

You've made it now start worrying

by Philippe J. Weil

Before you start worrying about how to manage and how to keep your fortune lets analyse the different ways in which people get rich (and how these influence the way in which we manage our money).

How do people get rich? There are many ways, but striking six in the lottery is not on top of the list.

Let's examine four types of ways of 'making it':

The Tough - In the old economy to get rich, you needed a lot of persistence, luck, arbitration opportunity, insight, ingenuity, some 'street-smarts', a good sense of the future development of the world economy and most of all: ***a tough personality!***

People of this category are often 'accidentally' rich, since their goal was not to make a lot of money and get rich, but to earn a living and to provide for their family. Very often these business start small – as the corner store, a little manufacturing business, etc.. All resources available (family money and the inexpensive loyal labor of its members) are invested in the success of the business. The business grows in a generation or two and becomes an integral part of the family. It is taken for granted that the business will always be there.

The Smart - In the new economy you need to be a visionary, ahead of your time, a financial wizard, an inventor, a dreamer, a futurist, maybe even a 'geek' but most importantly: ***a smart operator.***

This category includes some very determined individuals who are in it for the challenge – not just for the money. And the faster the concept is a success and the company can be taken public, the greater the recognition. Money is made very quickly and becomes secondary. The resources are raised from the public to leverage the thinking power, work and resolve of the people involved. Family members are (with some exceptions) not directly involved. The business is built to be integrated, taken over or changed completely within a short period of time. It is a tool.

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The Tame - These are often the heirs of the Smart and the Tough. They are born into the business and the wealth. They do not choose it.

Many of them are overwhelmed by the character and success of the previous generation and daunted by the expectations vested in them. And this despite the fact that many of them were a resource to the Tough. Success is part of their identity.

The Surprised - Even when the odds are one in 14 million, there are those who strike it rich by chance. They win the lottery for example. They become rich overnight to their bewilderment and total lack of expectation.

Employees in the world of start-ups and fast-growing technology companies also fall into this category. They may realize options following a successful IPO that will diametrically change their way of life and perspective on the world. They are often young when they come into money. Congratulations!

All four character types arrive at an important moment of realization: **I have made it!** (or in the case of the Tame 'I've inherited it!')

So there you are, enjoying the fruits of your labour; spending on a new house, a new car, a dream vacation... and then... you start worrying!

Despite the applause and esteem you receive from the people around you, the very moment that you come into fortune and your life-style begins to change, it's time to start worrying. How do I keep all this wealth? How do I choose my closest advisors (bankers, lawyers, tax consultants, Investment Managers)? Should I invest? What types of investments? How do I manage my liquidity? etc., etc...

In my 28 years of experience as a 'personne de confiance' to wealthy families I have seen many members/heads of families that have lost considerable money due to lack of suitable professional advice and planning.

Let's use our four examples to illustrate:

The Tough, wanting to be in control and make decisions alone as he has always done, will not look to external advisors to cope with new realities. This person will often prefer in-house CFOs and Legal Advisors to manage the wealth and deal with succession planning. And, despite loyalty and the best of intentions, the latter are more often than not, lacking specialized knowledge relative to the world of investment management and Estate Planning.

The Smart, knows his way in the world of finance, having financed his start-up and successfully exited his company. But, besides investing in other start-ups, the Smart usually goes about the problem of handling his wealth in a very analytic way; which bank is best in his class, which

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hedge fund is best in its category? They end up with the big banks and not necessarily with the right or suitable ones.

The Smart often prefers complicated, highly engineered Financial Products. Many Smarts lost money in 2008 with the Sub-Prime Crisis. The Smarts, without sound advice, are likely to find themselves in complicated deals and unsuitable investments due to over engineering and insufficient planning. They do not pay much attention to estate planning.

The Tame, wanting to prove himself to be a worthy person in his own right, is prone to risky investments and sometimes lacks the capacity of finding good advisors or heading the right advice.

Finally, the Surprised, being completely unprepared, might think that he is so rich that he can spend and distribute wealth freely and remain rich. By the time they start understanding, many lottery winners have lost their critical wealth.

So, to successfully cope with some of these challenges it is very important to take a step back and see the big picture. It is the holistic approach of a family office that will successfully define, implement, monitor and guide the strategy for the preservation of the wealth for generations to come.

A family office, like the one I founded 12 years ago, handles all issues for the wealthy family; Asset Management, Tax and Estate Planning, Family Dynamics and Governance, Conciergerie and Philanthropy with the guidance of specialists in each of the fields.

You need a lot of know-how, motivation, and maybe even some luck to get rich; you need a lot of knowledge and trusted professional advice to stay rich!