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## THE WEALTH RIDDLE

*“Anyone who isn’t confused doesn’t really understand the situation.”*

—Edward R. Murrow<sup>2</sup>

**I’VE BEEN THINKING** about you. You’ve done well. Yes, you’re still working dutifully and growing your wealth, but you’ve already achieved remarkable success. You’ve made some mistakes and endured painful challenges along the way, but those weren’t in vain; they’ve helped refine you into who you are today. Your gains have been far greater than your losses. Occasionally, you step back and look at everything you have built; when you do, you realize it’s incredible and complex, and you feel extremely fortunate.

You’ve learned a lot about how money works—how to earn it, how to save it, how to grow it, and how to protect it. You’ve generated a regular, sufficient income and methodically put savings aside for leaner times as well as for investment opportunities. As a result, you’ve reached a higher degree of financial security compared to that of your peers. While ensuring that you have enough to take care of yourself and your immediate loved ones’ needs, you’ve generously shared your resources and knowledge with those around you.

You find yourself in a position where you’d like to use your knowledge and resources to more actively help your family

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<sup>2</sup> Quoted in Walter Bryan, *The Improbable Irish* (Taplinger, 1969).

members and others. You have a lot to contribute; one of the greatest compliments you regularly receive comes when hard-working, ambitious people ask you for advice. Preferably, you'd like your loved ones to enjoy the same success you've achieved (or even greater) without all the struggles you experienced. But how can they best learn what they need to know to be successful? And how can you best use your wealth to help them?

You have hard-working children or family members who are already making their way in the world and having character-building experiences. Even though they're doing well, you're anxious for them to accomplish even greater things. You would like them to not endure as many hardships as you did. You have confidence that these loved ones would achieve even greater success with any financial resources they receive.

But you also have family members or know others who aren't as skilled with money or whose circumstances make financial gifts inappropriate. You have thought a lot about how to help them, too, and you may have even offered some of your money from time to time as a gift or loan to help them get by or purchase something beyond their means. You knew each time that it could be risky to offer them money, and a few times it did not turn out very well. There were misunderstandings and bad feelings. You know that either offering or withholding financial assistance has the potential to complicate those relationships. To your credit, you still want to help, but how?

You also know that someday you will be gone. When that happens, your family and loved ones will lose access to your financial help and advice. Someday everything you own will become the property of others, and that concerns you: you won't always be in a position to manage everything and ensure that your wealth is used properly. You have observed the loathsome "entitlement mentality" that is so pervasive in our society today, and you want no part in it. You know how money and wealth can

help people, but you have also seen how it can hurt people, or rather, how people can hurt themselves with it.

You have already consulted with an attorney and other financial professionals to create plans for that inevitable transfer, but you are unsure if those plans will be followed or whether there will be unintended consequences. You would hate to see a significant portion of your wealth go to the Internal Revenue Service, get wasted by your heirs, or be the cause of future arguments between family members. The attorney probably assured you that his or her plan has provisions to prevent all that, but you've seen the plans of others fail to realize the deceased's expectations. You have personally seen families get torn apart by financial disputes *even when* there were extensive plans in place. Many people you know have made the "default" choice to eventually divide and distribute their assets into inheritances, but you don't like what some heirs have done with the money. Some have just blown it, and in some cases, the money facilitated self-destructive vices such as substance abuse and other addictions.

In their effort to try to prevent or mitigate all that, you have seen others just give most of their wealth away to charity, but you are not sure that is the best choice, either; you have seen some charities funnel a significant portion of their donations to administrative costs and only a small portion to the needy. Plus, you do not like the idea of disinheriting your family and permanently taking opportunities away from your loved ones in favor of strangers. You believe in some charitable giving, but you would prefer if your family chose to perpetually make charitable donations themselves. Ideally, your family would have the power to withhold future donations from less responsible charities as well.

So, is it possible to prevent your wealth from enabling bad behavior and instead ensure productive, virtuous behavior from any and all who receive it?

