

WEALTH MATTERS

When Affluent Families Dig Up Their Past

By Paul Sullivan

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Just a few years out of college, Jeff Arnold sold his first company, which made a remote cardiac monitoring system, for \$25 million. In 1999, he sold his second company, WebMD, becoming a billionaire before age 30.

Now he's on his third company, Sharecare, a platform that helps people manage their own health care and allows companies to give employees incentives for better behavior. But while Mr. Arnold has an impressive entrepreneurial biography, what he lacked was an entrepreneurial history — more precisely, a history of his and his wife's families after they emigrated to America from Ireland, Germany and elsewhere in the mid-19th century.

So, last summer, he sought one out.

“I don't feel my parents did a very good job of explaining my family history to me,” Mr. Arnold said. “I was the fifth of six children, so maybe they were tired. But I have four children, so explaining to them their roots was an important box I wanted to check.”

Generationally wealthy families have long commissioned or participated in documenting family histories — think of the Rockefellers and the Rothschilds. At their most basic, these works preserve the stories of suffering and greatness that can remind younger generations of what came before them.

But a new group of wealthy entrepreneurs and family business executives are using the past as action plans to guide change in themselves or their family. Wealth management firms are in on the action, with historians on staff. There are also independent historians ready to serve paying clients.

“We go at least three generations back, to the great-grandparents' generation, so there are at least 16 different stories,” said Andy Anderson, founder and chief historian of the Wells Fargo family and business history center. “We think of it as putting back together the jigsaw puzzle of family history that someone else dropped on the floor.”

Wells Fargo offers this service free to clients of its Abbot Downing division, who have a minimum net worth of \$100 million. Ascent Private Capital has a family historian who does similar research. And several other companies, like the Winthrop Group, an archival services consulting firm, produce family histories.

Dr. Anderson, who has taught at Stanford and Ohio State University, said his group had done 500 family histories for wealthy clients.

“The number-one thing we hear is, ‘We’d like our children and grandchildren to hear the stories about how hard it was to get to this level of wealth we’re enjoying today,’” he said.

Mr. Arnold wanted to use the family history to show where he had come from but also to learn about his family’s health history.

“When I went through this process, I found so many males in my family who died at an early age,” he said. “It’s not a pretty picture — 70 was generous. It was more like in your 50s.”

Mr. Arnold, who will turn 50 this year, said it was a good opportunity to speak with members of his family about taking care of themselves.

Dr. Anderson said the benefits of a family health history went beyond what someone could learn through a genetic test.

“When you look at a death record for your own family and you see explicitly that very thing that is being predicted, or you see these really explicit documents that were filled out at the time, it gives you a greater sense of urgency,” he said. “The predictive nature of this is important. You see evidence of Alzheimer’s or dementia, and you understand the future long-term care costs.”

Debbie S. Brown, chairwoman of Laird Norton, a Seattle company in its seventh generation, used family history for a different action plan. It helped keep her family business together.

The company, which began in 1855 as a Midwestern logging company, evolved into a real estate, wealth management and philanthropic enterprise. In 2003, its leaders announced that a series of investments had turned out badly. Worried about the business, some others in the family agitated to force that group out.

In the midst of the turmoil, Ms. Brown said, she sought the advice of the company archivists and asked for examples of other bad investments.

“There was nothing in the archives saying we had beat up or tossed out family members when investments went wrong,” she said. “Part of our success was to reflect and learn from those moments and apply them to future investments.”

After the disgruntled relatives were able to put the losses in context — and calm down a bit — those running Laird Norton rethought how the company should work, Ms. Brown said. For starters, they established a family council that had real governance responsibility, and they

looked outside the company for executives.

In the way Mr. Arnold is using his family's medical histories to nudge his siblings to stay on top of their health, "we used our family history to help the family get comfortable with the decisions we were making," Ms. Brown said.

Learning these histories is not without challenges. After all, no family is perfect, and honesty can be complicated. Historians generally suggest two approaches to tell a truthful story without causing family strife.

A safe option is to create a series of biographical profiles of key family members. Rochelle Clarke, founder and chief executive of the consulting firm Succession Strength, said this was often a way to avoid arguments over points no one is going to agree on anyway.

"What's important is the story is documented and it's told," she said. "There may be deviation on one event or another, but the memories aren't being thrown out completely. It's an agree-to-disagree approach."

Another is to create a portrait of how the family truly was, with its triumphs and imperfections on full display. Janice DiPietro, chief executive and founder of Exceptional Leaders International, said complete histories could create a shared family language.

In one family Ms. DiPietro worked with, the founder had given sons and daughters unequal shares of the business, which led to a discussion on how to equalize the distribution going forward.

Either way, Frazer Rice, the author of "Wealth, Actually" and a consultant on wealth management and governance, said a family should not rush to act on what it had learned from its history.

"Caution should be used before pulling out the big guns," he said. "Centering an advice project around the family history shouldn't be done until a general sense of the impact is known."

Mr. Arnold said that when his family history was unveiled, filling an oversize boardroom table with about 200 documents, he felt self-conscious.

"It was a little uncomfortable in the beginning, because I was hearing it for the first time and my kids were there," he said, comparing it to doing due diligence on a company. Noting he came from humble roots, he added, "I thought it was a little bit uncomfortable because I don't have those generational perfect portraits in my family."

But as about 20 relatives, including his mother, in-laws and children, ranging in age from 12 to 20, walked around the table, he started to feel better. Mr. Arnold, who had lived with his wife on Peachtree Battle Road in Atlanta, was interested to learn that a relative had fought in the Battle of Peachtree Creek in the Civil War.

“It’s about self-awareness,” he said. “To piece it together and to tell a story — it made you proud of how you’ve gotten here.”

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