

“IT AIN’T EASY TO BE RICH”: DISCOVERING YOUR PERSONAL NET WORTH

The title of this article is a quote from a young man who, at 27, had inherited a very substantial amount of money, enough to be in the really rich category. He was exasperated over the fact that so many people did not see him for who he was as an individual – his “personal net worth”, but rather viewed him as an element or an extension of his “financial net worth.” He stood up in a family meeting and passionately said: “I am not my money! It is ridiculous that an unfinished apartment slab costs \$1.2m and that it will take another \$800,000 to finish the apartment. What is really ridiculous is that I am 27 years old and I just wrote the cheque! It ain’t easy to be rich!”

But how much money do you have to have to be considered “rich”? Some prefer a monetary figure, but I like the following definitions. Rich means:

- *you have an uninterrupted cash-flow, well above life’s necessities;*
- *working to maintain your lifestyle is a choice not a necessity;*
- *you can live off the interest on your capital base.*

Really rich means you can live off the interest on your interest from your capital base.

Family psychology

For nearly 30 years I have been a family business consultant. During that time I have worked directly, long-term and in-depth, with more than 325 businesses. While some are more modest in size, others are the largest businesses of their kind in their industry, in the world. Some of the families who own these businesses are among the wealthiest people in the world. Early on I learned that one could craft an elegant business solution to a set of presenting issues, but the keys to implementation were often locked up in the psychology of the family. Failure to address the individual

and family psychological issues simultaneously with the business matters undermined or impaired the implementation process. While my principal focus continues to be the business issues, I have had to develop understanding and skill in dealing with the psychological matters. Money is both a business issue and a matter of family concern. Because of the confusion around money, I have come to use the term “Financial Net Worth” in referring to a person’s monetary profile and “Personal Net Worth” when referring to merits and value as a human being.

Hostile envy

In the United States, and to some extent world wide, there seems to be a prurient interest in the lives of wealthy individuals. Witness the television show, *Lifestyles of the Rich and Famous*. Implicit is that famous is also rich. I know of an individual who spent years seeking to become rich. He was successful in attaining his goal. Along the way, he regularly taped the television show so he could compare his own circumstance to those declared by it to be rich and famous. Such confusion on his part, to have his success externally defined by what others have achieved, indicates how mixed up people can be about money. He also missed out on, or forgot, that life is a journey, not a destination.

I have had the privilege of working in many places around the globe, serving families whose cultural foundations are very different from my own. While there are similarities and differences across the cultures, I know of no ethical or cultural system that endorses or supports the wanton squandering of assets. Unfortunately, in one culture after another, those without wealth seem to harbour a hostile envy directed toward those with wealth. (There seems to be an unspoken resentment, perhaps

Negative attitudes toward people with wealth may be unfair, but why have some wealthy people learned to deal with those attitudes and others not? Financial advisers to the rich and famous would do well to develop an understanding of the complex personal psychology of money matters

By David Bork



Private Wealth Management 1997/98

stemming from the "have and have not" relationships of the feudal era.)

There is irony in this view, for when a person is seeking to become wealthy, generally they are admired by the many in society for their ambition and industry. The irony occurs the day they step over some invisible line of perceived assets, and for some reason, they become a "rich s.o.b." There is further irony in the resentment when we consider the fact that those with excess capital are often the creators of businesses, jobs, useful products, foundations, museums, symphony orchestras, baseball teams and other contributions that benefit society.

Trust fund babies

The hostile envy seems to become worse if you are an inheritor. As an inheritor, it is as if you have come by your wealth by some devious or specious method and that the inheritor, by accepting the inheritance, commits a wrong deed.

*“Those without resources
struggle to deal with their external
environment while persons with
wealth often struggle with internal,
psychological matters”*

They are made to feel guilty. The fact is inheritors are in the "Lucky Sperm & Egg Club," a membership over which they had no control. I know of individuals, no longer young, who still call themselves "trust fund babies." Say it out loud to yourself. It doesn't even sound nice. It is a pejorative, demeaning epithet. Imagine the psychological confusion and conflict of being a mature adult and being called a "trust fund baby," even having "baby" as part of your identity.

It is little wonder that some inheritors wrestle for years with these complex matters. It may be useful to note that those without resources struggle to deal with their external

environment while persons with wealth often struggle with internal, psychological matters. For those who struggle, both constitute discomfort for the individual. When you have pain, it is your pain. Comparing one person's pain to the pain of another is irrelevant.

