

The Five Challenges for Wealth Inheritors to Develop a Positive Wealth Identity

— Dennis T. Jaffe

Inheritance of wealth is a seemingly pleasant opportunity for a successor. However, many inheritors respond to their fortunes in shortsighted or self-defeating manner, at times even leading to conflicts. Growing up in wealthy families reinforces a sense of being 'special' among the younger members. A major challenge they face is - how to make 'good' choices? The manner in which a young member integrates wealth in work, personal relationships and life choices makes his or her 'wealth identity.' In this article, the author discusses the challenges in preparing the inheritors to handle the transmission of wealth in a responsible manner by developing a positive wealth identity.

Challenge 1: Financial Awareness – What does my inherited wealth consist of?

Many inheritors suffer from the lack of financial awareness. They often ignore or delegate the responsibility of managing wealth to others and consider their wealth to be infinite and always present. Family trusts or other support mechanisms help manage wealth for inheritors who are not ready to manage it on their own. However, continued dependency often leaves inheritors feeling incomplete and vulnerable. Therefore, it is important that the inheritor develops (or is assisted to develop) a solid grip on the inherited wealth with a true sense of responsible ownership. While wealth management experts can take care of

operational details, the inheritor must develop financial skills and take charge of saving, spending and sharing money. Advisors can suggest the young heirs to attend some workshops or programmes that help them acquire these skills.

Challenge 2: Lifestyle Management – How shall I live with the wealth I have?

People get pleasure from using their money. Positive identity is seen when the inheritor practices value-based spending aimed at genuine satisfaction and does not spend in compulsive or self-destructive ways. Either extremes of over/under spending are not advisable. Spending must be balanced in a way that it supports the inheritors' overall life plan. The challenge here for the inheritors is to first define their lifestyle according to their values, objectives and the kind of life they want to live. Once they get clarity on this, a spending plan must be developed that sustains their wealth and allows them to live an enjoyable life as per their preferences.

Challenge 3: Stewardship – How do I use my wealth productively to make a difference in the world?

Wealth is a multi-dimensional resource that gives greater satisfaction when it is productively used not only for oneself but also for the benefit of others. Those who

consider their wealth primarily for their own use, live in a world that is limited to their personal sphere. Positive wealth identity is created when wealthy individuals develop this larger sense of purpose and share their wealth with future generations and community at large. This challenge must be overcome by inculcating stewardship qualities among the younger family members. They need to be trained for financial decision-making based on family mission and values. The inheritors must learn to view their wealth not only for their own use but also for the future generations and larger community. This will help in sustaining value-based family legacy.

Challenge 4: Self-esteem / Personal Security – How can I feel good about myself and the wealth received?

Sudden access to large amount of wealth may increase an inheritor's anxiety, self-doubt or insecurity and can heighten the sense of 'being vulnerable.' Inheritors may also feel unworthy of the wealth that they receive. The challenge here is to develop positive self-esteem and sense of self-worth in the heir. Dealing with adversities, discovering one's capabilities by living on their own, doing something remunerative and resolving life crisis are some experiences that may help build positive self-esteem in the inheritor. However, family inheritance often prevents children from taking this important life journey and developing themselves. Mentors must promote inheritors to go through such experiences that enhance their sense of self-worth.

Challenge 5: Trust in Relationships – How can I trust and build lasting relationships with others?

Presence of large money can adversely affect an individual's willingness to trust others as he or she increasingly feels threatened of being taken advantage of by others. Lack of trust can give rise to fear, conflicts (real or perceived) and spoil relationships. The challenge here is for the inheritor to realize that inevitably there will be an interaction between money and relationships. There will be a conflict between savers and spenders. The person has to learn to say 'no' without feeling guilty. At the same time one has to trust others while making financial transactions but be very clear in communicating the terms of financial engagement as distinct from personal engagement. The inheritor needs to formulate constructive ways to resolve and reconcile differences that may arise over monetary dealings.

Practical Implications

Inheritors need to be prepared to responsibly handle the wealth that they receive. Financial awareness, a lifestyle rooted in values, a high sense of stewardship, security and self-esteem, and trust in relationships are a few challenges that an inheritor needs to overcome to create a positive wealth identity. Advisors and mentors can play an important role in guiding the young inheritors on these fronts. Exposure to workshops, courses and programmes addressing these issues help inheritors a lot in equipping themselves to effectively manage their wealth and relationships.

Source: dennisjaffe.com (published online in July 2012)