow up not in an easier world but a different world. They do not have to make it on their own financially, but they must rise to the challenge of navigating a family and business world already populated with a diverse and colorful cast. They will fail if they don't develop the skills, sensitivity, and personal identity needed to balance the existing demands with their own contribution. They succeed if they have a solid foundation in personality, intelligent financial skills, and good supports for leadership in adulthood.

### **Preventive Medicine—Raising Responsible Children with Wealth**

It is clear that Inheritors—natives born into the land of wealth—face risk in their personal development because of many factors. The bounty of their birth puts them at risk for a syndrome of maladjustment that may last well into adulthood. Unless steps are taken to prevent this syndrome or resolve it once it has developed, Inheritors are predisposed to two unfortunate outcomes:

- Traveling through life experiencing only glimpses of the freedom and power of wealth.
- Perpetuating the same conflicts and ambivalent reactions upon the next generation, recreating the pattern through the parenting mistakes they experienced themselves.

If they are to inherit and use money wisely, wealthy children must develop a well-grounded set of skills and understanding about money along with their grounding in general personality. In his insightful analysis of money maturity in general, Kinder [1999] offers a developmental approach to this process. He proposes that there is a gradual progression for all people from a child-like innocence about money, up through the stage of achieving competent knowledge about financial matters, and ultimately to a visionary understanding about money's power and limitations. While not referring specifically to the wealthy, he discusses how some people have a style of relating to money of either "innocence" (not knowing or caring

what it is and how it works) or "pain" (where the consequences of money decisions or awareness creates mostly negative reactions and behaviors in life). As individuals progress first toward basic knowledge of money matters, then toward true understanding of financial principles and the capacity to persevere to achieve goals, they may ultimately develop a vision of how money can integrate into their lives. Mastery of one's relationship to money is therefore a reflection of one's personal maturity and an increasingly sophisticated grasp of money values and power. Sadly, the very wealthy often are stuck in innocence or embroiled in pain, with remarkably little true knowledge or understanding to accompany their riches.

What, then, makes the difference between heirs who are able to find a place in the world and those who stumble? While not all responsibility can be heaped on parents, it does appear that the conscious involvement of parents in raising children with wealth is a critical factor in the degree of turmoil the inheritor feels about his or her wealth. Several influential books (Hausner [1990; updated in 2005]; Gallo and Gallo [2002]; Godfrey, [2003]; Hughes [2004]; Willis [2003]) describe how to keep kids from being spoiled and/or dependent, and how to help develop a sense of compassion, work ethic, and positive identity. They offer several common messages for wealthy parents:

- Early attachment and secure love from parents during early childhood (ages 1 to 5) are fundamental to personal identity. Parents must be physically present and emotionally available. Attend to the child and the child will feel safe and secure in the world. Very early childhood development is connected to money maturity only by crafting the basics of good personality in general.
- Initiative, responsibility, and appropriate discipline during middle childhood (ages 6 to 12) are necessary for self-esteem and later autonomy. Parents must require effort by their children, allow struggle, and encourage action. Children need to be given visible chances to lead and take center stage, in front of family and friends, so they gain mastery over risk, manage fear, and taste achievement. A core lesson is that appropriate expectations are good and will be encouraged, with accountability.
- Increased responsibility must be tempered by consequences and limit-setting in adolescence (ages 13 to 18) to offset entitlement and develop a personal

and social conscience. Parents should encourage independence and social responsibility while enforcing consequences.

- Financial literacy must be taught *throughout* childhood in age-appropriate steps in order to create financial competency in adulthood. Young people must be prepared to understand and make basic choices about money by the time adulthood arrives. Waiting till age 18 doesn't work and creates major problems.
- The allowance is a major method by which financial literacy can be taught. Allowances are neither entitlements, reimbursement for doing chores, nor easy sources of punishment for bad behavior. They are parents' best means of teaching money skills and money attitudes consistently over time in a progressive way.
- At a very young age, young people should start participating and sharing in philanthropic activities, not just by giving money but through active, hands-on efforts.
- Parents must be in control of their own individual and collective behaviors about money, since children learn the most from watching and sometimes must choose between what parents say and what they do. As Willis [2003] notes, the most important values in life are caught, not taught.

