

Chapter 1

Setting Sail

To Members of the Rising Generation

This chapter—indeed, this book as a whole—is meant for you.

There are many books, and some good ones, written for your parents and grandparents. (Indeed, our previous book, *The Cycle of the Gift*, is meant primarily for them.) These books may speak about the next generation, but usually as an *object* of your parents' or grandparents' care and concern, not as a subject in your own right. You may benefit from such books, but they are not truly meant for *you*.

In this chapter, we will encourage your reflection on the challenges that family wealth poses to you—challenges often unrecognized but almost always felt. In the next chapter, we will

ask you to step back and observe the characteristics and the challenges common to rising generations in general, with or without wealth. Then, in Chapters 3 through 5, we will engage you in considering strategies for dealing with these challenges and fostering your own flourishing.

Who do we mean by *you*? We mean especially members of the so-called “second generation” in enterprising families. You have grown up in the presence—perhaps the shadow—of successful parents, some who may seem larger than life. You, too, may have labored at their side but most likely under their direction. You know that they can be a tough act to follow.

By you we also intend to include members of generations beyond the second. In such cases, the founder of your family’s fortune may be an old man or woman or even a picture on the wall. The stories of the founder’s rise may seem like ancient history—and yet those tales and their financial consequences probably still hold a powerful place in your thoughts and actions.

Whatever your exact relationship to the founders, you, our readers, are rising within a world that those founders helped create. They likely control or have established the mechanisms for control of your family’s financial capital. *But you hold the future*, and that is the greatest repository of *human* capital possible. Your task, then, is twofold: to recognize the reality of the world in which you are rising but also to rise, responsibly and happily, in a life that you create.

The Black Hole

We have referred several times to the challenges that wealth poses to the rising generation. You may wonder, “What are these supposed challenges?” After all, financial wealth is usually considered a good thing. It enables us to buy homes, pay for educations, take vacations, and help others. Most people worry about having too little, not too much.

Some of your parents, teachers, or other authorities may have summed up the problem with family wealth in one foreboding word: *entitlement*. Another common label for the problem is *dependency*. In some circles, you may even hear young members of families with wealth described as *trust babies*. These are not terms applied to wealth creators. They are usually reserved for members of the rising generation whose rising has, in the view of their parents, gone awry.

We do not deny that such words as entitlement or dependency can sometimes be useful. (Trust baby is an insult, meant to be destructive.) But these words do not, in our view, adequately describe the problem.

At the risk of oversimplifying a complicated matter, we believe that the source of the problems that family wealth poses to rising generations lies in the source of family wealth itself: the founder or, more precisely, the *founding dream*. It is the power of the founding dream that, in our view, often ends up silencing the dreams of rising generations. This silence, in turn, is the reason that the proverb of “shirtsleeves to shirtsleeves in three generations” so often comes true. It is the true cause of entitlement and dependency.

Why do we identify the source of the problem with the founder or the founding dream? Think for a moment about the founder or founders of your family’s fortune. Most likely, the founder had big plans and a large sense of his¹ own ability to put those ideas to work. We call this sense of one’s own ability *self-efficacy*. The founder’s dream takes material shape in an idea, then a business, and then in the family’s financial wealth. It projects itself into business relationships, personal relationships, and legal structures. Ultimately, the dream may inform what work family members do, whom they marry, how they raise their children, and how they spend “their” money. It likely will define the family’s impact on the community—whether through business or philanthropy or both. It will give the family its name, in the sense of its public reputation.

We have seen the founding dream take shape in all these ways and more. Such a dream is almost like a sun (see Figure 1.1). It opens the eyes of colleagues, coworkers, and family members



Figure 1.1 Founder's Dream as Sun

to new possibilities. It brightens a path for their efforts. It illuminates the founder and his or her family and shows them to the rest of the world. A founder's dream is an extraordinary and impressive expression of human capital.

Such a dream is a smaller version of the great dreams of political founders or refounders, such as George Washington, Abraham Lincoln, Winston Churchill, Mahatma Gandhi, Martin Luther King, Jr., and Nelson Mandela. These founders' dreams have lit up our countries and our world. The dreams of family founders do the same on a smaller stage but with even more concentrated power.

