



Phoebe Venable: Families can avoid 'shirtsleeves to shirtsleeves' saga

Families can earn, learn from timeless proverbs

1:38 AM, Jul 14, 2012 | Written by **Phoebe Venable**



The "shirtsleeves to shirtsleeves in three generations" proverb tells us that generational wealth has a pattern: a fortune amassed by the first generation is dissipated by the next three generations.

possibly without education. The greatest opportunity for those in this generation is to be entrepreneurs and work hard, which they do.

Along the way, they don't change their values or lifestyle. Like all parents, they want a better life for their children, so the second generation is well-educated and has a choice about careers. They become lawyers, engineers and doctors, and they enjoy cultural activities. Their parents worked in shirtsleeves, but the children go to work in jacket and tie.

The proverb "Shirtsleeves to shirtsleeves in three generations" is thought to exist in all cultures and all written languages, modern and ancient.

All proverbs tell a basic truth, and the shirtsleeves proverb delivers this message: Generational wealth has a pattern. Fortunes accumulated by the first generation are dissipated by the next three generations. As with all proverbs, there's a lesson to be learned.

The proverb describes how the first generation starts without wealth and

The offspring see the sacrifices their parents made to amass the family fortune, and they know their parents want them to have a better, easier life. So, they adjust their lifestyle accordingly. The family fortune plateaus in the second generation.

The third generation, raised with all the spoils of wealth, does not witness the amount of work and sacrifice it took to build the wealth, so the third generation consumes the family fortune, and the fourth generation goes to work in shirtsleeves again.

Is this a universal truth?

The proverb is certainly not unique to the Western world. It is a universal cultural proverb because it describes human nature.

The proverb also describes failure.

I often think of this proverb when I hear “the rich get richer.” It is true that it’s easier to make money if you start with money. But people with money tend to acquire expensive hobbies and lifestyles, which can be a huge drag on their financial resources.

It is also true that the first generation was motivated by need and a desire for a better life. The third generation, born into a family that is enjoying a wonderful lifestyle, has less motivation to create wealth. The desire to spoil the child is actually a disservice to the younger generations.

James E. Hughes Jr., in his book “Family Wealth — Keeping it in the Family,” suggests an antidote. He says “to successfully preserve its wealth, a family must form a social compact among its members reflecting its shared values, and each successive generation must reaffirm and readopt that social compact.”

The lesson of the shirtsleeves proverb is that all generations need to be connected to the family and the family’s values.

If a family is connected only by money and legal structures, it is difficult to prevent the shirtsleeves proverb from becoming reality. Families need to come together on a regular basis and be reminded of who they are, where they come from, how they are unique, and how those differences can benefit them and future generations of the family.

Be sure to tell your children your family’s stories, how its wealth was created and what was important to the generation that created the wealth. By honoring the past — and learning from it — your family may not be doomed to repeat it.

Phoebe Venable is managing principal of CapWealth Advisors, LLC. Her column on women, families and building wealth appears every Saturday in The Tennessean.