The hostile envy begins very young and carries on through the years. Here are three examples:

- *a ten-year-old from a family with very substantial assets is playing in the school yard. His playmates are taunting him: "You're rich, You're rich, yah, yah, yah!" Finally, in response, he replies: "No I'm not!" What he has learned is that to gain acceptance, he must lie;*
- *a 29-year-old has direct control over \$12m-15m and will inherit several multiples of that amount. He is fishing with his friends when they chide him: "Must be nice to be rich!" He is embarrassed, blushes, and says nothing;*
- *the 19-year-old sister of the ten-year-old is a sophomore at a major private university. The family's surname is unusual and a splendid new dormitory carries the same name, given to the university by her parents. A classmate asks, "XXX Hall, is that your family?" She too is embarrassed about her family's wealth, begins to cry and blurts out: "Yes," and dashes into the dormitory.*

These three young people are the victims of the hostile envy and negative bias towards the rich. Their parents had not adequately prepared them to deal with the consequences of the family wealth and how it is viewed in society. While the circumstances are not likely to occur in exactly the same way, with the parents help and the help of professionals each would now respond in a different manner than before.

- *the ten-year-old will say: "can't help it!" and go on playing;*
- *the 29-year-old will cock his ubiquitous baseball hat to the side of his head, put a strange grin on*



his face, and say: "It sure is!" and continue fishing;

- the 19-year-old sister will respond in the following way: "Yes, as a matter of fact, my parents gave this dormitory to the university. They have worked very hard in business and have been very successful financially. They believe that they must give back to the community, to the church, and to education. As a matter of fact, they are very generous with their resources and I am proud of them. I hope that I will be able to do the same should that opportunity come to me in the future."

Should the questioner be so crass as to be specific about the family wealth, she will be told: "Well, I understand your curiosity, but that is a private matter." So what principles do these responses evidence?

- tell the truth. Each of these responses is the truth. Children must learn to speak the truth or they will tell and live a lifetime of lies. When a person fails to tell the truth about themselves, they put a screen or barrier between themselves and others. Others perceive the screen as an impediment to interpersonal access. As a result, the one who puts up the screen loses at the interpersonal, relationship level and perhaps at the friendship level, all because of the societal negative attitude toward wealth, coupled with their inability to manage the negative attitudes toward them as a symbols of wealth in the larger society;
- embrace reality. These responses accept the reality of the family financial situation and allow the individual to speak the truth, embracing who they really are, without denial or lying. When we are able to be ourselves we have a better chance of being comfortable in our own skin. Furthermore, we are not embarrassed by, nor do we feel compelled to apologise for

who we are;

- humour helps. "I can't help it!" and "Sure is!" both carry a bit of humour that helps to defuse the matter;
- proper boundaries. The "private matter" response indicates a clear understanding of appropriate boundaries. The extent of the family wealth is no one else's business.

Note that the response acknowledges the curiosity and does not make the questioner wrong for their curiosity. The response is a more polite way of letting the questioner know they have moved into a private arena.

Confusing family with business

The matter of boundaries is a core issue in all relationships. In family business it becomes especially important because the task of family and the task of the family business are not the same, something often confused.

The task of the family is to nurture its members: to help them grow into productive, independent, contributing adults with high self-esteem. The task of the business is to generate profits for the owners. When families merge these two entities – the family and the business – seeing them as having the same purpose, confusion is created in

“The matter of boundaries is a core issue in all relationships. In family business it becomes especially important because the task of family and the task of the family business are not the same, something often confused”

the family and among employees of the family-owned firm.

Major wealth can become a disincentive to having a satisfying life but it need not be so. By and large, regardless of the culture, people are most satisfied with their lives when they have



Private Wealth Management 1997/98

a passion for something in life beyond simple self-indulgence. Take the example of a 40-plus-year-old, third generation member of a family with one of the largest blocks of urban real estate holdings in America. He has a Ph.D. in Psychology, runs the family foundation that annually disburses to charitable causes between \$25m and \$40m. He works as hard doing the "due diligence" for their grants as any corporate executive. He is paid \$1 per year for his efforts and derives great pleasure and personal satisfaction from his work.

Or there is the example of the mid-40s couple. She is the inheritor of several hundreds of millions, and has created a foundation that focuses on selected social issues, community causes and the environment. The foundation is the centrepiece of their professional efforts and they devote all of their time to it. They are "hands on" foundation staff, often becoming directly involved in the projects to which their funds are directed. They speak of their life as interesting, rich with diversity and full.

Purpose and passion

It was Freud who put forth the notion that the tasks of life are to work and to love. I am taking the liberty to add another task, namely to play. It is imperative that we do all three of these tasks and learn to keep them fully in balance. That we have a purpose and passion in our lives, that we have people whom we love and our love is reciprocated, and that we can play and be playful throughout our lives – all seem important to me.

