

Immigration to the Land of Wealth

Taking on new wealth is like adapting to a new culture.

By James Grubman, Dennis Jaffe, and Keith Whitaker
(Canadian Adaptation)

Franklin Roosevelt once reminded the Daughters of the American Revolution that he and they, as Americans, are *all* descendents of immigrants, no matter how longstanding the family tree. His point was that even the most-entrenched families of our culture began somewhere in humbler circumstances. And when our ancestors stepped off the boat, they faced a huge number of choices: how to interact with the ones already living there, how much to assimilate, how quickly to do so, how strongly to orient their children to the past or the present.

Most wealthy families in America are in a metaphorically parallel situation: they are, by and large, economic immigrants. Between 70% – 85% of those in the upper 2% of economic class arrived at their position within their lifetime. That means the overwhelming majority of the affluent were raised in a lower economic class.

Just as we all have a family-of-origin that shapes our beliefs, identity, habits, and cultural views, we have an economic culture-of-origin that has shaped us in similar ways. As we “move on up” via business success, investment skill, or fortunate marriage, it is as if we migrate from one culture to another. Like all immigrants, we carry to our new circumstances the memories and attitudes from where we grew up. We then face the challenge of learning how to adapt ourselves and our families successfully within the new culture.

The Dilemmas of Assimilation

This challenge creates many personal difficulties. Economic immigrants import notions of how individuals and families should behave, drawn from their blue-collar or middle-class homeland. They arrive

with stereotypes about wealth and often guess how to act, spend, dress, even talk.

Some never lose the sense of being an imposter, a stranger in a strange land, while others plunge into the new culture as quickly as possible, anxious to scrub away all vestiges of the old country. Some stand apart, never assimilating, never belonging. They feel embarrassed when they visit family or friends and besieged by people who ask for money or seem to resent them. They may feel they have to hide their wealth or they may delight in conspicuous displays of their new riches.

From Whence They Came

The root of the struggle differs from scenario to scenario, but the challenge of adaptation is a common thread.

Wealth’s immigrants have experienced economic transition as a positive force: they have lived the American dream of overcoming hardship to achieve the good life. They know risk as opportunity. However, this ascent brings with it new tasks of adjusting their self-image along the way and finding new purpose at journey’s end. The challenge for immigrants is to adapt continually to new circumstances, all the while parenting or grandparenting children who are looking for guidance in their fundamentally different world of affluence.

Wealth’s natural-born citizens, on the other hand, seem to live in Alice’s looking-glass. For those raised with affluence from the start, the family’s transition upward may be a vague memory or a distant tale of long ago. Conservative as investors and careful to preserve

their status, they often think of financial risk as more likely to move them *down* the economic ladder. Personal financial transitions may be frightening, not exciting. Because they themselves have no history of overcoming hardship, risk is seen as danger, not opportunity.

Natural-born heirs also face their own crisis of identity: the challenge of growing a strong personal identity and sense of purpose out of the background of wealth. An inheritor may feel like a mere appendage of a larger body—this family name, this estate plan, these trusts. If wealth’s natural-born citizens do not find ways to build identity and purpose, they may achieve neither personal happiness nor the strength to claim their personal dreams.

Arrival by marriage - an intercultural union, to follow the analogy - adds further complexity to new wealth, since prospective spouses can be drawn from any of the available economic cultures. The newly wealthy face the same dilemma as geographic immigrants: Do you marry a natural-born citizen who knows the land more intimately than you do, or someone who shares your immigrant roots? Each has benefits and risks. All too often in families of wealth, new immigrants-by-marriage are greeted suspiciously as dangerous arrivistes from the old country. In fact, immigrants-by-marriage have much to offer if they bring along with their passports the old country values of responsibility, initiative, work ethic, and lack of entitlement. But cross-class relationships of blue blood and new blood face many challenges that spill over into the next generation.

Vulnerable Outposts

With so many people acquiring wealth and others joining by marriage and by birth, why are only about 20% of wealth-holders second-generation or later? Why doesn't the Land of Wealth swell with natural-born citizens who preserve the hard work of the first generation and deepen the roots their forbearers put down? Instead, the Land of Wealth is a frontier of often short-lived outposts. Many descendents find themselves eventually deported from the land their ancestors struggled to reach.

The reason may not lie in bad investments or punitive taxes. It rests largely in the sociological complexity of immigration. Parents make it in but can't teach their kids the skills needed to stay.

One pattern is based in the nature of wealth creation through entrepreneurship, especially a family business. Wealth creators are often strong-willed, persistent, creative and able to risk, with a strong work ethic and sense of responsibility – characteristics shared with geographic pioneers. The stories of their journey become dinner table sagas that teach young listeners the value of perseverance, creativity, purpose, and initiative.

But the special qualities that enable the first generation to amass wealth may not serve them well in creating an environment for preserving wealth. Virtues in business are often vices in parenting. These economic pioneers may want to control decisions, do not seek counsel, find it hard to let go, and tend to dominate conversations and choices. This sets up a frustrating family climate that causes heirs to make poor decisions in relationships, business, and life. The result is extradition from the Land of Wealth.

Immigrant Parents, Natural-Born Children

In the face of these challenges, the analogy of immigrants and natural-born citizens tells us much about what is necessary to sustain generations of

wealth. The key is that immigrant parents must raise children well in an unfamiliar world.

Being an inheritor brings risks as well as benefits. Money makes life more convenient, but in doing so it spirits many transactions out from sight, impeding the learning of money skills by children. Wealth can reduce both needless suffering and useful adversity that builds character. It can open doors but also provide improper rescues. Having access to great resources can inspire confidence, but just as easily foster a feeling of entitlement or angst. Without the steady, wise hand of a parent to guide the way, wealth's children get lost—and lose. Being rich does not spoil people. The culprit is inadequate parenting for the complexities of wealth.

