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## *Market Insight: Uncalculated Risk—Mental Health Management*

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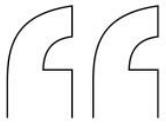
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Wealthy families spend significant sums monitoring and managing financial, operational, and other risks, yet mental health issues are equally as dangerous when they affect key family members or principals.



“Rags to riches and back again in three generations.” We’ve heard it more times than we can count, but the sad truth is, the old adage is true far too often. Great wealth is earned by the hard-working first generation, only to disappear by the third.

There is bound to be plenty of finger-pointing when family wealth trickles away. Some blame economic downturns, bad investments, regulatory changes, shifts in business or industry, and dilution of wealth spread among more family members. In the quest to preserve family fortunes, traditional risk management can involve anything from financial hedging, diversification, and legal ring-fencing, to various strategies such as cyber security and professional reputation management.



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Amidst the wringing of hands, nobody wants to consider how quickly physical and mental health problems can cause a fortune to disappear. Mental health problems and addiction issues in particular influence rational decision-making. They can foster risk-seeking behaviour, gambling, ignoring of consequences, negligence of professional duties for the satisfaction of short-term needs or compulsions, and can cause toxic and potentially costly family conflicts. An extreme example comes from China, where a family had to sell the majority stake in the company they built because their son and heir piled up a gambling debt in a Macau casino in excess of \$100 million. The truth is it happens more often than most people care to admit. Important conversations, particularly about mental health and addiction, are avoided like the plague.

Why are the topics so sensitive? It all comes down to stigma, shame, and reputation. The World Health Organization (WHO) says that when an individual experiences stigma, they are seen as “less than” by their peers. Because of the negative attitudes and erroneous assumptions that accompany stigma, people who struggle with mental health issues or addiction are subject to overwhelming rejection, discrimination, and scorn that can affect entire families—and their wealth.

### **Health—an integral aspect of risk management**

When it comes to mental health and addiction, great wealth will not keep you safe; in fact, it may be just the opposite. Research indicates that the children of wealthy families with plenty of disposable income have a greater chance of experiencing depression, anxiety and addiction than their less wealthy counterparts. A survey by Paracelsus Recovery among members of Campden Wealth’s community revealed that more than 70% of respondents reported an addiction or mental health issue in their immediate family. The numbers for the overall population are 20-30%.



Mental health and addiction do not care about the size of your assets, your education, or your social standing. It is impossible to guarantee that a family member will not develop a problem, but be assured, you can make a difference.

We strongly advise that affluent families need a proactive, preventative approach because of the real risks that addiction and other mental health issues pose for a family fortune, reputation, and heritage, not to mention happiness and family harmony. This can, or even should, be seen as an additional part of risk management practices that most families or their family offices already have in place. This starts with awareness building and education, can entail processes and contingency plans for when problems emerge, or specific strategies for dealing with already identified afflicted and difficult family members.

### **Live and learn**

Educate yourself, key family members, and principals about addiction and mental health issues. With knowledge, one can speak about the subject with confidence and in an informed manner, rather than being caught off guard or speaking from anger and fear. It is also easier to spot risk factors or behavioural cues. Sources can include the Substance Abuse and Mental Health Services Administration (SAMHSA) or the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), or family coaches or therapists who have experience in the field. Educational courses specifically for business families or ultra-high net worth (UHNW) parents and families are available.

## Help is available

Most families are unaware what to do when a family member struggles with addiction or mental health issues. It is okay to be discreet when problems loom, but do not let your fear of recrimination prevent you from seeking help or from confronting the problem head on.

You may hope that your struggling relative will get back on track without assistance, but this is rarely the case. Waiting only allows addiction or mental health problems to grow worse, thus presenting a greater chance of damage to finances, reputation, relationships, and health.

It is possible to receive quality treatment where the unique situations and needs of UHNW families and individuals are understood and privacy is never compromised. Also, there are therapists with specific experience in working with UHNW families, with the empathy for and expertise in their unique situations.

Engaging with such experts proactively with focus on prevention will close a significant, but normally ignored, gap in current risk management strategies.