Other useful lessons include: encouragement to parents to be open about family finances in a way appropriate to each stage of early development, involvement of children in giving to charity by example rather than just by exhortation, and the need to challenge children to think about doing real work in their lives despite their financial security.

The findings of Schervish [1995] give hope to what can be accomplished with responsible parenting. In his study of wealth and philanthropy, he interviewed 130 millionaires to explore how families of new and old wealth passed on moral values to their children. He found great concern and effort by parents to teach messages about values and responsibility actively, leading to a good degree of success in the outcome. There was a positive impact in the next generation's evolving from the self-interest of childhood to a broad concern for issues involving other people. As we will note shortly, his work points out how reconciling wealth with one's place in society helps resolve many Inheritors' conflicts around the meaning of money in their lives.

Schervish cites five elements as most important in the intergenerational transmission of financial caring:

- Acceptance that new historical circumstances are different from those the parents faced—a flexibility in mindset that accommodates change.
- Effect of the parents' lifestyle—including household duties and responsibility—by which parents communicate the achievement ethic to their children.
- Healthy parental modeling around spending and philanthropy.
- Formalized training about money issues.
- Explicit teaching of “frameworks of consciousness” that teach moral issues around money and wealth.

The thoughtfulness by which parents teach their children seems to be connected to the parents' own stage of development and self-understanding. If parents have grown to a more mature view of money and wealth, they are then able to convey it to their children, who might otherwise find themselves confused or caught up in a consumer society. In the final analysis, the best way to raise responsible children with wealth may be to first make sure we are responsible adults with wealth.

### **From Conflict to Reconciliation and Beyond—Resolving The Inheritor's Dilemma in Adulthood**

We have noted how certain parenting activities can forestall the personal derailing endemic to inherited wealth, a form of primary prevention that minimizes later maladjustment. In this section we focus on how to get personal development back on track after damage has occurred. But for those Inheritors who advance into adulthood, a question arises: How representative are the painful descriptions of wealth adjustment? Don't many Inheritors simply accept their wealth, take up their roles in life, and remain unconflicted about their fortunes? Might the samples of angst-ridden heirs be self-selected to show poorer adjustment compared to those more quietly comfortable with their fortunes? Perhaps those participating in psychological studies are simply more willing to share their stories in these reflective projects, compared to those at the extremes who are either more content or more self-destructive.

Undoubtedly, many wealthy heirs do not feel much conflict around their wealth, remaining either innocent (in the Kinder [1999] sense of money maturity) or adept

due to healthy parenting and good values. But for many others, the presence of wealth does trigger deep personal conflicts that must be resolved in order to grow and thrive. From the literature on personal development of those raised with wealth, it seems the commonly-cited disorders of narcissism, passivity, dependency, entitlement, or immaturity accurately represent one phase of psychological adjustment, admittedly a common phase from which many Inheritors never advance. This level of wealth maturity is marked by some form of painful conflict where wealth has overwhelmed and possibly contaminated the development of a strong individual identity. The Conflict phase is characterized by a lack of integration of identity and wealth, where the Inheritor's Dilemma remains partly or wholly unresolved.

