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Generations Summer 2022 - Involving the Rising Generation: Challenges and Opportunities

On May 11, Day Pitney attorney Jaclyn M. D'Esposito led a roundtable discussion on the challenges and opportunities of the rising family office generation with single-family office executives and family members. The panel included Mercy Goddard, Vice President of Investment Resources Corp., and H. Wayne Huizenga, III, President and Founder of South Wake Capital, along with Mindy Kalinowski Earley, Chief Learning Officer at the Family Office Exchange.

Jaclyn M. D'Esposito (JMD): We thought the proper way to begin our panel was with a discussion about defining the rising generation. For reference, millennials (Gen Y) are those born from 1981 to 1996, Gen X are those born between 1965 and 1980, and Gen Z are those born between 1997 and 2012. Mindy, when you begin working with a family, if they have not defined their next generation, how do you go about that process?

Mindy Kalinowski Earley (MKE): When we think about defining the rising generation from an industry perspective, we focus on individuals in their twenties, thirties and forties. We are covering many different life stages.

While this encompasses many different life stages, there are also commonalities between the rising gen; most notably, they are not yet in the highest family or business leadership positions.

There are fresh-out-of-college 20-year-olds working at an operating company owned by a family with a clear governance structure. They serve on family committees and junior boards and are part of their family foundation decisions. In other families, there are individuals in their forties who have moved away from the family nucleus; they have started a career independently and a family of their own. They are now matriculating back into the family system, perhaps due to a milestone event or a new desire to serve in the family system. They look quite different from the 20-year-olds, but from a learning perspective, they are very similar. Both have a big learning curve in terms of understanding responsible ownership, the family enterprise and the milieu of the family system. They are seeking elevated seats at the table and for their voices to be heard. Age matters less; it's about the similar challenges and opportunities these individuals face.

When I work with families, I am essentially looking at how they define the next generation in terms of who has a seat at the table, who has a voice, who is allowed into family meetings. The next generation is generally comprised of those who are not there yet or who may be emerging as leaders. The big questions are, when are those opportunities available and how can the engagement begin?

JMD: Mercy, your family is a great example of how age is not the determinative factor in defining the next generation. Can you please tell us about your family members, their ages and the factors that you use when you look to define the next gen?

Mercy Goddard (MG): I am technically in the third generation in our family office. My dad and uncle were bought out of our family's operating company, on my grandmother's behalf, for our branch of the family in the early 1980s. My father then started the family office. My dad is 86 and he is part of the Silent Generation. I have four older siblings, all of whom are in their 50s. I am a millennial and am closer in age to some of my nieces and nephews than I am to my siblings. Technically, we

are all "next generation" because my father remains responsible for the family office decision-making. I recognize that, partly as a result of my age, I will be a part of a lot of change in our family office along with my nieces and nephews.

JMD: Wayne, I understand you have a little bit more of a traditional family structure than Mercy. Tell us about your family.

Wayne Huizenga III (HWH): Luckily, our family is pretty straightforward and easy to understand. Wayne Sr. was the genesis of our family office. When he passed a number of years ago, my father, Wayne Jr., took over. We had an operating business at the time, which gave my siblings and me a very easy entrance. We had an understanding of where we were in the family office structure and how we were going to integrate. As we sold that operating business, there have been more opportunities in the family office. We have been able to stack up a little bit more traditionally and define the next generation. My younger siblings, who are millennials and Gen Z, are going to be involved in the next iteration of our family office.

JMD: My takeaway is that when we look to define the next generation, we should not be looking just at age. Rather, we should look to the roles within the family enterprise, whether that is a financial family or an operating company. We can compare that to the phases of family development and the level of involvement required for each of those phases, as well as the qualifications for various roles. In turn, we can use that to help guide and define the next generation.

Our next topic is generational characteristics. Mindy, in your research at FOX, have you identified any key characteristics that we should know about Gen X, Gen Y and Gen Z that could impact their engagement in family matters?

MKE: There is a lot of research, of course, on generational characteristics, and we take that data and marry it with what we see from our 500 member families, my consulting projects and working intimately with families.

Members of Gen X are individualistic and very independent. They are also somewhat of an overlooked generation. Millennials are very collaborative. We see a lot of unique family projects come about because of millennials who want to work together on shared projects, usually philanthropic or impact investing. They are really outcome- and impact-oriented. They care a lot about meaning and purpose.

