



INTEGRATED LEGACY STRATEGY MASTERCLASS COURSEBOOK

**Course Handbook:
Strategy for the Wealthy Family**

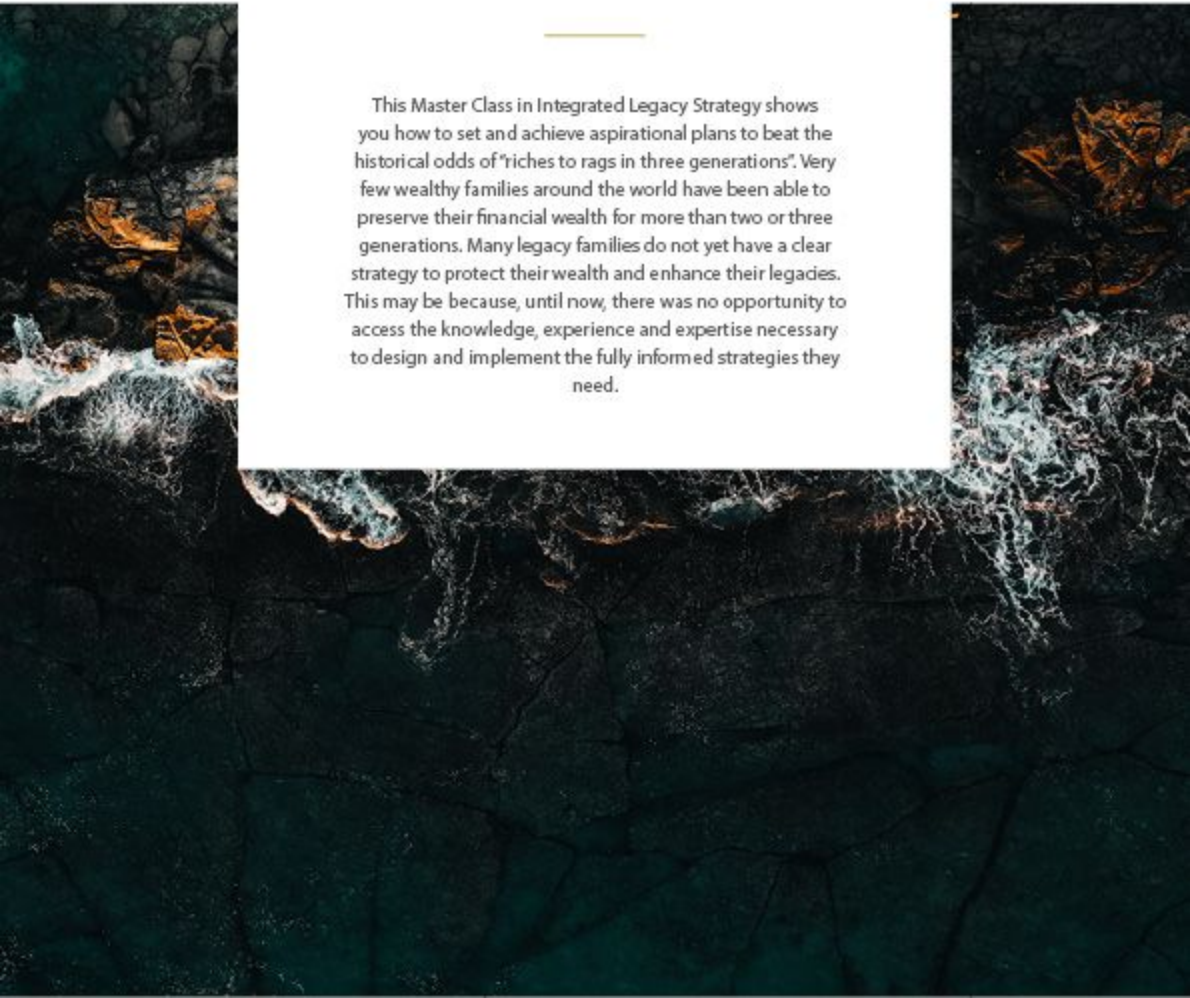


THE RAFFLES LEGACY LEARNING CENTRE
Educating Legacy Families Across Generations





INTRODUCTION



This Master Class in Integrated Legacy Strategy shows you how to set and achieve aspirational plans to beat the historical odds of “riches to rags in three generations”. Very few wealthy families around the world have been able to preserve their financial wealth for more than two or three generations. Many legacy families do not yet have a clear strategy to protect their wealth and enhance their legacies. This may be because, until now, there was no opportunity to access the knowledge, experience and expertise necessary to design and implement the fully informed strategies they need.

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Melinda Gates, David Rubenstein, Carrie Avery, Pierre Omidyar, Ratan Tata, Bill Draper, Stanley Druckenmiller, Peter and Carolyn Lynch, Josh Bekenstein, Desh Deshpande, Steve and Jean Case.	

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Key Contributor



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Raffles Legacy Learning Founder-Integrated Legacy Strategy, Family Business Strategy, Asset Structuring and Wealth Preservation, Generational Transitions and Leadership Succession

Mark Haynes Daniell is Chairman of the Raffles Family Wealth Trust Pte Ltd. He has more than thirty-five years of experience addressing the core issues of family business and legacy strategy. He has formerly held positions as a partner at Bain and Company, Director of Wasserstein Perella, president of a publicly listed strategic investment firm and director of several public and private companies.

Mark has written and co-authored seven books for legacy families, including the classic *Strategy for the Wealthy Family: Seven Principles to Ensure Riches to Riches Across Generations*. His other books include *Family Legacy and Leadership*, *Family Wealth Management*, *Wealth Wisdom for Everyone*, *Strategy*, *The Elements of Strategy* and *World of Risk*.

Mark holds a Juris Doctor degree from the Harvard Law School, BA and MA degrees in jurisprudence from Oxford University (University College) and a BA from Amherst College. He is a High Honors graduate of the Phillips Exeter Academy and earned diplomas from the Université de Paris IV-Sorbonne and the Institut d'Etudes Politiques de Paris. He was awarded a Doctoral Degree Honoris Causa (DHC) by the National University of Georgia.



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PROF. DR. DR. *h.c.* HEINRICH VON UND ZU LIECHTENSTEIN

Integrated Legacy Strategy; Family History, Purpose, Vision and Values;
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Professor Liechtenstein is a professor of financial management at the IESE Business School in Barcelona and Munich. He is a leading academic researcher and expert on legacy families and their businesses around the world. He is active on several family holding advisory boards and serves as a board member of the Liechtenstein Academy Foundation. He is an active entrepreneur, having founded and sold two companies, and is a former consultant at The Boston Consulting Group.

Professor Liechtenstein has authored many articles and co-authored several books, including *The Empowered Investor: 7 Principles for Strategic Wealth Creation in a New Financial World* and *Getting Between the Balance Sheets: The Four Things Every Entrepreneur Should Know About Finance*. He is also an early thought leader and prominent author on sustainable investing.

Professor Liechtenstein received a doctoral degree in Business and Economic Sciences from the University of Vienna, an MBA from IESE Business School, and an MA in Business Administration from the University of Graz. He was the recipient of a Doctorate Honoris Causa in 2019.



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HON. PROF ROBERT BATT, MSc

Culture, Relationships and Individual Issues, Generational Transitions and Leadership Succession

Robert Batt, a family counsellor, psychotherapist, and entrepreneur, is the founder and chairman of The TRC Group in London, which includes the highly regarded Recovery Centre in Belgravia.

The TRC Group works with legacy families and their members to overcome relationship challenges and personal psychological difficulties, including anxiety, depression and addiction.

Robert is the heir to one of England's largest and oldest landed estates, with family ownership stretching back to the early 1600's, which gives him personal insights into issues that a legacy family might experience. He is also a very modern entrepreneur, establishing and chairing CamAI, a creative model of serving therapy needs of younger family members.

Robert holds a Master's Degree in Addiction Psychology. He studied Positive Psychology with Dr. Tal Ben-Shahar at Harvard and Philosophy with Dr. Phil Joice at Oxford University. He was awarded an Honorary Professorship in 2019.



Key Contributor



SARA HAMILTON, MBA

Integrated Legacy Strategy; Family Governance, Leadership and Succession; Philanthropy and Social Engagement and NextGen Education

Sarah Hamilton is the founder and CEO of the Family Office Exchange (FOX). Headquartered in Chicago, for more than 25 years FOX has been the leading community of large legacy families and their family offices, providing information and expertise on matters related to family governance, generational transitions, wealth management, philanthropy and NextGen education. She is also an acknowledged expert in all matters related to the establishment and operation of family offices.

She also co-authored the leading book **'Family Legacy and Leadership: Preserving True Family Wealth in Challenging Times'** with Mark Haynes Daniell.

Sara has been acknowledged for many years as one of the leading Women in Wealth Management. She teaches on the Executive Education Faculty at the University of Chicago Booth School of Business for the course in Private Wealth Management. Prior to starting FOX, Sara worked in marketing and strategy at Harris Bank and AT&T Information Systems.

Sara holds a BA from Vanderbilt University and an MBA from the University of North Florida in the USA.



Key Contributor



TOM MCCULLOUGH, MBA

Family Wealth Management

Tom McCullough is Chairman and CEO of Northwood Family Office, a Toronto-based multi-family office serving the comprehensive needs of families of significant net worth. He is also the co-author with Mark Daniell of 'Family Wealth Management: 7 Imperatives for Successful Investing in the New World Order'. Tom is also the editor of a collection of essays on critical questions facing legacy families entitled 'Wealth of Wisdom: The Top 50 Questions Wealthy Families Ask'.