The challenges created by such dreams are also similar in the political and the domestic realms. Thomas Jefferson thought that the "tree of liberty" must be refreshed (with the blood of patriots and tyrants) every 20 years at least—that is, by every

rising generation.² As a young politician, Abraham Lincoln feared that the passing of the Founding Fathers would lead to political chaos, since future leaders could not imagine surpassing the deeds of Washington or Jefferson, and as a result might not even try, leaving the country rudderless.³ Twenty-five years later, in his most famous speech, Lincoln recast the bloody Civil War as ushering in a “new birth of freedom,” not just for the United States but possibly for the world.⁴

Both Jefferson and Lincoln saw the challenge posed by a great dream: precisely because of its power, the founding dream may silence the dreams of rising generations. This is the paradox of dreams. Dreams are a fundamental example of human capital. But by their power they may prevent future dreams from being born. In such cases, human capital destroys itself. The founder’s sun becomes a *black hole* (see Figure 1.2).



Figure 1.2 Founder’s Dream as Black Hole

In the case of families, the greater the founder's dream, the more powerful the effects of the black hole may be. Ask yourself: In what ways, in what areas of my life, do I feel the gravitational pull of the founder's dream? Do I see it at work in my parents or siblings? Do I see it at work in our choices, in our relationships, and in our plans? How do I see myself in comparison to the great man (or woman, or couple)? Have I begun to think of myself as merely "next"? Am I living in the black hole?

Talking about Silence

If some of these questions strike home, then you know the power of the founder's dream on rising generations. The fear of failing to measure up, or to strike out on your own, may outweigh the hope of future possibilities. When fear outweighs hope, the practical effect is that family members fall silent. You may come to believe that nothing you can think or say or do matters, compared to the greatness of the founders. You may believe everything is already done or decided. If so, your voice and dreams vanish into the black hole.

There are many ways that this silence can express itself. It can even be quite eloquent. Following are some examples of the forms this silence can take, examples taken from our experience but abstracted in various ways to make a point. The names are invented; the caricatures are composites. We follow each example with some questions to ask yourself.

The Very Good Steward

Hudson grew up knowing his family was wealthy. He knew about the business, the factories, the trusts, and so forth. Even in grammar school, he took pride in telling his classmates about how the stock market worked. (Most of them thought he was a bit of a show-off.) When he graduated from college, he moved into the role of serving as trustee, joining his family business's board,

and generally keeping track of the family finances. His parents were delighted with his responsible behavior. As his life went on, however, Hudson's pride in himself turned into a deep sense of being burdened. He felt as though he never gave himself the chance to live his own life.

Have you ever been told, "What I really want is for you to become a good steward of our family's wealth"? There is nothing wrong with being a steward. A good steward takes care of someone else's property while that person is away. Stewardship has a distinguished history in the context of charity, in which believers are encouraged to see themselves as stewards of God's creation, to preserve it and use it for the good of the less fortunate.⁵ But this is also the problem: if you are asked to become a steward, then who are you living for? Whose dream are you stewarding? Yours or the founder's? If you become a steward only of someone else's dream, then your own voice will likely fall silent.

The Meteor

When Kathy was in college, her mother pulled her aside during a visit home. Her mom said to her, "Because of your grandfather's success, I want you to know that you can do whatever you like in life." Kathy was puzzled: "I already thought I could do anything," she replied. As Kathy grew and money from her grandfather's business started to flow her way, that conversation stuck in her mind. She had always wanted to become an attorney. But after law school, the partner track seemed too constraining. She dabbled in legal advocacy but felt uncomfortable among her much-less-wealthy colleagues. Her vacations grew longer. Sure, her life was pleasant, and so she felt she could not complain. But somehow she felt that she had missed her true calling.