Fortunately, the Conflict phase does not have to remain an end-point. It can be but a way-station along the journey to a second phase of acceptance, reconciliation, and integration with wealth. Individuals reaching Reconciliation with their wealth are no longer hobbled by the guilt, shame, fear, grandiosity or insecurity prominent when wealth and identity conflict. As Schervish and Herman [1988] note about individuals with wealth, "...(t)here is a developmental pattern of moving from having to deal with their wealth to wanting to use it productively, to finally liking it or finding pleasure in the creative control over their wealth" ( p. 74). Similarly, in Stephen Rockefeller's [1996] characterization of the evolution of the Rockefeller family over five generations, he describes the necessity for this journey to self-identity:

"A person will not be really happy in the midst of wealth, finding an enduring sense of satisfaction and meaning, if as a consequence of having it, his or her unique individuality has gone undeveloped for whatever reason. Furthermore, if people do not feel that what they are doing proceeds from free choice and is a way of developing and expressing their own creative abilities, the benefits of their work to others will be limited." (p. 5)

This comment touches also upon the potential of a further phase we shall explore, one where the heir reaches a stage of commitment to an altruistic life purpose. As we shall see, more is becoming known about what enhances the odds that Inheritors will achieve peace and purpose with their wealth. The Inheritor's Dilemma can be resolved.

## Reconciliation with Wealth through Personal Recovery

Many heirs seek out and benefit from psychotherapy, personal coaching, or some form of personal and spiritual growth to aid them in their journey toward a better adjustment. In the Conflict state, therapy can help them come to terms with their mixed feelings about wealth, and begin to gain some distance in their relationships with parents and family. It can also help them make effective life choices and career decisions. Therapy with heirs must take into account the special issues, needs, reactions, and circumstances affected by wealth (Pearne, Blouin, and Gibson [1999]; Domini, Pearne, and Rich [1988]) if it is to be successful.

Adjunctive to therapy, in the past two decades groups of Inheritors have also come together to share their common experiences and concerns. These groups try to stay private, out of the limelight, and provide a safe, understanding, and confidential environment for this work. The growing body of literature that uses interviews with heirs clarifies the many elements needed to help each other. A prominent example is The Inheritance Project, created by several heirs in the early 1990s as a research and educational center. Through Trio Press, they have produced a series of monographs (Kiersted, Gibson, and Blouin [1995]; Gibson, Blouin, and Kiersted [1994]; see also updates at [www.inheritance-project.com](http://www.inheritance-project.com)) that talk about Inheritors overcoming common challenges in developing a positive personal identity and life path.

Sociologists Schervish, Koutsoukis, and Lewis [1994] provide insight into a coping mechanism that may help both Inheritors and Acquirers make sense of the dilemmas of wealth. In the life stories of 12 of the 130 millionaires interviewed for their study (including four heirs), an intriguing finding was that the more psychologically healthy individuals framed their life stories as meaningful narratives. These narratives served as developmental "myths," organizing themes about wealth that show the individual overcoming adversity and moving toward a discovered life purpose. To develop a sense of self-worth and direction, the study subjects had found a way to explain and understand the presence of wealth in their lives. A recurring theme was that discovering how to do something worthwhile or worthy served to justify their good fortune.

Schervish and his colleagues coined the term *hyper-agency*, the special responsibility that those of exceptional

fortune experience because of being wealthy, as a key aspect of their lives. Hyperagency is a form of social and psychological power whereby, having wealth, the individual has an extreme level of “the ability to determine conditions and circumstances of life rather than merely living with them” (Schervish et al. [1994], p. 8). In their life stories, the wealthy defined themselves as having overcome significant obstacles in order to use their wealth in a productive way, as part of a good life. Other accounts by wealthy heirs share this moral dimension through tales of overcoming the obstacles of wealth to use money with dignity, virtue, and even spirituality (Coles [1977]; Hausner [2005]; Domini, Pearne, and Rich [1988]; Goldbart [2001]; Willis [2003]).

Several books by wealthy Inheritors document the struggle to develop a sense of positive self-worth. This is especially common in women Inheritors. Jessie O’Neill’s [1987] account of pain, self-doubt, and self-destructive behavior was an early account of the parental dysfunction often inherited with wealth. Her description of parental neglect, alcoholism, and isolation, subsidized by vast family wealth, expanded on Levy’s [1986] use of the term *affluenza* as recognition of wealth’s insidious influence, its ability to be passed on from one generation or family member to another, and its capacity to infiltrate an otherwise healthy individual with distressing consequences. As in the narratives of other heirs able to overcome the conflicts of wealth, O’Neill took up a career of social service and psychotherapy to support those in a similar struggle.