If any of this sounds familiar, then you've already encountered

the “wealth riddle” for which there doesn’t seem to be a clear solution. The wealth riddle has been around for as long as there have been people and resources to gather, but it has started to hit home as you have achieved success and contemplated long-term plans for your wealth and your family or loved ones. At the heart of this riddle is an altruistic question that is a credit to your thoughtfulness: “What is the *best* way to help others?” You would like to help people the right way, and you certainly do not want to facilitate any harm to them.



*What is the  
best way to  
help others?*

Most people like you have clear, systematic intentions for their wealth: to help family, loved ones, and the community. Quite a few advisors will tell you that accomplishing your goals requires spelling out rules and expectations in mind-numbing detail through a series of legal documents and financial products. There are many highly paid professionals who claim they know how to prevent or mitigate any misuse of your wealth through very sophisticated planning, but when you look at the multigenerational results of their recommendations, the same problems (or even worse ones) may have occurred. These professionals may not have done poor work, but their work is almost always based on a number of outdated traditions and default practices, such as direct gifting, that effectively undermine the original purpose of most planning.

My initial, personal introduction to the wealth riddle came in 2015 when my wife and I were preparing for a three-week overseas trip without our minor children. We were concerned about what would happen if we both perished in an accident, and we consulted an experienced estate planning attorney who helped us draft wills and a trust.

The day arrived to sign legal documents and make everything

official. After signing a few documents, I unexpectedly started feeling uncomfortable with what we had done, and I put down the pen. It made no sense to feel uneasy; weren't we acting responsibly by setting up these plans for our children in our absence? We had consulted an attorney who specialized in these matters, and this seemed like the prudent thing to do. Something was amiss, though, and I couldn't ignore it.



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A thought occurred to me that we could actually be creating a future problem for our children. Since there likely would have been a residual amount of money left after the children had been raised to adulthood by their designated guardians, our children could

potentially inherit large sums of money with no guidelines or supervision. I love and trust my children, but that bothered me. I turned to the attorney and asked, "What will happen with any leftover money?"

"Once they're eighteen, the kids would normally just inherit it," he said.

"Right. But we're not doing that, are we?" I asked.

"No. We're delaying any distribution until later, starting at age twenty-five. Hopefully, by then, they'll be more responsible," he responded.

My mind started to paint a future scene where my orphaned children had reached age twenty-five and were handed a check for several hundred thousand, maybe millions of dollars. How could my wife and I be sure that they were ready for that much money? Would it help them? Could it actually *hurt* them? Was dumping money on them the best thing to do? Would we be better off giving the residual to someone else, our church, or a charity?

I wasn't comfortable with the scenario and decided to further the discussion by posing a pointed question to our attorney: "Have you ever met an irresponsible twenty-five-year-old?" I asked.

Smiling, he looked up and said, "Okay, maybe thirty or thirty-five could be better."

"Have you ever met an irresponsible thirty- or thirty-five-year-old?" I asked in response.

For that matter, one could pose the same question about forty-, fifty-, or sixty-year-olds. Responsibility in financial matters is not a function of age; it requires the proper training, tools, and

experience to know how to grow wealth and use it for good. We have all met or heard of young, middle-aged, and even retired people making horrible financial decisions, and I certainly did not want my children to be harmed by something we did (or didn't do) through the plan we were setting up.

In drafting those documents, my wife and I realized that we had not made *any* plans to protect our children from themselves or facilitate their financial independence in our absence. Instead, we had essentially planned to dump a bunch of money on them at a future date. The attorney and I talked for a little while, and he agreed that there must be a better way than trying to address every possible contingency, but my wife and I still ended up signing the documents as drafted. We didn't make any changes because we didn't know any better. I wouldn't say it felt like the planning we had done was *wrong*, but I had an unsettled feeling that it wasn't the *best*.

Is there a better way?

Fortunately, a few families have figured out how to solve the wealth riddle, and we can learn about and emulate what they've



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done regardless of how much wealth we have. These select few have been able to avoid the inheritance curse of “shirtsleeves to shirtsleeves within three generations” that the vast majority of families experience. Indeed, when research has shown that 70 percent of inherited wealth is depleted by the second generation and 90 percent by the third,<sup>3</sup> families who buck the trends must be doing something special. Upon further examination, these prominent families are the exception for good reason: they don’t do what everyone else does.



