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BOOK REVIEW

Wealth and Families by Howard Stevenson (2016)

You can fill a library with books on the topic of wealth management and most of them say pretty much the same thing. That is why reading Professor Howard Stevenson's new book, Wealth and Families, is such a treat. It is not the same old thing. The author has had an extraordinary life and his book is filled with fresh insights into how to sustain wealth over generations and raise healthy, functioning kids in the context of wealth. It is written specifically as a case study for creators and inheritors of substantial wealth.

First, a bit of background about the author. Stevenson came from a modest, Mormon background and is a self-made business success. He has had a distinguished teaching career at the Harvard Business School where his classes on Entrepreneurship and Social Enterprise have been over-subscribed for years. He also has firsthand exposure to the field of wealth management as a co-founding partner of Baupost Partners, one of the nation's largest and top performing hedge funds (now managed by well-known value investor, Seth Klarman). A thought leader on work/life balance and the concept of "success," he co-authored an article entitled "Success that Lasts," which is one of the most frequently re-printed articles from the prestigious Harvard Business Review.

Families and Wealth is the public version of the book, "Howard's Journey: Lessons from the Game of Life", which Stevenson wrote for his family on the occasion of his 74th birthday. In it, he shares his personal approach to wealth management, investing and raising wealthy kids. It is autobiographical, self-effacing and humorous. He describes the lessons he learned from making mistakes and acknowledges the significant role family members and business mentors played in his successful career. A particularly poignant remembrance is of an unexpected financial gift from his grandmother. It was the timing of her gift in the early stages of his career, not the size of the gift, that made it so significant.

One of Stevenson's key insights relates to personal responsibility for wealth. He admonishes that "anyone who tries to take away your sense of responsibility for your financial future is not doing you any favors." He is an advocate of "process" when it comes to managing wealth—having scorecards, goals and measurements. As competent and expert as he is, he appreciates the complexity of wealth management and notes that it is almost impossible to accumulate wealth of any significance without professional help.

Stevenson shares his own philosophy about how wealth can best be deployed to help, not harm, the next generations. He is an expert at investing so a key part of his approach is to encourage, though not require, his kids to work with him investing the family wealth. He is an advocate of early giving to descendants, noting that, with today's extended life spans, "large inheritances later will not make up for the lost opportunity in the present." He also

subscribes to the Buffett rule of inheritance— Stevenson’s stated goal is to give away enough so that, together with their earned income, descendants can be “solidly middle class.”

Stevenson’s keen and sobering observations about the sustainability of family wealth reflect a profound understanding of family growth rates and dynamics and the challenge of generating sufficient investment returns to support an entire family over generations. Stevenson concludes that we must reconsider the definition of “family” over time; who constitutes “family” should become more about relationships and less about bloodlines.

The family version of his book concluded with Stevenson’s personal version of a Monopoly board, called Howardopoly. This is what he told his family about how to play:

“[w]e each create our own version. The layout of each person’s board, the skill and luck cards, and the throws of the dice will be different from mine. The rules of the game, however, are the same for all: Throw the dice, see where you land, draw cards, and keep playing”.

Wealth and Families is a great read for anyone seriously interested in the interconnections of wealth, family and success. We are so fortunate that Stevenson and his family are willing to share his fascinating journey with all of us.

Spencer B. Burke