Thayer Willis [2003], who like Jessie O’Neill has become a wealth counselor, suggests: “(I)f you have inherited substantial wealth, then you know that it is harder for you than for most people to achieve a sense of purpose and competence” (p. 1). She has written how the heir’s struggle must begin with facing the “dark side” of wealth, where wealth that is intended as a gift of infinite promise and possibility is experienced as stifling, confusing, scary, and painful. Her unique contribution is the emphasis that spirituality and religious devotion can provide a path to overcoming the identity conflicts inherited with wealth. This devotion assists in achieving balance, acceptance, and purpose. She is particularly effective in showing how an heir, while not having to work for money to survive, must nonetheless find ways to do something worthwhile, often in the form of a career in social service, arts, or social action. Willis’ major prescriptions are familiar ones:

- Be responsible for becoming aware of and using one’s wealth.
- Create relationships based on communication, love, trust, loyalty, and compromise.
- Find a calling in life, based at least partly in getting an education.
- Develop character by what one does and who one is, not through one’s money.

The process of growth involves moving money from the foreground to the background in identity, using wealth mainly as a resource for achieving one’s goals and life purpose.

The aptly named *The Inheritor’s Sherpa* by Myra Salzer [2005], a financial advisor and wealth counselor, uses the metaphor of a knowledgeable guide who assists others in the climb along the path from confusion, doubt, and aimless dependence toward the higher ground of purpose and direction. Her encouragements about developing self-discipline, resisting inertia, taking risk, and pursuing goals reinforce our growing understanding about answers to the Inheritors’ Dilemma.

Surveying the landscape of adjustment for both Inheritors and Acquirers, Goldbart, Jaffe and DiFuria [2004] posit five elements of positive wealth identity:

- A sense of personal security and self-esteem.
- A lifestyle that is balanced and derives pleasure from appropriate use of wealth.
- The ability to trust other people in intimate relationships.
- Acceptance of stewardship of wealth for future generations.
- Financial awareness and capability in managing wealth.

The authors have designed an assessment tool (Goldbart, Jaffe, and DiFuria [2003]) to measure each of these dimensions, Self-rated from -5 to +5 on a subjective scale, these dimensions produce a profile whose configuration captures the individual’s relative security, wealth anxiety, risk tolerance, spending attitudes, and philanthropic focus. They propose the use of this profile by financial advisors as a guide to counseling the wealthy client along the path toward better adjustment and money maturity, i.e., from Conflict to Reconciliation. As we shall see, their use of a stewardship/legacy dimension is echoed in other writings about adjustment to wealth

(e.g., Collier [2006]), since philanthropy and financial stewardship are much greater components of personal growth for the wealthy than may be the case for the general economic public.

### **RESOLVING THE DILEMMAS OF WEALTH: THE ROLE OF PHILANTHROPY AND SOCIAL PURPOSE**

For Acquirers and Inheritors able to reach reconciliation with their wealth, life achieves a sense of balance and purpose. Unburdened by having to earn money to support living, the wealthy individual may find commitment to paid or unpaid work, a good marriage, responsible parenting, and community service or philanthropy consistent with personal and family values. This is life with purpose, an admirable achievement for anyone.

Philanthropic activities are a natural part of healthy adjustment to wealth. They also are a key factor in developing the human and social capital necessary to sustain wealth across generations (Jaffe [2003b]; Hughes [2004]; Collier [2006]). Involvement with philanthropy and social action can take several forms, some of which are practical and some of which are more spiritual.

