

INHERITORS AND THE QUEST FOR LEGITIMACY

KEY TAKEAWAYS

- Some inheritors feel guilty about their wealth and feel intense pressure to justify their good fortune.
- Building and running highly successful companies can help inheritors feel a sense of worthiness.
- Engaging in meaningful philanthropy is another way for some inheritors to gain legitimacy.

The wealth that inheritors receive from parents or grandparents is often accompanied by feelings of self-doubt and guilt. Many inheritors have a great desire—a need, even—to justify their wealth and prove to those around them that they deserve all that unearned money.

This drive for legitimacy can empower inheritors to achieve great things—but it can also come with a dark side that creates wealth-destroying problems.



If you're someone who may one day pass substantial assets on to a child, or if you're likely to be on the receiving end of that transfer of wealth, it makes good sense to understand some of the key baggage that comes along with an inheritance so you can navigate the opportunities and challenges when the time comes.

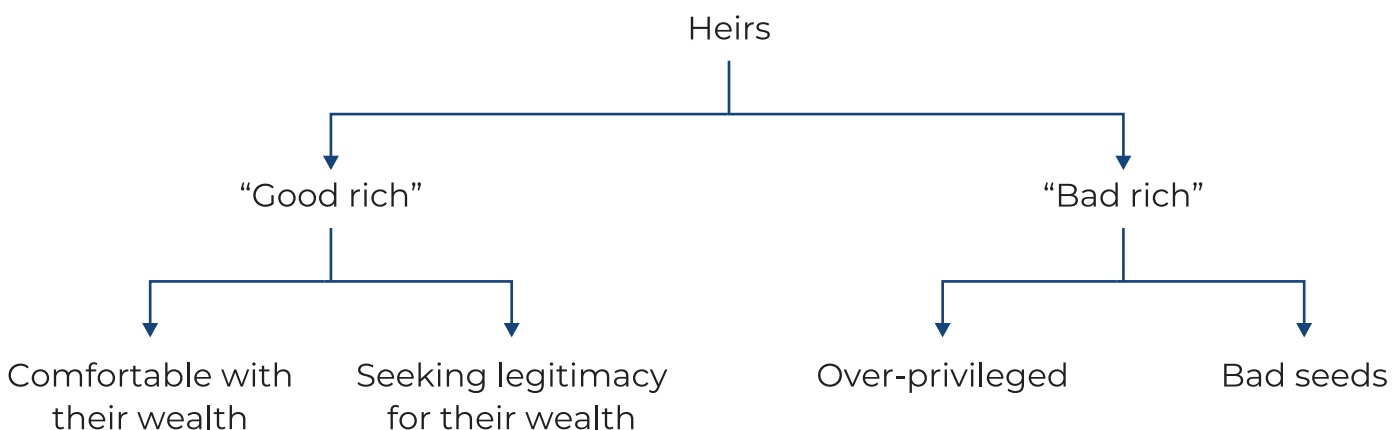
GOOD AND BAD INHERITORS

In our experience, inheritors of large fortunes can generally be divided into two main categories—the “good rich” and the “bad rich” (see Exhibit 5).

The “bad rich” heirs are likely to possess some combination of greediness, licentiousness, narcissism and a tendency to be self-indulgent. They are the stereotypical “bad seeds” who spend and live recklessly without thinking of the consequences. Their wealth often serves as nothing more than a way to cause problems. This group also includes the “affluenza” children who focus only on their hedonistic wants. Bad seeds and overprivileged children are often destroyed by their family’s money. And they sometimes help eradicate (or diminish) the family’s fortune.

In stark contrast, the “good rich” heirs are those whom most people would describe as being worthy of their fortunes. That is, they are hardworking as well as socially astute and responsible.

EXHIBIT 5
CATEGORIZING INHERITORS OF FAMILY WEALTH



Digging deeper, we find that the good rich can be further divided into two camps.

1. Those who accept who and what they are (including being extremely wealthy). This cohort of wealthy inheritors consists of individuals who are mostly well-adjusted. They handle their wealth maturely and responsibly and are doing things that are important to them without much doubt or second-guessing with respect to how they deal with their fortunes.
2. The legitimacy-seeking “good rich” heirs. Having not earned the wealth, they feel no sense of entitlement as the bad rich often do. Instead, they feel the need to prove they deserve their extreme wealth and to validate the fact that they have inherited great fortunes. In short, they are looking to justify their entitlement to family money.

DRIVEN TO PROVE THEMSELVES

Heirs who seek validation for their inherited wealth often put significant pressure on themselves. Some of that pressure may be internally driven—that is, they might have hardwired personality traits that cause them to want to accomplish great things in life. But it’s just as likely that the pressure they feel comes from a sense of having to live up to the older generation’s expectations. In environments where accomplishments are the best ways to get attention and love, for example, “good rich” heirs often become highly motivated to shine.

