



Sustainable Prosperity[®]

by Lee Brower

“It has left me with nothing to hope for, with nothing definite to seek or strive for. Inherited wealth is a real handicap to happiness.”

William K. “Billy” Vanderbilt

What is “Prosperity”? Webster defines prosperity as “the condition of being successful and thriving.” And, “Sustainable” as “a lifestyle involving the use of maintainable methods”. So the question is how do you sustain the condition of being successful and thriving?

Robert Avery of Cornell University has done extensive research into measuring the impact of retiring Baby Boomer business owners and what will happen to the illiquid wealth from those businesses. Avery states that “the majority of boomer wealth in the United States today is held in 12 million privately owned businesses from which more than 70% are expected to change hands in the next 10 to 15 years.”

He goes on to say that by 2050, virtually all closely held businesses will lose their primary owner to death or retirement. Approximately \$10.4 trillion of net worth will be transferred by the year 2040, with \$4.8 trillion in the next 20 years.

This will be the biggest transfer of financial wealth in the history of the world. Historically, what happens to family wealth when it transfers from one generation to the next?

The Vanderbilt family had plenty of money, but were they “thriv-ing”? Did they have “*sustainable prosperity*”? Cornelius Vanderbilt was acclaimed worldwide for his financial net worth when he passed away in 1877. By most accounts he was the wealthiest man in the world--the Bill Gates of his day.

Arthur T. Vanderbilt II recounts his family history with great clarity in *Fortune’s Children: The Fall of the House of Vanderbilt*.

As a teenager, Cornelius began the building of his empire with a small raft, charging fares for transporting goods and supplies, and eventually passengers, on the Hudson River. From this humble beginning, financed by a loan from his mother, he thrived (financially). By the time of his death, the “Commodore,” as he was then commonly known, was the wealthiest person in the world.

Within thirty years of the Commodore’s death, no member of his family was among the richest people in the United States. Forty-eight years after his death, one of his direct descendants died penniless.

“This fabled golden era, this special world of luxury and privilege that the Vanderbilt’s created lasted but a brief moment,” Vanderbilt II wrote. Over-indulgence, reckless spending, and poorly advised investments all contributed to the decline of the power and dominance of the Vanderbilt dominion. New titans with names that included Rockefeller, Carnegie, Frick and Ford replaced the Vanderbilts.

The Commodore’s grandson, William K. “Billy” Vanderbilt, perhaps summed up the reactive attitude of the heirs best when he said: “It has left me with nothing to hope for, with nothing definite to seek or strive for. Inherited wealth is a real handicap to happiness.”

The real tragedy is that not only the family fortune had been lost to (and by) the Vanderbilt heirs, but the lessons and knowledge that produced the wealth had been lost as well. Commodore Vanderbilt was a man who through ingenuity and shrewd business acumen built a veritable empire from the most meager of circumstances. Yet, all the experience, wisdom and knowledge he acquired were never transferred to future generations. The end result was a family unprepared for protecting and insuring the perpetuation of their grand fortune. When 120 of the Commodore’s descendants gathered at Vanderbilt University in 1973 for the first family reunion, there was not a millionaire among them.

This is exactly what happens in the vast majority of families that create great wealth. By the end of the third generation the wealth completely dissipates. It is so common that this cycle has turned into a proverb: “Shirt sleeves to shirt sleeves in three generations.” This occurrence is a worldwide phenomenon; in China the adage is: “Rice paddy to rice paddy in three generations.” This brittle generation, the third, is statistically the final possessor of family wealth.

What we are now seeing is an acceleration of this phenomenon. It is not uncommon to see vast amounts of wealth accumulated at a very young age. Multi-millionaires are not uncommon in their twenties, thirties and early forties. The children in these families do not have the blessing of observing the hard work, the hours, the struggles that it took to achieve this financial wealth. Consequently, without that experience, we are now seeing second generations behaving like third generations. I predict that within one generation we will see significant financial wealth disappearing before it ever reaches the third generation.

Are we only talking about the loss of money? Or, is prosperity more than money? What actually causes this loss of prosperity? George Land's book, *Grow or Die*, provides a theoretical answer. Land looks at all living things from a biological growth-directed perspective. Life grows and reproduces by the assimilation of materials taken from the environment and transforms into either constituents of the organism and its offspring, or the development of special products that aid growth. Land points out, "Growth cannot occur independently—it requires interaction and interrelation between the growing thing and its environment."

He identifies four distinct phases of life in all biological forms. The first phase is the incubation stage, which he calls the "accretive" stage. Here the life form is attempting to survive and grow strong.

"The early years of an infant's life are devoted almost exclusively to the process of self-discovery and self-seeking growth," he writes. Based upon his research, he correlates the biological phases of life with the growth and development of businesses.