On a practical level, philanthropy can serve as a useful activity as well as a means of integrating the benefits and responsibilities of wealth. The transition from individual and family self-interest to concern for others helps to overcome some of the ambivalent feelings of guilt and shame about one's fortune. By doing something to give back to society, wealth's immigrants and natives can each come to terms with the emotional struggles about being very rich. As part of this shift, the individual may become more comfortable choosing a lifestyle of affluence with less doubt or anxiety. As the money gains purpose, so does the individual. He or she becomes involved in careers in social activism, philanthropy, community service, and the arts.

Philanthropy can also be a career path for the heir who does not need to earn money and who cannot outdo his parents as wealth creators. When a family has a great fortune well-managed internally or by outside advisors, family members may not be motivated to generate more money for the family. Many heirs may also have neither the inclination nor the talent to be successful entrepreneurs, certainly not at the level of the wealth-creating generation. In some of the wealthiest families, development of an heir's personal identity is associated with

participation and leadership in the family philanthropy. This path has many positive effects. Heirs can find their own productive purpose and career with the added benefit of not feeling competitive with their wealth-creating parents. Families can also come together in mutual collaboration across generations, as first-generation entrepreneurs see their children and grandchildren taking on careers and giving away some of the wealth that has been earned.

Abby Stranahan (in Stone [1997]) expresses aptly the mixed feelings many heirs have about not doing paid work and not creating wealth, the benchmark in society for being productive and therefore worthy. Although she was involved in the family philanthropy, she notes:

"I know I'm doing important work, but I still would like to have a paid job. I don't want my whole identity tied up with doing things that only someone with money can do. The third generation in this family has had more trouble with money and careers than the second generation had. We work hard, but we're not making money." (p. 55)

Yet Stranahan emphasizes how participation in the family foundation was instrumental in her personal development.

"Knowing we had a foundation that had a clear purpose, that I agreed with its goals, and that I was genuinely encouraged by the board to participate in the foundation, gave me a different perspective on my family's position. I could feel okay about having money because we were giving it away and doing good things with it." (p.55)

Beyond the pragmatic level of philanthropy lies another stratum of integration between identity and wealth. For some, the melding of Self and Wealth forms a creative power turned outward to the world in altruistic service to humanity. It is, in essence, Purpose with a capital P, beyond the individual sense of purpose achieved with normal integration with wealth. This degree of wealth adjustment may represent not just an answer to the Acquirer's or Inheritor's Dilemma but a wonderful rearrangement of the pieces themselves.

In a study of 100 wealthy donors, Ostrower [1995] reports the vast majority felt that giving back was not only a personal choice, it was an obligation. Donors mentioned the usual benefits of giving as a means of coming

to terms with guilt, of making their wealth acceptable to society, and of emphasizing values that are important to pass on to the next generation. For some, however, philanthropy was seen as not only a social obligation but a spiritual one as well. It embraced the highest values of self, society, money, and service. She found that those who were part of a religious or spiritual group were more likely to emphasize giving and stewardship as an important life task.

Schervish, Coutsakis, and Lewis [1994] describe the developmental path some Acquirers and Inheritors take as they move from empowerment in their individual efforts to a broader focus on their potential role and impact in society. They note:

“If the first phase of psychological empowerment revolves around feeling entitled and efficacious in regard to one’s interests, the second entails self-reflective attention to the source and quality of those interests. At this second level psychological empowerment becomes characterized by a set of orientations related to what psychologists call self-actualization and what spiritual traditions refer to as holiness or wisdom . . . the capacity of the wealthy to turn their attention inward in an effort to evaluate the spiritual or moral quality of their interests and propose to themselves a less self-centered set of priorities. Those who do so may be described as having learned the spiritual secret of money. The scope of their self-interest increasingly broadens and deepens to include a greater diversity of people and needs. If in the first phase of psychological empowerment the wealthy base their public behavior on their private interests, in the second they base their personal concerns on public needs.” (p. 7)