In other situations, there is strong animosity between members of different generations. Some parents tell their children—directly and indirectly—that the children are not as capable as they, the parents, are. In some circumstances, the parents are disappointed that their children aren’t able to meet their standards. For inheritors in these situations, the aim often becomes to surpass their elders as proof of their competence and their rightful positions (including as inheritors of the family wealth).

Warning: Because of the pressure these “good rich” heirs often feel, they run the risk of encountering the same outcomes as do the “bad rich” heirs. For example, “good rich” heirs seeking validation can suffer from depression and other psychological issues, as well as addictions and excessive risk-taking that hurts the family and its wealth and status.

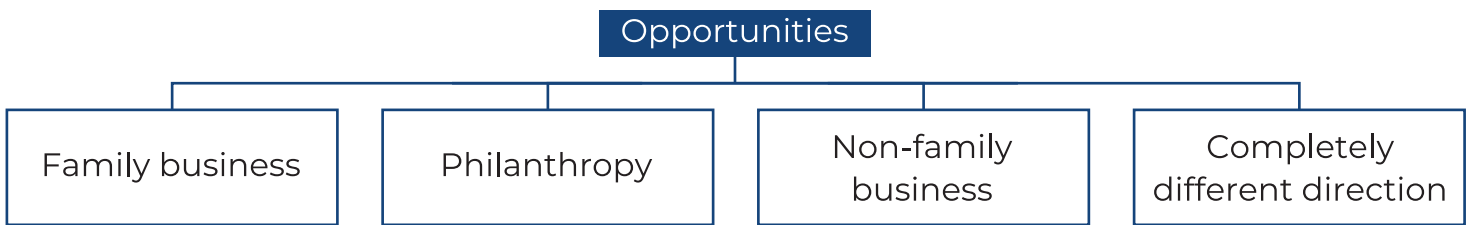
FOUR OPTIONS FOR VALIDATION-SEEKING HEIRS

Ultimately, there are four basic options for inheritors who seek validation for possessing great wealth (summarized in Exhibit 6).

1. Work for the family business.
2. Work for a nonfamily business.
3. Engage in philanthropy.
4. Go in a different direction (career in academia, etc.).

EXHIBIT 6

OPPORTUNITIES FOR “GOOD RICH” HEIRS SEEKING VALIDATION



These options are not mutually exclusive—inheritors commonly focus on both the business world and the philanthropic arena in order to achieve strong outcomes. The real key for these inheritors is that they must plant their flag in the ground in some meaningful way.

Take business. It is common for inheritors to strive to create greater business empires than their elders did. If they are taking over the family business, for example, their goal may be to make it substantially more successful. If it is an entrepreneurial venture, the objective could be to build an extremely high-value—even “game changing”—company that demonstrates the inheritor’s creativity and business acumen.

Or consider philanthropy. Charitable giving can often validate the amassing of great wealth because a portion of it is being given to very worthwhile causes. When giving is done effectively, these inheritors not only do well by others but also benefit themselves and their families. Their charitable acts significantly boost their status and demonstrate their moral and societal priorities.

Regardless of the approach, these heirs are intensely determined to make a real and sizable difference. When their efforts reach the highest levels, they tend to believe they are worthy of their wealth.

Trend: We see a growing number of inheritors in Super Rich families taking over the control and management of their families' single-family offices. Their vision for the single-family offices often incorporates attending to family needs while meaningfully growing the family fortune.

BOTTOM LINE

Inheritors who seek feelings of validation and legitimacy often channel those needs into considerable success. They parlay the opportunities afforded to them by their sizable inherited wealth into major accomplishments by bringing their own drive, talent and work ethic into the mix. In some cases, they even surpass the achievements of the generation that transferred the wealth to them in the first place.

That said, these inheritors can spend much of their lives plagued by doubts and uncertainties—feelings of guilt and “not measuring up.” Therefore, it can be extremely helpful to let inheritors know that they can voice their feelings and concerns about their situations rather than bury them or feel ashamed about them. An empathetic family member or financial advisor can play a valuable role here. Just as important: Help inheritors understand the options and possibilities they have for pursuing meaningful paths in life that can help them feel more deserving of their affluence—and support them as they travel their chosen paths.

Ultimately, well-adjusted heirs who are motivated to move in a positive and productive direction will benefit the family—and maybe even the community and the world.



ADOPT BEST PRACTICES

By and large, the self-made Super Rich have proven that they know what to do—and what not to do—in order to create, grow and maintain sizable wealth. By avoiding major slipups on your own path to wealth creation, you can potentially encounter fewer financial potholes along the way.



Mark Wade
President and Director of
Wealth Management

Visit: 320 Seven Springs Way
Brentwood, TN 37027
Connect: info@echelonwealth.com