It is at this point that the rules for success change from experimentation to replication of success. The system must cease searching and begin capitalizing on its connection — food supply, market appeal, common interests — by simply repeating its formula for success. In the second phase, the system enjoys tremendous growth, limited only by the environment that provides resources for that growth.

Assuming the system is allowed this ideal growth without unexpected changes, it eventually consumes its resources. This is often disconcerting to conscious systems; in Land's terms, "nothing fails like success."

Land's theory is useful in the planning and execution in systems large and small: What phase is the system currently in? What form of creative

thinking is required? How do we know when the rules of survival have changed?

Our research of family wealth has identified Five Phases of *Empowered True Wealth™* growth or development and ultimate demise similar to the theory proffered by Land. These phases include Striving, Ascending, Arriving, Thriving and Descending. Each phase has the potential for the development or stagnation and eventual loss of financial wealth, initiative and effort. In other words, the inability to sustain prosperity involves much more than just financial wealth.

Phases of Wealth

If you've ever been to St. Louis, you've probably taken a trip to the top of the Gateway Arch, which commemorates the importance of the city in the settling of the American West. The Arch rises 630 feet above the Mississippi River and stands seventy-five feet taller than the Washington Monument. Visitors ascend to the top of the Arch by traveling on a custom-built tram that can carry forty people at a time. It takes four minutes to rise to the top of the Arch, but only three minutes to descend to ground level.

The Gateway Arch beautifully symbolizes a common occurrence: the creation and, all too often, rapid dissipation, of family wealth (businesses). The climb to the top is long and arduous, the view from the top is spectacular, and the drop-off or return to earth happens all too quickly.

We can think of the Arch as a visual representation of the phases of wealth; its curve rises out of the ground, peaking at some point, leveling out and then plunging back to earth.

Cruising

Before we look at the Five Phases of *Empowered True Wealth™*, we need to examine a non-wealth stage. I refer to it as Cruising. Did you ever cruise Main Street when you were in high school? On any given weekend night across America, one can find carloads of teenagers starting at one end of Main, cruising to the other. Then what do they do? They turn around and do it again. These cruisers would go back and forth, looking for adventure. I know that in my community, we started at the Dairy Queen and went to Safeway and then turned around

and went back. We never went beyond Safeway. We never went beyond Dairy Queen. It was like all the girls were between Dairy Queen and Safeway. And that was it.

Some people spend their entire lives mimicking this same, monotonous boomerang effect. Rich or poor, these people have programmed themselves to be Cruisers. They live their life in reaction, avoiding growth at all costs, unwilling to risk going beyond the imaginary boundaries that someone or something else has created for them. Perhaps you know people that live their lives in this manner.

Most Cruisers believe they have many good reasons for not going beyond these limits. Sometimes it is due to the situation into which they were born—either too rich or too poor. Some blame the job they have, or that they didn't get a good education, or that health problems prohibit it; some say it's the government's fault. Whatever the reason, they live the life of a Cruiser. Most are either victims of the past, afraid to step foot into the present, or wishful thinkers awaiting their entitled good fortune to take them to their dreams. Many are cynics, constantly criticizing without offering up real solutions. Some just figure that if they cruise Main Street long enough, something good will eventually happen to them. The achievement of wealth cannot occur until you leave your comfort zone. It is time to go beyond that mythical line on Main Street.

Phase I: Strive

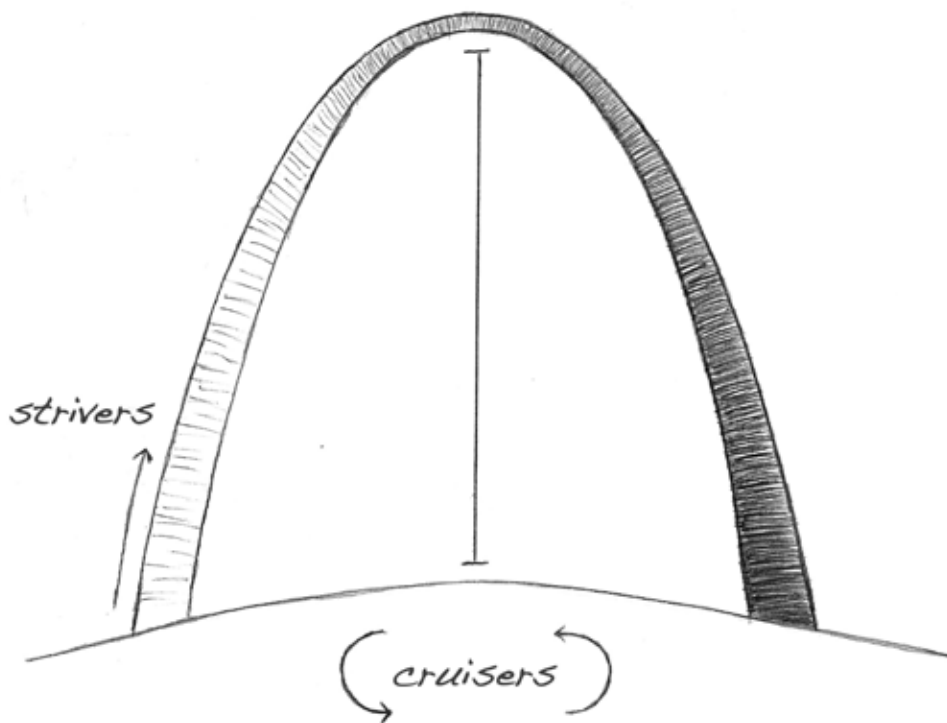
The first phase of *Empowered True Wealth™* is Strive. “Strivers” are willing to go beyond the city limits in search of their passion. They begin their ascension along this arch many times attempting over again to find the perfect vehicle, continuing to look for something better, something magical, the perfect “ride” that will scale the arch of wealth. Occasionally, if not frequently, they proceed up the arch only to slide back down the left side and attempt to move up once again. Some spend a lifetime striving to find the perfect vehicle. Strive is a mandatory stage of growth. How long we stay there is not mandated. It is up to you. Family businesses that survive multiple generations have developed methods that encourage offspring to go through this Strive phase.

