

The psychology of wealth

MARGARET O'SULLIVAN EXPLORES THE PERSONAL CHALLENGES FAMILIES FACE IN TRANSITIONING THEIR WEALTH

WHY DO SOME families succeed while others fail in their efforts to transition their wealth? No doubt, successfully transferring wealth presents its own unique challenges, but the pressures and strains of passing down wealth can also bring to the fore many underlying family issues and tensions.

One of the biggest challenges families face in transitioning their wealth is ensuring that the wealth ultimately benefits their family members and does not harm them. Whether it's a large business empire or, on a smaller scale, the family holiday home, the underlying issues in transferring wealth can be the same, regardless of how many zeros are involved, often centring on power and control.

Every year, the media is full of stories of high-profile families in turmoil (and in litigation) in their struggles to transition their wealth. Recent cases include the litigation over the estate of Nina Wang, formerly Asia's richest woman, and, in South Korea, the Lee family's battle over the control of Samsung.

In Canada, Frank Stronach's attempts to regain control of the Stronach Group have pitted him, the founder and former owner of automobile parts manufacturer Magna, against his daughter Belinda Stronach.

The reality is that most of those who have wealth are new to it. It has been estimated that up to 85 per cent of wealth holders are self-made, whereas only 15 per cent are inheritors.¹

Many families lack any context or frame of reference to help them on what has been termed the 'journey up' by psychologists James Grubman TEP and Dennis Jaffe TEP: the fundamental transition in economic culture that families experience as they emerge from economic adversity and migrate upwards to wealth, success and affluence. They use the terms 'immigrants' and 'natives' to differentiate between those who have made the wealth and those who are born into it.

Immigrants to wealth share many of the characteristics of geographic immigrants: entrepreneurial, hard-working, self-sufficient, independent and strong-minded. Subsequent generations, who are the natives to wealth and

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whose life experience is very different, know security and comfort rather than insecurity and scarcity. Jaffe and Grubman assert that many of those in the second, third and later generations lack certain life skills as a result of being insulated from responsibility, which may leave them unprepared to manage life and deal with adversity.²

I am sure many readers will agree that, as professional advisors in trusts and estates, we often emerge from a difficult meeting or are embroiled in a high-conflict matter where it seems a psychology degree would be more helpful than a legal, accounting or other trusts and estates-related professional designation.

The psychology of wealth is emerging as a distinct area of academic study and research. Given ageing baby boomers and the trillion-dollar wealth transfer that is beginning to take place, trust and estate practitioners need to know more about the psychology of wealth, how wealth affects families and strategies to transition wealth successfully.

The body of literature on the psychology of wealth and wealth succession will no doubt progress in leaps and bounds with demographic changes and the global transfer of wealth. It is an area of knowledge that all families and their advisors can benefit from to give them insight, perspective and understanding in successfully navigating these challenges.

A few books that you may find of interest include Charles Collier's *Wealth in Families* (Harvard, 2012), Jaffe and Grubman's *Cross Cultures* (Family Wealth Consulting, 2016), Philip Marcovici TEP's *The Destructive Power of Family Wealth* (Wiley Finance, 2016) and Tom McCullough and Keith Whitaker's *Wealth of Wisdom* (Wiley Finance, 2018). Each of these works offers sage advice, experience and wisdom, but will also prove a highly interesting and engaging read.

¹ D. Jaffe and J. Grubman, *Cross Cultures: How global families negotiate change across generations* (Family Wealth Consulting, 2016), p.63

² As above, pp.64-65