Do you ever feel knocked off course by your family's financial wealth? Even if you don't know its exact extent, has knowing that it is out there led you away from paths that, you suspect, might have been more rewarding? These are questions

that point to the power of gifts to become, as we put it in *Cycle of the Gift*, meteors that drive recipients off their life's path. Even if that meteor comes from a place of love, it can be difficult to think and talk about this feeling of having lost your way.

Froggy

Billy had always loved boats. Growing up in a middle-class family, he dreamed of earning a captain's license and becoming a pilot. When his father's business took off, Billy found himself being given enough money to buy himself a yacht he had never even dreamed of owning. He also found himself married to someone who he realized married him only for his money. His parents continued to subsidize his life. He gave up the dream of becoming a pilot. Why bother? He had the boat already. He also stuffed down, into his unconscious, any thought of getting a divorce. He feared that a divorce would decimate his finances and that he could not make it any longer without the money. He spent more and more time on his boat, alone.

You probably know the famous image: a chef places a frog in a pot over a fire. If the water is too hot, the frog will jump right out. But if the chef slowly increases the heat, the frog will not notice the change. Once he gets uncomfortable, the frog will find his muscles are already too weakened to make the leap. He's cooked. Billy had become a frog. His parents were the chefs. The financial wealth was the flame and his marriage and lack of ambition were the pot. Financial wealth can be so comfortable: why leap out? Also, others will tell you that life outside the pot is tough and unpleasant. Why jump into that unknown, frightening world when you might have so much to lose?

The Parallel Universe

Moshe's parents worked in high-level positions in an international charitable organization. He grew up in some of the most

impoverished and dangerous places in the world. He admired his parents' dedication, even if it did entail constant moves and tough living. He also knew that his mother's parents were involved in some sort of business, but he didn't know quite what it was. He certainly did not know what bearing it had on his life. Then, when he was 21, his mother brought him to a meeting of her family back in their homeland. He learned that his mother was part of one of the richest families in the country. Everything Moshe thought that he knew about himself and his family suddenly seemed turned upside down. He had thought of himself as a sibling to the poor children with whom he had grown up; he thought of himself as a true citizen of the world. Now he felt lost, his passport revoked.

Do you feel in the dark about your family's resources? Are those resources something hinted at but never quite clearly explained? Do you feel like you are living in a parallel universe—parallel to both to your parents' world and to your peers'? Your parents' money is somehow there—for example, in the beautiful houses or luxurious family vacations—but it is not yours. At the same time, when your peers without wealth face the normal struggles of making it on their own, you may not feel that those same struggles are truly yours either. This limbo-land of unreality can also instill a confused silence.

The Anxious Heir

Anna and her brother Grant knew that they were wealthy. By their 20s they had inherited hundreds of thousands of dollars from their successful parents. They were responsible young adults. Neither one of them had gotten deeply into drugs or any other trouble. After Grant got married, he told Anna that he was planning to invest a significant part of his inheritance in his wife's fledgling import-export business. He was proud of the opportunity to “do something” on his own, with his wife.

Anna, in contrast, was distraught. As she put it to a friend, she couldn't believe that Grant was going to risk "all the money he'll ever have."

If you have received some financial wealth from your family—either outright or more likely in a trust—have you ever worried that this is all you will ever have? It is a natural concern. Most recipients cannot imagine creating such great financial wealth themselves. And yet this feeling leads easily to focusing on "keeping what I've got" instead of exploring new possibilities and taking risks. It can lead to an anxious silence.

Mr. Reputable

Josef came from an old, well-known European family. He grew up hearing about the imperative of preserving the family's "good name." Josef moved to the United States, in part to be free from always being thought about in relation to his family. Even there, however, he was meticulous about his family's reputation. He kept his family history as secret as possible. Though he was trained in business, he avoided partnerships with others. He drank minimally, never touched drugs, and even avoided driving when he could. All this caution stemmed from his fear that one slip could besmirch his family's honor.

Have the founders of your family fortune bequeathed you a famous name and publicity? If so, then you have probably felt the anxiety of not wanting to stain the family reputation. Especially in this age of the Internet, continuous news cycles, fascination with celebrities—in which it seems that no mistake is ever forgotten—do you feel that there is nowhere to hide? Again, such anxiety is partly a reasonable response to a difficult situation. But it hardly encourages one to take risks in the pursuit of growth. Rather, it prompts one to quietly play it safe.

