

THE POOR RICH

One of the paradoxes of modern life is the recurring ability of new diseases to emerge. Rudimentary logic suggests that the combination of increased income and advances in medical science should have reduced the incidence of disease. But it often seems that as one disease is eradicated another emerges to take its place.

Of course, there is a relatively simple explanation for this state of affairs. With one or more notable exceptions, such as Aids, the 'new' diseases that have emerged, or become much more virulent over the past fifty years or so, have probably always been present amongst humans. It is just that they never had the opportunity to manifest themselves because of the virility and life shortening impact of 'old' diseases.

This rationale can be applied to the emergence and identification of affluenza as a general condition during the 1990s. Often referred to as "sudden wealth syndrome" the condition arguably only acquired a clear identity because of the explosion in the number of people that became the recipients of huge amounts of wealth.

Prior to the late 1990s any number of individuals had probably succumbed to the condition. After all, big transfers of wealth were not unknown in the past. And there has never been any shortage of anecdotal evidence about the impact that a sudden increase in wealth can have on an individual's behaviour. Some have even entered popular folklore. But these appeared to be relatively isolated instances. During the second half of the 1990s all this changed. Not only did affluenza become a recognised condition. It also began to attract increased interest from the wealth management fraternity.

But what exactly is affluenza? According to Dr. Ronit Lami, a psychologist and director of Affluenza and Wealth Psychology at Allenbridge, a London-based

research and consultancy firm, the concept refers to a dysfunctional or unbalanced relationship with money or the pursuit of it. This can manifest itself in a number of ways and is not just confined to the binge behaviour of popular stereotype. "Feelings of shame, guilt, anger, fear, rampant materialism and hoarding, together with all forms of addictive or compulsive behaviour are all symptoms of the condition," she said.

Moreover, these symptoms are not confined to people that have just acquired considerable wealth. They could equally manifest themselves amongst people that have already been enjoying a wealthy lifestyle. This is especially

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the case with the children of wealthy parents, for example. But they can also affect business owners that have decided to sell-up or sports stars that have retired.

"The point is that wealth in all its aspects can have any number of psychological implications as far as an individual is concerned," she continued. "Far from being a unique condition, affluenza is, in many respects, merely a subset of a wider range of concepts associated with wealth psychology".

And, as any number of firms active in the field are quickly realising, these often have to be taken account of in the wealth management process. "It used to be thought that the huge losses sustained by wealthy individuals was due to poor financial planning," said Dr. Lami. "But research shows that poor financial planning could have only marginal

significance. The real culprit is poor emotional and financial preparation".

Far more wealth has probably been lost as a consequence of family disputes and bad business judgements, for example, than through poor investment performance. After all, not all private banks and wealth managers can generate outstanding investment returns. But few would continue to remain in business if they lost client money on a recurring basis. And wealth preservation is still generally considered to be one of the core competencies of private banks and wealth managers.

People suddenly catapulted from a state of relative indigence to one of real wealth are particularly at risk because the change may have been completely unplanned, as in the case of a lottery winner, for example, or has taken place within a relatively short-time, as in the case of the beneficiary of share options or an Initial Public Offering (IPO).

"It is very easy to deduce that the individuals concerned are not emotionally equipped to deal with the situation," pointed out Dr. Lami. "The point is that the change in their status can occur so quickly that they just don't have time to adjust their behaviour." Nor can they avail of the help that a private bank or wealth manager can provide as far as conventional wealth management is concerned.

In theory, at least, this should not be a problem for the children of rich offspring. They can be trained to acquire the mind set needed to look after their wealth responsibly.

American parents have already tended to be very proactive in this respect. According to a recent US Trust Survey of Affluent Americans, around half the respondents feared that their children's initiative and independence will be stifled by having material advantages and have attempted to induce a better appreciation of the advantages that

wealth can bring and the responsibilities it entails.

A popular technique in this respect, at least as far as the very rich are concerned, is the establishment of a small charitable foundation headed and run by their children. This can provide valuable training for future life, especially when supported by a family office. Working alongside a parent in the family business, or assisting with the operations of the family office can also provide valuable experience.

These efforts can be also be supplemented by more formal training. A number of private banks and other wealth managers are offering courses to rich sons and daughters to inculcate them about the business of looking after their

may still end up succumbing to the effects of affluenza in one of its various guises. This is because according to some experts the psychological dysfunctions of affluenza are generational and passed on from parent to child. Like some of those that have acquired their wealth from other sources the beneficiaries of an inheritance may end up having a painful inability to identify real needs; a difficulty of establishing authentic and trusting relationships; and a need to connect with meaningful work or an occupation.

In these more remedial cases help may be required from practitioners like Dr. Lami.

useful in this respect. The acquisition of significant wealth should have enabled the individual to have satisfied most of the relatively lower order material needs. The aim is to enable the individual to attain the higher needs such happiness and self-fulfilment.

The treatments can take a number of forms encapsulating everything from presentations about wealth-related issues, interactive consultations and life coaching. "The aim is to take an holistic approach to the problem," said Dr. Lami. "it is not just a case of telling the individual what to do or focusing on the past. The aim is to provide new perspectives on the present and future."

Nonetheless, as a qualified hypnotist Dr. Lami has at least one other weapon in her armoury of treatments!

For further information about affluenza and its treatment contact Dr. Lami at +44 (20) 7409 1111.

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inheritances. Geneva-based Loedstar, for example, provides special educational courses for young people preparing to inherit substantial wealth. These not only focus on business and financial management-related issues, but also on human factors, including the impact of substantial wealth on family and social relationships.

Not only can relevant training programmes be put in place to enable rich offspring to deal with their wealth but these can be reinforced by a huge range of measures. The most obvious tool in this respect is a trust. This can provide worried parents with considerable powers over the way in which offspring can use their wealth. The "incentive" trust, which makes inheritance conditional on the achievement of a number of objectives, can be particularly useful in this respect.

Of course there is no guarantee that training will help. Inheritors

"Clearly, each and every case will be different but in many instances the condition can be treated," she said pointing out that there were a number of similarities with affluenza and more general conditions such as addiction, anxiety and stress management.

In the main this comes down to a consideration of the individual's core beliefs and in particular an assessment of whether or not they are realistic or not given the current situation. If these core beliefs are unrealistic then they must be replaced by a new set.

Take the miser or workaholic, example. Both conditions may emanate from anxieties about financial security. The key is to get the individual to realise that the acquisition of substantial wealth makes these anxieties increasingly relevant.

As is often the case Abram Maslow's theory of motivation is

