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Q:

Why do many wealthy families fail to pass a lasting legacy to their future generations?



BY STEPHEN R. STELLJES,
LORI B. DEANE AND
JEREMY K. KUHLEN

*Stephen R. Stelljes, JD, CFP®,
President of Client Services*

*Lori B. Deane, JD,
Senior Wealth Advisor*

*Jeremy K. Kuhlen, CFP®, CRPS®, AIF®,
Vice President & Senior Wealth Advisor*

THE COLONY GROUP

► **Shockingly, 60 percent of family wealth succession transfers fail**, according to research by Roy Williams and Vic Preisser in *Preparing Heirs*, 2003. Rarely does the failure concern poor investment choices or bad tax advice; it's due to a lack of family engagement. Wealth transfer failures are largely caused by a breakdown of communication and trust within the family. Ensuring that family wealth survives past three generations—as opposed to living out the “shirtsleeves to shirtsleeves” proverb—requires all generations to engage in education and communication on the various dimensions of family wealth.

Traditionally, the focus of wealthy families is on the asset or assets that have monetary value. Strategies are developed to transfer the assets to the next generation(s) with the intent to continue the legacy of wealth. However, not enough

time is spent discussing the intangible assets such as family values and the family's vision for the future.

Wealth advisors are often uniquely positioned to introduce the concept of open dialogue and ongoing communication to their clients because they understand the intricacies of the family dynamics. Years of thoughtful planning and conversations with the leading generation—with the primary goal of securing a legacy for the following generations—provides the opportunity to make that vision an integral part of successful wealth planning.

SHARE YOUR FAMILY'S STORY

Engagement, therefore, is a process and not a transaction. The first step is communication among family members. Many families struggle with how and when to have conversations about money and

wealth. Older generations, sharing the history about how the family wealth was created is often the best way to get started. Charles Collier, the author of *Wealth in Families*, writes that families successful in wealth succession “tell and retell the family’s most important stories.”

Families may want to enlist the help of their advisor or someone with expertise in facilitating these conversations. The advisor’s role is to educate, provide guidance and maintain focus on the issues that are core to the family members. The crucial takeaway is that every family member—from each generation—wants to feel included, understood, respected and valued in the process.

MODEL GOOD STEWARDSHIP

When families begin to communicate about wealth, knowledge and responsibility about money naturally develop. Parents can start that education early by introducing the concept of an allowance to children. Modeling responsible behavior about money through budgeting and saving demonstrates thoughtfulness and intentionality. Parents who require their children to save for items they want or raise funds for a charity they support make it more likely that the children will continue these learned behaviors throughout their lives.

ENGAGE IN MEANINGFUL EXPERIENCES

One of the most powerful ways to engage family members is through philanthropy. Typically, affluent families support causes they are passionate about by donating their time, leadership and financial support. Successful families recognize that we live in a dynamic world with ever-changing issues that transcend generational differences. Find a cause that resonates with younger family members such as eliminating or reducing poverty, improving the environment or saving wild animals. Simply having a conversation with them about what they believe, how they would like to help and how they can make an impact provides a platform for all generations to connect and perpetuate strong family values.

“Many families struggle with how and when to have conversations about money and wealth. Older generations sharing the history about how the family’s wealth was created is often the best way to get started.”

Wealthy families now have the resources and tools to preserve not only their tangible wealth but also to share

their vision and values for living lives full of intention, passion, learning and joy for generations to come. ●

ABOUT THE COLONY GROUP



Founded in 1986, The Colony Group is an independent, fee-only financial advisory firm that seeks to provide peace of mind to clients. Its team of trusted experts delivers objective financial advice, striving to provide clients with the highest level of personalized service. The Colony Group works with high net worth

individuals and families, corporate executives, athletes, professionals, entrepreneurs and institutions, providing deep expertise that goes beyond investment management. The firm’s clients have access to a full suite of investment-management, institutional-consulting and financial-advisory services, including tax, estate, retirement and philanthropic planning, asset allocation and cash and risk management.

EXPERTISE

Assets Under Management	Professional Services Provided	Compensation Method
<p>\$8.5B (as of 3/31/2019)</p>	<p>Strategic wealth-management, tax-planning, investment-advisory, family office and innovative life-enrichment services</p>	<p>Fee-only fiduciary</p>

thecolonygroup.com | sstelljes@thecolonygroup.com | 617-723-8200
 Massachusetts | New York | Virginia | Florida | Colorado | Maryland

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sstelljes@thecolonygroup.com
thecolonygroup.com

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