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Unfortunately, there is a coterie of Strivers who are constantly searching—attempting but never sustaining, often jumping from one “get rich quick” opportunity to the next. The momentum of the chase increases with each revolution and results in a state of dizzy frustration like a dog that chases its own tail.

Many Strivers, however, achieve more; their persistence leads them to discover a vehicle that will transport them to a life of greater meaning and reward. That vehicle may be a new job or career, education or an entrepreneurial opportunity. In this phase, creativity and hard work combine with the struggle of trial-and-error, resulting in a breakthrough, that some simply call “luck.” Isn’t luck where preparation meets opportunity? This can occur in a few years, or, in some cases, it can take generations.

The Phases of Wealth



If we are entrepreneurially minded, this is the phase in which our business begins. This phase is marked by numerous detours, false starts, twists and turns, moments of great excitement and moments of despair. If we are conscientious in this phase, our careers, businesses and families will succeed before long.

At the end of Phase I, the individual fully understands that wealth starts with finding their individual passion and developing their human (Core) and intellectual (Experience) capital. They have a broader personal and cultural perspective. Their human and intellectual capital is developed sufficiently to interact successfully with others. The playful imagination of the child gives way to “realistic and mutual exchanges with others to create new ideas and information to increase his capabilities, not for himself alone, but for the group.”

Wealth transfer has its own Phase I that is critical to wealth perpetuation. If the Strive phase is critical for the incubation of potential family wealth, it follows that the ingredients necessary to create the wealth in the first place are an integral component of how to perpetuate the wealth for future generations. Ideally, it should be the intention of every first-generation wealth creator to honor and nourish that same opportunity of discovery, trial and error and development for every family member. The objective is to discover and then nurture each child’s unique gifts and abilities (their niche, so to speak), so that the child will not only survive, but also thrive.

In contrast to the Vanderbilts are the Rockefellers, who have been extraordinarily successful in certain aspects of perpetuating True Wealth. Since the founding of their fortune, the Rockefeller family successfully preserved their financial wealth. In the mid-nineteenth century, John David Rockefeller, Sr. created a fortune developing and using excellent business practices. He had the largest fortune in America at the time of his death. Unlike the Commodore, however, Rockefeller, Sr. recognized that his one son had no interest in business. Instead of forcing his son to enter the family business, he allowed his namesake to find his own niche. This was an extraordinary act. He allowed John, Jr. to find his own passion and explore his own dreams. He allowed his only son to go through the process of self-discovery and self-seeking growth (the Strive phase). He supported his son in finding his own happiness. As James E. Hughes writes in Family

Wealth, “this decision on the part of John Davison Rockefeller, Sr. to free his son to follow his individual pursuit of happiness, is one of the most long-term wealth-preserving decisions in history.”

When financial wealth is present, there is tremendous pressure to have the children follow in the footsteps of the family enterprise builders. If the “family business” has transitioned to a “business family,” certain professions are encouraged to keep it in the family by tradition. If True Wealth is to persist, however, the child’s interests and strengths must be assessed, identified and encouraged. Ideally, this can be followed up with targeted education and mentoring.

