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The Strategic Advantage of Long-Term Thinking in Multigenerational Families

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As the youngest of five children, I experienced firsthand the consequences of a family lacking a focus on the future. In my youth, my family could be described as an "Emerging Wealth" family, teetering on the cusp of generational wealth. My parents built a thriving real estate business in Southern California, owning a brokerage firm with over 30 agents, a mortgage brokerage, and more than 50 single-family rental properties.

We had just enough wealth that a few good decisions could secure our family's future, but not enough to insulate us from a few bad ones. By the time I was five years old, they had lost it all. Unfortunately, a few missteps and unexpected issues led to the collapse of what could have been a lasting legacy. To this day, I often wonder how different my children's and future grandchildren's lives would be if my parents had had great family and business advisors.

It's no wonder that I have spent the last 20+ years serving multigenerational families, trying to help them avoid my family's missteps. In that time, I have learned a lot. I have learned that what happened to my family is not unique; in fact, it happens more often than most people think. I have also learned that generational success is a process that involves the entire family, not just the wealth creator. Most importantly, I have learned that successful multigenerational families share a key trait: they have a long-term time horizon. They make decisions that impact future generations of their family, not just the current and next generations' livelihood.

In other words, while many individuals and businesses focus on the short-term and immediate impact of their decisions, multigenerational families think and plan not just for their children or grandchildren, but for generations far beyond. This long-term perspective, extending out three, four, or even five generations, provides strategic advantages that can significantly enhance the family's legacy and impact. Here's why this long-term approach is beneficial and how it sets multigenerational families apart.

Vision Beyond a Single Lifetime

Most families and businesses plan within the scope of a single lifetime, or at best, two. Decisions are made with immediate benefits in mind, and long-term consequences are often secondary considerations. However, multigenerational families inherently think beyond these limits. Their planning and decision-making processes encompass not only the next generation but also those far into the future.

This extended timeline allows multigenerational families to:

- **Preserve and Grow Wealth:** By focusing on long-term investments, multigenerational families can take advantage of compound growth and enduring market trends. They are less susceptible to the volatility that affects those seeking short-term gains. Their investments are typically more diversified and patient, leading to sustainable wealth growth over decades.
- **Build Lasting Legacies:** Multigenerational families have the unique opportunity to build legacies that endure. This includes not only financial wealth but also cultural, educational, and philanthropic

contributions. By planning for the long term, they can establish foundations, endowments, and charitable trusts that benefit society for generations to come.

- **Foster Strong Family Values:** With a long-term perspective, these families emphasize the transmission of values, traditions, and knowledge. They invest in education, leadership development, and family governance structures that ensure each generation is prepared to uphold and build upon the family's legacy.

Strategic Long-Term Investments

One of the most significant advantages of long-term thinking is the ability to make strategic investments that might not pay off immediately but have substantial future benefits. These investments can include:

- **Real Estate:** Purchasing and holding onto properties over multiple generations can lead to significant appreciation. This strategy is particularly effective in prime locations where real estate values are expected to rise over time.
- **Businesses:** Investing in or establishing businesses with long-term growth potential allows families to build enterprises that can be handed down through generations, providing ongoing income and opportunities.
- **Education:** Investing in the education of future generations ensures that the family remains knowledgeable, innovative, and capable of managing and growing the family wealth and legacy.

Managing Risks with a Long Horizon

While the long-term approach offers numerous benefits, it also requires effective risk management. Multigenerational families are adept at identifying and mitigating risks that could impact their future. This involves:

- **Diversification:** Spreading investments across various asset classes and geographies to reduce exposure to any single risk.
- **Governance:** Implementing robust family governance structures that ensure smooth succession and decision-making processes. This helps in maintaining harmony and direction as the family grows and diversifies.

- **Health and Well-being:** Prioritizing the health and well-being of family members ensures that the family's human capital remains strong. This includes mental health support, promoting healthy lifestyles, and providing access to quality healthcare.

Multigenerational families have the power to make decisions that create lasting impacts. Their long-term perspective allows them to contribute to societal change, innovation, and community development in ways that are sustainable and far-reaching. By focusing on initiatives that may take decades to mature, they can drive significant positive change.

The long-term thinking inherent in multigenerational families provides them with strategic advantages that are unmatched. By planning for three, four, or even five generations, these families can preserve and grow their wealth, build lasting legacies, foster strong values, make strategic investments, and manage risks effectively. This approach not only benefits the family but also contributes to broader societal progress.

At Parallel Advisors, we understand the unique needs and perspectives of multigenerational families. We are here to support you in making decisions that ensure your family's legacy thrives for generations to come. Let's work together to secure a prosperous future for your family.

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