

“First Generation Wealth” and “The Destructive Power of Family Wealth”

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As a new co-editor of the JWM, I thought it would be good for me to read some of the more recent books written about wealth management. I picked two very interesting books on family wealth, both focused on some of the hidden aspects of managing and maintaining wealth. The first book was by Robert Balentine and Adrian Cronje, titled *First Generation Wealth: Three Guiding Principles for Long-Lasting Wealth and an Enduring Family Legacy*. This book was written for entrepreneurs and their advisors and delves into some of the “soft” issues around dealing with wealth, like family communication and careful thinking about legacy. The next book I read was *The Destructive Power of Family Wealth: A Guide to Succession Planning, Asset Protection, Taxation, and Wealth Management* by Philip Marcovici. This book was a bit longer and covered more technical details like international asset protection and taxation, as well as, human aspects like the psychology of wealth and the dangers of an ambiguous succession plan. Both books were written by experienced and successful advisors looking to pass on some of their hard-won knowledge and wisdom. Both are highly recommended, provide different perspectives on wealth management, and are additive to the literature on family governance.

FIRST GENERATION WEALTH

The focus of *First Generation Wealth* is on the successful entrepreneur, succession planning, and what it takes to create a multi-generational business. It is a guidebook for wealth creators to think through difficult questions around wealth, legacy, and family. It is definitely a worthy read for entrepreneurs and the advisors that serve them.

The book isn't a technical manual on the mechanics of investing or estate planning. It takes a more humanistic and holistic approach. The authors, Robert Balentine and Adrian Cronje, are principals at Balentine, LLC, a leading wealth management firm, and are entrepreneurs in their own right. They draw on their vast experience with wealthy families and entrepreneurs, but also share personal stories throughout the book which brings meaning and depth to the points made in the text.

Three guiding principles are espoused: 1) don't mistake wealth for legacy, 2) distinguish between your business and the business of your family, and 3) see the world through the eyes of the next generation. The authors highlight that legacy has more to do with relationships and mindsets, and less with specific investment programs or estate plans. They point out that great care must be taken when mixing family and business. And, that it takes empathy to understand the next generation. The book discusses common conflicts that arise and provide straightforward actionable advice, particularly emphasizing the importance of clear communication in family governance.

One of the best aspects of the book is that the authors don't pretend to have all the answers. Instead they focus on helping entrepreneurs and wealth creators ask the right questions. While the book is a quick read, it asks difficult and personal questions of the reader. I often found myself putting the book down and writing in my journal in response to questions like, “Who are you beyond your wealth? How do you wish to be remembered? and What are you doing to involve and prepare future heirs for stewardship?” If the reader really engages with the material, the result is the development of some personal insights into the questions around new wealth. The authors also offer some concrete advice. For example, the appendix contains a surprisingly complete example of a family governance framework. They also advise the reader, “Don't weaponize your wealth,” by creating all sorts of conditions on wealth transfer, “carrots and sticks” that attempt to use wealth to control future generations.

Overall, the book is an insightful roadmap for dealing with the issues that first generation wealth creates and provides an answer to the problem of shirtsleeves-to-shirt-sleeves in three generations.

THE DESTRUCTIVE POWER OF FAMILY WEALTH

The goal of *The Destructive Power of Family Wealth* is to help wealth owners avoid the destructive influences of wealth on their family relationships and on the relationships that will exist in future generations. Philip Marcovici writes from his perspective as a retired international tax lawyer, who has worked with families and businesses around the world. The book also serves as a guide to wealth managers, those beginning their careers and also more experienced advisors who are interested in a different perspective. One of the key contributions of this book is the international perspective that Marcovici brings to the topic, given a career that spans New York, Vancouver, Hong Kong, and Zurich.

The book covers the psychology of wealth, the trend towards transparency versus hiding wealth, international taxation issues, the needs of wealth-owning families, the tools of wealth planning, and some advice on how to manage advisors. A common thread between the two books is a focus on communication and avoiding surprises. It is very tempting to keep future generations in the dark about the wealth in the family for fear of spoiling them. In fact, it is often the act of hiding the wealth and the surprises that come out later that can be destructive. As a personal side note, I've seen this in my own career advising to wealthy families. For example, one of my clients was a 45-year-old that suddenly discovered that he was worth tens of millions of dollars and has a trust that should have been providing him support since he was 25. He wasn't made aware of the trust because of frictions within the family dating back to when he left the household as a teenager. Needless to say, the resentment this caused took a long time to heal. The key takeaway for me that came through after reading both books: I should start talking to my kids about money now.

One of the differences between this book and *First Generation Wealth* is that Marcovici is willing to dive into messy topics and provide his unvarnished opinion. For example, the role of marriage and divorce in family governance comes up in both books, but is discussed more thoroughly in *The Destructive Power of Family Wealth*. Marcovici takes the position that money is a factor in every relationship and that to some extent everyone is a “gold-digger.” He goes further to talk about the role of infidelity, second marriages, dementia, and the need for women to understand their rights and financial position. Reading the book, I often felt like a trusted mentor was pulling me aside and telling me some hidden truths about the world that I should be aware of.

Overall, the book requires a bit of time to read and digest, but it is definitely worth the effort as it provides a great overview of the financial, legal, and human forces at play when thinking about succession planning. The international perspective is one that is not always evident in the family governance literature and is highlighted in this book. Marcovici also provides advice on the human and emotionally-sensitive risks that is very candid and refreshing.