Tom has spent over 30 years in the wealth management/ family office field and founded Canada's first multi-family offices which has been consistently recognized as the top independent family office in Canada by Euromoney in its global private banking survey.

Tom is a frequent speaker on wealth management and family issues. He is an Adjunct Professor of Finance at the University of Toronto's Rotman School of Management and is also an Entrepreneur-in-Residence at Western University's Ivey School of Business. He is a member of the Editorial Board of the Journal of Wealth Management and holds a certificate in Family Business Advising from the Family Firm Institute.

Tom holds an MBA from the Schulich School of Business at York University, as well as the CIM (Chartered Investment Manager) and CIWM (Certified



"Hope is not a strategy"

Module 1

Introduction, Preparation and Priority-Setting

Video Lessons and Summaries

ILS1001 Introduction: Integrated Legacy Strategy

ILS1003 Documenting Legacy Strategy

ILS1004 Mastering the Process of Legacy Strategy

BUSXXX Newly Rich: First Generation Wealth

Selected Reading

Strategy for the Wealthy Family: Introduction and Principle 1 (pages 1-52)

Family Legacy and Leadership (pages 75-90)

Example / Template

01. Initial Diagnostic and Identification of Priorities

02. ILS Planning Document



Module 1: Questions to be Considered

- 01 Does your family understand the value and context of a legacy strategy?
How do you and your family define and measure success?
- 02 Where would you like your family, family wealth and (if relevant) family business to be by the middle of the Next Generation? Over multiple generations?
Do you have a clear and agreed set of challenges and issues to address?
- 03 Does your proposed approach consider each element of strategy - individually and as each relates to other related elements?
- 04 Do you have a clear and agreed approach to leadership of the strategic project?
- 05 Do you have the necessary resources to make your strategy correct and effective?
- 06 How can your strategy and supporting documents best be drafted, assembled and kept current?
- 07 How can your strategy and the content of relevant documents be communicated to the entire family?



Key Takeaways

- Family legacy strategy is unique to every family, but in every case is multi-faceted and multi-generational.
- After defining family goals and aspirations, you must develop a practical plan of action to achieve them in the real world.
- Creating an integrated legacy strategy consists of addressing multiple elements separately that combine into a whole integrated plan which is greater than the sum of its parts.
- Family legacy strategy is best developed with a broad set of family mentors and selected expert resources if and when required.

Introduction

The purpose of creating a legacy strategy is to shape your family's future for the better. Although usually thought of as a kind of passive inheritance from the past, legacy is and can also be an active concept that guides and inspires informed action in the present to create the outcomes you want for the future.

Integrated legacy strategy addresses all elements necessary for the preservation and enhancement of true family wealth across generations.

At all times, it is essential to think through the 'people issues' that underpin every family legacy strategy; it is important to assure that you address family history, culture (values common to all branches and generations), relationships (between individual and groups of family members) and the individual issues specific to each family member. Only by thinking about your family's strategy on a long-term basis, and addressing both 'hard' and 'soft' issues together, will you be able to create the best possible future for your family.

Guidance

'Hope is not a strategy'

Understand the past and take steps toward the future that you want for your family. Be active. Creating a legacy requires an understanding of the past, long-term thinking for the future, trust, relationship building, risk management and combining family, business, wealth and philanthropic strategies into a single integrated plan.

The building blocks of developing a legacy strategy include:

- Family definition, history and current challenges
- Family purpose, vision and values
- Governance, leadership and succession planning
- Asset structuring and wealth preservation
- Wealth management
- Effective business ownership, governance and strategy. Together will you be able to create the best possible future for your family?
- Philanthropy and social engagement
- A supportive family ecosystem worthy of trust
- Building a positive family culture, improving relationships and managing individual issues; helping members to work together for the greater benefit of the whole
- Identifying and managing priority risks
- Conflict avoidance and resolution
- Managing generational transitions and succession
- Educating current family members and future family leaders



Key Takeaways

- Develop a consolidated Integrated Legacy Strategy summary statement and set of supporting documents to capture your family legacy strategy - and make sure it is well understood and fully implemented.
- State the objectives you want to achieve with this strategy in clear language.
- Documenting your strategy in clear, simple language and in the required set of supporting documents is essential.
- Understand the process, content and key issues of the strategy.
- Decide who will be in charge for operational leadership and project management.
- Set a time-frame.
- List your resources.
- Start with the end in mind: understanding the full approach and required documentation to develop and implement your strategy.

Introduction

As you prepare a Family Legacy Strategy exercise think systematically and incorporate the following 10 imperatives:

1. Define the family, document the past and set a vision for the future.
2. Set a family strategy with the objectives of multi-generational harmony and the preservation and growth of family wealth.
3. Organize the family and provide an effective leadership model.
4. Structure asset holdings and adopt practices (investment, distribution, family, business) for long-term preservation of family wealth and wellbeing.
5. Manage wealth wisely, diversify assets and access the best managers for investments.
6. Clarify and integrate family business strategy with long-term family wealth plans.
7. Identify and manage all major risks to family wealth and well being.

8. Share wealth in a manner that unites the family and provides meaning.
9. Design a supporting ecosystem worthy of trust.
- 10 Remember the unique nature of individual family members, including yourself.

Guidance

Before you define and implement your own strategy, use this checklist to ensure readiness:

1. What objectives do you want to achieve with this strategy? Why are these objectives important? How do you define success?
2. Understand the processes, content and key issues of your strategy. Consider the documents right for both short term and long term success, as well as both the hard and soft issues.
3. Who will be responsible for the process? What is the leadership structure?
4. Who needs to be involved with which projects? Who will be brought in from outside the family to help with key issues and documentation (e.g. family governance, trust issues, investment policies etc.)?
5. What are the rights and responsibilities of family members?
6. Use the RAID stakeholder model. Who will be Recommending, Advising, Informing and Deciding on each issue?
7. Who will approve the final documents and overall strategy?
8. Develop a full checklist of the documents you require- and designate a confidential place where they will be assembled and updated as required.



Guidance

Good strategies are always clearly articulated, documented, consistent and capable of being implemented. Legacy strategy must be understood by the family in order to be successfully implemented by family members and their supporting experts. Identifying the required elements and supporting document architecture is essential during the preparation phase. When preparing legacy strategies, break these documents into three categories:

Short-term documents (guiding action in the current year) will include:

- Annual plan
 - » Strategic targets by month
 - » Financial, family, and philanthropic objectives
 - » Operating budget
- Investment policy statement
 - » Asset allocation
 - » Distribution objectives
 - » Tactics and tactical changes
 - » Management priorities
- Succession plan (Short Term)
 - » Effective succession planning for all key positions (family and non-family alike)
 - » Day one, week one, month one, year one

Medium-term (settings plans with a three to five-year perspective):

- Strategic plan
 - » Vision led
 - » All elements addressed
 - » Implementation schedule
- Investor profile and objectives
 - » Long term uses of money:
- Asset allocation principles
- Residence and domicile plans
- Expected distributions
- Philanthropic activities
- Family business strategy
- Education and development plan
 - » Family
 - » Family office staff
 - » Educating family members in business affairs.

Long-term (defining goals and approaches beyond the medium term that may even be multi-generational in application):

- Family history
- Statement of Family Purpose, Vision and Values
- Business ownership objectives
- Family Constitution (to be revised periodically)
- Family member rights and responsibilities
- Trust deeds or letters of wishes
- Corporate articles / memoranda
- Shareholder agreements
- Voting pool arrangements
- Wills, estate plans and an ethical will
- Philanthropic policies
- Individual development plans
- Long term succession plans
- Principles of family education
- Leadership development principles for the rising generation

These documents do not need to be excessively lengthy, but they must be meaningful, easily understood and shared among the family. They must also be kept current - with reviews and revisions as and when necessary - and confidential.

Examples:



Key Takeaways

- Those who are rich for the first time or who have a substantial amount of liquidity for the first time face a unique array of challenges.
- Do not rush into making investments.
- Take a step back, define your vision and personal philosophy of wealth.
- Organize and educate your family.
- Identify and manage opportunities and risks well.
- Understand where your money is going and who is overseeing it.
- Understand and manage the full costs.
- Build intergenerational wealth transfer policies and philanthropic initiatives into your plans based on the knowledge inherited from other like-minded and similarly situated families; remember that 'those who do not learn the lessons of history are doomed to repeat them'.
- Build a supportive ecosystem made up of high quality people who are in line with your objectives
- Understand the full costs and benefits of your investment, reporting and control systems
- Define specific and general success; monitor progress towards those goals on a regular basis.

Guidance

Coming into substantial financial wealth for the first time can create great benefits, but also presents an array of unique challenges. The skills necessary to build a fortune are different from the skills needed to maintain wealth, and new 'immigrants' into the land of wealth may have much to learn.

When managing wealth for the first time; be honest about what you do not yet know and prepare yourself to avoid the many mistakes that others have made.

- » Do not rush into investments
- » Define a vision and philosophy of wealth
- » Organize and educate your family
- » Identify and manage risks and opportunities
- Decide on and build wealth transfer, legacy strategies and philanthropy into your plans
- Structure assets and invest towards clear objectives
- Build an ecosystem of supportive people and firms
- Understand costs and portfolio efficiency (hire money managers, choose tactical investments, learn how to sustain wealth)
- Define success clearly
 - » Don't be afraid to make changes

Think about creating new levels of success with your new wealth rather than trying only to recreate the success of the past.



