Philanthropic Advisor

A Guide to Charitable Giving for Professional Advisors

The Boston Foundation tBf

Advisor Insights

How Philanthropy Can Help Preserve Family Wealth

Q: What do some families know about preserving, handing down and giving away wealth that others don't?

A: It's not just about the money.

Tom Rogerson understands the "shirtsleeves to shirtsleeves in three generations" proverb all too well. It happened to his family. "It's not gone because of bad investments, it's not gone because of bad tax planning; my great uncle Charles M. Rogerson was one of the country's top estate-planning attorneys in his day. It's gone because of how the family operated," he said at a recent dinner for donors and advisors of the Boston Foundation, which his great grandfather and great uncle founded in 1915.

Now Rogerson, a wealth strategist and managing director at Wilmington Trust, makes a living advising other families how to avoid the same fate. He cites the grim statistics laid out by Roy Williams and Vic Preisser in their book *Preparing Heirs*: Only about 30 percent of wealth transitions are successful. Yet only 3 percent of the failures are due to mistakes in planning or investing, while 85 percent of the failures are caused by lack of communication and trust, along with unprepared heirs.

James E. Hughes, the author of *Family Wealth* and other books, says successful families preserve their identity and, not incidentally, their wealth by stewarding five different types of capital: human (the family members themselves), intellectual (learning and sharing information), social (acting responsibly in the world and providing for others through philanthropy), spiritual (a common family vision larger than itself) and financial (the money). "When the second generation simply stewards the first generation's dream, the family starts dying," says Mr. Hughes.

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—James E. Hughes, author

Encourage clients to dream

One way to make it work, experts say, is to engage the second and third generations early in decision making, discussions about family values and old-fashioned dreaming. An ideal vehicle for this is philanthropy. By helping families engage, advisors can help them thrive.

"If the family begins to feel that it could be partners in something, and advisors facilitate their decision in terms of what it means to be partners, then the advisors can help the whole family flourish," Hughes notes. "Very few advisors concerned with money management ever ask the second or third generations, 'What is your dream and how can I help you bring it to life?'" They should.

Engaging the next gen

Naomi Sobel, 30, is in the sixth generation of California clan whose wealth came from a family firm that helped to build the Hoover Dam. After the company was sold to General Electric in 1976 in the biggest merger of the time, her grandparents converted a pre-existing family foundation to the Edmund and Jeannik Littlefield Foundation and funded it largely with their share of the proceeds.

When Ms. Sobel, who is now a Boston-based writer and social justice advocate for the LGBTQ community, was in her twenties, her mother approached her about taking an active role in the foundation.

But Ms. Sobel, who works at the Astraea Lesbian Foundation for Justice, was reluctant. "It really had been about my grandparents' giving interests and didn't have a focus," she notes. "I was excited to be doing something with my family members, but I didn't want my job to be rubber-stamping something." She and her cousins persuaded the family to engage a philanthropic advisory firm to help them refine the foundation's mission, think about impact, develop grant-making guidelines and find a focus for the foundation's giving. They held several retreats and planning sessions.

The question every advisor should ask

"It was really great," she says about the process. "I had conversations with my uncles and cousins that I would not otherwise have had. It was nice to be in a space where we were all equal players and could interact in new ways. I got to hear what they're excited about, how they think change happens and what feels like appropriate levels of risk, which are not topics we would have otherwise discussed." A bonus? "I know my cousins better now than I would have."

Ms. Sobel urges advisors to recognize that the next generation may be completely in the dark about the family wealth. Advisors, she says, should realize that heirs may not even understand what questions to ask them. Her recommendation: "Figure out what kind of life the person you're dealing with wants to live and how the money intersects." TBF

How the Boston Foundation Works with Advisors

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