



The Wilson Group at Morgan Stanley

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“Strangers in Paradise: How can the newly wealthy find their footing?”

By Eric S. Wilson

PART II

In the last issue of *Worth*, I discussed a metaphor posed by James Grubman, PhD, in his recent book, *Strangers in Paradise*.¹ He discusses families of new wealth in a way that contrasts them as either wealth “immigrants” or “natives.” Immigrants are the generation who began life as lower or middle class, but now find themselves in a “new land” of wealth. In this new land, they are strangers faced with problems and questions about raising their children, preserving their core identity and values and choosing how much of the new culture to adopt. They rely on what they believe to be true about wealth—an outsider’s mentality. My last article broached the subject of acculturation; here, I explore it in greater detail.

Grubman suggests three main strategies for acculturation: avoidance, assimilation and integration. If you are newly wealthy, consider which of these three you feel most strongly pulled toward:

Avoidance. Individuals using the coping strategy of avoidance cling tightly to their cultural heritage, avoiding any transition toward the new culture around them. This strategy leads to a strong emphasis on retaining middle- or working-class attitudes, beliefs and behaviors, adopting little of the new world of affluence they now occupy. The “fearful frugal” is one descriptor

Grubman uses. What’s wrong with this attitude? Avoidance can pose long-term problems for individuals, including: (1) never truly feeling economically secure, (2) never permitting the benefits of the new culture to help their children’s lives and (3) not preparing their children to live in, and deal with, the new culture and its responsibilities. Lastly, the family’s estate plan is affected because tax-avoidance plans may never be considered, which may lead to unnecessary taxes.

Assimilation. The assimilation-coping strategy is characterized by ostentatiousness and extravagance. Grand parties, high-end cars and watches, jewelry, etc. round out the lifestyles of individuals keen on abandoning their former culture and immediately enjoying the benefits of being wealthy. “The strategy of assimilation embraces the image of what wealth seems to be from an outsider’s perspective, not the reality of wealth in its full complexity,” says Grubman. Again, this strategy has numerous pitfalls. Unchecked spending begins to shrink the asset base. Then, with little to no experience in managing the assets behind the income they now enjoy, these individuals find that longer-term issues surface. Grubman states simply, “Assimilation damages the present functioning of the parents (immigrants) and plants the seeds of destruction for their children and grandchildren (natives).”

Integration. The final coping strategy is integration, a “best-of-both-worlds” approach, supporting new attitudes and behaviors for living with wealth, including how the family can adapt effectively to wealth across generations. These individuals are trying to navigate a middle ground between what they learned growing up, what they still believe and what they must do to understand their newfound wealth.

These individuals do live in abundance, but they are thoughtful parents open to receiving helpful advice for incorporating the reality of their affluence while providing sound guidance to their children concerning the family’s core values and beliefs. These individuals are neither embarrassed about their wealth nor flamboyant with it. Wealth and family are integrated. Integrators empower both them and the generations that follow. The wealth is there to support the family’s purposes and endeavors.

Careful planning and communication are central to the focus of integrators. Their goal is for the next generation to have a healthy balance between their middle-class heritage and their new legacy of responsible affluence.

While all three of the above acculturation strategies are prevalent in society today, the family that wishes its wealth to survive multiple generations should focus on the strategy of integration. ☺

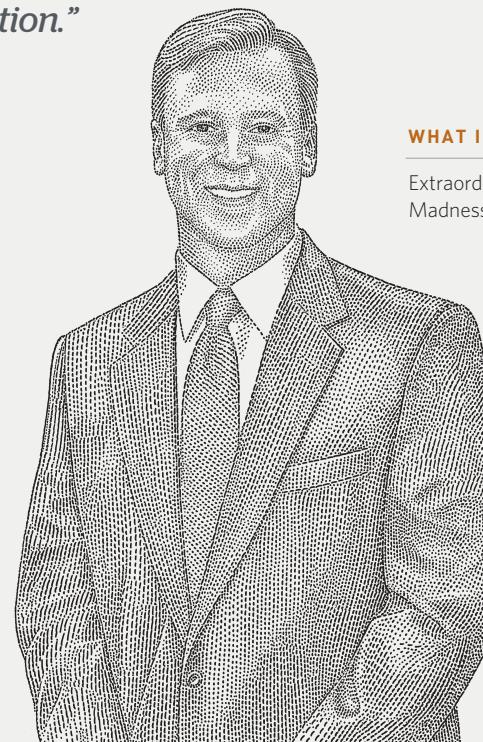
¹Grubman, James, PhD. *Strangers in Paradise: How Families Adapt to Wealth Across Generations*. Turners Falls, MA: FamilyWealth Consulting, 2013.
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—Eric S. Wilson

How to reach Eric S. Wilson

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WHAT I’M READING NOW...

Extraordinary Popular Delusions and the Madness of Crowds, by Charles Mackay

MY HOBBIES ARE...

Being a husband and a father, playing tennis, upland hunting and reading

WHAT MAKES A GOOD CLIENT...

A first- or second- generation family of wealth that desires to improve the odds of the successful transition of its wealth to subsequent generations

About Eric S. Wilson

Eric S. Wilson is a wealth advisor and senior vice president at Morgan Stanley, and for the past 20 years he has served the varied needs of families whose wealth has the potential to change the essential nature of their descendants’ lives. Mr. Wilson began his career at Merrill Lynch in 1994, where he served until joining Morgan Stanley in 2010. For his work with affluent and high net worth families throughout the southeastern United States, he has been specially designated at Morgan Stanley as a family wealth director. Achieving this prestigious designation meant adhering to stringent quantitative and qualitative requirements set forth by Morgan Stanley and now provides him with customized and dedicated resources from around the firm, which benefits his clients by providing them with many of the same services offered by family offices. Mr. Wilson is a Certified Investment Management ConsultantSM (CIMC®), an Accredited Investment Fiduciary Analyst (AIFA®) and a member of the Association of Professional Investment Consultants. He serves on the advisory boards of the Community Foundation of Central Georgia and Children’s Hospital of Central Georgia. He and his wife, Cindy, are proud parents of four sons, ages 13, 13, 13 and 6.

Assets Under Management \$2 trillion (Morgan Stanley Wealth Management, as of 8/31/14)	Compensation Method Asset-based fees and commissions (investment and insurance products)
Minimum Fee for Initial Meeting None required	Primary Custodian for Investor Assets Morgan Stanley Smith Barney LLC
Minimum Net Worth Requirement \$5 million (planning services); \$2 million in investable assets (investment services)	Professional Services Provided Planning, investment advisory and money management services, advanced wealth transfer planning and liability management
Largest Client Net Worth \$25 million+ (as of 7/31/14)	Association Memberships IMCA, Fiduciary 360 (www.fi360.com)
Financial Services Experience 20 years	Website www.morganstanleyfa.com/thewilsongroup
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