E-LESSON : ILS1002

Preparing a Family Legacy Strategy

Key Takeaways

Preparation for a successful family strategy:

- Clear objectives
- Clear process and defined content
- Leadership
- Family engagement and support
- Right time-frame
- Ensuring the effort and resources that are needed
- Documentation
- Transparency and debate
- Final recommendation and sign-off

Final Checklist:

- Agree the objectives that you want to achieve with your legacy strategy
- Understand the process, content and priorities of the strategy
- Decide who will be in charge for operational leadership and project management
- Set a time-frame
- List your resources

Guidance

As you prepare a Family Legacy Strategy document, think systematically and incorporate the following 10 imperatives:

1. Define the family, document the past and set a vision for the future.
2. Set a family strategy with the objectives of multi-generational preservation and growing family wealth.
3. Organize the family and implement an effective leadership model.
4. Structure asset holdings and adopt practices (investment, distribution, family, business) for long-term asset preservation.
5. Manage wealth wisely, diversify assets and access the best managers for investments.
6. Clarify and integrate family business ownership, leadership, governance, management and strategy

with long-term family wealth plans

7. Identify and manage all major risks to family wealth and well being.
8. Contribute to the greater good (philanthropy and social engagement) in a manner that unites the family and provides meaning.
9. Design a supporting ecosystem worthy of trust.
10. Take into account the unique nature of individual family members, including yourself.

Before creating an Integrated Legacy Strategy, consider the following:

- The objectives you want to achieve with this strategy?
- Why are these objectives important?
- Understand the process, content and key issues of the strategy
- Set a time-frame
- Define the leadership approach to management
- Provide and allocate resources—who exactly is to be involved and what documents need to be prepared?
- What level of involvement will each family member have?
- How exactly is the strategy planned and executed?
- Who will make the final decisions and monitor the process? e.g.
 - Committee
 - Patriarch / matriarch
 - Generation
 - Formal / informal group

Thinking through this checklist will help to focus the process and support the creation of the best possible legacy strategy for you and your family.



Examples & Templates

Example 1A Preparation: Initial Diagnostic and Identification of Priorities

1

2

3

Purpose: Our purpose in completing this strategy exercise is to ensure the best possible future for our family that is

- . Getting larger and more diverse
- . Sharing less activity
- . Seeing more conflict and dispute
- . Lacking a sense of common purpose and future direction

Key Issues to Consider:

- . Fragmented ownership of the family business and lack of clarity or forward stakeholder roles, rights and responsibilities
- . Fading sense of identity
- . No history of organised strategy
- . Potential sale of business
- . Need to create a common sense of identity, purpose and the right level of "togetherness" for our family

Definition of Success: Creating a future for the family where all generations, branches and individuals share and contribute to the life and representation of the family, business ownership and family philanthropy and individual freedom as appropriate.

Setting Priority Framework: Individual Elements and Initial Assessment	Long Term Importance 1=low, 10=hi	Current Performance 1=low, 10=hi	Comment: Priority and Relevant Perspectives
1. Understanding Family Definition, History, Challenges, Purpose, Vision, and Values	10	4	No agreed Statement of Purpose or Values/Guiding Principles
2. Leadership, Governance, and Succession (including Generational Transitions)	8	6	Need to formalize governance and involve NxG in leadership roles
3. Asset Structuring and Wealth Preservation	9	7	New trust structure needed and distribution principles
4. Wealth Management	9	8	Strategy to focus portfolio and invest for growth required
5. Family Business Ownership, Governance, Management and Strategy	9	8	Ownership education needed Governance support and leadership model need refreshing
6. Philanthropy and Social Engagement	7	7	Need to move to new outcome-specific model
7. Culture, Relationships, Individual Issues and Family Dynamics	9	5	Bonds of trust and shared experience fading, more disputes arising
8. Risk Management	7	3	No formal approach or clear set of priorities
9. Family Office and Ecosystem	7	7	Approach needs re-assessing vs new goals for legacy strategy
10. Next Generation Education: (Addressing both Technical and Emotional Readiness)	7	5	External assessment, individual reviews and common educational purposes needed
Average			



Examples & Templates

Example 18. Preparation: Process and Planning

”Well begun is half done”

Preparing well for the development of an Integrated Legacy Strategy (‘ILS’) is important to ensure a high quality and fully supported outcome.

Key Process Value	Questions to Answer	Yes/No
1. Defined and respected leadership	Persons leading the effort identified and agreed with the family?	
2. Clear process	Announced objectives, dates, roles and options to participate as individual or in a group setting?	
3. Full, fair and transparent	Open briefing and q&a sessions set? All constituencies (branches, generations, shareholders etc.) engaged as appropriate? Communications program established?	
4. Inclusive and interactive	Formal and informal opportunities to add views, engaging as many family members as appropriate?	
5. Step-by-step	Overall process set with all major review and discussion - making meetings of leadership team scheduled with post-meeting summary note to family members?	
6. Flexible and responsive	Policies to respond to suggestions and concerns along the way	
7. External resource and expertise provided as needed	External expertise required to support the effort in each area identified? Independent expert(s) identified and engaged as needed to support the process?	



Examples & Templates

Example 1.C. Process and Planning: ILS Timetable

Project Phase/Milestone	Potential Timing
1. Current context, future challenges, project objectives, leadership team, supporting resources, target deliverables, key dates, communication chances and overall timing to be announced.	February 14
2. Open session with all family members to launch effort, obtain support/begin and solidify input or process and key issues to address	February 21
3. Interviews with individual family members	February 24-March 7
4. Review of results and implications for project process, content and timing with whole family - overall process and planning complete: discussion of project roles and responsibilities	March 21
5. Work streams and review sessions on template documents to address priority issues - which includes: <ul style="list-style-type: none">• leadership model• family members roles, rights and responsibilities• the identification and engagement of required external advisors and experts to support understanding and identify best pathway forward (e.g. lawyers, trustees, counselors, strategic advisor).	March
6. First draft of ILS completed and presented to family with prior briefings with key individuals as needed, amendments as required	June 14
7. Edits and final draft presented to family	June 21 et seq

Templates

[Template 1A_Your ILS Current Assessment.docx](#)

[Template 1B_ILS Timetable to be Completed.docx](#)

[Template 1C](#)



Module 1 Checklist:

Preparation and Priority-Setting

Content	Yes	No
1. Is the value and context of your legacy strategy understood by the family?		
2. Is the family approach to defining and measuring success understood by all?		
3. Have a clear set of challenges and issues that need to be addressed been set?		
4. Is there a clear and agreed approach to leadership and strategic project within the family?		
5. Are the necessary resources available to make your strategy correct and effective?		
6. Is there an agreed approach to the drafting and assembly of key documents?		
7. Has a plan been devised to ensure documents are kept current and updated frequently?		
8. Are there any plans in place for the sharing of your strategy and relevant documents with the wider family?		



"The secret of success is constancy of purpose"
- Benjamin Disraeli

Module 2

Family History, Evolution and Future Challenges

Video Lessons and Summaries

HVV1001 Introduction: History and Current Challenges

HVV1002 The History and Challenges of Family Wealth

HWV1XX Family Definition

HVV1XX Family Evolution



Module 2 & 3: Questions to be Considered

- 01 Do you have a clear definition of the family and understand its implications?
- 02 How can the past successes and valuable traditions of the family be transferred to future generations? What is better off left behind?
- 03 What are the family, financial, emotional or other reasons for staying together? What is the right degree of 'togetherness', vs independence that would allow each family member to achieve his or her own purpose and objectives?
- 04 How can the family evolve in the future in different economic and cultural environments without losing what made it successful to begin with?
- 05 How can the challenges the current generation is facing be identified and addressed?
- 06 What is the purpose of our greater family - and is it shared across our whole family?
- 07 Do we have a meaningful shared vision? Does the Next Generation really "buy in" to the vision of what we want to accomplish together?
- 08 Do we have the right values defined for our family? Are they memorable? Do they provide clear guidance on how we will address the most important issues we face?
- 09 What are our guiding principles? How can we make our family's values most meaningful; and assess whether we have lived up to our 'Family Purpose'?
- 10 Do we have a program in place to teach future family members and their leaders about the values and knowledge they will need to carry success forward?



“If we want things to stay the way they are, things will have to change...”

Key Takeaways

- The family—its past, present and future—is at the center of the legacy strategy framework.
- Start with defining the relevant family for purposes of a strategy exercise, understand how the past will likely evolve into the future.
- Ask yourself how can the past be used to a family's advantage in the future?
- Families, legacy families in particular, never stand still, with their evolutions predictable to a certain extent.
- In the first generation, you tend to see a patriarch and matriarch or larger family group who have worked together to create substantial wealth. The founding generation are likely to manage all aspects of the family business, liquid wealth, philanthropy and other elements themselves.
- Members of the second generation have a common family unit, but a different set of challenges from their parents; these 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”.
- Evaluating the challenges, opportunities and risks from generation to generation, and using these insights to formulate a coherent strategy, are the keys to success.

Guidance

Before defining an integrated legacy strategy for a given family, it is essential to understand its past, present and likely future. In order to do this, a specific definition of “family” must be agreed upon.

Step 1 - Define the family: Descendants of one person? Of one couple? Of more than one person or couple?

Step 2 – Understand the family's history, including its culture, financial background, nation of origin, religion, values, hopes, successes and failures. To forecast how history could effect 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

Step 3 - Develop priorities for the present and expected challenges for the future. What opportunities and risks must the family master in order to reach its goals in this different future? How is the family evolving, and how will it continue to change?