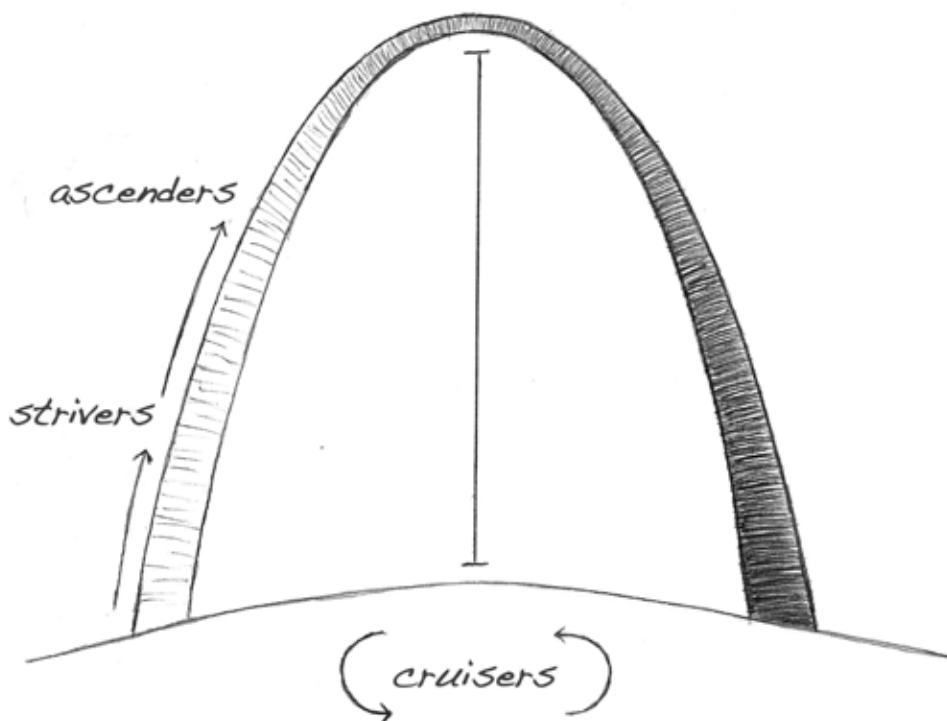
To have the highest probability of successful wealth transfer, parents need to support the Strive process in their offspring. Ideally, this happens when the children are still living at home, but is successful with offspring that are much older. Age is not the primary success factor. What is primary is the willingness of both parents and children to acknowledge the need to experience the Strive process. Discovering each child’s unique abilities and desires provides the deepest “gas tank” for the child. With plenty of fuel, children have the most energy to pursue their dreams. When they’re not working within their unique ability, passion and interests, their gas tank is small, and even if they desire to please the family, eventually they will run out of gas and perform poorly. One of the greatest gifts that parents can give their children is to discover the child’s passion and unique ability.

Phase II: Ascend

It is at this point that the individual can move up the left-hand side of the Arch to Phase II–Ascend.

As individuals and families begin building their wealth, either through contracts or businesses, they reach a stage where they begin to feel like they have made it. This interim phase is accompanied by the beginnings of surplus. They can pay their bills, travel in style and move to a better neighborhood. They begin to enjoy a sense of financial stability that might have eluded them during the Strive phase. They may not be satisfied, but they no longer have the same financial pressures they once endured.

*The Phases
of Wealth*



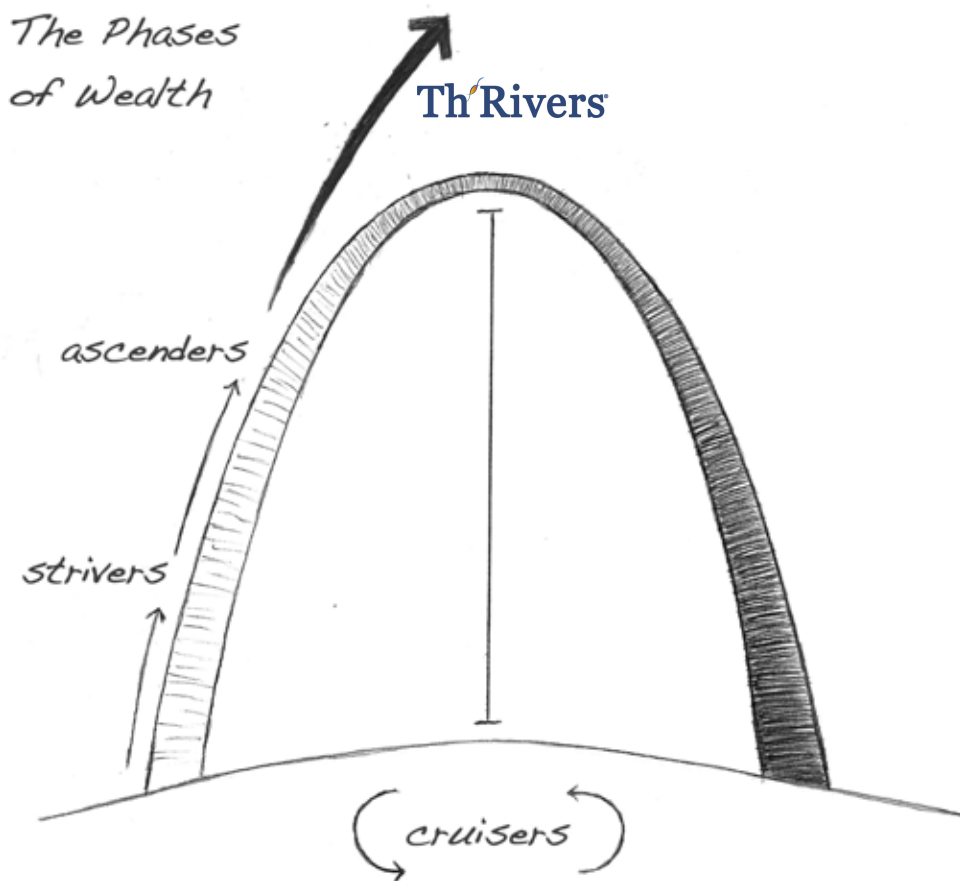
This is a growth stage. The wealth continues to grow. Originators get better at what they do, and are consequently rewarded for creating value. We are now driving the vehicle that we believe will take us up the Arch, the perfect career or business opportunity. Once we find that vehicle and we stick with it, improving it along the way, onward and upward we ascend. Discovery in today's fast changing world is more about identifying your unique ability and then being able to apply it through various opportunities. It is not uncommon for someone who understands and has confidence in their unique ability to apply it with different companies and opportunities. Think of an athlete with unique skills. It is not uncommon for them to leave one opportunity for an even greater opportunity. Find your niche and then continue to improve upon it.

