

The Dynastic Sufficiency Equation

A framework for quantifying the wealth level required to avoid “shirtsleeves to shirtsleeves” across multiple generations

Roy Williams’ 20-year study of 3,200+ wealthy families found that 70% lose their fortune by the second generation and 90% by the third — and that only ~5% of those failures trace to tax or technical planning.¹ The equation below translates that finding into a planning tool: it isolates exactly how much investment discipline, tax structuring, and family governance are worth in dollars, and how the required cushion changes as the planning horizon extends from three generations to four.

$$\Lambda = (1 + r - s)^Y \times (1 - \tau) \times G / b \quad W_0 = W_k \times \Lambda^{-n}$$

Λ = per-generation wealth multiplier · W_0 = required starting wealth · W_k = per-branch independence threshold · n = generations protected

VARIABLES

r	Net real investment return	4–7%
s	Annual spending / distribution rate	1.5–4%
Y	Years per generation	25–30
τ	Effective transfer-tax leakage per generation	0.05 (full GST/dynasty planning) – 0.40 (none)
b	Branching factor — descendant households per generation	2–3
G	Governance / human-capital multiplier (0–1)	0.1–0.2 weak – 0.7–0.9 strong

REQUIRED STARTING WEALTH — 3 VS. 4 GENERATIONS

Base case: $r = 5.5\%$, $s = 3\%$, $Y = 27$ yrs, $b = 2.5$, $W_k = \$8\text{M}$ per branch (escape-velocity row uses $r = 6.5\%$, $s = 1.5\%$).

Scenario	τ	G	Λ	W_0 at $n=3$	W_0 at $n=4$	Change
Moderate governance, partial tax planning	0.20	0.50	0.31	\$264.3M	\$848.1M	+221%
Strong governance, full GST / dynasty-trust planning	0.05	0.85	0.63	\$32.1M	\$51.1M	+59%
Escape velocity ($\Lambda \geq 1$)	0.05	0.90	1.28	\$3.8M	\$3.0M	–22%

KEY TAKEAWAY

Each additional generation multiplies the required starting capital by $1/\Lambda$. Below escape velocity ($\Lambda < 1$), extending the horizon from 3 to 4 generations compounds the shortfall — by more than 3x under moderate governance. At or above escape velocity ($\Lambda \geq 1$), an extra generation costs nothing: growth outruns dilution, leakage, and spending on its own, and required starting capital actually falls.

This is a deterministic planning heuristic, not a forecast or guarantee — it does not capture sequence-of-returns risk, litigation, divorce, business-concentration risk, or the fact that G is a proxy for inherently qualitative factors (trust, communication, preparedness). Figures illustrate sensitivity, not precise capital targets.

1. Williams Group family wealth transfer study, as cited in EY, “From legacy to liquidity: valuations and intergenerational contracts for family offices,” [ey.com/en_lu/insights/wealth-asset-management](https://www.ey.com/en_lu/insights/wealth-asset-management).

2. Generation-Skipping Transfer Tax rate and 2026 exemption thresholds, Greater Houston Community Foundation, ghcf.org/articles/generation-skipping-transfer-tax.