Legacy families are in constant evolution - they do not stand still. Families may be forced into action by changing trends within and surrounding the family, market challenges and generational evolution.

Introduction

Each family has a unique history and culture, which are defining elements in the family's current and future financial success and well being.

Understanding your family's past will allow you to understand the foundation and future challenges of custom-tailored family legacy strategy.

In this module, you will learn how to:

- Define the family
- Understand the past
- Describe the likely evolution of the family
- Identify priority challenges for the future



Key Takeaways

- True family wealth is much more than just money.
- Strategies for true family wealth also value such 'assets' as integrity, accomplishment, effort, physical security, health and fitness, knowledge, wisdom and spiritual growth and family harmony.
- The best strategies are developed using both 'best practices' and 'next practices'
- The best legacy strategies are multi-faceted and multi-generational.
- It is important to assure your effectiveness as a leader when designing and implementing a multi-generational strategy.
- Legacy strategy benefits from the informed engagement of all family members.

Every family is entirely unique and important, but our focus at raffeslegacylearning.com is on addressing the legacy challenges and opportunities faced by legacy families with substantial wealth that engage in:

- Building and running businesses
- Philanthropic activities
- Asset structuring
- Wealth management

Legacy strategies are about both continuity and change - taking the best of the past, adding new components for the future, adapting to both the internal evolution of your family and the external context in which it finds itself. 'Best practices' from the past are often not enough. We need to think about 'next practice' adapted for a different future as well. Legacy strategies must be multi-generational and multi-dimensional and address both short-term and long-term issues.

Guidance

True family wealth is more than just money. True wealth is a state of well-being, not necessarily only monetary wealth. True family wealth consists of:

- Integrity
- Effort
- Accomplishment
- Physical Security
- Health
- Wisdom and spirituality
- Harmony and unity
- Financial wealth and business success (although not the sole element of wealth, financial prosperity and success are still important components of true family wealth)

Every family has a legacy regardless of how much financial wealth they have. Legacies can be athletic, academic, artistic, cultural, community-based, intellectual, or some other aspect of family specific history, life or character.

'Hope is not a strategy'

Past analyses confirm that 70% of wealthy families do not have a strategy. Many families may be tempted to spend nearly all of their time making money, but investing time and effort to address the 'soft' issues of family wealth is crucial. When developing a strategy, it is essential to decide how much time should be spent building your business and monetary wealth versus preparing the family for the future.

Creating and implementing a legacy strategy allows you to assure the best possible future for all members of your family - even those yet to be born.



Examples & Templates

Examples: Family Definition and Family Evolution

Background:

Document 1A: Family Definition, History and Current Challenges

- Family Definition: Establishes qualifications for membership in the family addressed in the legacy strategy
- Family History: Tells us where we came from and who we are
- Current Challenges identify the biggest risks and opportunities in front of us

Document 2B: Family Purpose, Vision and Values

- Family Purpose answers the question, "Why are we doing this?"
- Vision answers the question, "What are we trying to accomplish together?"
- Values guide our behavior along the way and define how we operate, who we are and what we respect.
- Guiding principles clarifies how we will implement and measure our values in action.

Example 2A.i: Family Definition Questions to Consider

The way in which a family defines itself can have a significant impact on the size of the family to be considered, those to be left out or treated differently, access (or not) to rights and benefits, and also on the engagement and morale of individuals concerned.

Key questions to answer for your definition of family are:

- Do you use a traditional definition of Bloodline Descendants from a defined individual or pair of individuals? This traditionally would be phrased as the children and their bloodline descendants of [person X] and his/her spouse [person Y or persons Y and Z]? How far back do you want to go, given the implications for family size and complexity? Are all family relations included or only a qualifying sub-set of bloodline relatives, e.g. descendants who are also shareholders in a family business?
- Do you consider only children from marriages or from other relationships as well?
- Do children not from traditional marriages require proof of family ties? Rights of adopted children (or only children who are adopted below e.g. the age of 12)?
- Are spouses and in-laws included? Children and step-

- Can qualifying individuals be excluded from family membership? Under which conditions?

Examples 2.i : Family Definition

Full Family Members of the Cuscaden Family are defined as James Cuscaden IV and his wife Ariana, their four children (A, B, C and D), and the bloodline descendants and adopted children of these individuals, so long as these children are adopted below the age of 12.

All economic benefits, share ownership, and roles in the family office, family business and philanthropic foundations shall be reserved to these individuals only.

[Can add: Associated Family Members: Spouses, significant others, step-children and other family members may be invited to participate in activities such as family celebrations and holiday events, educational programs for the family, the social event calendar in the Family Meeting, and other such activities as the Family Council shall decide. Former spouses and step-children from dissolved marriages or significant relationships may retain benefits of Family Membership only upon agreement of a majority of the Family Council.]

Council or e.g. in-laws and step-children can be the same rights and opportunities as Full Family Members...

Example 2A.ii: Family Evolution

Factual

Our immediate Cuscaden Family is a combination of two family lineages, the Cuscadens, who have a long history in the Scottish Highlands, and the Trieste family, coming from the Northeastern part of Italy.

For many generations the Cuscadens worked on a large family farm and were an active part of the community in and around Inverness. James Cuscaden I and his brother Ian, the two youngest of four brothers, left Scotland for the USA in 1904 at age 18 and 20, working in a steel mill in Pittsburgh before starting their own steel trading business in 1914. That initial Cuscaden business prospered, diversified into steel fabrication, distribution, banking and property development; and has now, after more than



Examples & Templates

Example 2A.iii : Current Challenges

Priority Current Challenges	
1. Family	Growing and becoming more diverse Need to update Family Constitution
2. Financial	Concentration in one market
3. Business	No CEO successor from within the family/Board not operating as well as it should
4. Philanthropic	Efforts too low scale and fragmented
5. Family Office/Ecosystem	Financial performance below benchmark Need to add non-financial metrics
6. People issues	Potential dispute between Bill and Maria
7. Family Education/Generational Transition	No structured educational program yet No plans yet to assess Next Gen capabilities and prepare for transition in family leadership and business ownership, governance and leadership

Example 3.B-iii Instructions: Purpose, Vision and Values

What is the family trying to achieve on a long term basis – even across future generations not yet born? Why?

What is the definition of success for the family and its individual members? Where is the common ground? What makes us unique?

How is the family likely to evolve and what does this mean for current and future family members and leaders?

Which other families are admired? Why? Not admired? Why not?

What is the right degree of togetherness? Independence?

What are the responsibilities to the greater (and nuclear) family vs individual freedoms?

What is the family's philosophy of wealth, with resulting policies on decision-making, investment, and distribution of wealth?

Should the family require a 'work ethic' lifestyle, and how is that to be defined and fostered?

Example 2.B.i: Family Purpose—The "Why"

Statement of Family Purpose

Our shared purpose is to be a united and harmonious family

that contributes to the enduring success of a family enterprise, creation of the widest possible set of individual opportunities for our family members to match their own capabilities and interests, and the creation of a substantial philanthropic legacy in our home country which shall be passed on to future generations. This will require all members of our family to commit to

- Be effective owners of our business interests
- Create long term value for all of our stakeholders and benefit the communities in which we live and work
- Aspire to create something significant together which is greater than anything we could accomplish alone
- Carry forward the traditions and values of a name worthy of respect

Example 2.B.ii: Family Vision—The "What"

Vision Statement

1. The Cuscaden Family will work together to preserve and build our highly respected family business, applying the values of hard work and thrift; we shall develop a unique approach to our family business ownership, governance and management so there is an appropriate place for every family member in our family business.
2. We shall create a substantial family philanthropic enterprise to support the education of women and children in the world's ten poorest countries, with each family member spending a minimum of six months working in this charity before reaching the age of 25
3. We shall develop an approach to family education that builds on our multi-cultural roots to be highly engaged citizens of the world, reaffirming in each generation our collective reputation as "capitalists with a conscience".



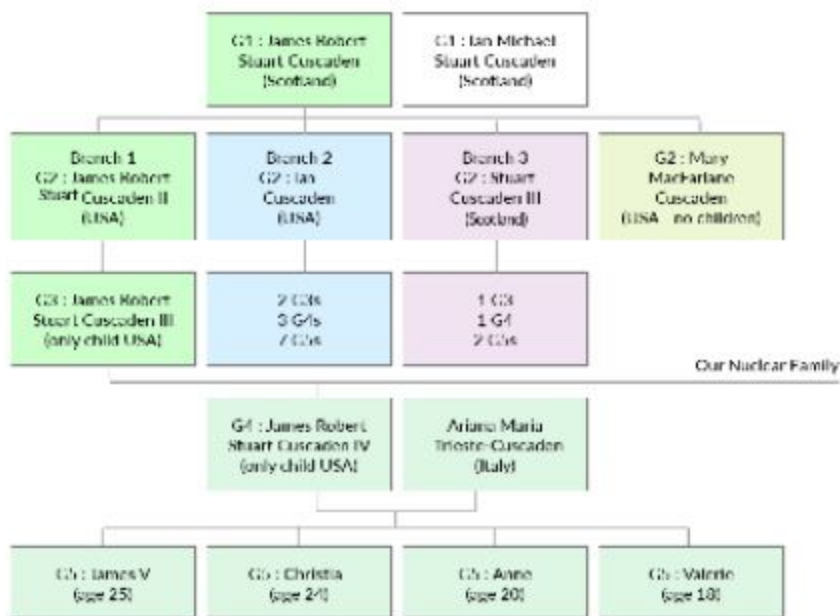
100 years and 4 generations of Cuscaden ownership and leadership, and has grown to employ over 2,000 people in 7 countries.