We are halfway up the Arch, and we have a sense for the first time that the top is within reach. What the “top” of the Arch is for one person might be different for another, but the feeling is the same: our vision is reachable. It’s an exciting time to be alive.

Phase III: Thrive

To continue our ascent up the Arch, we must enter the third phase of *Empowered True Wealth™*—Thrive. Land calls this the “explicative” stage. In it, the “individual matures, mutualizes with, and contributes to the growth of a larger social organism.” In this situation, a person develops in a community of humans “in exactly the same way a cell community grows, and, if we look closely, evolves exactly the same functions: manufacturing, circulation, communication, protection, control and so forth.”

The younger Rockefeller, in his Thrive phase, was just as productive in creating systems of family governance and philanthropy as his father was in business. John, Jr. set up a family office to manage the needs of his six children—one daughter and five sons. The system of family governance that he established continues today. It is this system that is credited with the long-term wealth of the Rockefeller’s fourth, fifth and sixth generations. While its investment performance has been excellent generation after generation, its greatest value to the family is derived from its wealth of educational services. The Rockefeller’s family mission is “to grow the human and intellectual capital of the family.”



Like his father before him, John D. Rockefeller, Jr. encouraged each of his children to find their niche (Strive). He knew that supporting them in pursuing their individual happiness would lead them to productive wealth-preserving lives. “The resulting contributions of the third-generation Rockefellers to philanthropy, to government, to international banking, and to the birth of new industries through highly venturesome investments are remarkable.”

ThRivers™ have learned a very important key: They know how to replicate their success and transfer that wisdom to others, so that the business and lessons learned from their experiences achieve a life of their own and will actually outlive them! If you don't know how to replicate or capitalize your successes and haven't developed systems so that the knowledge and experience of the journey can outlive you, you simply remain in the Ascend phase--but never thriving.

Perhaps you have a vehicle you can transfer to your heirs, but if you haven't taught them the secrets of successful driving, they will eventually wreck and possibly destroy the vehicle you worked so hard to find, build and drive. If you or your successors can't replicate the path that led to success, when your "vehicle" runs out of gas or needs repairs, you, too, begin that downward slide.

ThRivers™ see the top of the Arch and ignore the possible downward direction that path will take them. Rather, they continue building and contributing so that they remain on a skyward-bound path that continues for generations. Ideally, they exist as *ThRivers™* forever, and never experience the other phases of wealth. They have developed systems that allow them to bypass the plateau and continue the climb. Instead of a bell curve, some *ThRivers™* create their own Empowered Wealth power curve- a continuous helical curve spiraling upwards with ever increasing learning, contribution and growth. Fortunately some families have successfully maneuvered around the obstacles. In every community there are those few family enterprises that continue to thrive generation after generation. Unfortunately, this is often the exception. We read more about family enterprises that end in complete disarray, squabbling over and squandering unearned fortunes.

For most families, this phase of wealth has differing periods of sustainability. Typically, as one generation passes on, the succeeding generations are less equipped to handle the wealth. Once Thriving wanes—or even ceases—they are obliged to reside in a phase that has a slippery slope down the other side of the Arch. Our years of experience confirm that most *ThRivers™* desire that their heirs will continue in a perpetual evolution of Thrive.