The Grand Giver

James grew up in a very wealthy family. His grandfather was at one time the richest man in his country. But James never felt comfortable with his inheritance. He felt guilty that he had so much and others had so little. In his 20s he decided to put things right by giving away the funds over which he had control. It took him about a decade to do so. While he did not regret his choice for himself, later in life he did wonder whether it was the wisest approach, particularly when he considered the options left open to his children.

Have you ever wanted to give it all away? We have known heirs who spent their fortunes on houses, cars, parties, and so on, precisely because they felt so uncomfortable with the wealth. Others gave most of it away to friends or charitable organizations in order to get out from under the burdens they felt. Such spending can appear to express a dream, especially a philanthropic one. But if the spending or the giving happens in order to negate the wealth, then is it really *your* dream?

Testing the Boundary

If the black hole and its silence have touched your life in these or other ways, do not despair. Journalists, historians, and popular writers often focus on the “dark side of wealth.” But for every family that has succumbed to the black hole, there are others who have truly and effectively helped the rising generation find their voice.

The most famous example remains the Rockefellers. No one had a larger dream than John D. Rockefeller, “Senior.” His son, “Junior,” grew up under his father’s close supervision. JDR, Jr. had a strict allowance and learned financial skills at the hands of his frugal father. But, very importantly, his father also gave him space: in his choice of career, his philanthropic efforts, and his decisions in raising his own children. Nothing would have been easier for Senior—who was no shrinking violet—to dictate to his children

where they should work, whom they should marry, and how they should raise their children. But Senior did not do so. After a period of some indecision and soul searching, JDR, Jr. took advantage of his freedom, found his way, and pursued a similar path with his own children, giving them space in the important choices in their lives. As a result, while preserving a rich family history, the family has also felt the freedom to reinvent itself with each rising generation.

The Rockefeller example sheds light on the key step that a family must take in order to avert the negative outcomes of the black hole. We describe this step as continually testing the boundary. Every founding dream or black hole has its gravitational pull. For members of future generations, life within the boundary of this gravity will likely be, as one of our clients put it, “stunted.” It will be the existence of the frog in the pot. The founding dream will preclude the growth of the dreams and hence the human capital of family members within the line (see Figure 1.3).

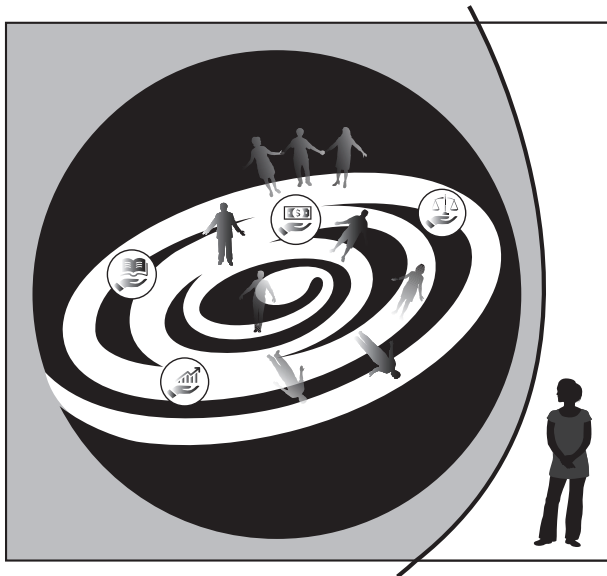


Figure 1.3 Black Hole with Boundary

So does flourishing consist in blowing through the line and speeding away from the black hole? No, as we have seen, that too can lead to silence, if that action takes the form of rejecting the family wealth—either through consumptive spending or philanthropy—in order to get rid of it. Another version of such rejection is living a stealth-wealth lifestyle: ignoring the wealth, not opening the statements from the bank or the investment company, and refusing the vacations or other trappings of an affluent lifestyle. Such rejection is not freedom. If you spend your life trying to get away from the black hole, it is still with you, always determining your attempts to reject it. Lives spent in rejection can be just as stunted as those lived within the luxurious confines of the founder's estate and vacation homes.