Each brother had two children, who in turn had two children each. With one of these children having no children, there are now 3 branches with equal shareholdings by the members of majority age in each branch. The current family leader, James Cuscaden IV, met and married Ariana Trieste in 1989, who was from a prosperous wine-growing family in Italy, with seven generations of ownership of the family winery. Together they had four children, two boys and two girls, two of whom (one son and one daughter) are engaged in the family business today.

Cultural

As a result of this history and the people who shaped our family, our family's culture could be best described as

1. Loosely together; we act as a combination of small groups
2. Overall, as a multi-generational family we are getting further apart; Current relations between generations and branches can be described as remote at best Common base in Christian religion
3. Identified with the Scottish and Italian cultures
5. Our family identity gives us a sense of position/support
6. Characteristics of our culture include hard work, modesty, sporting accomplishment, generosity, critical of each other; the most admired members of our family include: James Cuscaden II
7. Other elements: High value placed on formal education and association with Cuscaden Manor in Scotland.



Currently active in the family business:

5 G4s (hold 20% each of family business) and 13 G5s (in family governance, business, family office, philanthropy, etc.)

Family Tree



Module 3

Family Purpose, Vision and Values

Video Lessons and Summaries

- HWV1101 Introduction: Family Purpose, Vision and Values
- HWV1003 True Family Wealth
- HWV1102 Family Purpose
- HWV1104 Values and Guiding Principles
- HWV1105 Family Virtues

Selected Reading

- Strategy for the Wealth Family (pages 55-65)
- Family Purpose articles by Mark Haynes Daniell

Examples / Template

1. Summary of family Definition, History and Current Challenges
2. Statement of Family Purpose, Vision and values (inc Guiding Principles)



Key Takeaways

- You may define success, in part, as preserving and enhancing the impact of the families financial wealth over multiple generations.
- True family wealth is much more than just money.
- Strategies addressing the full definition for family wealth also take into consideration essential elements of integrity, accomplishment, effort, physical security, health and fitness, knowledge, wisdom and spiritual growth and family harmony.
- The best strategies are developed using both best practices and next practices.
- Legacy strategy is multi-faceted and multi-generational.
- Understand that good legacy strategy will set new expectations and embrace positive change along many dimensions.
- Each legacy strategy is designed and implemented to give your family the best possible future over the longest possible time frame.

Guidance

True family wealth is more than just money. True wealth is a state of over-all well being including, but not limited to financial wealth. True family wealth needs to be defined uniquely for every family, but may consist of such elements as:

- Monetary wealth (although not the sole element of wealth, financial prosperity is still a very important component of true family wealth)
- Integrity
- Effort
- Accomplishment
- Physical Security
- Health
- Wisdom and spirituality
- Harmony and unity
- Business success and continuity of ownership
- An entrepreneurial culture
- Shared business activity
- Reputation
- Philanthropic contribution
- Happiness of family members
- Engendering feelings of love, bonding and pride

Every generation and every member of a family receives and leaves behind a legacy regardless of how much wealth they have. Legacies can be athletic, academic, artistic, or intellectual, but our focus is on legacy families with substantial wealth who may engage in:

- Building businesses
- Philanthropic activities
- Asset structuring
- Wealth management

Remember that traditional definitions of wealth go beyond the purely material. Best practices, developed and implemented successfully in the past, are not enough, you need to think about next practice. Since *best practices* are historically based, strategies must learn from best practices but also employ new and creative *next practices*, better suited for the future.

Legacy strategies must be multi-generational and multi-dimensional in nature, and address both short-term and long-term risks and opportunities.

Many families may be tempted to spend most of their time making money, but addressing the soft issues of family wealth is crucial. When developing a strategy, decide how much time should be spent building your business and monetary wealth versus preparing and supporting the family and its members in other areas for a successful future.

Creating and implementing a legacy strategy allows you to become an integral part your family history. Families that prosper over time prepare for and address common issues of developing and implementing plans to realize their visions.

Hope is not a strategy.



Key Takeaways

1. The first elements of the forward family legacy strategy we will discuss are perhaps the most important: Family purpose, vision, values, and guiding principles.
2. Family purpose answers the questions, "Why are we doing what we are doing?" "What do we need to keep in mind as our highest goal?"
3. Family purpose includes an agreement between people with a shared past, how much — and where — family 'togetherness' is appropriate for the future.

Introduction

Families often realize that a clearly defined and fully shared statements of purpose, vision and a common set of values are necessary to give family members a sense of identity, pride and a reason to engage in the spirit and common activities of the greater family.

An agreed statement of purpose and vision can act as a family's north star to guide the family to its best possible future.

Guidance

[A Statement of Family Purpose captures the fundamental beliefs a family shares and reinforces the 'glue' that holds it together.]

Defining family purpose must be defined and captured in words agreed by the family to be meaningful. You may want to begin by gathering the family, possibly with a facilitator, and write down in simple words why you stay together as a family and what you want to accomplish together. Once this is complete, create a Statement of Family Purpose from the results.

A clear statement of purpose and vision allow future generations to know what the family aspires to achieve and why that is important, individually and together. It gives the rationale for why they set shared goals and respect a common set of values. This allows families to communicate specific messages to future generations, contribute to family stability and create a common platform for current and future legacy-enhancing actions.

For example:

We work together as a united family to contribute to the enduring success of the shared family enterprise, and to create something which is greater than what we could achieve acting solely as our individual selves.

- Aspiring to create something significant together for the family, businesses and the communities we serve
- Being effective and engaged owners of our business interests
- Seeking to protect and strengthen the trust and bonds between family members
- Carrying forward the traditions and values of a family name worthy of respect

As families grow and evolve, an awareness of a shared past and the reasons to stay together in the future may erode over time.



Key Takeaways

1. After defining your family purpose, moving into the more practical aspects of setting the long-term vision (or mission) is the next step; This will define what you want to achieve together as a family
2. Clarifying a vision is based on an aspiration of turning that vision into practical action for many years to come.
3. A vision usually addresses at least four elements of a family enterprise: the family, the family business, family wealth and family philanthropy.
4. Values provide guidance on how you will proceed; how you will behave, and what kind of a family you aspire to be.
5. Guiding principles make each value meaningful and measurable..

Guidance

Family purpose, vision, values and guiding principles are the first components of a family legacy strategy and are perhaps the most important, since they provide direction to all other aspects of the strategy.

- Purpose answers, "Why are we doing this?"
- Vision answers, "What are we trying to do?"
- Values answer, "How are we going to navigate the journey?"
- Guiding principles give gravity, meaning and measurability to abstract ideas and aspirations.

Defining Vision and Values

Once the family purpose is formalized, setting long-term direction becomes easier. This can be broken up into three stages:

Defining vision

A vision is what you want to accomplish and usually addresses the four elements of a family enterprise: family, business, wealth management, philanthropy. An example of a family vision would be:

Build, maintain and own the world's best luxury watch company. Sustainably manage financial wealth to reach target benchmarks and distribute capital only above the preservation of the capital in real terms. Donate 10 percent of profit each year to philanthropy, focusing on women's education, clean water and the marine environment. Harmony will be maintained by creating a well-governed, clearly structured and united family so members understand their rights and responsibilities. Family harmony should make the enterprise appealing so we can grow responsibly, organically and sustainably across generations

Document the vision statement so family members clearly understand and can revisit as and when the vision ever needs to be adjusted or evolved.

Defining values

Values define the standards by which your family will operate, and which, if respected, will both reinforce a positive reputation and 'family brand' as part of your legacy, but can also save to engage individuals and strengthen the foundations of the whole family. Do not create too many values; they work better when summarized as a code of conduct as opposed to a long list that is difficult to remember.

Guiding Principles

Guiding principles allow you to measure performance against values and vision. They should be specific, clearly defined and leave little room for misinterpretation to direct future generations.



Key Takeaways

- When we talk about family values (which can be good or bad) we usually mean family virtues, the best values that can lead a family to a better state of being in the future.
- Prudence, courage, temperance and justice make up the long standing set of 'cardinal virtues' that are vital virtues and serve as pillars of being a virtuous person
- Practicing virtues will help you become your best self

Introduction

Passing family values from one generation to the next helps define and preserve family legacy. Although defining values may be difficult, spending time to formalize and implement a value system is a key element in a legacy strategy. Consistently reinforcing positive values gives rise to embedding virtue into a family's core ethos, which contributes to personal and family meaning.

Guidance

Being virtuous creates a positive environment for people around you and can inspire them to practice similar virtues. Living your virtues can lead to a fulfilled life.

What are the main virtues a family should aspire to that can help move the family business forward? Prudence, courage, temperance and justice have been called the "four cardinal virtues" and comprise all other virtuous attributes.

Prudence: The wisdom to make good judgments based on actions and consequences.

Courage: The strength to overcome difficulties, and the ability to weather hardships to achieve goals.

Temperance: The ability to practice self-control and have a sense of modesty and moderation; the ability to recognize damaging influences and behaviors and the skills to avoid them.

Justice: The action of doing what is morally right and fair. The parameters of justice are difficult to define, so constantly search for and enact truth, fairness, impartiality, morality, ethics and ideals.



Example 2B.iii—The “How”

The Family Values we believe are most important to us, now and in the future, are

- Integrity
- Unity
- Effort
- Responsibility

[Others that often appear you may want to consider include:

- Hard work
- Thrift
- Traditional values
- Courage Religious/Spiritual Generosity
- Creativity
- Education
- Modesty/Humbleness
- Autonomy
- Respectful
- Freedom/Independence

Example 2.B.iii-iv Instructions: Values and Guiding Principles

Values (actually virtues) are abstract, aspirational concepts that both guide and inspire our families.

