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Wealth transfer attrition: How to protect your heirs

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Attrition rates of generational wealth are shockingly high. How can a family protect its wealth for the next generation and beyond?

Private bank Brown Brothers Harriman concludes that 97 percent of generational wealth attrition is due to communication failures.

To facilitate generational communication, private banks and wealth advisors are collaborating with family biographers to ensure that their clients' family stories are recorded, preserved and shared with heirs.

But how does storytelling have such a crucial effect on preserving family wealth?

Navigate wealth transfer

When the wealth creator or current steward connects the next generation to the richness and depth of their personal story, the result is a more cohesive, functional family with co-aligned financial and philanthropic goals.

Nearly 70 percent of high-net-worth (HNW) individuals are self-made. Engaging a family biographer to capture the story behind the wealth enables the entrepreneur to define his or her own legacy.

Moreover, a skilled family biographer's work can complement the dry, technical language of trust and estate documents, smoothing the inherent friction between generations.

Older generations can rely on the family biography to ensure their heirs have the personal connection and financial literacy to manage, not squander, their inheritance.

Educate next generation

Younger generations typically do not bear witness to the struggle. They do not see the great sacrifices that their parents or grandparents made to accumulate their wealth.

The second and third generations only know the luxury vacations, private schools and daily comforts. Teach them that it was not always this easy.

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Communicating deeply held family values to younger generations ensures an emotional investment in the security of their lifestyle.

Teach them to become responsible wealth stewards with a sense of meaning behind their inheritance.

And research shows that younger children who identify with their family narrative have higher rates of resilience and success when faced with adversity they show more self-confidence and self-assuredness.

Engage millennials

Nearly 70 percent of baby boomers consider financial gifts an expression of love. Only 50 percent of millennials recognize it as such.

Millennials connect to values, to stories. They need to see generational wealth in human, emotional language.

By recording their core legacy values, parents engage their children and grandchildren in their own backstory and create a secure emotional investment in their family's intergenerational wealth.

Honor thy mother and father

Many people do not recognize the value and richness in their own parents' life stories until it is too late.

Adult children can gift a biography project to their aging parents to celebrate their sacrifices and contributions.

Parents revel in the acknowledgement that their stories, experience and wisdom will continue to be shared with their descendants.

Further, the healing and restorative power of storytelling is particularly beneficial during transitions such as retirement.

Family business succession

Only 30 percent of family businesses survive the second generation. Only 12 percent survive the third.

A corporate biography provides an outlet to detail the foundations of a closely held family business: the struggles, the failures and the ultimate successes.

A corporate history inspires future leaders to embody the family's original, core values through a deeper identification with the firm's narrative, and ensures greater probability of the successful transition of a family business.

Philanthropic continuity

Children and grandchildren who feel more informed about the decisions made prior to their own stewardship are more apt to reaffirm the family's existing philanthropic commitments.

With more than \$300 billion in charitable donations expected during the upcoming wealth transfer, organizations that rely on philanthropic giving are taking note of the important role of family histories, encouraging their namesake donors to engage children and grandchildren in their reasons for giving.

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