

**CROWELL WEEDON ASSET MANAGEMENT**  
**MONTECITO INVESTMENT PORTFOLIOS**

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Dear Fellow Investors,

There's a long-standing saying that too often rings true: "The First Generation makes it, the Second Generation spends it, & the Third Generation squanders it." According to a study by the Williams Group 70% of wealthy families lose their wealth by the 2<sup>nd</sup> generation, & 90% by the 3<sup>rd</sup> generation! Why do we have such a disconnect from one generation to the next?

We believe this generational disconnect could possibly be tied to a long-standing pillar of parental advice – Never Talk About Money. While this valuable advice can keep conversations cordial it also does a disservice to families looking to pass along the values of hard work & determination that led to their Financial Independence. There are valid fears such as believing kids may become entitled if they knew how much we have, or not wanting Junior bragging about the family finances on the playground at lunch. However, countless studies & personal experiences have shown that families who embrace an open dialogue about money, hard work, & planning have a great chance of seeing their values as well as their finances last for generations.

Cornelius Vanderbilt borrowed \$100 from his mother to pilot a passenger boat on Staten Island in 1810. He expanded into the steamboat business & went on to build a railroad empire. When he passed in 1877 that \$100 he borrowed had turned into a \$100 million dollar fortune. Adjusting this for inflation makes the Vanderbilt fortune one of the greatest in history. However, at a 1973 family reunion of the 120 attendees, not one could be counted as a millionaire. Meanwhile, the Rockefeller family continues to find their name on Forbes' annual *America's Richest Families* list with more than \$11 Billion dollars as of 2016. While most of us will never accumulate a billion dollar fortune, the issues the Vanderbilt heirs experienced are not uncommon. Rather than passing along the values of Cornelius "Commodore" Vanderbilt, at some point the family was only passing along assets.

For those struggling with how to approach this, we want to be certain our clients know they can turn to us as a resource if needed. We can help craft a plan to make those seemingly uncomfortable conversations take on a constructive & educational tone helping your loved ones understand your values, goals, & wishes for the future. After all, we believe the greatest wealth you can pass down will come from your knowledge, values, & integrity. The actual assets are merely a by-product as evidenced time and time again.

Sincerely,

Blake Todd, CWS  
Portfolio Manager

Jarrett Perez, CFA  
Portfolio Manager

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