It is my belief that when there is clarity about these matters, and the behaviour reflects that clarity and the importance of being in balance, then the level of satisfaction in life dramatically increases. Over the years I have wrestled with what defines success. I have come to believe that an internal definition of success is superior to any definition grounded in external measurements. The following definition seems to cross important psychological theories and

cultural differences: *Success is defined as living the life you choose to live.*

Work ethic

The tasks "to love" and "to play" will be left to another article. For now, I would like to focus on the task of work. Work is a real problem. Many wealthy individuals have been told: "You can do anything you want to do." In some respects, having unlimited choices carries too much freedom. The myriad of choices simply paralyses some individuals.

“In most cultures you are defined by what you do, your work. That definition gives you an inner sense of meaning. If you don't have to work, you must find other avenues to create this sense of meaning”

As a student of biography I have noticed that all lives of note have one thing in common: internal discipline. If you don't have an "outer task," like work, you must create an "inner task" that allows you to see what you are doing so you can have an identity, a sense of purpose. In most cultures you are defined by what you do – your work. That definition gives you an inner sense of meaning. If you don't have to work, you must find other avenues to create this sense of meaning.

Career skills

When younger and getting educated, the wealthy individual must address the question: "To what degree do I prepare for a career and develop specific career skills?" It is my belief that every wealthy individual must be sufficiently aware of their resources to manage them or to manage the professionals who do manage them. You have to take care of yourself. There will always be choices that have to be made, regardless of the



degree of involvement with them. In addition to this responsibility, they must find a passion – a reason to get up on a Monday morning.

Some examples are in order. A young woman, a poet and a very good poet at that, is really, really rich. She supports and helps other writers in her community. Using her financial resources she has created a publishing company that publishes their work. At first she was uncomfortable with her vast wealth. She isolated herself and withdrew into her immediate family. She realised that she could not allow her wealth to be a barrier to interaction with her community. She came to accept that she is a “rich poet” – not a struggling poet – and that in itself is an anachronism in the world of poetry.

As her family grew, she and her husband purchased a commodious home. Her acceptance of the reality of her wealth made it possible for her to acknowledge to her friends: “Yes, I am wealthy.” Furthermore, she has said to them that she intends to be part of the community, using her money in responsible ways that enhance the community. This woman meets on a regular basis with those who manage her resources. She monitors their performance and directs the professionals in ways that reflect her values.

“So what!”

A young man of 35 is in the rich category. He has trained as a landscape designer and has created a small business to do that work. He lives in a fine home and drives a car that cost more than what most landscape designers at his level earn in a year. He has employees and works side-by-side with them as they install the designs he has created. The business has all the latest equipment to do the work, mostly purchased from his personal resources and not from revenues generated by the business. He openly acknowledges that he is wealthy and that: “This is what I love to do.” When questioned about his wealth he has a “so what?” attitude,

allowing the comments to roll off his back without reacting. His employees know that he works just as hard as they do. He has earned their respect. From time to time he takes exotic trips, sometimes with his family of origin, other times with his immediate family or friends. Again, he speaks openly

“Generally there is a relationship of trust between the adviser and client. Sometimes advisers are both confidant and confessor”

about his life and does not apologise for being wealthy. Like the woman in the previous example, he meets regularly with those who manage his assets. In those meetings he discusses where the assets will be placed and his personal priorities for investing. He is especially concerned about the environment and insists that none of his assets be invested in any business venture that is not environmentally sensitive.

Confidant and confessor

Advisers who seek to serve the high financial net worth individual occupy a special position in their lives. Generally there is a relationship of trust between the advisor and client. Sometimes advisers are both confidant and confessor. An understanding of the principles outlined in this article puts them in a position to discuss these matters with their clients and, when appropriate, make suggestions that will contribute to the clients psychological comfort and well being.

When the opportunity presents itself, it is important for the advisor to offer suggestions, to wonder with the client if a certain course of action will lead to the personal satisfaction that is alluded to in this article. The author is especially interested in stories of how people have successfully dealt with these matters. If you have such a story, please send it via e-mail to me at bork@compuserve.com. ♦

THE AUTHOR

David Bork is the author of Family Business, Risky Business – How to Make it Work, and co-author of Working With Family Businesses, A Guide for Professionals. He is also Senior Adviser to Brown Brothers Harriman & Company



The Aspen Family Business Group
100 Elk Run Dr #200
Basalt, CO 81621
(970) 927-8555
fax (970) 927-8588
e-mail: afbgroup@rof.net

For More Information About Our Products and Services Visit Our Web Site

www.aspenfamilybusiness.com

"It Ain't Easy to be Rich" is reprinted from *Private Wealth Management* 1997/98, published by Campden Publishing Limited, Threeways House, 40-44 Clipstone Street, London W1P 8LX. Telephone +44 171 636 1600