FM02

FAMILY RISK MANAGEMENT

Key Takeaways

- Successful long-term family Legacy strategy is all about addressing the individual elements of strategy
- All of those aspects need to be considered on the soft tissue spaces from the people perspective as well as the harder knowledge of trust structures, investment principles, etc
- Every family needs to have an effective monitor to understand the big risks to the family, whether they're from an internal source or external source, and have a thoughtful response to the priority risks
- Among the risks that families tend to think about include Financial or investment risk, physical risk, marital risk, Etc
- Although the sources of risk may vary, the gravity of the risk may change, the nature of the solution may change, but having and play some other in the process is a great way of being aware of all the risks

INTRODUCTION

Guidance

Successful long-term legacy strategy relies heavily on addressing the individual elements of legacy strategy:

- Governance
- Leadership
- Wealth Management
- Asset structuring
- Business
- Philanthropy
- Family ecosystem

All of these aspects of strategy must be considered as they pertain to both hard and soft issues. All of these aspects share common elements that are related to risk management. Each family will have its own definition of risk, but every family needs to have an effective risk monitor, whether they are from within the family or external.

The most common types of risk are usually:

- Fiscal Risk
- Business Risk
    - Counterpart risk, bad customers, violation of privacy
- Investment Risk
- Financial Risk
    - Related to the business and portfolio which could threaten the long-term viability of the family's legacy
- Physical Risk
    - Related to the external incidents such as crime, kidnapping, accidents, travel, behavior, digital risk, overexposing information.
- Broader Personal and Family Issues
    - Marital problems
    - Negative family ecosystem
        - Predators are some of the major causes of financial loss
    - Risk of alienation between generations

Risks change over time. For example, after the financial crisis, many families became much more concerned with risk as it pertains to financial matters. As risks, the sources, and solutions arise and change every year, having a risk monitor who examines the family in place is a great way of being aware of all the risks. It is important that the monitor look at both financial and personal issues, and highlight primary risks. Working together to address risks creates a real benefit of unity, harmony, and caring, even greater than the potential damage that the risk would have caused. Learning to address and overcome is one of the most important aspects of family legacy strategy.