To hold together, wealthy families need to recognize that both parents and children face challenges in identity, communication, and skill-building. "Arriving" changes parenting, but it does not abdicate it. For example, using an allowance as a training tool - rather than a prize or a pay-off - addresses the inheritor's need to learn and the parents' responsibility to teach. Good parenting should also be part of estate planning. Well in advance of creating restrictive or disempowering estate plans, a family should discuss the decisions with everyone. In the long run, it is better to train the beneficiary than to control the money.

But first, immigrant parents must carefully adapt to the realities of the new culture. Rigidly following an old playbook is no more helpful than throwing out the rules altogether. The lessons learned in middle-class life must be retained yet adapted to the land of wealth if succeeding generations are to succeed.

The process is akin to the pre-flight oxygen mask: lesson. Parents must first learn the lesson themselves and then aid their

children. Once acclimated to the new environment, parents can successfully engender their family with the tools they need to navigate the shores of wealth. They should be open, communicative, and should seize upon opportunities to pass financial knowledge on to the next generation.

Common Scenarios

One way the newly wealthy respond to the challenges of parenting is to follow Warren Buffett and other prominent role models in giving most of their money away rather than to their children. This is unselfish and socially responsible. But if done without explanation or discussion, it can send a confusing message to the next generation, who may feel punished or confused about what is expected of them.

Another path is to create restrictive trusts and assign trustees perpetually *in loco parentis* to monitor choices about spending, education, and even relationships. This results in children feeling their parents do not trust them—as indeed they may not. Succeeding generations then feel they will always be children albeit to surrogate parents - the trustees.

Allowances are another tough spot for many immigrant parents. Some adopt the middle-class playbook rigidly and say, "I didn't get money for being part of my family and I won't give 'handouts' to my kids." Others become human ATMs, supplying their kids with ready cash but little decision-making experience.

Some parents create a false middle-class life in which the wealth is denied, no one talks about money, and children to resent wealth rather than learn how to preserve it. Or they forget the old country values altogether and only learn how to spend.

None of these strategies is necessarily wrong. But when these methods lead to stasis or, more commonly, infighting within the

family, immigrants and natural-born citizens are unable to sustain the outpost settled by the founders. They move “from shirtsleeves to shirtsleeves in three generations,” as the common proverb has it. The point is that immigrants to wealth have to face whether their choices about money mostly reflect their own experiences and uncertainties or a true understanding of what their children need for guidance.

Getting Help

It’s rare for wealthy families to transform themselves from founding pioneers to established citizens in the Land of Wealth. This difficulty may explain the failure of outposts across generations and most natural-born citizens’ eventual return to the economic old country. But there is

hope. Just as waves of geographic immigration inspired mutual aid societies, religious groups and governmental agencies to help newcomers adjust to American or Canadian culture, the same is happening in the Land of Wealth.

Several resources exist to guide wealth-creating families and their succeeding generations. These range from classic texts on parenting for financial literacy (*Silver Spoon Kids, Children of Paradise, Raising Financially Fit Kids*) to guidebooks on what it takes to sustain families of wealth (*Wealth in Families, Family Wealth: Keeping it in the Family*). Parents can attend educational seminars for themselves and their children. Advisory firms increasingly offer in-house consultants and external counselors

as part of wealth management. Perhaps most powerfully, peer communication within the wealth-holder community—whether through philanthropic organizations or membership groups such the Institute for Private Investors, Family Office Exchange, or Tiger 21—allows families to share difficulties and solutions. The insularity and secrecy typical of wealth is dissolving.

Affluence does make life easier. But while everyone seeks relief from economic stress, few are prepared for the impact on relationships and parenting. It does not have to be so. With careful guidance and thoughtful attention, families of wealth can meld the best of the old country with the new land’s good fortune.

Adapting to a Financial Nightmare

Market events the past two years have affected many affluent families along the fault lines characteristic of wealth’s immigrants and natural-born citizens.

Many among first-generation wealth have experience with financial peaks and valleys and adjust spending accordingly. We’ve seen many wealth creators take today’s turmoil in relative stride – by calmly adjusting the risk profile of their portfolios, for example. A few have even tried to find opportunities amidst the turbulence.

During this crisis, however, some in this group are uncomfortable with outside advisors handling their investment risk. For them, it’s like watching someone else steer their family’s ship through a hurricane – especially if this is the first crisis they are experiencing since a liquidity event. As a result, asset managers have been contending with multiple calls and emails, as well as angry recriminations by clients critical of how things have been managed.

For wealth’s natural-born citizens, things are more complicated. Many have no experience living through a major downturn. In denial or feeling entitled, some in the second or third generation continue spending unchecked, resisting suggestions they need to be more prudent for a while to live within the family’s diminished assets. In good times these over spenders can frustrate a family. In bad times, they can cause conflict—to the point where other financial support may be cut off.

At the other extreme, some heirs are panicking that their lifelong security may disappear. They live with little sense of self-reliance or vocational competence, so they aren’t sure they could support themselves if their family income were reduced. These natural-born citizens of wealth feel helpless, dependent, and anxious despite the fact the family’s resources are more than adequate to support them.

The latest bear market has starkly revealed the true nature of each generation. Wealth’s immigrants revert to their roots by living with risk, adversity, and independence, while natural-born citizens are learning these for the first time. The market volatility provides the family opportunities to communicate and empathize with each other, to learn, and to bounce back, as the markets always do. Advisors have an equally strong role in comforting each population with individualized guidance and support.

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