



THINKING BEYOND...™

How Much is Enough?

Most affluent people have heard this proverbial question, but very few have ever taken the time to ask it within a planning context. They rarely ask it of themselves, and they even less frequently ask it in regards to their children's inheritance. But this question must be asked at both of these levels if we are to help affluent families do the most good with the wealth they have accumulated.

How Much is Enough for Ourselves?

At the first level the question is, "How much is enough for ourselves." How much income do we need/want to maintain our current lifestyle? How much do we need/want in reserve to avoid possible financial disaster in the future? It seems that a simple mathematical equation will give us the answer to this question of, "How much is enough for ourselves?"

However, for older Americans who lived during the Great Depression, they have been indelibly marked with the horrible memories of economic collapse and financial ruin – something younger Americans have yet to experience.

These older Americans' first "knee-jerk" reaction to this question is, "We can never have enough because we can never know just how long or how deep the next 'Great Depression' is going to be." The answer to this question is not a simple mathematical calculation. It requires some lengthy and in-depth conversations to help these people distinguish the facts from feelings as they seek to answer this critically important question.

As we proceed through the Family Wealth Counseling process, we help our clients address their emotional fears within a context of present reality and help them answer this most basic question, "How much is enough for ourselves?"

How Much is Enough for Our Heirs?

At the second level the question is, "How much is enough for our heirs." This question is just as complex and filled with just as much emotion as the first. However, now the emotion is not one of deep fear, but of love. We have simply gone to the opposite extreme of the emotional pendulum.

Warren Buffett may have made the most profound comment we have heard on the topic of inheritance. He said, "*I want to give my children enough of an inheritance that they will feel like they can do anything, but not so much of an inheritance that they will not do anything.*"

The overwhelming majority of wealthy parents will concur with this sentiment. Yet almost none of them have tried to identify those minimum and maximum levels of wealth that would be best to pass onto their heirs. In Family Wealth Counseling we spend a considerable amount of time helping our clients answer this most critical question in great detail. Once an affluent individual or couple knows how much wealth it is going to take to support their desired lifestyle and exactly how much wealth is enough for their heirs, then they are, for the first time, in a financial and emotional position to look at the remaining

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How Much is Enough?... *continued from page one...*

excess wealth. Then they can ask, “What should we do with our surplus?” It is at this point that we can initiate some very meaningful dialog on personal and family philanthropy with our clients.

This is what we call the *Psychological Pyramid of Priorities*. It looks like this:



Until the first-level question of “How much is enough for ourselves?” is adequately answered, we cannot go to the

next level. Until the second-level question of “How much is enough for our heirs?” is adequately answered, we cannot go to the final level of asking, “How can we give our surplus wealth away to help others?”

This Psychological Pyramid of Priorities expresses our most basic human instincts of: (1) take care of ourselves, (2) take care of our own, (3) take care of others. Once you understand this Psychological Pyramid of Priorities and move properly through it, addressing each of the psychological priorities in the proper order, the planning process is not only greatly simplified, it becomes extremely more rewarding than conventional planning.

Family Wealth Counseling is not just one way to plan your life and your family’s wealth, it is the only way. And our clients unanimously agree with us.

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