

# THE FAMILY'S PHILOSOPHY OF WEALTH



## Key Takeaways

- › Proprietor: Financial assets are the property of the current wealth owner- can do with as he or she wants
- › Stewardship: Family wealth held in trust for future generations
- › Both: The most common wealth philosophy, as a certain proportion of wealth is spent and a certain proportion is held for the future

## Questions to Consider

- › How do you embrace different views within the same family?
- › What are the implications of defining different investment portfolios within one family?
- › Are your investment and distribution policies targeted for the short, medium, or long term?

## INTRODUCTION

A family's philosophy of wealth is an important step in defining the roles of individuals in a business- whether they are proprietors or stewards, and to make crucial decisions on ownership, distribution, structuring, and investments along with other elements that involve managing the family enterprise.

## Guidance

When considering the elements of family wealth, it is important to think about what your family's philosophy of wealth is. Different philosophies of wealth include ideals such as "this is our money to do as we wish", or "we are stewards of wealth for future generations". It is important for this to be decided on since differences in philosophy can lead to conflict. To prevent this, decisions need to be made about investments, distribution, structuring, ownership, and other elements that involve managing family enterprise. These decisions will result in the baseline for a philosophy of wealth which benefits from being made explicit.

The two ways wealth can be viewed:

- › As an asset that can be used and controlled. A proprietor of wealth will see wealth as a means to an end.
- › As something that should be nurtured and protected for future generations. A steward will see wealth as something not entirely theirs.

Most philosophies of wealth are a balance between these ideologies. Finding this balance on what is spent and what isn't is imperative to preventing friction between family members. Within families people will identify with different views, and understanding how the different views interact is necessary to finding a healthy compromise.