Gen Z is an elusive up-and-coming group. While millennials care about meaning and purpose, members of Gen Z care about money, safety and security. They are the number one generation to have lost a job during the pandemic. They went through the recession. These major life and world events have shaped their values. There is a fantastic book, if you want to read more about Gen Z, called [*iGen by Jean Twenge*](#). The saddest quote from that book is, "I think we care more about our phones than we care about people." This group is really slow to grow up and they have known social media their entire lives. They are driving later and spending more time at home, which means they are not going out and having experiences with peers. This lack of in-person socialization is leading to a lot of mental health issues, such as depression and anxiety. Another statistic from our industry research is that 80 percent of Gen Z plan to leave their parents' advisors when they are able to do so.

To connect that back to how to work with them, we need to know that Gen Z is focused on money, and they want safety and security. They really want someone to listen to them and curate information in the way they are accustomed to receiving. Never assume lifestyle preferences, philanthropic goals or life aspirations are the same from one generation to the next.

JMD: Mercy, we started to get a little bit into your family dynamic with your father being the founder of your family office. He is a member of the Post-War, or Silent, Generation and was supported by his brother. He is still your family patriarch and remains responsible for managing the family office. The majority of the rising generation members in your family are in their 50s. I know that your work at FOX involved advising on generational characteristics. Even though your work focused on millennial engagement in particular, what do you think our audience here today should know about Gen X or the Silent Generation?

MG: In my experience, generational characteristics have the greatest impact when it comes to communication styles.

My dad had this idea of a family office about 40 years ago, and he was one of the first members of FOX. His vision was for a collaborative, inclusive family office. But one thing our family has struggled with, and I think many families struggle with, is the fact that different generations communicate differently. So, even a good faith effort by a family member to communicate and be transparent can lead to tension, because of differing communication styles and expectations based on age. These generational characteristics really can have a huge impact.

Ever the millennial, I always envision bringing everybody together and having a conversation to get everyone on the same page.

My siblings are mostly Gen X. They are typical latchkey kids who had a lot of independence growing up and are not very interested in being involved in the family office. Then my father, as a member of the Silent Generation, does not always consider the manner in which information and decisions are communicated to the family. These generational characteristics really can have a huge impact. It comes down to communication and at least acknowledging how the different generations communicate and how that can drastically impact the dynamic of your family office.

JMD: Thank you for sharing and being so candid with all of us. In my experience, when a family is not committed to implementing some of the core practices—family glue functions and soft skills that contribute to an inclusive family culture—lines of communication often break down despite good intent. I'm curious, Wayne, do you have anything to add to Mercy's experience? Can you relate to what Mindy said about the generational characteristics and statistics, like leaving advisors?

HWH: The statistical data about Gen Z looking to leave their advisors was really interesting. I do not think there is a solution, as it is more of an ingrained difference of opinion, and they see the world entirely differently than most of us do.

As far as the family goes, I think my pop's experience was more difficult when it comes to communication with his father. They had a little bit more of a traditional family office role and there was some tension there. From the time I was really young, my father spent a lot of time with me, being very communicative and open about the legacy you want to leave behind, how he saw our siblings and me being involved in the family office, and how all that communication would play out. He has done a fantastic job of taking the time to get all this together, having those conversations and making sure no one felt blindsided by a rogue email from the big boss himself. It is completely individualistic to each family office, but the communication from a young age was what enabled my generation to be interested and involved in our family office and approach things with an open mind.

JMD: Communicate. One takeaway for all of us. Mindy, as we pursue this topic a little bit further here, have you identified any challenges that transcend these generational characteristics? Is there anything that you see generation after generation, no matter what environment we grow up in, that is a hallmark of the rising generation's experience?

MKE: We have research from hundreds of families we work with that yielded the top five challenges faced by the rising generation. In conducting this research, we took a careful and deliberate approach to ensure the soundness of the data collected.

Interestingly enough, the first one does relate to communication. The number one challenge that we hear from the rising generation is defining their future roles in their families. They are unclear of the roles they can play. Leadership and skill development is their second challenge. After that, navigating family dynamics, communicating between generations and then investment strategy/financial literacy—getting up to speed and educated. According to our research, these are the top five challenges the rising generation faces.

