

DEFINING THE FAMILY



Key Takeaways:

- › The family itself- its past, present, and future- is at the centre of the legacy strategy framework
- › Starting with defining the family itself and understanding how its past will carry forward into the future
- › How can the past be used to a family's advantage rather than typical negative trends?
- › Families, and in particular legacy families, never stand still
- › Evolution is to a certain extent predictable
- › In the first generation you tend to get a patriarch / matriarch or a couple who have made substantial wealth and that is all managed essentially as one unit
- › Members of the second generation have a common background, but different set of challenges from their parents, they are best managed by creating a "sibling partnership"
- › The third generation is likely to be more diverse, and managed more loosely as a "cousins' consortium"
- › Looking at the challenges generation by generation, looking at the opportunities and risks for all those different activities, and pulling that together into a coherent strategy is the key to success

Questions to Consider:

- › How can the successes of the family be transferred to future generations?
- › How can the challenges often faced by whichever generation the family is in be addressed?
- › How can the family evolve to different economic and cultural environments without losing what made it successful to begin with?

INTRODUCTION

Each family has a unique history and culture, which are crucial elements in defining the families current state and future.

Understanding the family's past will enable you to carve out your own distinctive family legacy strategy, which will serve as the cornerstone in your family's journey towards preserving and growing its wealth. In this module, you will learn how to:

- › Define the family, document the past and set a vision for the future
- › Set a family strategy with an objective of multi-generational preservation and growth of family wealth

Each family strategy should take a long-term multi-generational forward view and be practical and capable of being implemented

Guidance

Before defining an integrated legacy strategy, it is important to understand past, present and future. In order to do this the specific definition of "family" must be understood.

Step 1 - Defining the family- Ancestors of one person? Which person?

Step 2 – Understand the family's history (culture, financial background, nation of origin, religion, values, hopes, and conflicts).

How will the future be affected by these factors? To understand how history affects the future, the following factors must be identified to understand the present:

- › Members of the family
- › What issues are being faced
- › Opportunities to improve on governance
- › Investment processes
- › Communication
- › Relationships
- › Philanthropic goals

Step 3- Develop priorities for the present, and visions for the future. What opportunities and risks must the family take in order to reach these visions.

Legacy families do not stand still- families are forced to action by changing trends and challenges. Challenges faced by different generations are shaped by the way families evolve, and so the evolutions of the family can be predictable.

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Generational Succession

Generation 1- First progenitors of family wealth. All aspects of the family business are managed as one unit in control by one or two people.

Generation 2- The different aspects of the business diverge and are often best managed by siblings taking responsibilities for the family and sharing them.

Challenges faced by G2:

- › Fear of making mistakes and not living up to a reputation
- › Simplifying asset structures
- › Finding a proper role or being an active owner
- › Sharing ownership and / or control with siblings
- › Inheriting or living with financial complexity
- › Simplifying operational structures

Generation 3- Family becomes very spread out (possibly having members around the globe, speaking different languages, and being active members of other families). A "cousins' consortium" requires more structure to hold the family together.

Challenges faced by G3:

- › Living up to the family legacy
- › Collaborating with cousins over long distances
- › Developing a new vision for staying together
- › Balancing nuclear family and legacy family
- › Finding meaning in a privileged life
- › Developing a seventh-generation method of thinking

Family business can be thought of a combination of ownership, governance, and management on top of wealth management, philanthropy, and familial relationships. The key to a successful family business is to be able to pull together opportunities, risks, and challenges, into a coherent strategy.

If a family is united and wealthy, then the goal of a wealthy family is to maintain the status quo. However, "if we want things to stay the same, things will have to change".