Guiding principles are those specific and measurable standards that will give specificity and meaning to the shared values of the family



Example 2B.iii-iv: Values and Guiding Principles

Value	Guiding Principles	Metrics and Measures
Stewardship	Setting long term plans for our business every year. Making decisions for the long term interests of family and business. Creating sustainable and responsible businesses. Understanding requirements for good ownership of our businesses. Putting in place leaders, teams and a culture consistent with the stewardship ethos.	
Integrity	Speaking honestly at all times. Keeping our word, honoring our commitments even if not written down.	
Unity	Staying together and building bonds of trust. Acting in a manner that puts family first.	
Effort	Working hard; using time effectively; going 'the extra mile' when needed.	
Responsibility	Taking ownership for resolving issues. Setting and maintaining high standards. Donating 10 % of our profits to worthy causes.	

Templates

Template 2.A: Family Definition, Culture and History

[Template 2A_Family DefHisCult.docx](#)

Template 2.B: Purpose, Vision and Values

[Template 2B_PurpVisValues.docx](#)



Module 2 & 3 Checklist:

Family History, Culture and Future Challenges

Content	Yes	No
1. Is there a clear definition of family for your legacy strategy, with family history, likely future evolution and current challenges set out?		
2. Are family purpose, vision, and values clear and agreed?		
3. Is your approach to family leadership and governance effective?		
4. Do you have an agreed philosophy of wealth and fully aligned set of asset structures and distribution policies?		
5. Have you established a best practice approach to family wealth management and reporting, including sustainable and impact investments?		
6. Do you have the best possible approach in place and working well for family business ownership, governance, management and strategy?		
7. Are your philanthropic objectives defined, agreed and measurable?		
8. Are you satisfied with your approach to family culture, relationships and individual issues, including conflict avoidance and dispute resolution?		
9. Are your family risk management priorities well addressed?		
10. Do you have strong Generational Transition, Family Education and NxG Leadership Development Plans in place, including emotional readiness?		



"If we want things to stay as they are, things will have to change..."
- *Giuseppe Tomasi, 11th Prince of Lampedusa*

Module 4

Family Governance, Leadership and Succession

Video Lessons and Summaries

GLS1001 Introduction: Family Governance and Leadership

GLS1005 Establishing a System of Formal Governance

GLS 1008 Family Constitution

GLS1006 Family Council

GLS1009 Family Meetings

GLS1XX Succession

Selected Reading

Strategy for the Wealthy Family (pages 65-79, 147-154)

Examples / Templates

1. Family Constitution (Short Version)



Module 4: Questions to be Considered

- 01 What level of formal governance and leadership is right for your family?
- 02 Will this change in coming years as the family evolves?
- 03 What is the right balance of representation of generations and branches in key areas of activity?
- 04 Which governance positions should be based on merit (most capable person) or allocated (balancing branches and ensuring broad representation)?
- 05 Are outsiders involved as well as family members?
- 06 Are in-laws considered part of the family or outsiders when defining rights, responsibilities and roles?
- 07 How will the constitution guide your family towards the future you envision?
- 08 How can the values that initially allowed the family to succeed be transferred to future generations?
- 09 How can the family constitution be written in a way that creates harmony within the family?
- 10 Who will be on your family council, and which groups will be represented?
- 11 What specific role will the council play in the family?
- 12 What purpose will the family meeting serve?
- 13 How can you create an enjoyable and productive meeting environment?



Key Takeaways:

Social systems need governance in order to work effectively. Advanced legacy families focus on leadership, but also create formal governance systems when they reach a certain scale of wealth and need to formalise family roles.

Guidance

Depending upon the size and complexity of a family, governance systems can be very robust and well defined.

- Governance systems define leadership models, family organization, meetings, philanthropic boards, family business boards, and member rights and responsibilities (in a family constitution).
- As family and business complexity grow, the organizational structure may also evolve in order to secure a positive future.
- A fair and effective leadership model and organizational governance structure, when supported by the family, lays the groundwork for multi-generational success.
- Such a system will define the rights, roles and responsibilities of family members, and also specify how non-family members will be involved as advisors or team members. It is essential to decide if in-laws are considered to be family members for the purpose of participation in family meetings or considered for roles in the governance system.
- Some wealthy families consider in-laws a potential threat to stability, while others recognize them as essential members of the family, equal in their participation (but not wealth ownership) to bloodline descendants.
- In addition to defining the governance system, consider any existing issues and define mechanisms to resolve them as the structure is being built.
- A well-designed system will provide structure and guidance to family members for many generations if built properly, from the beginning.



Key Takeaways:

Successful large legacy families often have a formal system of governance that is defined in the family constitution.

A formal system of governance allows the family to achieve its objectives through investments, business and philanthropy by:

- Guiding family decisions
- Reducing friction
- Providing clarity
- Providing a specific forum for communication
- Reducing uncertainty
- Encouraging engagement

The council often represents different branches of the family equally, often is multi-generational in membership and can include independent advisors.

The leadership of the Family Council may rotate between branches, or may be defined to exclude (and therefore balance) the chair or CEO of the family business. Council committees focusing on the next generation, education investment, philanthropy and other important activities, can also be incorporated. Qualifications to sit on the Family Council, the process for leadership selection, term limits, retirement age, meeting dates etc. can be spelled out in the Family Constitution. A confidential review process for individual members on the Council can be very valuable.

This council meets periodically—usually at least four times per year, if not more often.

Guidance

A formal governance system usually begins with a family constitution, which defines family values, structure and operating processes.

The constitution is drafted with input from family leaders and other representatives of the greater family.

A family council serves as the representative body for the family that acts, in many ways, like a board of directors.

An effective family council will maximize diversity, having representatives from different branches and generations of the family.

By having each group represented and integrated into a central structure, important decisions and discussions of the family can flow through a thoughtful and inclusive process.

Other elements of a system of governance include annual meetings, the family's approach to communication and classification of family member rights, responsibilities and potential roles in the family empire, family governance, business, philanthropy and in the family office.



Key Takeaways:

Just as countries benefit from having a written constitution, so too do wealthy families. Legacy families that have a complicated family enterprise may benefit from greater specificity in their family constitution. Internal family dynamics and external relationships should be well understood and documented. A family constitution also serve as an operating guide, defining purpose, vision and values, family and business structure, rules and member rights, forum meeting guidelines and checks and balances. It may also serve to provide input to supporting family documents.

Guidance

Questions to be considered in a family constitution include:

- How will family membership be determined?
- Who will have voting rights?
- Who will have which economic rights, and at which age?
- Which family bodies or selected individuals will be responsible for each area of activity?
- How will balanced representation be ensured?
- What is the amendment process?
- What are the checks and balances of power?
 - Imposing limits
 - Rotating positions in order to prevent one group from holding too much power
 - Establishing an independent family advisory board
- How will disputes be resolved?
- Is there a "Bill of Rights" and balancing "Bill of Responsibilities" for each family member?
- Is there an opportunity or obligation for individuals to "opt in" or "opt out" of the family governance system or ownership of the family business?

A family constitution may contains a 'Bill of Rights' and a (sometimes overlooked) Statement of Responsibilities for all family members.

The Bill of Rights clearly describes the rights granted to family members, as well as the values and expectations to guide their conduct. The Statement of Responsibility complements the Bill of Rights by assigning accountability and ownership as family members exercise their rights and uphold their duties. This may include acceptance and working towards common goals, acting with discretion, educating themselves, working hard, acting with respect, being good owners of wealth and conscious family ambassadors, etc.

Family constitutions are only as valuable as is their acceptance and implementation. Value will fade unless the constitution is consistently followed by all family members.

If constructed and implemented correctly, a constitution can provide the foundation for a lasting and successful family legacy across many generations.



Key Takeaways

- Successful legacy families often have a formal system of governance.
- A family governance system usually starts with a family constitution.
- The constitution defines the role and membership of a family council that acts like a board of directors.
- The family council may be made up of members from more than one generation and representative (e.g. generations or stakeholders) of the family and its commercial and philanthropic group activities.
- The family council may include independent (non-family) members; these may be voting or re-voting as prescribed in the family constitution or by-laws of the Family Council itself.
- Family council responsibilities include:
 - » Determining membership
 - » Overseeing family wealth and philanthropic activities
 - » Determining financial structures and planning
 - » Approvals and decisions on important matters
 - » Annual distribution and compensation
 - » Career management

Successful legacy families often have a well-defined formal system of governance.

A family governance system usually starts with a family constitution or family compact. A family council, which serves like a family "board of directors", is typically defined in the constitution.

Guidance

The primary functions of the council are to:

- Represent all family members
- Set direction
- Make decisions
- Resolve disputes
- Guide other institutions, entities and activities in the family

Family councils vary in size, usually made up of 6-12 members. A council this size is big enough to manage large responsibilities, but small enough to make decisions effectively. The council may be supported by one or more professionals or a family office.

The council also sets the tone for long-term strategies, documents and education policy.

Although each council member may not have a specific title (besides the chairperson), each member may have a specific set of responsibilities, such as philanthropy, family office, family business strategy or NextGen education development. Since representatives support different interests and functions, decision-making improves and council member succession is streamlined if these roles are clearly defined and operate well.