That is why we find a more productive option in testing the boundary or, as we sometimes call it, the “green line” around the black hole. JDR, Jr. did not reject his father's dream nor did he simply bow to it. He and many of his descendants found a balance between the powerful dreams of the founder (or the refounders) and the yet-to-be-born dreams of the future.

Another family we once worked with included a founder whose dream had involved a variety of activities, from natural resource development to finance to extreme sports. As a result, his daughters grew up with experiences all around the world and could have chosen from widely different careers, if they wanted to work within their father's companies. Thankfully, their father valued his own freedom so much that he wanted to ensure that they pursued freely chosen paths of their own. We helped each one of them identify her own dreams and the places where her dreams might intersect with or diverge from her father's enterprise. We also facilitated conversations between each daughter and her father about this process of reflection. This was work right on the boundary of the black hole, with all of its danger and its energy.

Finding your voice means neither parroting your parents nor always contradicting them. Discovering the balance is a crucial task of the rising generation.

Mentor

We began this chapter by emphasizing that we are speaking *with* you, members of the rising generation, not about you or down to you. With various questions and examples, we hope to encourage you in a conversation with yourself.

For sometimes it can be hard to face such realities as the black hole or the silence on your own. Even in the world of affluence—or perhaps especially in the world of affluence—with all its servants and helpers and advisers, you may feel alone. You may wonder, “Who is truly standing *for me* and not just for my money?”

This is not an idle question. As we will discuss in the Conclusion, most advisers to families with significant wealth or businesses also operate within the gravitational pull of that same black hole. That is why 95 percent of you, the rising generation, leave your parents’ advisers as soon as you receive gifts, and 98 percent of you leave your parents’ advisers once your parents have died.⁶

Who, then, stands for you? You will find such people—and the discovery often happens when you decide to stand for yourself. The story of Homer’s *Odyssey* is helpful here. At the beginning of the story, Odysseus’s son, Telemachus, is moping around his home, unsure of what to do. The goddess Athena appears to him in disguise. (She first appears as a traveling merchant, Mentos. Later she appears in the guise of an old family friend, Mentor, whom Odysseus had left to watch over his young son.) She asks him some tough questions. She gives him some tough criticism.

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Her words rouse him from his sulk, and he decides to make a break and start a journey to find his father and himself.

To begin a journey, even with help, we must be ready to receive that help. If Athena had come a year earlier, Telemachus would likely have been too young to undertake this quest. It is worth asking yourself, too, “In what ways am I ready to start this journey and what ways not?” Finally, it is worth remembering that, behind her disguise, Athena was a goddess. There is something divine about the best help. It comes to us when we are ready but not at our beck and call. You do not necessarily pick the time and the mentor. What you can do is to make yourself ready to answer the call.

Questions for Reflection

Where do you stand in relation to the black hole? Who stands for you and your freedom from its gravity?

Notes

1. When referring to the founder in the singular, we will follow convention and use the masculine pronoun, recognizing that, while most past and present founders are men, female founders are growing more and more numerous.
2. Letter from Thomas Jefferson to William Stevens Smith, November 13, 1787.
3. Abraham Lincoln, “The Perpetuation of Our Political Institutions: Address before the Young Men’s Lyceum of Springfield, Illinois,” January 27, 1838. Lincoln was himself only 28 years old when he gave this amazingly prescient speech.
4. Abraham Lincoln, “Gettysburg Address,” November 19, 1863.

5. For more on stewardship in this context, see Paul Schervish and Keith Whitaker, *Wealth and the Will of God* (Bloomington: Indiana University Press, 2010).
6. Michael Sisk, “How to Keep the Kids,” *Barron’s* (June 4, 2011), S20–S21. See also Diane Doolin, Vic Preisser, and Roy Williams, “Engaging and Retaining Families,” *Investments & Wealth Monitor* (September/October 2011), 10–16.