

June 2017 This article was previously published when I was registered at Morgan Stanley. I am currently registered with Calton & Associates, Inc., for securities and Advisory Services Network, LLC for advisory services. Advisory Services offered through Foundational Wealth Advisory, a Member of Advisory Services Network, LLC. Phone: 770.352.0449. Securities offered through Calton & Associates, Inc., Member FINRA/SIPC. 2701 N Rocky Point Dr., Tampa, FL 33607 Advisory Services Network, LLC and Calton & Associates, Inc. are separate and unrelated entities.

WHAT IS WEALTH FOR?

By Eric Wilson



In 2003, Gary North penned a very thought-provoking essay entitled, “The Horror of being Oprah.” Now regardless of how you feel about Oprah as an individual, as a professional she has accomplished what few people have ever dreamed about. Yet North approaches her fame and fortune from an angle that practically anyone who has achieved excess wealth can identify with...what do you do with all the excess? In other words, what is wealth for?

Reading his essay, one learns that having no heirs simply complicates, not eliminates, the planning process. If you have no children, then what is to become of your wealth? How will it be directed? Will it be used to effect positive change in your local community and therefore you leave it all to your local community foundation? And how will you make certain that it will be used for what you have stipulated it be used for? (Watch the PBS special, The Barnes Collection, or pick up a copy of John Anderson’s Art Held Hostage for a not-so-pretty unintended outcome). Will you use your excess wealth to fund micro-finance projects around the world or just piggyback onto existing local/national causes with established non-profits? What is YOUR wealth for?

The more times you ask yourself this question, the more imposing

the question becomes. Is your wealth solely to support you and keep you comfortable? Is there a spouse with which to share it? What about children, other relatives, and/or charity? Will you leave your wealth to one or all of them outright or choose to provide structure to the bequest thereby enabling someone outside your blood line to profit from all you have accumulated? What is your wealth for?

In their book *Freedom from Wealth*, Charles Lowenhaupt and Don Trone pose this same question. According to the authors, wealth can be used for many things, but ultimately it funnels down into two separate paths: to provide freedom/ functionality and/or to provide control. Whatever it is for, they say, it is critical to start by deciding and articulating what the wealth is, in fact, for. The answer can change, but until an answer is clear, any wealth management program will be a forest instead of a multitude of trees. “Deciding what the wealth is for provides the wealth holder a clear perch from which they can see and understand all threats and from which they can see where they may want to go.”

Over my two decades as an advisor I have seen and counseled with many families as they wrestle with this idea. Usually the wealth creators/owners are of advanced age when they finally begin this process.

But what if they had asked themselves this critical question earlier in life. For instance, two years ago I met with a couple in the Jacksonville, FL area who have multiple businesses, are worth tens of millions of dollars, cannot spend even twenty percent of their income...and have no heirs. An enviable position to be in you might be thinking...all the money they’ll ever need. What’s the problem!? Why don’t they just retire and travel the world? Do their best to spend it all?

Ah, but this couple was no ordinary husband and wife (after all, if they were they wouldn’t have accumulated this level of wealth!) They thoroughly enjoyed what they were doing and couldn’t imagine simply bouncing around the planet with no real purpose but pleasure. They were also forward thinking folks. Being in their late 50s, they were just now beginning to ask themselves the very question that I asked them when I sat down for our interview: “What is your wealth for?”

Again, they had enjoyed immensely the challenge of acquiring and growing their wealth. And like so many of my clients who are first generation wealth owners, their increasing wealth had apparently not really changed them or their lifestyle all that much. They had simply done what they enjoyed doing and as a result had prospered greatly. Now the time had come (through a discovered medical issue) to try to find enjoyment in the distribution of a portion, call it the excess, of their wealth.

They were embarking on what they viewed as a fun, interesting, and challenging new business venture, which was defining, philanthropically, how to change the global environment for the better. They had decided that their wealth was for enhancing the lives of those less fortunate than themselves.

In my view, helping wealth holders shape, frame and define an answer to the question of what their wealth is for is rapidly becoming as important as potential investment returns. When one has excesses, an extra percentage point of return here and there becomes less meaningful, particularly when there has been little or no thought with regards to what the excesses are ultimately for. With no strategy, say Lowenhaupt and Trone, the wealth holder is always chasing transactions, deals, or schemes and often is hurt when the wrong one is caught.

My team’s job as investment professionals is to help our clients



know what they’re chasing, know why they’re chasing it, and for whom they are chasing it. How can we possibly do that until we help our clients define what their wealth is for?

To wrap up this issue’s column, let me acknowledge that many, many articles and books have been written on how to leave assets to your heirs. However, in my experience I would say that I have found it to be a far easier question to deal with when the clients have a blood line to leave assets to versus trying to figure out exactly how and to whom to leave the product of their life’s work. I will explore this a little in the next issue. And while the process is not the same, it is certainly similar in form and function...you still must begin with the question of what your wealth will be used for.

Please note that Charles Lowenhaupt, Don Trone, and Gary North are neither employees of, nor affiliated with, Morgan Stanley Smith Barney LLC.

CRC 1359542 11/15
This material does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The strategies and/or investments discussed in this material may not be suitable for all investors. Morgan Stanley Wealth Management recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a Financial Advisor. The appropriateness of a particular investment or strategy will depend on an investor’s individual circumstances and objectives.

Tax laws are complex and subject to change. Morgan Stanley Smith Barney LLC (“Morgan Stanley”), its affiliates and Morgan Stanley Financial Advisors and Private Wealth Advisors do not provide tax or legal advice and are not “fiduciaries” (under ERISA, the Internal Revenue Code or otherwise) with respect to the services or activities described herein except as otherwise agreed to in writing by Morgan Stanley. Individuals are encouraged to consult their tax and legal advisors (a) before establishing a retirement plan or account, and (b) regarding any potential tax, ERISA and related consequences of any investments made under such plan or account.

The views expressed herein are those of the author and do not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of any security. Past performance is no guarantee of future results.
Morgan Stanley Smith Barney LLC, member SIPC.



Eric S. Wilson is a Senior Vice President, Family Wealth Director, and Founder of the Wilson Wealth Management Group at Morgan Stanley and for the past 20 years he has served the varied needs of individuals and families whose wealth has the potential to change the essential nature of their descendants’ lives. Mr. Wilson can be reached with questions by email at eric.s.wilson@ms.com, by phone at 877.442.5445, or via his website at www.morganstanleyfa.com/wilsonwealthmanagementgroup.

Eric S. Wilson is a Wealth Advisor with the Wealth Management division of Morgan Stanley in Macon, Georgia. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Wealth Management or its affiliates. All opinions are subject to change without notice. Neither the information provided nor any opinion expressed constitutes a solicitation for the purchase or sale of a security. Morgan Stanley Smith Barney LLC, Member, SIPC. CRC 1302102 9/15, www.sipc.org.

