

5 MYTHS ABOUT GENERATIONAL WEALTH



The Rockefellers, the Vanderbilt's and the Gettys are all famous families known for their success in building and maintaining generational wealth. While they've successfully passed down millions and billions of dollars to loved ones, the idea of successfully maintaining generational wealth is still considered hard to achieve today. Why? It may be due, in part, to the fact that there are assumptions people make about family wealth, some of which are not always true. Below, we're breaking down common myths regarding family wealth and the truth about generational wealth planning that every family should hear.

MYTH #1: WEALTH LASTS MANY GENERATIONS

It is easy to assume that a wealthy family has always been wealthy and will always be wealthy. But the truth is, around 70 percent of wealthy families lose their wealth by the second generation. More so, around 90 percent of families lose their wealth by the third generation.¹

There are many reasons wealthy families are likely to lose their wealth over time. Parents may not wish to discuss money with their kids, second- or third-generation heirs don't understand the value of money or families may neglect to set a plan for preserving their wealth in place. Whatever the case may be, it's important to understand that having family wealth and preserving family wealth are two very different things, and the latter often requires careful and considerate planning.

MYTH #2: ALL FAMILY MEMBERS ARE SMART ABOUT MONEY

Inheriting or obtaining a large amount of wealth does not mean one suddenly gains total financial literacy. What it does mean, however, is that a lack of financial knowledge can lead to decisions with a greater impact. This myth can be a dangerous one, as it may make some family members feel embarrassed or reluctant to admit their lack of financial knowledge.

For those who are not financially savvy, the burden of caring for and protecting family wealth can be a great source of stress. For those who find themselves in this position, working with a trusted financial professional should be a top priority. Your financial advisor isn't there to judge or scoff at your lack of financial knowledge. Instead, he or she is there to educate, guide and strategize on your behalf.

MYTH #3: PARENTS TALK TO THEIR KIDS ABOUT MONEY

While communication has increased in recent years, it's likely some parents or grandparents are uncomfortable talking about money with their children or grandchildren. But with wealthy families, it's easy to assume money and wealth are common topics of conversation. In reality, it's possible children may receive an inheritance with very little understanding of how much they have or what to do with it.

This, in turn, can cause a lack of financial knowledge (which we have discussed above) and lead to poor spending habits or loss of wealth over time. Therefore, a crucial component of preserving family wealth is open communication and transparency between family members.

MYTH #4: KIDS ARE LAZY & DON'T WORK

We've all seen rich, young socialites on television, which may bring a few choice words to mind: arrogant, lazy, privileged and so forth.

While some wealthy second- or third-generation heirs may choose to spend away their inheritance, others will choose to continue working hard throughout their lifetime. Those who work may understand the importance of preserving wealth, typically because these values have already been discussed at length. They know that while several million dollars sounds like a lot, it can slip away fast when serving as one's only source of income.

MYTH #5: MOST MILLIONAIRES INHERITED THEIR WEALTH

Remember, only about 30 percent of wealthy families maintain their wealth beyond two generations and only 10 percent beyond three generations.¹ This

means that most millionaires today didn't inherit their wealth at all or may have only inherited a modest amount. Instead, they followed a plan, invested wisely, and worked hard to accumulate their wealth.

You don't have to be a Rockefeller to make a generational wealth plan. If you have a sizable amount of assets you wish to preserve for generations to come, you're in need of a generational wealth plan. If you aren't already, consider working with a trusted financial professional who can help you plan, educate family members and see your plan through after your passing.

1. <https://www.yahoo.com/now/5-huge-lies-generational-wealth-181719865.html>