



RAFFLES LEGACY LEARNING

Subject Area: Family Legacy Planning

Lesson 1: Building An Enduring Legacy

[Family Legacy and Leadership]

Building an Enduring Legacy

Every family is heir to a legacy.

Each individual family member, and in particular each member of a family leadership team, plays a part as an heir to his or her family legacy. At the same time, each individual leaves behind a personal legacy which may be positive or negative in content, and great or small in magnitude.

Every family member contributes to the family legacy. The only questions are what will that legacy be, and how will he or she be remembered?

True Wealth is More than Money

Legacy may or may not involve substantial financial wealth. It may involve traditional engagement in business, politics, property ownership or art. It may carry with it a famous name, unique values and standards, a special dedication to the larger family or place of family origin, aristocratic lineage, tradition or a respected position in the community. Most family legacies carry with them more than one element which characterizes and shapes a family over time.

To preserve a family's fortunes, financial and non-financial alike, example after example of multi-generational success proves that it is essential to understand that true wealth is far more than money; even the word 'wealth' itself is derived from the old English root words *weal* and *wela*, each with a meaning more akin to well-being and general welfare than pure financial wealth. Creating true family wealth and preserving an enduring family legacy thus requires far more than financial investment acumen.

A broad definition of family capital and assets, encompassing the uniqueness of each wealthy family and individual wealth owner, is essential to the concept of legacy. To this end,

protecting and building on a true definition of legacy is all about identifying and preserving what the family holds most dear - through time and across generations.

Legacy Manifested in Many Forms of Family Capital

As noted family counselor Jeffrey Murrah remarked:

“The challenging question is, ‘What is true wealth?’ Definitions of wealth which consider only bank accounts, possessions and property are wholly inadequate.”¹

True family wealth encompasses financial resources, but also includes family capital which manifests itself in many complementary forms: family harmony, physical well-being, a broader sense of legacy and reputation, integrity, spiritual growth, intellectual capital, and the personal happiness of each family member. Not only do these intrinsic states of being determine the quality of family wealth in the broader sense, they also provide the platform from which continuing financial prosperity can best be pursued.

Family legacy can be a gift which carries with it more than a mere grant or inheritance of name, money, or personal property handed down through the family. It is far more than a static family tree of past births, deaths, and marriages. Legacy is, in its essence, the sum of valued accomplishments, traditions, assets, histories, experiences, lives, places and memories which flow from the past through the present and into the future.

Family Pride

“All children, and especially the wealthy, benefit from a sense of family pride, and instilling this is another parental responsibility. Wherever the money originally came from, the children want to feel good about it and about the people who made it, managed it, and in whose line they are. What’s important is that they grow up feeling that they have a background of which they can be proud and that there are admirable traditions to uphold.”²

John Levy

¹ <http://www.pasadenaisd.org/ParentUniversity/parent42.htm>

² John L. Levy, *Inherited Wealth: Opportunities and Dilemmas*, BookSurge Publishing, 2008, p.32.

Inherited Wealth: Opportunities and Dilemmas

The Benefits of Legacy

Addressing family legacy is not an academic exercise. There is great practical value in managing the elements of legacy and in identifying and establishing an effective model of leadership for the family.

The result of a successful model of legacy and leadership can be a more harmonious family with a greater sense of identity, sharing and purpose. The entire family can be lifted in stature and accomplishment. The individuals within that larger family can lead richer and more fulfilling lives. Financial wealth is also far more likely to be preserved if a sustainable model of legacy and leadership is in place.

A strong family legacy often provides the emotional glue that keeps the generations motivated to work together.

Family History: Starting Point for Family Future

Defining a legacy, which is the beginning of defining the pathway forward for a wealthy family, begins with an understanding of the past. For better or worse, families cannot escape the past entirely, but they can understand and use it to improve the future.

The Value of Family Stories

The ultra-wealthy understand the importance of bequeathing money, property, and other tangible assets. As important as possessions are, there is an even greater, often unrecognized, intangible asset families can bestow to descendants. This asset is the family's story.

Historians, anthropologists, and psychologists argue that family stories are valued above any material possession.

Judith Kolva, Ph.D.³

³ *Family Stories: An Unrecognized Asset*, 2009, p. 1.

http://www.foxexchange.com/private/members/resource_center/other_publications/fallforum09/family_continuity/memoirshoppe_stories.pdf

In assembling a useable past which can provide a solid foundation for the future, the importance of family stories cannot be over-emphasized. By selecting (and, hopefully, capturing in written form) the stories that mark out a family's evolution, a greater sense of identity, shared family experience and common family values can be developed. Telling – and retelling as many times as needed – the family stories is a key role for all family members.

