



*Surviving
Madoff*

BY TOM DAVIDOW

Bernard Madoff's alleged thievery was a betrayal of many trusting families. Tom Davidow analyses the psychological debris left in the wake of the treachery.

Fear

over market fluctuations had already set in. The US was reeling from the consequences of the sub prime debacle. For some, Bernard Madoff's larceny the last straw. The suicide of German billionaire Adolf Merckle and the apparent suicide of R. Thierry Magon de la Villehuchet, founder of Access International Advisors, make two things clear: First, financial loss is a psychological loss as well. Mr. Merckle and De la Villehuchet's suicides were two examples of the level of anger that accompanies such a devastating loss — suicide is anger turned inward. Secondly, individuals and their families who were betrayed by Madoff's Ponzi Scheme are going to need help beyond legal and financial advice.

Coping with the long term psychological impact will be much harder than making the necessary life style adjustments. Financial loss is not just about money. It is about losing what that money represents — self-esteem stature in one's community; and a change in identity from winner to loser, from financial genius to fool, from being in control to being a victim, from being secure to being vulnerable, from feeling safe to feeling afraid, and, most of all, from being someone who trusts his or her environment to someone who is no longer able to rely upon it.

Navigating Grief

In order to absorb and adjust to the reality of financial loss, one must go through a grieving process. Elisabeth Kubler-Ross's well known description of the five psychological

stages that accompany the loss of a loved one applies to any significant loss.

DENIAL: "I feel fine. This can't be happening to me."

ANGER: "Why me? This isn't fair."

BARGAINING: "I'll do anything to have things return to normal."

DEPRESSION: "I'm so sad. Why bother doing anything?"

ACCEPTANCE: "It's going to be okay. I can't fight it. I might as well deal with it."

These stages do not always follow a pattern. Nor does one go linearly from one to the next, but rather back and forth between them as he or she grapples with the powerful feelings stirred up by loss. For now, let us focus on the first two stages, which, because events are so recent, are the most relevant:

The first response to loss is a flurry of behaviours similar to those associated with an emergency or serious injury. One deals with the immediate necessities and reaches out for as much information as possible. Until the reality of the loss/trauma sinks in, one remains in a state of denial/shock. Once denial has passed, family members share an

all consuming rage, accompanied by shame, self incrimination and thoughts of revenge. As daily life changes, every necessary adjustment stimulates that rage and sense of having been violated. They are driven to create situations or ways of thinking that will somehow assuage their pain and provide some form of relief. Some members give themselves permission to have those powerful feelings, but resist acting on them; others repress them and become depressed, sleeping or eating too much or too little.

Although irritability is inevitable and can strain relationships, family members should trust that their relationships are strong enough to sustain the weight of the burdens placed upon on them. They need to be aware of their emotions, and rather than attempting to work through them by themselves, they need to share their rage, sadness, humiliation, and fears with one another.

Members of the same family will respond to loss in different ways. For the most part, the senior generation will figure out the money aspect, but the emotional response will be a kind of what Sigmund Freud called melancholia, similar to the mental state of those who go through divorce. They will experience the loss of relationships (the most dramatic example being those who were close to Madoff).

While they go through their own feelings, it is also crucial that they include the next generation in the new reality. Although it is normal for parents to try to protect their children from the vulgarities of life — and wealthy parents generally have ➔

Families who were betrayed will need help beyond legal and financial advice



Accused \$50 billion swindler Madoff (R) enters Federal court in January 2009 in New York City. US prosecutors fought to end his house arrest at his luxury apartment.

the means to do so — protecting them too much can keep them from learning skills. Not involving them in this situation will significantly delay their ability to adjust and, more importantly, will insult them. They will feel marginalized, as though they cannot be trusted with emotional burdens. The Madoff betrayal also forces wealthy parents to face their greatest fear — that they haven't prepared the next generation for self-reliance and a productive life. And in fact, the younger generation may or may not be prepared for life without financial security. However, this is not the time to protect them from reality. Children know when something is wrong. Their fantasies are usually more awful than reality. Until they have been tested, children's strengths remain unknown. In reality, young adults and children have a tendency to rise to the occasion when family matters are involved.

The best way to address feelings is to gather with family and friends who are not judgmental, with whom one feels safe, and whom one can trust. Spending time with each other and talking to each other is nurturing and eases the feelings of isolation; it allows the process of healing to begin.

Stress can be debilitating, so find ways to distract oneself. Exercise is an excellent way to manage and deal with stress. Concentrate on the basics. Put one foot in front of other. Long journeys begin with the first step.

The Role of the Professional Advisor

Although lawyers, accountants and asset managers have always witnessed the inner workings of family dynamics and challenges, they are often reluctant to get involved with the family dynamic and/or to recommend that their clients seek outside resources. Lacking a sense of permission to do so, they don't want to be intrusive or risk their relationships with their clients. However, when professional advisors have a front row seat to scenarios in which families struggle with severe financial and psychological challenges, I suggest that it is part of their responsibility to address those circumstances which have a profound effect on family members' psychological health. A holistic/multi disciplinary approach allows professional advisors to help client families place the rage into a larger context. It will not only improve their client's judgment, it will make the advisors more effective.

Although families betrayed by Madoff offer the most dramatic examples of the psychological impact of financial loss, there are millions of other families who share some of the same feelings and challenges. Madoff and others who took advantage of their clients, or who did not do their jobs adequately, have created a crisis of trust. It is difficult

for a society to function well without trust. Everyone facing severe financial loss is going through the same stages of grief described by Kubler-Ross. They all need to pay attention to their moods, to attach those moods to the stages described and to remain aware of what part of the spectrum they are experiencing.

There is hope on the other side. Powerful and successful families have accumulated their wealth not by accident, but as a consequence of their intelligence and values. Yes, many families and members of the next generation will have to start again.

But the way forward begins with the awareness and implementation of the same value system which created the family's wealth and success in the first place. Many high net worth families recognize their legacies lie not in their money, but in their value systems. That is why so many of them are philanthropic.

It will be a long journey back. It may take one or more generations to finally return. But the quicker that journey begins the better.

My message to the families is to seek help if you feel you are getting bogged down. My message to professionals is to take a holistic approach and to incorporate other skill sets when necessary. There are resources all over the country.



A demonstrator displays a placard expressing his feelings towards alleged swindler Madoff