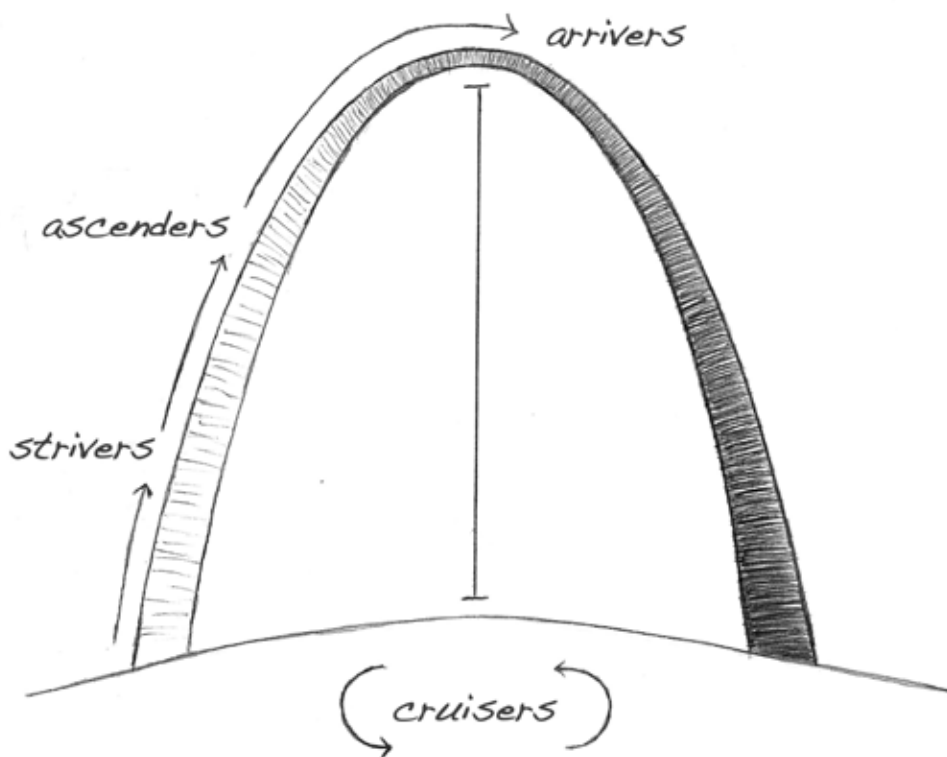
Phase IV: Arrive

The enemy of Thrive is Arrive! Arriving is dangerous! An arriving mentality can occur at any time. It doesn't necessarily follow Thrive. Some Ascenders bypass the Thrive phase altogether. If individuals or families enter that fourth phase, Arrive, they actually believe and act as if they truly have "arrived." Frequently, the individual attempts to recreate "his own pattern to make the other person (his offspring) more like himself, not by direct control but in thought, deed, dress and so

forth.” The result is little or no growth. The relationship becomes “one of conformities in conflict.” Both the wealth-creator and offspring attempt to change the other into their own pattern.

The Phases of Wealth

Th Rivers



This is where growing stops and dying begins. Without the robust energy created by finding one’s unique gifts and capabilities, the offspring are severely handicapped. This is where False Wealth hangs out. Many residents of the “Arrive” phase base their success upon a financial scorecard only. Lottery winners or football players who sign their first contracts with the NFL sometimes believe they have arrived. They are convinced that this sudden onslaught of financial wealth is the cure all and end all. But are they able to actually replicate this success or fortune? These individuals go from a state of financial struggle to multimillionaire status literally

overnight. Are they Arrivers or *ThRivers*™? They become *ThRivers*™ only if they can actually replicate the values and wisdom of the experience(s) that brought them their so-called success and transfer that wisdom to others-their heirs and successors. Otherwise, they detour without having reached the Thrive phase and leap into the Arrive phase.

People who “arrive” in a hurry seldom benefit from the Strive, Ascend and even sometimes the Thrive phases. Do you have to be financially rich to enter the Arrive phase? By definition, you only have to stop creating. We now have third, fourth, fifth and sixth generation heirs of affluence who believe they are entitled simply because they had an Ascending/Thriving ancestor. There are also multiple generations of the so-called “deprived” who also have a sense of entitlement simply because they have a rich uncle, Uncle Sam!

The Arrivers have entered into survival mode. Instead of being in a state of abundance, they operate from an assumption of scarcity. They are not contributors, but possessors and takers. They do not have open arms, but rather attempt to wrap their arms around all of their possessions, like a starving, insecure hermit sitting at a table protecting his meal. Many lack the vision of a Bigger Future and without that, they struggle to endure any present agonies and are unable to reach out and be creators to society. Individuals in the Arrive (or “Survive”) phase have moved into a defensive posture and are not playing to win.

People who receive a sudden influx of wealth without the knowledge of how to care for that wealth often find themselves in this survival category, lacking the confidence to replicate the success and abundance that was suddenly thrust upon them. By “playing not-to-lose,” they are headed on a steep descent. They often don’t know how to contribute to society and are afraid to part with their wealth because they don’t know how to make it back. They follow rather than lead, copy rather than create. They usually do not experience the joy that comes from actualizing their own dreams and instead become frustrated and unhappy despite the vast financial wealth they possess. Those who tend to view themselves as having “arrived” at the top of their Arch, whether they’ve earned it through hard work or simply inherited it, slowly, subtly, and subconsciously begin the slippery slide down the other side of the Arch.

