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Phone, Fax, Facebook – Understanding Family Generational Differences

By Eric Foultz

There are many challenges in the successful transfer of family wealth from one generation to the next. This is especially true when the family's wealth is comprised of illiquid assets such as ranch land, mineral interests, privately held companies or other "legacy" assets.

We all think of estate and financial planning as being paramount to passing on family wealth; however, research has shown that a lack of appropriate trust and communication among family members is the primary factor responsible for the 70% failure rate in wealth transfer to the receiving generation.

This article speaks to the generational differences among today's families. It is critical for families to understand these differences in order to effectively communicate on a multi-generational basis. Without effective communication, the likelihood of unsuccessful wealth transfer is greatly increased.

As history has shown us, the controlling generation is reluctant to transfer wealth while the next generation is anxious to assume it. Although each family's situation is unique, successful wealth transfer is often dependent upon the entire family understanding and appreciating the long-term vision for its wealth.

The need to understand generational differences is more critical today than ever. This is the first time in history that there are four distinct generations active in the workforce. These generations are: Traditionalists, Boomers, Gen Xers and Millennials.

TRADITIONALISTS

Traditionalists are "Seniors" ages 66 and older and born before 1945. They have lived through Two World Wars, the Great Depression, the New Deal and Social Security. They participated in Victory Gardens, were all about self-sacrifice and influenced by the military's top down approach. Women entered the workplace during this generation. Traditionalists experienced hard times while growing up which were followed by times of prosperity.

How have these experiences shaped Traditionalist values, mottos and attitudes? They have been described as loyal, respectful of hierarchy and honoring family and community. A belief in duty before pleasure and trust in government are central characteristics. Traditionalists dress formally and desire formal organizational structures. Their Depression experience resulted in a "pack rat" mentality -- you never know when you might need it. Traditionalists believe that your word is your bond.

Their motto is "save it for a rainy day," attitude about money is "to save it" and keyword is "loyal." Traditionalist use of technology: dictate documents, e-mail only in the office, use of library instead of web, more likely to use phone.

BOOMERS
Next are the Boomers, Ages 65 - 47 and born between 1946 & 1964. They did not go through economically hard times as their parents did -- they had the "good life." Shaping Boomers lives have been consumerism, Ozzie and Harriet (idealism to a fault), sexual revolution, civil, women and gay rights, divorce and corporate downsizing. Boomers came of age in a society that changed at an unparalleled rate of speed that included Cold War / Soviet Union, Vietnam, space travel, assassinations and where even "retirement" was being reshaped. More than anything, work defines a Boomers self worth and the evaluation of others. This is a significant tension point between them and younger generations as they expect the same work ethic and work hours.

The values we find in Boomers are success, freedom, idealism, seeing one's work as one's identity, focus on time (efficiency) and a focus from others to self. For Boomers who are afraid of new technology or simply do not understand it, the impact is that newer generations do not seem fully committed. There is still the perception in a workplace that if the employees are not "seen," they cannot be working.

Their motto is "I am what I Do and I am what I own," attitude about money is "spend it, buy it" and keyword is "optimist." Boomer use of technology: documents prepared by associates, e-mail primarily used in the office, web use limited to "Google."

GEN X
Gen Xers are persons ages 46 - 31 and born between 1965 & 1980. Their life experiences include inflation, dual career families, fall of Berlin Wall, downsizing in full bloom, aids, drugs, a sense of hopelessness and an inability to identify or find a career. In addition, they are the first generation to be raised on "to do lists" and grow-up with a high rate of blended families. Gen Xers were shaped by having to take care of themselves during childhood (latchkey kids) while watching their politicians lie and their parents get laid off. This is the first generation to NOT do as well financially as their parents.

Gen X is characterized as skeptical, cynical, independent and seeking immediate but not always deserved reward. Gen Xers don't want to follow Boomers into burn out while they think Millennials need too much hand holding. They work to live, not live to work. Work loyalty to Gen Xers means two-weeks notice.

Their motto is "I trust only myself," attitude about money is "I want it" and keyword is "skepticism." Gen X use of technology: creates own documents, uses mobile and laptop, uses web to research, e-mail / mobile 24/7.

MILLENIALS (GEN Y)
Millennials are 30 and younger and were born since 1981. The life experiences of this newest generation are the internet, multitasking on multiple portable and hand held devices, superficial research, immediate gratification with little effort, school shootings, Clinton / Lewinsky, a global economy, virtual friends and experiences, helicopter parents and over scheduled lives in sports, social and academic involvements. This generation grew-up with a negative, and at times ambivalent, perception of US wars and foreign policy (Iraq/Afghanistan). In this generation, everyone is given a trophy; there is equality of sexes

and races. For Gen Yers, it takes a village to raise them and each has his or her own team consisting of parents, therapists and tutors. This is the first generation of children with schedules and has never known a world without high-speed internet, speed dial and ATMs. 75% of Millennials have a working mom and 25% are from single Moms; this contributes to a breakdown in familial closeness and dependence.

Values of Millennials include being self sufficient, individualistic, optimistic and tolerant while also displaying an unrealistic heroic spirit and a lack of skills for dealing with difficult people. They feel extremely entitled, have great self esteem and a short attention span. Gen Yer's are more aware of environmental issues, civic minded, charitable and interested in social responsibility, but they also want the corner office day one. This shows a shift from "self" to "global" while not necessarily committed to community or family. Through technology, they believe that superficial 'participation in a cause' can be the same as true involvement in something philanthropic or charitable.

Their motto is "I am a brand" such as Apple, attitude towards money is "borrow it now, online" and keyword is "realistic." Millennial use of technology: creates own documents, creates databases, uses web to research and network, use of e-mail / text / IM 24/7.

Now that we have an understanding of today's generational differences, how do Traditionalists and Boomers communicate better with Gen Xers and Millennials? This is a critical question if "trust and communication" issues are at the heart of wealth transfer failure. A few guidelines to consider include: learn to coach and not boss, incentivize based on what the generation values, be socially responsible, don't just say it, do it, create jobs that are truly meaningful, learn to use the same technology to communicate and agree to flexible hours and workplace.

Some may say this generational stuff is just socially acceptable stereotyping…politically correct rationale offered for immature behavior. However, as research has shown, 2/3 of family wealth is consistently lost from one generation to the next and 60% of this failure rate is due to a breakdown of trust and communication within the family. In order to reduce this failure rate, there is a need for improved communication within the family's generations. Each of the four current generations has distinct values based on life experiences. Recognizing these differences and being willing to embrace them will likely result in the development of stronger multi-generational relationships and enhance the success rate of family wealth transfer.

Eric Foultz is a Senior Managing Director at LBJ Family Wealth Advisors, Ltd., a multi-family office based in Austin, Texas www.lbjadvisors.com. The firm has a 70 year history starting when Lady Bird Johnson made successful investments in AM radio with KLBJ. As the Johnson family is now in its 4th generation, LBJ Advisors is intimately familiar with the issues and strategies surrounding the successful transfer of family wealth.

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