THIRD WAY

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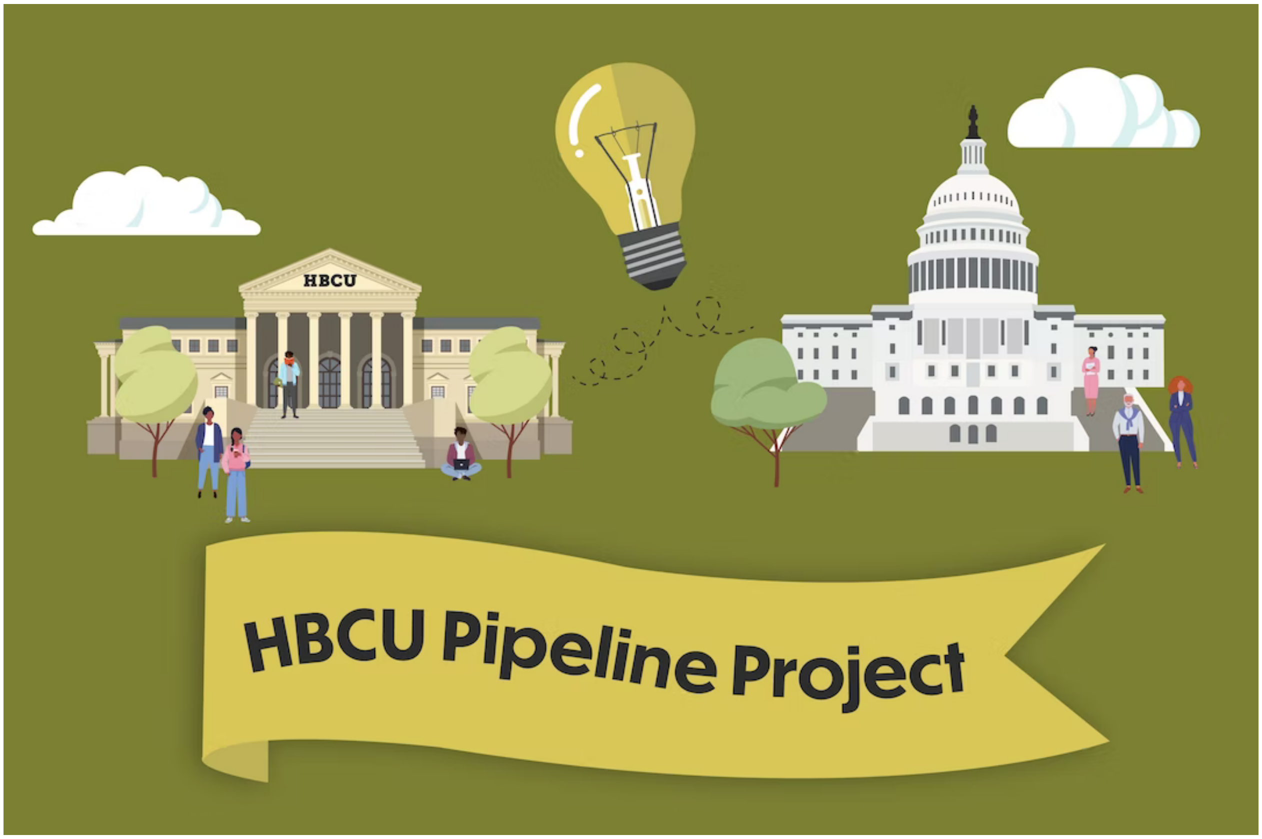
Dynastic Wealth™: An Approach to Advancing Racial Equity in Entrepreneurship Ecosystems



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Takeaways

Entrepreneurship is often a significant source of intergenerational wealth, but there are fewer opportunities for Black entrepreneurs to self-identify in the entrepreneurial process. As policymakers work to reduce the racial wealth gap and usher in a new era of entrepreneurship, they should look toward Dynastic Wealth, a model for wealth-building that encompasses the lived experience and ancestral narrative of Black and African American entrepreneurs.

Much has been written about the wealth gap in this country, but not nearly enough has delved into the connection between entrepreneurship and wealth. When business families and employed families have similar income levels, the former have been found to have higher levels of wealth because of how their wealth accumulates. Business families often tend to use their entrepreneurial income to create more wealth. In fact, it has been found that the longer a family participates in entrepreneurial endeavors, the more wealth they accumulate. [1]

Unfortunately, not all people have equitable access to starting new ventures. Below, I explore the concept of intergenerational wealth, barriers the Black community face in starting new enterprises, a new model for wealth building, and corresponding policy implications.

Exploring Intergenerational Wealth

Intergenerational wealth is the transfer and transmission of wealth from one generation to several others down the generational chain—not just to the next successive generation. Among this wealth, inheritances from parents and grandparents accounts for nearly 50% of the wealth that was tracked through four generations in white families. [2] Notably, one-third of the 400 wealthiest Americans inherited their wealth from the entrepreneurial endeavors of earlier generations in their family, some creating entrepreneurial dynasties. [3] In the process of becoming a dynasty, a family's wealth is established in Generation One (G1) by an entrepreneur-founder. The family will not reach dynastic status until either the wealth or the business is controlled by the third consecutive generation of the founding family. [4]

It's also important to note that wealth transfers do not only come as direct transfers in the forms of cash inheritances and financial gifts. Indirect transfers provide for access to education and other opportunities that lead to future wealth creation and accumulation. [5] These qualitative forms of wealth are just as noteworthy in the debate about intergenerational wealth.