The Simpson Family's Story, Preserved for All Time

"We are proud of the accomplishments and the values of those people who preceded us. My great-grandfather established the company policy of retaining the logged-off lands for the generations to come – at a time when most others chose to cut and run. He worked in the woods as a teamster and respected loggers and their work.

Later, my grandfather carried on these traditions and expanded upon them. He carried the interest of loggers to Olympia, where he became Speaker of the House. He made the town of Shelton (the company's home) a better place to live and work, and he instructed Simpson managers that the future of Shelton must be considered in every business decision and must survive.

My father picked up the mantle from these great leaders. He built the company far beyond the dreams of his predecessors, while maintaining their principles. He looked after the welfare of the company's employees by investing in timberland for future generations."⁴

Family history, however, is not merely an assembly of facts, artifacts and assets. It is an exercise in understanding, interpretation and communication. A sense of family history and past accomplishment can enhance an individual's sense of what is possible, strengthen the family's belief in one another and reinforce the confidence in the family's collective ability to overcome adversity and achieve their collective vision for the future – together.

⁴ Excerpts from the Foreword for *Simpson's Centennial Story* by Robert Spector, Simpson Investment Company, 1990.

Successful leaders reflect on shared legacy and values in both historical patterns and guiding principles for the future

- Choosing patterns of behavior to carry forward and some to leave behind
- Identifying core values and core competencies as a family
- Discussing the amount of togetherness that feels appropriate
- Developing a shared vision of the future together
- Celebrating the engagement of the family in the enterprise each year

The Negative is Often the Most Valuable

Not all family stories are of triumph and accomplishment, nor should all family memories be celebrations of past successes. Great entrepreneurs and multi-generational wealthy families may well have struggled, with mixed results, to achieve what they have accomplished.

It is the negative stories and tales of action and events in times of adversity that are often the most valuable. Positive experiences, at an individual level, merely serve to confirm what is already known. It is the negative experiences which help an individual or a family to grow, to learn, and to reinforce the need to apply core values and sustaining principles in trying times.

Awareness of all aspects of past history and current content of legacy – good and bad – is the beginning of a better future.

Keeping Secrets and Hiding History

Inheriting the valuable stories, lessons and knowledge provided by family history is a part of life in a successful legacy family. Broad and open discussion of the past is a great forum for reinforcing identity and values. Those remembered, and how and why they are remembered, remind all members of a family about what counts – and what does not – in being accorded stature and respect beyond the grave.

On the other hand, hiding the truth and concealing the stories that can provide a firm foundation for the future can carry with it great risks and costs.

Of all of the values upon which a lasting legacy can be based, honesty and inclusion are among the most important. By excluding family members from important information, and by misleading them on their actual status, the seeds of dissent, disillusionment and manipulation are sowed.

Avoiding the costs of such behavior, and changing the approach for future generations, is an important step forward for leaders of hidden legacies.

Documenting the History and Legacy

The antithesis of hidden secrets is the practice of taking time to document the history and the lessons learned for the benefit of future generations of the family. It has become common practice for family leaders to record their memories, either on film or through History Maps, to enshrine the history of a legacy family.

When the successful founder takes time to document his or her failures, as well as the successes the value to future generations is immeasurable. Wealth inheritors need to hear their founders' voices, to know that the founders were not afraid of risk-taking, and that they experienced hardship and failure along with success.

A Life Story for My Grandchildren

Stuart Moldaw, founder of Ross Stores and financier for Gymboree, spent 40 years as an entrepreneur running private equity ventures and another 20 years running his own Family Office for the benefit of his wife and two daughters. Stuart wrote a book called *A Life Story for My Grandchildren*, in which he said:

"My greatest happiness came not from money and possessions but from my engagements, accomplishments, challenges, the camaraderie with the people I have met along the way, and the love of my family.... I hope that my grandchildren will come to understand the joy of helping their less fortunate fellows to fulfill their dreams. We can do so much to make the world a better place."

The advantage of financial well-being can make a person indulgent, rob him of the true measure of meaningful accomplishment and allow him to live a shallow life; or it can give him the ability to make a difference in the work that cries out for compassion, action and commitment.”

Leadership, Purpose and Accomplishment

No one should presume that a family legacy will be maintained. Even with good intentions and honest effort, there is no guarantee of a happy outcome.

In fact, the odds are stacked against preserving financial wealth, with family legacy likely to suffer as a result. Far too many families follow the well worn trail of ‘rags to riches to rags in three generations’, limiting the choices and losing many attractive life opportunities for current family members and their succeeding generations.

Although the odds weigh against a successful legacy outcome over the long term, some families and some family leaders have managed to create stories of success across generations and through times both testing and triumphant.

