PRIVATE WEALTH MANAGEMENT

Generational Perspectives and Their Effects on Goal-Based Allocation

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Without an understanding of the dynamics operating within a client family, private wealth managers are ill equipped to advise family members on traditional investment matters, wealth-transfer planning, succession planning, philanthropic endeavors, and innovative approaches to enabling family members' life goals. The author sheds new light on the dynamics within intergenerational families by attributing behavioral attitudes to each of five living generations.

Increased life expectancies mean as many as five generations can be involved in family decisions regarding the creation, preservation, and transfer of wealth. But because values forged in childhood create adult belief systems, each generation, exposed to a different set of familial and social circumstances, has developed what the literature has identified as a unique set of characteristics or perspectives. The author applies these traits in the context of an intergenerational wealthy family to help managers gain a deeper understanding of family dynamics and to enhance communication within the family. Insight into "where family members are coming from" and sharing that insight can facilitate progress toward a set of wealth strategies that will benefit both the family as a whole and its individual members.

Born between 1900 and 1924, the eldest generation alive today—the GIs, as in "government issue," slang for U.S. infantry—reached adulthood during World War II. The GIs were the children of the "Lost Generation," who came of age during World War I and were

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the adults most affected by the Depression. GIs are characterized by a focus on self-sufficiency and problem solving, and they desire strong control in family decision making, including wealth-related issues. The next generation is the Silent Generation, born between 1925 and 1938. Outwardly conforming, the "Silents" followed closely in the footsteps of their parents and now are the stewards of the family's wealth. They are reticent to discuss wealth-related issues with family members and often fear they have insufficient assets to meet their needs regardless of the size of their investment portfolio.

The Baby Boomers, born between 1945 and 1964 and unusually influential because of their sheer numbers, are typically optimistic and well educated and are often anxious to start new businesses and second careers. Boomers generally fall in one of two camps in their response to wealth: either they accept the mantle of responsibility, emulating their parents' desire for control, or they fall prey to the "trust baby" syndrome, often making poor decisions.

The fourth generation is known as Generation X, whose members grew up in the midst of great technological advancement. Born between 1965 and 1979, "Gen-Xers" tend to feel disconnected from their parents but tolerant of cultural diversity and the global community. This generation seeks open communication with financial advisers and involvement in wealth-related decision making. They willingly open the purse strings to philanthropic interests. Members of the Echo Generation, so named because their numbers are expected to award them influence equal to that of their Baby Boomer parents' generation, were born between 1980 and 1995. This generation is characterized as opinionated and overachieving and seeking the approval of their parents. They desire to be included in the family's wealth management decisions and are eager to gain the education needed to be good stewards of the wealth.

In the article, the author further explores these generational profiles and explains how to apply them within the context of a multigenerational family to find an optimal solution for individual family members as well as for the family unit.

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