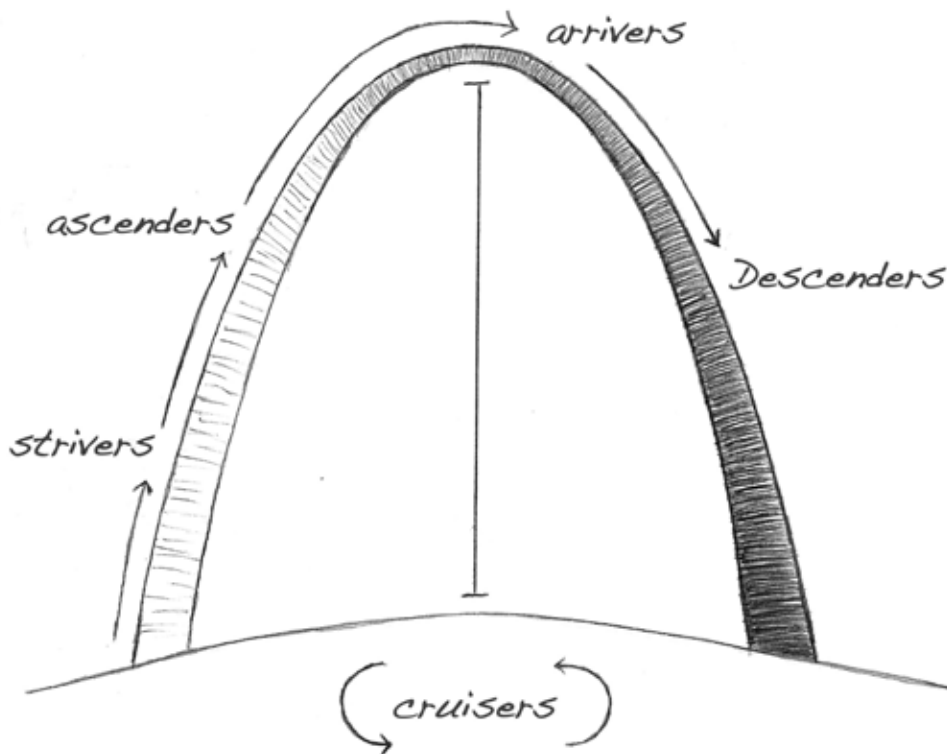
On the real Gateway Arch, it takes less time to reach the bottom than it did to reach the top. And so it is on our metaphorical wealth arch, as the plunge through the Arriving phase takes us down slope of the arch to the fifth phase, Descend.

Phase V: Descend

Without intervention in Phase IV, the family or the individual transitions into the next potential phase—Descend . Absent a system to educate, train, involve and assist family members, to actually think and act like first generation wealth builders, future generations are left to their own devices. They must recreate from scratch their own success context. Many individuals don't succeed on their own,without the proper tools, motivation and foundation. This is a pattern that repeats itself over and over again throughout the world.

The Phases of Wealth

Th Rivers



In terms of family wealth, the creators of wealth are the Ascenders and Thrivers, and their offspring or future generations, all too often, are Arrivers—individuals who were born on third base and actually believe they hit a triple.

This attitude of entitlement cannot co-exist with an attitude of gratitude. Those living with ingratitude believe that they have not received everything to which they feel entitled. These individuals coast downward, giving truth to the expression “Shirtsleeves to shirtsleeves in three generations.” Without the wisdom and experience gained in the Strive, Ascend and Thrive phases, we all can be headed for a serious fall.

We certainly see this with NFL players and lottery winners—clear examples of people who have “arrived.” We see the young men triumphant on the day they sign with their teams. Suddenly, individuals who may never