Religious organizations and philosophies have long supported wealth’s responsibility and opportunity for social welfare. In the secular realm, Twist [2003] has written a powerful book, *The Soul of Money*, about the nature of money and philanthropy that best presents this spiritual perspective. Her book contains many accounts of the rich who discover they are impoverished by their wealth in terms of genuine human relationships. These people are shown discovering the spiritual nature of wealth and the true potential of money, not only for making a difference in the world, but for genuine

involvement with other people in society. As individuals use their money for socially-engaged goals, they truly “inhabit their wealth.” Twist [2003] presents a compelling argument that altruistic purpose is the most fulfilling destination in the journey toward integration of Self and Wealth.

## CONCLUSION: INTEGRATING MONEY WITH LIFE

In this article, we have reviewed the two types of journeys experienced by those who will be sitting across the desk from a professional wealth advisor. There are the first-generation Acquirers of wealth, those immigrants from other economic cultures who come *to* wealth. Then there are the Inheritors in generations two and beyond, those native-born citizens raised in affluence who come *from* wealth. We have seen how different these life experiences are and how clients are shaped in important ways by the origin of their wealth. We have also examined how the transition from one generation to the next is fraught with potential dangers, detours, and dead-ends affected by many factors, including the quality of parenting within families.

The special challenges of the Rich come from the inordinate freedom granted by wealth, the surplus of resources available beyond ordinary human needs, and the ability to manage the world around themselves in ways not possible for others. We acknowledge that the challenges experienced by the wealthy are present in different ways for those with lesser means, since these are essentially the challenges of life. Development of healthy personality, maturity of money attitudes and skills, finding of purpose, and loving yet disciplined parenting of children are all universal tasks. Nevertheless, we have attempted to show how wealthy individuals and families do have unique life journeys, as they must accomplish the developmental tasks of life with both the powerful benefits and heavy burdens of great fortune.

Awareness of these special challenges should be an integral part of the background of every professional wealth advisor. As the center of the relationship between clients and their money, advisors are in a most favorable position to help clients and their families achieve peace with the riches that are theirs. Our work implies that advisors can learn from both the literature and the personal accounts of the wealthy in order to provide the best resources for their clients. By offering readings, referrals,

and empathic support, advisors have the ability to perform one of the most satisfying tasks in the consulting relationship: assisting clients in overcoming the Acquirers' and Inheritors' Dilemmas.

## ENDNOTE

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**THE THREE FORMS OF GOVERNANCE:  
 A New Approach to Family Wealth  
 Transfer and Asset Protection, Part I 10**

LISA GRAY

Many books have been written on the topic of governance as it relates to family wealth. In this first in a series of three articles, the author notes that there are three separate family entities, each of which requires its own governance system. The series will outline the differences in the three entities and their respective governance systems, why they matter, and how acknowledging those differences from a governance perspective can empower families and their enterprises. By examining the purpose of each form of governance relative to the entity it serves, the author reveals an approach to governance which fosters smoother operations of the family business, the family office, and the family, while enabling each entity to thrive and more easily adapt to change. Building on the premise set forth by the author in "How Family Dynamics Influence the Structure of the Family Office" (Fall Issue, 2005)—that generational perspectives and family dynamics directly influence family office structure and wealth management decisions—this series of articles goes beyond the boundaries of the family office to

explore the validity of the 'three forms of governance' approach and how the three forms integrate to foster, transfer, and protect the wealth of the family.