Barriers within the Black Entrepreneurial Experience

Prior exposure to entrepreneurship, referred to as entrepreneurship experience, is more likely to incite entrepreneurial activity. [6] Unfortunately, similar barriers to Black wealth that existed for entrepreneurs during the times of chattel slavery, Reconstruction, and Jim Crow continue to impede the economic mobility of Black entrepreneurs today. The impact of the 1896 ruling of Plessy vs. Ferguson, which legalized racial segregation, still plays a significant role in the lower levels of social capital that Black entrepreneurs face. Other barriers to Black wealth, including being denied the benefits of the G.I. bill and the effects of redlining—instituted generations prior—have left today's Black entrepreneurs with fewer opportunities to access family wealth or have successful friends-and-family fundraising rounds. The experiences, stories, and generative intent of Black entrepreneurs are rarely included in traditional entrepreneurial training.

All of this results in fewer opportunities for Black entrepreneurs to self-identify in the entrepreneurial process. Without that historical context of the Black entrepreneurial experience being shared in broader entrepreneurship ecosystems, business accelerators, entrepreneurship curriculum designers, incubators, investors, policymakers, and venture fund managers are less likely to operate with a lens of racial equity in entrepreneurship spaces.

A New Approach: Dynastic Wealth™

As policymakers work to reduce the racial wealth gap and usher in a new era of entrepreneurship, they should look toward Dynastic Wealth, a model for wealth-building that encompasses the lived experience and ancestral narrative of Black and African American entrepreneurs. Specifically, Dynastic Wealth focuses on cultivating five forms of wealth, whereas a traditional generational wealth approach focuses only on wealth transfer. The five components of Dynastic Wealth are:

- **Financial Wealth:** business and financial assets that form an entrepreneurial dynasty
- **Spiritual Wealth:** the idea that there is a greater purpose to be served than merely financial gain
- **Wealth of Knowledge:** rich wisdom and insight from life experience
- **Intellectual Wealth:** concerted effort to aid others in developing themselves
- **Relational Wealth:** strength of relationships within one's family and communities

Dynastic Wealth requires that three consecutive generations be strategically involved in both long-term business and legal strategy as well as the day-to-day operational tactics. This long-term planning has significant implications for entrepreneurship teaching and practice, in that, succession planning—especially that within the family unit—is rarely incorporated into entrepreneurship curriculum or business development training.

Dynastic Wealth works to address systemic racism and its impact on wealth-building in Black families and communities. This model has five times the potential to close the racial wealth gap for Black families compared to the ubiquitous approach to generational wealth as it helps to establish and validate a collective identity within the Black family. Where generational wealth typically focuses only on ensuring that the very next generation has access to the financial wealth created, Dynastic Wealth has a strategic and intentional focus on cultivating the five forms of wealth previously mentioned.

Implications for Policy

Without intentional practices, policies, and programs, entrepreneurship ecosystems will continue to feel impenetrable to Black entrepreneurs—and the opportunities for wealth creation and intergenerational wealth transfer in Black entrepreneurial families will continue at their current levels.

At a macro level, policymakers will need to bring Black entrepreneurs into the policy process. Making intentional efforts to hear the stories of communities of color and how structural barriers have left an enduring and comprehensive impact on access to capital and program outcomes will be central to implementing new policies that improve upon and correct the past. Policymakers should also aim to incorporate evidence-based tools that account for the actual experience and needs of Black entrepreneurs when conducting program assessments.

On a more granular level, numerous policy levers could be pulled throughout the federal government. For example:

- Within the Department of Education, Title 1 schools across the country could be mandated to expose, incorporate, and assess the entrepreneurial mindset in their student populations. This would increase the likelihood of entrepreneurial persistence for students of color across the country. Further, incorporating the model for Dynastic Wealth could strengthen the capacity of colleges and universities to promote innovation, especially at Historically Black Colleges and Universities.

- In interviews with working parents participating in six different social safety net programs, the Assistant Secretary for Planning and Evaluation for the Department of Health and Human Services found that some parents "felt trapped by a system not actually intended to promote financial independence." [7] By incorporating Dynastic Wealth training into these programs, including Section 8 housing vouchers and Temporary Assistance for Needy Families, these participants can be better positioned to move towards economic self-sufficiency without risking the assistance their families rely upon.

- Within the Department of Housing and Urban Development, families living in public housing could be required to participate in Dynastic Wealth training as a part of their Family Self-Sufficiency Program individual training and services program, positioning formal entrepreneurship as an approach to increasing their earned income and reducing their dependence on welfare assistance and rental subsidies.

Systemic barriers require systemic solutions. For Black communities, Dynastic Wealth provides a pathway to closing the racial wealth gap for Black entrepreneurs with the help of policy that creates and informs inclusive entrepreneurial ecosystems.

***About the Author**: Dr. LaTanya White is an expert in belonging, racial equity, and entrepreneurship. She serves as the Principal Consultant for Concept Creative Group, a professional and management development training firm. As a result of her leadership, impact, and contributions to the Education and Business Administration sectors, Dr. White was recognized by the U.S. Department of State as a Fulbright*

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ENDNOTES

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