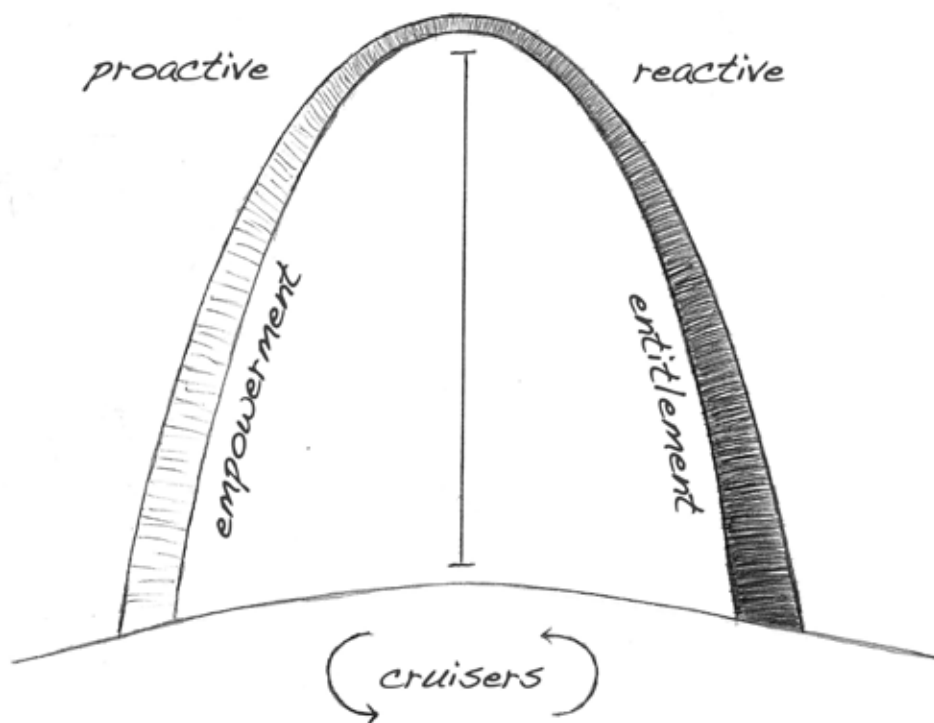
have had any Financial Assets are worth millions of dollars. Then, within three years of retirement, almost four out of five NFL players are either broke or divorced or both. Just because they arrived at a significant sum of money did not give them the ability to hold onto their wealth or grow it. The plunge from the top is swift and often played out in the media. They are unable to prosper or sustain their prosperity.

There have been surveys of lottery winners that show that wealth not only failed to improve their lives, but their ignorance in how to deal with the financial bonanza actually destroyed their lives. The winners found themselves at odds with family members and friends (many of whom they may have never met) who made demands to share in their newfound wealth. Communities treat them differently. Storeowners and service people may treat them differently, expecting more money simply because they have larger checking accounts. Friends fade away, fearing that they can't "keep up" with their newly affluent associates. Many lottery winners, in fact, have had to leave their hometowns and start over in places where they—and their newfound wealth—were unknown.

Clearly, when it comes to the True Wealth Gateway Arch, the best place to be is on the left side of the curve with the Ascenders and Thrivers soaring above the Arch, instead of taking chances with the Arrivers and Descenders. One group is playing to win. The other group is playing not-to-lose, and consequently has a doubtful shot of winning. Those on the ascending side take a proactive stance toward life; they are building, growing, doing, creating, and taking responsibility for their actions. Theirs is an attitude of empowerment. They are contributors. Those who see themselves at the top, and those who are careening down the right side of the Arch, are living in reaction and passivity. They do not make events happen, but are instead controlled by events. They seem to have an attitude of entitlement. They are the takers. They often lack the courage to shift back to the proactive side of the Arch. They are on the failing side of the metaphorical arch and they don't know what to do about it.

Which side of this power curve do you want to live on, the proactive or the reactive side?

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If history continues to repeat itself, then we will see vast amounts of wealth dissipate from the coffers of initial wealth creators as it evolves through the generations. Many argue that this is a good thing. It allows for the recirculation of wealth and keeps dynasties from forming. I tend to agree with this on the surface. However, what is missing is the greater casualty- the human capital of these families are often left in terrible states of distress and struggle. Many assume it is because they have been endowed with financial wealth without the wisdom and maturity of “earning” that wealth.

I believe it goes beyond that. We can't lay the blame solely at the feet of the benefactors. Based on the experience of working with hundreds of incredibly successful and well intending families, my partners at Empowered Wealth and I assert that family leaders that neglect systems of

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empowerment within their family structure and rely on traditional estate planning methods to transfer their wealth have unintentionally done more to destroy their family than taxes will ever do. The common approach of “hoping” that through some magical system of osmosis their offspring will inherit the wisdom, experience and education that they sacrificed sweat and tears to achieve is an unreasonable expectation that defies most odds.

Thanks to the wisdom and experience of clients and colleagues, and thirty years of ongoing research studying families from all economic stations, successful systems have been developed for discovering values and achieving clarity, balance, focus and confidence. Utilizing Entrepreneurial and Empowered Wealth principles, Families can succeed well beyond four generations. Not to create dynasties, but to create the rivers (the rivers = ThRivers™) of wealth where they can influence the flow of wealth with care, responsibility, confidence and peace of mind

You are at the center. As your life is transformed by coming to under-stand The Phases of *Empowered True Wealth™*, you will be able to radiate your values outward toward your children, community and workplace, as well as toward future generations. You do not have to follow the traditional 4 D’s of unsuccessful wealth transfer: Divide the assets amongst your heirs; Defer it to the next generation; Dump it out on ill prepared heirs; and then watch it Dissipate. You can start right now building a high impact family with Sustainable Prosperity™ that is self reliant, united, and making a difference for generations to come.

It all begins with you.