JMD: Can you elaborate on the first two challenges, defining future roles in the family and leadership/skill development?

MKE: The first one is this paradoxical problem of family leadership saying, "What does the rising generation want to do? What role will they take up?" And then, the rising generation is saying very similar things, such as, "What is available to me? How do I get involved? How do I get up to speed to be prepared for a role?" They are not communicating with each other, but they have the same questions.

This can be resolved in a number of different ways. It includes open, clear communication and defining pathways for engagement. If there is a governance structure, allowing opportunities for individuals to move up in it through meeting invitations and formal roles. We see this solved by creating learning programs, opportunities for the rising generation to understand the roles they can play in a family. It is important to have these clear guardrails, boundaries, expectations and understanding of where to go.

The way I talk about it in my work is to give them a map, but let them choose how they get there. Millennials and Gen Z certainly want autonomy. They want to belong in the family and the system, but they also want autonomy. Lack of pathway is a top challenge. The rising generation is not really sure how to engage and get started.

For the second one, leadership and skill development, there is a book called [*Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*](#) by Roy Williams and Vic Preisser that has a statistic about what leads to a breakdown in generational wealth transfer. Number one is lack of communication. Number two is inadequately preparing heirs.

There is this wealth 3.0 concept, which is really moving away from this fear-based mentality. I recommend the article "[Wealth 3.0: From Fear to Engagement for Families and Advisors](#)" by Dennis Jaffe and Jim Grubman, along with Kristin Keffeler. They talk about approaching the way we discuss the wealth 3.0 concept—from positive psychology rather than these negative "shirt sleeves to shirt sleeves" ideas.

Leadership development is huge because it gets at the action around preparing for future roles. "Once I know the path that I might take to become involved, this is what I need to do to become prepared." Some families are apprehensive to begin learning programs or next-generation inclusion because it feels like the younger family members are pushing the older generations out, but that is not the case. It is more transition and inclusion, getting someone up to speed.

Once I was in a family meeting and there was a moment when the patriarch, a man of faith, stood up and exclaimed, "I get it. This is it. John the Baptist. If he must increase, I must decrease." It was a very clear visual of the idea that if someone else is going to step in, I need to make space for them. It is not that they are pushing me out of the way; it is just a slow, intentional, methodical creation of space for them to exist. Allow them a place to step into. Provide increased responsibility with proven credibility and determination. That addresses those top two main challenges in ways that you can really think about conceptually and put into practice within a family.

JMD: When should this transition planning—rather than succession planning—begin? At what age is it appropriate to start having these conversations with family members?

MKE: Now. Yesterday. Age 5. Not as old as Mercy's oldest brother is. I am working with a family right now doing a project with a 10- and a 12-year-old. That's really early, but if you think about investing and compound interest, we are investing in these kids. We are compounding their learning. What they are learning at 10 they will add to at 12 and 15 and 18. It is really cool to think about what they will know and how they will be educated about their family and their system. Not every family does that.

I do think about this idea of the kids' table at family dinners. At Thanksgiving dinner, the kids are sitting at the kids' table and they want to get to that big table. You can do some things at the kids' table, like learning at a young age, but they are just looking ahead to moving up and when this will happen. Of course, I evangelize learning. Start now. Start today.

JMD: Wayne, I take it that investment strategy was not the main challenge in your family, given your founding of South Wake Capital. But could you share with us which of these challenges best describes your experience as a rising generation member?

HWH: Defining roles is very difficult for a lot of family offices. It was one that I struggled with as I grew into our family office, even having all the opportunity, all the upbringing, all the conversations and getting to the adult table at Thanksgiving pretty quickly. I was presented with so many opportunities and had tremendous training when we had an operating company. Then we sold our business and I had to figure out how I was going to provide value to my family. Determining how I would add value was difficult, but the process of defining my role led to me founding South Wake Capital.

We were able to work on how we structure investments and remove tax from a lot of our investments, which is fantastic for compounding over time. The key is to work with that younger generation to figure out not only how you define a role for them, but how they will succeed in this role. Is it the role they want to inherit? Are they passionate about it? My family did a fantastic job of letting us pursue roles that we saw ourselves in long term, which has contributed to a more inclusive family office.

