Losing a Fortune Often Comes Down to One Thing: Family

By SCOTT JAMESFEB. 19, 2017 New York Times

SAN FRANCISCO — One of Frances Stroh's earliest lessons about wealth involved a game she played as a 6-year-old with her father: how to not be kidnapped.

Ms. Stroh would stand outside the family's six-bedroom Spanish Mediterranean home in the manicured Detroit suburb of Grosse Pointe in 1973 as her father, Eric Stroh, pretended to be a stranger as he drove by in his silver Chrysler, waving a chocolate bar as temptation and beckoning her to the car. As instructed, Frances would run away in tears.

Her father explained that as an heiress to the largest private beer company in America, kidnapping was a concern, especially because, "They'll ask for a ransom that we can't possibly afford to pay," Ms. Stroh recalled him saying.

"There were very mixed messages" about money, she said in an interview.

Her father's words about their finances were indeed prescient. The Stroh family wealth, at its height in the 1980s, was estimated by Forbes to be about $9 billion in today's dollars. Now, that money is almost completely gone.

And Ms. Stroh has taken the rare step, in the secretive world of America's wealthiest, of going public with her family's downward spiral in a remarkably intimate book, "Beer Money: A Memoir of Privilege and Loss." In revealing detail, she documents a trifecta of misfortunes, some of them self-inflicted: the unraveling of her immediate family, shaken by alcohol and drug abuse; the collapse of her family's brewing empire; and the fall of Detroit, hometown of Stroh's beer.

The book has struck a nerve in certain circles, and Ms. Stroh says she has received an outpouring of support and commiseration.

"I heard from all kinds of people about lost fortunes, lost businesses, often coupled with substance-abuse issues within the families," she said. "My story resonated with their own experience because of this lingering sort of sense of something that's unresolved when a family business is lost."

Headlines tend to focus on billionaires who fall from grace after committing crimes, like the Ponzi schemer Bernard L. Madoff, or the former WorldCom chief executive Bernard J. Ebbers. But the more time-honored and reliable way to lose a fortune, however, often comes down to just one word: family.

An abundance of heirs mixed with patriarchal lines of succession that fail to produce talented leaders can be disastrous. The Strohs' saga is a textbook example.

Bernhard Stroh immigrated to Detroit from Germany in 1850, selling his popular beer door-to-door. A brewery followed and grew regionally, especially thriving after World War II. By the 1980s, it was America's third-largest beer company.

Then the fourth generation of family managers decided the best way to expand was through expensive acquisitions and going national, buying the Schlitz, Schaefer and Old Milwaukee brands, among others.

But debt from those deals kept the company from making competitive moves. Stroh's missed the timely pivot to light beers, and sales plummeted.

Other bad investments followed, including ventures in which the family had less expertise, like biotech and Detroit real estate as the city faced severe decline. Hundreds of millions more were lost.

All through the company's boom and bust, the number of heirs grew, many relying on annual dividends of up to hundreds of thousands of dollars to fund sometimes lavish lifestyles. Ms. Stroh's father spent millions on antiques and collectibles, like rare cameras and guitars. (Later the family would discover many of these were fakes or worth far less than what he paid.)

As the brewery's profits dried up, the dividends to the heirs continued, but the money was siphoned from principal, further hastening the company's decline. By 1999 the company was sold off in pieces, and the proceeds of those sales were soon depleted or poorly invested by the company's board, until little remained.

Though some families have managed to keep thriving — descendants of the newspaper magnate William Randolph Hearst still own media properties worth billions and the Mars candy company, founded in 1911, remains family-owned with estimated annual revenues of more than $35 billion — the same type of scenario that befell the Strohs has consumed other family fortunes.

"Dynasties are suddenly hard to pull off," said Michael McGerr, professor in the history department at Indiana University in Bloomington, who is writing a book on the Vanderbilt family, which also lost much of its wealth. "It's because you have to be really lucky within your own family."

Heirs are not automatically qualified, competent or visionary leaders, Dr. McGerr said, and when power is passed solely from fathers to sons, those who might better manage an empire — like women family members or outsiders — are excluded.

While Ms. Stroh was being taught how to avoid being kidnapped, the men in her generation were being groomed to lead the company. "It would have been discouraged if a girl in the family had shown some ambition for a role like that," she said.

Today, Ms. Stroh is a successful businesswoman. Now 50, she lives in San Francisco, and took a relatively modest inheritance of about $200,000 in stocks from her mother and made savvy investments in tech companies and real estate. As a small-time developer and landlord, she is able to live independently in one of the nation's most expensive cities.

She is doing well enough that she is investing back in Detroit, but in a way that will pay a different type of dividend. She donated half of the advance and 10 percent of the book sale proceeds from "Beer Money" to 826michigan, a nonprofit organization that tutors school-age children in writing.

"One of my goals with the book was to use it as a way to re-engage with Detroit in a meaningful way," Ms. Stroh said.