**ACQUIRERS' AND INHERITORS'  
 DILEMMA: Discovering Life Purpose  
 and Building Personal Identity in the  
 Presence of Wealth 20**

DENNIS T. JAFFE AND JAMES A. GRUBMAN

People come to wealth in essentially two ways: they acquire it during their lifetime through effort or circumstance, or they inherit it from someone else's reserve. The way in which a person becomes wealthy is an important determinant of how wealth affects his or her personality, profoundly influencing one's personal identity and sense of self. Armed with a better understanding of the stresses and adjustments of wealthy clients, financial advisors can tailor the relationship with accuracy, empathy, and sensitivity. This article reviews the psychological and sociological literature of the past several decades about individual and family dynamics related to wealth. The authors first explore the psychological experience of creating or acquiring wealth, with its impact on identity development, relationships in families, and

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the difficult process of parenting the next generation. They look at how acquirers of significant wealth must come to grips with their good fortune and how they must raise their children under novel circumstances, and examine the different experience of inheritors who are raised with wealth. As native-born citizens in a privileged economic culture, heirs of multigenerational wealth experience a stressful blend of advantages and pressures that can often be antithetical to personal growth. The authors finally propose a model of development for a person's wealth identity, beginning with a phase of conflict and confusion, and then reaching a level of personal reconciliation with, and integration of, one's wealth with one's self.

**THE FOUR SEASONS  
OF SUSTAINABLE WEALTH 45**

BARBARA R. HAUSER

The author suggests that the slogan describing an inevitable loss of private wealth in three generations ("shirtsleeves to shirtsleeves in three generations") should be replaced by the positive one: "the four seasons of sustainable wealth." As with the four seasons of a single life and the four seasons of a year in nature, each has its own priorities and its own contributions to the future season. Moreover, she argues that the four generation rotation, described by Strauss and Howe, can be used as an analogy for a cycle of four generations of private wealth, repeating themselves in the same order, cycle after cycle.

**CONTINUING CHALLENGES  
TO DELIVERING INTEGRATED  
WEALTH MANAGEMENT SERVICES  
TO BUSINESS OWNERS 51**

G. SCOTT BUDGE

The author addresses a segment of the wealth management market which he believes is not yet served adequately: business owners. He points to the fact that these potential clients are facing a number of unique challenges surrounding management of their overall balance sheet through time. Though attempts have been made to serve that segment, the author believes that discourse about the problem has become hostage to a paradigm that needs reforming of its most basic terms. This article starts by examining the basic concept of wealth management in order to develop a common vocabulary around the range and depth of services involved. It then revis-

its the business owner client as a set of interacting subsystems, each with its own developmental needs and trajectories, with a view to describing the range of needs presented by this client type and suggesting what is possible to offer to the client with respect to service mixes. Third, and finally, it turns to the problem of how to organize and deliver these services and the associated management change challenges.

**COMING TO PORTFOLIOS NEAR YOU:  
*Investment Ideas You Should Be  
Paying More Attention To* 63**

SCOTT WELCH

Postulating that, when hiring an investment consultant or wealth advisor, high-net-worth families expect good investment performance, the author first notes that this carries with it three potential pitfalls for the wealth advisor: unrealistic performance expectations, increasingly challenging needs to differentiate themselves based solely on their investment performance, and the prospects for a changing equity valuation environment. He then argues that, facing the potentially toxic mix of unrealistic expectations combined with anticipated lower realized returns, many advisors are beginning to challenge traditional assumptions regarding the creation of investment portfolios. This article surveys several of the more interesting investment ideas currently working their way into client portfolios. Some of them remain largely academic; others remain largely institutional, though these are "trickling down" to individual portfolios in increasingly short cycle.

**APPLYING AFTER-TAX  
ASSET ALLOCATION 84**

STEPHEN M. HORAN

The notion of after-tax asset allocation is gaining acceptance among private wealth managers. This article presents practical methods of calculating an investor's after-tax asset allocation, particularly as it relates to taxable accounts. The after-tax value of a taxable account can be substantially less than its stated pretax value, especially for long time horizons. Interestingly, after-tax values of taxable accounts are relatively insensitive to the investment's systematic risk but inversely related to the investment's tax burden and the risk-free rate. These results highlight the importance of converting balances in taxable accounts to after-tax values—a practice which heretofore has been dismissed by scholars and practitioners.