Immigrants to the Land of Wealth

When someone acquires wealth, what changes? Quite a bit, says wealth psychologist Jim Grubman '74.

Interview by Karen McCally '02 (PhD)

Most people don't know that the field of wealth psychology exists, but it's a whole movement happening within financial services. It started about 20 years ago before the dot com boom. As a wealth psychologist I do training and consulting for financial firms to help them understand how to listen and how to understand the family problems that their clients have.

Most people think of becoming wealthy as the end point. They don't think about what happens after that. To use a metaphor, it's as if people migrate to the land of wealth, and all they think about is getting to the shores. They don't think about what happens when you start living in the land.

Acquiring wealth is like being a first-generation immigrant. Malcolm Gladwell interviewed me for his book *David and Goliath: Underdogs, Misfits, and the Art of Battling Giants.* Gladwell cites my metaphor of immigrants to the land of wealth, and quotes me explaining some of the stresses between immigrants to wealth and their children.

Parents are usually unprepared for how their parenting needs to change when they acquire wealth. Many parents are unprepared for having to switch from "No, we can't" to "No, we won't."

Friends can also migrate to different economic cultures. If you and I start off in the same culture, and I go one way, and you go another way, the gap between the worlds we live in gets larger. It takes skills to manage the relationship, and what it comes back to is communication. I might say, "I would love to go to dinner with you, but I can't afford to go where you're used to." And if you said, "That's OK, I just want to spend time with you. We can go somewhere that fits us both," then you and I have worked things out because we've communicated about it.

The general public believes that people who suddenly acquire wealth go off the deep end with greed or extravagance. A much less well-known but possibly more prevalent response is that many people actually hunker down and avoid dealing with the wealth. They avoid letting anybody know that they have the wealth, and they try to continue living a middle class life, avoiding talking about, showing, or even telling their children about it. On the surface that sounds like that might not be such a bad strategy. But it doesn't prepare the family or the children to handle the wealth that then comes to them later.

In middle class society, it's considered impolite to talk about money. Since 80 percent of the wealthy come out of the middle class or working class, they carry that attitude with them. What happens is, again, the family is unprepared. We know that about a third of families communicate about money, and teach children about money. Those families do much better.

Values and skills are the biggest determinants of how successful families are with money. Many people don't have the skills for managing a significant amount of money. There are some very practical wealth management skills needed, such as how to work with advisors in an effective way, and how to choose an advisor who's going to be trustworthy, competent, and ethical.

Jim Grubman '74

Home: Turners Falls, Mass.
Occupation: Wealth psychologist at FamilyWealth Consulting; author of *Strangers in Paradise: How Families Adapt to Wealth Across Generations*
On getting his start at Rochester: "I worked in the Medical Center's primate lab on a marijuana project. I was really focused on psychopharmacology and behavioral pharmacology. It was the early 1970s and there was, shall we say, widespread interest in how recreational drugs performed their actions in the body."

DAVID COWLES FOR *ROCHESTER REVIEW*