JMD: What are some of the challenges your clients face when it comes to investment strategy, the fifth most common challenge of the rising generation? Are there any solutions that you can share with our audience today?

HWH: Well, I wish I had a silver bullet to answer that question. We work with a lot of family offices to identify their specialization and how they can capitalize on that in the most effective structure for them. We plan for them to have as little tax drag as possible over the next 40 years. We work to place them in the best possible position to succeed at their specialty.

JMD: I think that leaves only the challenge of communication among generations. Mercy, in your experience, how could poor communication impact the inclusion of the rising generation in the family enterprise?

MG: When families fail to communicate, it often results in them failing to define future roles, to conduct any learning or development, or to navigate family dynamics. This leaves the family left with only the investment strategy, and if the family is not communicating, they may not be in alignment on that either. I love Mindy's example: For them to come in, I have to step back. I have seen too many times when a family patriarch or matriarch resists stepping back and is focused solely on the investment strategy. This usually goes hand in hand with a perception that the soft issues like communication, family inclusion and learning are a waste of their time.

JMD: I take from both of your individual experiences that the attention to family communication, or lack thereof, was a clear indicator of the future of your family offices. Communication among generations is necessary to define roles and articulate what is expected of the next generation and the qualifications for these roles, but communication also fosters an inclusive environment. If there is communication and there is a place for the rising generation, they feel valued. Open communication leads to engagement.

This brings us to our final topic of engaging with members of Gen Z in particular. We millennials have talked about our experience of working with older generations, advocating for more input and more responsibility. Now, for the first time, we are starting to work with Gen Z, and everyone is terrified. Mercy and Wayne, what, if anything, have you learned from working with them?

HWH: It is difficult, because they are still so young. They have not fully fleshed out what their lives are going to look like or how they want to be involved with family office operations or their own businesses. The most important thing is spending the

time to find common ground with them and to have those important conversations about how they are a part of this family. We meet them at a place that makes sense to them.

This younger generation grew up with a lot more information and a lot more distrust of larger organizations than the older generations did. Many of them want to leave their family's advisors or not be part of their family office because they place much of the blame for the realities of our time on the older generations. Rather than shy away from Gen Z, be armed with this information and be proactive about having the conversations around transition planning, learning and development. If they have a strong sense of distrust and value safety, security and money, then include them in the decision-making process and make them feel included and heard. If they see a place for themselves, they will want to take on a more active role in the family office.

MG: Everything Wayne said is right on point. I just would add, in my family especially, it is easy to get wrapped up in the intergenerational differences. We are all terrified of Gen Z and their new rules and preferences. They are dictating so much. Then I look at my nieces and nephews, who are not that much younger than I am, and I realize that we also have a lot in common. This is all to say that at the end of the day, they are individuals. They live in your home. They are part of your family. You either raised them, served as their role models or grew up with them. Don't get caught up in the stereotypes. As important as it is to remember the generational characteristics, you also have to remember these are people you know. Build those personal relationships and connect with them on a personal level. Bring them in and treat them the way you wish you had been treated when you were brought into the family office.

JMD: Mindy, to bring it home, you gave us some statistics and data points about Gen Z when we started out. Are there any other data points or observations you would like to share with us?

MKE: Make no assumptions. We have shared all these sweeping generalizations and data about different generations, but Mercy's point is spot on. There might be things that we hear of a particular generation, like they are canceling skinny jeans, but it is really important to not make assumptions about individuals. You would not want someone to paint a picture of you and your entire future based on your teens to early twenties. Think about that and give them grace. Allow them time to grow up; make space for them to be involved.

One concept we have danced around is incremental inclusion. If it is a long way to them having a vote, how do you give them a voice? Voting is years away, but how do we invite them into the room and give them a seat at the table? Incremental inclusion really matters. I see a lot of families have the younger generations do different projects, serve on junior boards and act as board observers. There are a number of things you can do to include that generation, even when you are not sure yet what their specific role will be in the family.

JMD: Thanks to each of our panelists for their participation, candor and insights. I am hoping that everyone is now able to define the rising generation, understand the key traits and characteristics to keep in mind when communicating with them, create an inclusive environment, and perhaps show a little grace when working with Gen Z.

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