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The solution? Instead of inheritances, these families wisely created their own “Family Bank” to retain certain assets for the benefit, rather than the consumption, of family members and others. Specifically, these families replaced gifts with loans, entitlements with opportunities. Some gifts and special grants were awarded in certain circumstances, but the bulk of the family’s fortune was not distributed to heirs; it was made available through borrowing arrangements for productive use only, and repayment with interest was required. Descendants of these families do not own their Family’s Bank in the traditional sense, but they each have access to the same, crucial financial services that banks and other institutions provide. Their Family Banks’ officers properly train family members in financial matters and manage the bank’s primary legacy assets that ensure its preservation and success. We will examine all these practices and the legacy assets in great detail.

These Family Banks have blessed the lives of multiple generations of descendants, and many of these banks continue to this day. You will not observe in these successful families the

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<sup>3</sup> <https://www.nasdaq.com/articles/generational-wealth%3A-why-do-70-of-families-lose-their-wealth-in-the-2nd-generation-2018-10>

same entitlement mentality that is so pervasive in our society today. No, the descendants of these families are not wealthy because of any inheritances; they have become *independently* wealthy through their own efforts and their unique access to capital. Money is not an uncomfortable topic between family members; they welcome and enjoy the discussion. Descendants are equipped with the training and tools to achieve remarkable success. Frankly, it is not a coincidence that those particular families have been so successful; the principles and practices of their Family Banks actually have *everything* to do with it.

Besides facilitating prosperity, the Family Bank also creates a bulwark against future financial crises by relying less on government or charitable sources and instead providing the liquidity that individuals and groups need to survive. Those with access to cash provided by the Family Bank can even thrive in times of crisis. Those unable to secure adequate financing through traditional sources for whatever reason have another funding option through the Family Bank.

Although this solution may sound new, some families have maintained their Family Banks for hundreds of years, and the principles undergirding them date back to ancient times. Rather than divide and diminish the strength of a family's fortune through inheritances, each successive generation actually brings more opportunities and growth to their Family's Bank.

The Family Bank is not exclusive to families with great wealth. Because the same principles of growth, protection, and opportunity apply to fortunes both large and small, families with smaller fortunes can maintain and grow their Family Banks at the same rate as



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larger ones. Family Bank activities are scalable and proportionate to whatever amount of wealth is set apart for continued growth and assistance toward its members and others. And by using the ideal legacy assets inside the Family Bank, a family's small fortune can grow to match other large family fortunes over time. A relatively small amount of wealth can snowball into a sizable reservoir of wealth in several generations, and family members can quickly "outgrow" their individual need for the Family Bank's services by accumulating their own financial reserves. Ideally, they will establish their own Family Banks when the time is right, and their children and their children's children will follow the same pattern.

The word must get out. There are articles in the news regularly about famous or wealthy people making planning choices with lasting consequences to their families and communities. Unfortunately, most of those plans lack the proper structure to ensure accountability and success, and their accumulated wealth is likely to be consumed in a short amount of time regardless of the amount. Each time I see a headline, I am reminded that there is a better, less common solution that most have never even heard of.



*Solving the wealth  
riddle requires a  
course correction.*

You'll need a course correction to solve the wealth riddle, and the Family Bank is your trusty compass. If promoted and widely adopted, the Family Bank has incredible potential to make meaningful,

lasting changes in your family as well as in society. Many of the problems that plague us today, such as selfishness, greed, theft, envy, privilege, debt, and even poverty, could be greatly reduced or eliminated if more families maintained a Family Bank and continuously passed on its principles to future generations.

The Family Bank and its related functions not only promote accountability and self-reliance, but most importantly, they put time-tested systems of education, opportunity, and accountability in place to ensure their continued practice.

You're looking for answers, and I'll do my best to present what I've discovered about these quiet, successful families. This book is an attempt to reveal, explore, and broadcast the principles and practices of the Family Bank to help you start making a lasting difference in your family as quickly as possible. Thank you in advance for joining me on this journey.