The roles of the family council may include:

- Creating a forum for the family to air their concerns—money, jobs, career development, education, training, succession
- Developing shared expectations for smooth decision-making
- Building stronger family ties or family business plans
- Preserving family tradition and history
- Managing family-business relations
- Recognizing and resolving conflict

The leadership council also oversees critical short term projects, such as a specific generational transition project. A generational transition transfers the responsibilities of business, governance, philanthropy and succession planning to the next generation leaders, and must be designed with great sensitivity and wisdom.

Other critical examples of short-term projects include:

- Leadership succession
- Sale or acquisition of a business
- Establishment or strategy of philanthropy.

Projects that have big strategic impact on the family or family business are usually the province of the family council. Even if short-term, high-impact projects should be handled with care, wisdom, creativity and experience.



Key Takeaways

- Family meetings are a great opportunity to bring the entire family together, including children, in-laws and invited guests. They can be a key source of relationship and the development of trust and bonds between family members.
- Who is eligible to attend the meeting should be decided beforehand in governance documents.
- A formal agenda should be set for family meetings.
- Family meetings can last from a few hours to a few days, may be held annually or every few years, and are often paired with social activities for the entire family.
- Some matters to be discussed during the family meeting may include:
 - » Open issues from previous family meetings
 - » Objectives of the current meeting
 - » A review of the current year
 - » State of the family business
 - » Wealth management
 - » Risk management
 - » Plans for the coming year
 - » Other family news of importance

- Have family members present and follow with open discussions on relevant topics
- Family networking activities for the broader family
- Welcome new members
- Share experiences
- Measure progress
- Compare notes
- Reinforce the past
- Discuss ongoing endeavors and issues
- Identify and focus on stories that connect people
- Reinforce the future direction of the family business

The agenda should be concise and determined by the council to solidify the purpose of the meeting. Not only does the meeting have business purpose, but it also reinforces the social bonds that are vital and unique to the greater family and any operating family businesses.

Family meetings should be fun and celebrate what the family stands for, the accomplishments of individual family members, examples of the application of family values and personal or business progress.

Find a nice location where your family can get away to celebrate, have fun, network, team build and be productive!

Guidance

A family meeting is a great opportunity to involve the entire family. They typically include all bloodline family members, shareholders, spouses, children and selected important family guests. Family meetings serve to discuss business, socialize and possibly vote on key family issues, roles and policies.

The agenda for family meetings is usually specified in the family constitution. For example:

- Confirm family purpose
- Determine who is eligible to attend, and in which activities attendees are expected to participate
- Review the current year, including family goals and accomplishments
- Discuss plans for the upcoming year and long-term initiatives



Examples & Templates

Example 3.A.i: Leadership Model

Summary of the Cuscaden family approach to leadership

Historic Approach: Our Leadership model can be described as traditional, informal, centralized, responsive (rather than forward-thinking), and often, excluding younger family members from information, discussions and/or decisions; it is not clear when current family leaders will actually step down from their positions.

Future Approach: Looking forward, after listening to all members of the family, it was agreed that we should

Stop	Start	Continue
Informal process	Scheduled discussions	Friendly and open style
"Clique" mentality	More members engaged	Branch equality
Ad hoc approach	More formal structures	Listening to all attending
Limiting information	More active communication	Family events
Unclear knowledge needs	Family educational programs	Funding university degrees
Ambiguous retirement age	Planning for transitions	Matching family and professional retirement age in business management roles
Informal career discussions	Formal reviews and professional development programs	Informal mentoring



Examples & Templates

Example 3.A.ii: Leadership Time Allocation: Coming year

Area of Activity	Current Time Allocation (%)	Desired Time Allocation (%)	Needed Change
Family Leadership and Governance	2	5	New Constitution needs to be finalized
Wealth Structuring	1	5	New Trust Structure needed
Wealth Management	25	15	Establishment of Asset Management Board
Family Business Ownership and Strategy	65	25	Strategy to focus portfolio Hire non- family CEO
Philanthropy	2	5	Need to move to new outcome-specific model
Family Culture, Ownerships and individual Issues	5	5	
Risk Management	2	5	
Family Office and Ecosystem	2	10	Need to add Geneva FO Expand Network
Next Generation Education	0	10	Specific personal plans and strategy needed
Generational Transition and Leadership	4	15	Major transitional planning required

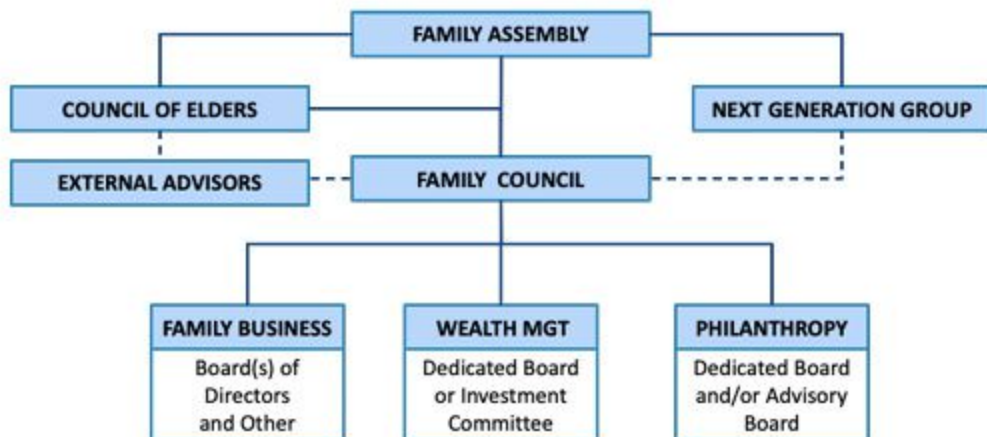


Examples & Templates

Example 3.A.iii: Family Governance

Select Elements for your Family Organization Element	To Be Included?
1. Family Meetings	Yes
2. Family Council	Yes
3. Council of Elders	No
4. Advisory Board (partially non-family members)	Yes
5. Next Generation Group	Yes
6. Family Funds/Wealth Management Board	Yes
7. Family Business Board	No
8. Family Philanthropic/Foundation Board	No
9. Family Office and Board of Directors	Yes

Example 3.A.iv: Family Governance Structure



Examples & Templates

Example 3.B Instructions: Family Constitution

Items to Be Considered in a Family Constitution

- How will family membership be determined? What are the rights and responsibilities for each family member? What are the checks and balances of power? What is the process of amendment? What is the process of dispute resolution?
- Minimum and maximum ages to hold or vote on key positions and participation?
- Which organizational approach will work best for each area of desired activity: Family Council, Family Assembly, Branch leadership, Family Business and Philanthropy?
- What will be the criteria, selection process and terms for family, business and philanthropic leadership positions? Meritocratic, elected or rotating? How will balanced representation be ensured?
- How will voting rights work? How will economic rights work? What opportunity is there for individuals to 'opt in' or 'opt out'? Criteria for exclusion?
- Does the approach to governance, leadership and succession fully promote family purpose, vision and values?
- How will leadership succession and generational transitions work?



Examples & Templates

Example 3.B: Family Constitution

CUSCADEN FAMILY CONSTITUTION PREAMBLE

It is our shared purpose here to organise the Cuscaden family's approach to governance and leadership of the entire family as defined below, to define our principles and approach to family business and wealth management, and to organise and inspire the members of our family to engage in philanthropic affairs – and to do so in a mutually agreed, open and effective manner.

FAMILY DEFINITION, PURPOSE AND VALUES

1. DEFINITION OF THE FAMILY

The Cuscaden family shall be defined to include all bloodline descendants of James and Sarah Cuscaden, their spouses, civil partners of more than 5 years' standing, children and adopted children.

2. STATEMENT OF FAMILY PURPOSE

We shall work together to develop a shared sense of identity and belonging in our family, always acting in a manner which results in the achievement of the supporting elements of our vision

- creating opportunities and improving the quality for life of all family members
- strengthening bonds between members, building mutual trust and respect for each other
- preserving family unity and harmony
- contributing to the communities in which we live and work
- carrying forward the best elements of our family culture and the unique entrepreneurial spirit

In so doing, we shall create a family legacy worthy of respect and the creation of something together which is greater than anything we could create if separate.



3. FAMILY CONSTITUTION (continued)

Value	Guiding Principles
Loyalty	We shall place the interests of the group above our own individual interests, and always speak positively about our family and all of its members in public. We shall act in a fair, reliable and honorable manner at all times in order to build the bonds of trust that will justify and reinforce our shared sense of family loyalty. We shall let no one come between us
Hard Work	Is defined by the level and extent of our effort, ability to focus on a specific task and follow it through to completion, never giving up, setting and achieving high standards and inspiring teams and team members - by example - to achieve their own full potential. We will acknowledge and reward the hard work of our employees and family members across all aspects of our family enterprise.
Knowledge	We shall appreciate the knowledge and wisdom of others, and do our best to maximise the intellectual capital resident in our family and our members
Integrity	Means living by sustainable values, telling the truth, honoring our word, and 'doing the right thing even though no one is watching'
Modesty	We shall remain modest and respectful in the way we treat each other, employees, clients and suppliers in our family enterprise, and anyone who comes into contact with our family in any way We shall remain down to earth and well grounded at all times, avoiding arrogance in attitude and behaviour or other behaviours inconsistent with an appreciation of the equality, dignity and respect due to all human beings.