The successfully wealthy families and their broader legacies often are built, preserved or evolved through the efforts of a small sub-set of its members who provide the exceptional energy, insight, leadership and successful risk-taking ability to enhance and maintain that legacy.

The contents of this book are aimed at helping ambitious families to improve their odds of success by developing knowledgeable and capable leaders who understand the importance of a multi-generational legacy strategy.

Obviously, in the struggle to define and maintain an admirable legacy, a sense of purpose and a set of purposeful activities are essential. Great legacies are no accident of history. Neither great legacies nor the fulfillment of a family’s higher purpose are the product of passive observation of a family’s history, or acceptance of whatever life presents by way of

experience. Ambition, insight, unrelenting effort, tough choices, courage and personal leadership are all required for a family to reach its full legacy potential.

Mere hope is not a strategy, nor a likely pathway to an enduring legacy.

By instilling an understanding and appreciation of family legacy and applying that knowledge at the most critical times, family leaders set the foundation for a more successful future for their families.

Questions for Leaders of Legacy

1. *Do you have a written family history which documents the major influences on your family legacy and family wealth?*
2. *Does your collective family share a common understanding of your family's legacy?*
3. *What values from the family's history do you want to preserve and pass on to future generations?*
4. *Do you have a process to help family members make their decision about active or passive ownership?*
5. *What do you need to do to build your own enduring legacy?*

Seventh-Generation Thinking

James E. Hughes, Jr., is a retired sixth-generation counselor at law and author of many influential articles on family governance and wealth preservation. He is also the esteemed author of Family Wealth: Keeping It in the Family, and Family: The Compact Among Generations (Bloomberg Press, 2007) from which this excerpt is taken.

Tribes that survive the longest ensure their preservation by practicing what's called "seventh generation thinking." I believe this type of thinking is essential to the success of a family. I define that success as reaching the fifth generation with its bonds of affinity intact, not just its genealogy and going on from there to become a tribe. Cultural anthropology explains this evolutionary process: a tribe is no more than an original family of two persons of affinity, which has evolved five or six generations later into an extended human system. But why does success require six generations? Why not four? Simply because reaching the fourth generation may be a matter of luck. But if a family successfully reaches its fifth generation, as a family of affinity, I believe it constitutes a system with real possibilities for long-term success. Luck, while always useful, is no longer likely to be its chief engine for growth.

To understand the essence of seventh-generation thinking, consider the statement used by the senior Iroquois elder at the beginning of each meeting of the tribe convened in solemn council. I paraphrase: "As we begin our sacred work of tribal decision making, let us hope that our decisions today as well as the care, deliberation, and wisdom we use in making those decisions will be honored by and truly beneficial to the members of our tribe seven generations from today, as we today honor the decisions made by our ancestors seven generations ago."

Such thinking assures the existence of the tribe far into the future and far beyond the lifetime of any living member of the tribe. The elder's words remind us that building a family for long-term success requires vision far beyond any individual's lifetime and far beyond the imagination of any one person. The elder calls on the collective imagination. The elder imagines what the tribe's members will think seven generations from now about the decisions the tribe will make today and asks each tribal member individually to exercise his or her imagination in the same way. The elder gently reminds the tribal family to think back seven generations and to consider how blessed they are by the decisions their forefathers made all those years ago, which permit them to be assembled together so many years later.

Hidden in the elder's wisdom is an admonition that my father, as the elder of our family tribe, frequently offered as we began our work: "Hasten slowly." The tribe practicing seventh-generation thinking understands that without action, entropy and stasis will cause the tribe to disappear as its energy dissipates. But unchecked action that results in chaos will lead just as certainly to the death of the tribe from a surfeit of energy it cannot absorb. Hastening slowly offers the means to use time as a friend, to find

time to be a beginner, to be an apprentice, to move on to journeyman, and then to refine the skills for mastery.

To develop and survive, a family, like a tribe, needs to enhance the growth of its members' human and intellectual capital to its highest capacity. Without such enhancement, the family will not have the human assets required to take advantage of the new opportunities the future will offer and to combat the new threats it will pose. Fostering beginner's mind in combination with seventh-generation thinking affords a family a process and practice that lets its talents and gifts emerge through the increased self-awareness and happiness of its members. It balances the youthful joy and chaos such a process reflects with the elders' ordered sense of the wisdom of time as a friend.

The elder helps leaven the enthusiasm of the beginner's mind with the patience of seventh-generation thinking. Hastening slowly is the path of deliberate, gradual accretion of skills that leads the apprentice to eventual mastery. This is the tried-and-true process of a family's development and enhancement that works best for achieving its successful evolution from family to tribe.