IV. FAMILY MEMBER RIGHTS AND RESPONSIBILITIES

A. Rights for all Members:

1. Attend Annual Family Meetings and family-sponsored social events
2. Receive information concerning the family-sponsored philanthropic activities of the Cuscaden Foundation
3. Be considered for participation in philanthropic initiatives and activities of the Foundation
4. Be considered for participation as supporting members of the Committees and initiatives of the Family Council
5. Raise relevant issues to the Chair of the Family Council for due consideration

B. Responsibilities for all Family Members:

1. Act at all times to support the long term best interests and positive reputation of the family
2. Act as conscious ambassadors protecting and enhancing our family reputation at all times and in all places
3. Understand and respect the family's approach to family governance and the leadership of its business, commercial and philanthropic affairs
4. Be effective owners and responsible stewards of our family business
5. Pursue a lifelong education to learn how to be effective owners of our businesses and contributing members of our family.

APPROACH TO FAMILY GOVERNANCE

There are six coordinated elements of the family's approach to governance addressed by this Family Constitution: the Family Council, Annual Family Meeting with supporting social activities during the year, Family Philanthropic Foundation, Family Advisory Board, Family Office, and a process of Dispute Resolution. The purpose, composition, leadership, expected operations and committees/supporting activities of each are spelled out below:

V. FAMILY COUNCIL

The purpose of the Family Council is to address and enhance the long-term potential of the family and its individual members, the business and family philanthropy (in coordination with the Cuscaden Foundation). The role played by the Family Council in pursuing this purpose shall include such areas as

- promotion of family unity and the long term best interests of the family
- oversight of the Family Office
- education and development of family and its members
- avoidance of conflict and resolution of disputes
- organising the Annual Family Meeting and other family social activities

Meeting frequency: The Family Council shall meet 4 times per year, with additional meetings as called by the Chair. The annual meeting schedule shall be set by the Chairman.



Composition: The Family Council will be made up of 7 Voting Family Members – the Head of the Foundation (who must be a member of the family) plus 2 branch representatives from each of the three branches of the family, to be chosen as each branch decides.

Leadership: the initial Chair of the Council shall be James Cuscaden IV for a three year term, with subsequent Chairmen to be elected by the members of the Family Council for a 3 year term from among its members by majority vote; there shall be a maximum of two consecutive terms as Chair of the Family Council.

Minimum age: The minimum age for a Family Member to serve on the Family Council for his or her branch is 30. [Question: Is this the right age?]

Maximum age: The maximum age for a Family Member to serve on the Family Council for his or her branch is 80, with the exception of the head of the Foundation, for which there will be no age limit. [Question: Is this the right age?]

VI. CUSCADEN FAMILY PHILANTHROPIC FOUNDATION

Our Foundation reflects our business and family commitment to social responsibility and contribution to our various communities in our home country and the more than 12 countries in which we operate as a business.

Operating separately from the Family Council according to its own by-laws and with its own oversight function, the Foundation would coordinate philanthropic initiatives with and provide a member (and possibly the Chair) of the Family Council.

VII. FAMILY MEETING AND SUPPORTING SOCIAL EVENTS

The overall objective of the Family Meetings and social events is to provide an attractive forum for all Family Members to come together to deepen relationships, share experiences and ideas, reinforce family purpose, values and unity, build trust between family members, share information on what is going on within and around our family, business and philanthropic activities. Three core events will be spread throughout the year and may include

3. Founder's Birthday Dinner (optional attendance) on April 17 of each year

VIII. FAMILY ADVISORY BOARD

A Family Advisory Board, made up of experienced and respected members of similar families to ours and proven experts in fields relevant to our development and challenges, shall be appointed by the Family Council.

IX. FAMILY WEALTH MANAGEMENT

Philosophy of Wealth and Ownership: It is our belief that we are both individual owners of private wealth and stewards for the future of family wealth. Individual family members are free to invest their own funds as they see fit, so long as those investments do not encumber, risk or otherwise have an impact on family investments. In the area of family wealth management, the Family Office shall ensure that all family funds are well allocated to specific objectives, and structured, and invested in a fully prudent and professional manner over the long term to achieve those objectives.

X. FAMILY OFFICE

The Family Council shall establish a Family Office, staffed and supported by a combination of dedicated staff and/or third party service providers as they so choose. The strategic plans, location, budget, funding, objectives, governance and operations of the Family Office shall be led by a Board made up of family members and third-party professionals as determined by the Family Council. The Chair of that board shall be a family member appointed by the Family Council to serve up to three consecutive three year terms.

XI. DISPUTE RESOLUTION

If the Family Council Committee on Conflict Avoidance and Dispute Resolution as defined above is not successful in resolving the conflict or dispute through the actions of the Committee or the intervention of the Family Council itself, an ad hoc Board of Review will be established to hear and decide on the best way forward to resolve any material issue as determined by the Family Council. That Board will be made up of three non-family members as appointed by the Family Council. This Board shall agree its own Chair, define its process and time frame for decision-making and make its decision by majority vote.

1. Annual Meeting/Weekend Retreat (August)
2. Christmas or New Year party (social only)



XII. VALIDATION AND REVISION OF THE CONSTITUTION

This Constitution shall be valid upon signing by 2/3 of the Voting Members of the family. This document shall be reviewed in its entirety and amended as necessary on the following dates under the guidance of the Chair of the Family Council:

- 12 months after it is adopted
- Every five years on an overview basis by the Family Council
- Revisions in this document shall require a 2/3 vote of The Voting Members present at the Annual Meeting or represented by proxy if not able to attend.

In addition, specific adjustments may be required or desired on an ad hoc basis as well, which can be made by recommendation by a member to the Family Council and agreement by 5 of the 7 members thereof.

INDIVIDUAL COMMITMENT

To reflect acceptance of its content and commitment to its terms, this Constitution shall be signed by all Voting Family Members upon completion of its drafting, and then by all future Voting Family Members at the first Annual Meeting after their reaching age of 21 in the presence of the full Family Council.

Original signatures (with attached signatory pages as necessary).

Signature _____

Name _____

Date _____

Signature _____

Name _____

Date _____

Signature _____

Name _____

Date _____

Signature _____

Name _____

Date _____

Signature _____

Name _____

Date _____



Examples & Templates

Example 3.E: Family Meeting Agenda

1. Welcome and Review of Family Purpose and Values
2. Matters arising from previous Family Meetings
3. Objectives for the current meeting
4. Year in review: context, past objectives and accomplishments
 - » Family and individual events and achievements
 - » Family business events, results and plans
 - » Financial wealth management results vs targets and benchmarks
 - » Trust issues, wealth preservation and transfer
 - » Philanthropy
 - » The Family office and 'eco-system' of advisors and influences
5. Coming year
 - » Family transitions and challenges
 - » Economic environment
 - » Key objectives for implementation of family strategy
6. Long-term plans (multi-generational perspective), including approach to priority risk and opportunities
7. Social Agenda



Examples & Templates

Example 3.F: Rights and Responsibilities

What should be the appropriate set of rights and responsibilities for all generations in the family?

Rights	Responsibilities
Receive information	Understand and respect family and business governance
Be considered for roles in family leadership, business and philanthropy	Reinforce family unity and respect family values
Attend family meetings	Avoid conflict and disputes
Own shares	Education and preparation as needed to be a good owner of wealth and contributing member of the family
Receive dividends	Behave at all times as a family ambassador
Vote on major issues	

Templates

Template 3.A: Governance and Leadership

[Template 3A_LeadershipGovernance.docx](#)

Template 3.B: Family Constitution

[Template 3B_Family Constitution.docx](#)

Template 3.C: Family Meeting Agenda

[Template 3C_Family meeting agenda.docx](#)

Template 3.D: Rights and Responsibilities

[Template 3D_rights and responsibilities.docx](#)



Module 4 Checklist:

Governance and Leadership

Contents	Yes	NO
1. Are individual roles clear, including for in-laws?		
2. Are the purpose and practical aspects of family organisation clear and agreed?		
3. Is there a written Family Constitution, including rights and responsibilities?		
4. Are family meetings held and well managed?		
5. Is the leadership model, including succession planning, working well?		
6. Is the approach to dispute resolution (and conflict avoidance) understood and in place?		
7. Are effective measurement and feedback systems in place?		

Family Office	Yes	NO

Family Eco-System	Yes	NO



"If we command our wealth, we shall be rich and free; if our wealth commands us, we are poor indeed"

Module 5

Asset Structuring and Wealth Preservation

Video Lessons and Summaries

HWV1004 Introduction: The Family Philosophy of Wealth

WMA1001 Introduction: Asset Structuring and Estate Planning

WMA1004 The HEW Trust: Securing the Long Term Future of Your Family

WMXXX The Ethical Will

WMXXX Wealth Preservation

WMXXX Wealth Distribution

Selected Reading

Strategy for the Wealthy Family (pages 155-210)

Family Legacy and Leadership (pages 19-29)

Examples / Templates

1. Philosophy of Wealth

2. Wealth structuring and distribution principles



Module 5: Questions to be Considered

- 01 Have you defined your family purpose and philosophy of wealth?
- 02 What are the 'branches' of wealth that require separate statutory?
- 03 How can these assets best be structured and administered?
- 04 Do you have an adequate approach to wealth preservation, approach to family values, clear and sustainable distribution policies, risk management policies, policies and pre-nups etc.
- 05 Is there a great educational program for Next Gen members of your family?
- 06 What changes in the external engagement - fiscal, financial or political/economic- may juxtapose wealth continuity? What can we do about them?
- 07 Do you have a trustworthy team of advisors and an annual review of the performance of your 'eco-system'?
- 08 Who in the family understands the details of wealth statutory?
In the Next Generation?



Key Takeaways

There are 3 main philosophies of wealth:

1. Proprietor: Financial assets are the property of the current wealth owner—can do with the wealth as he or she wants
2. Stewardship: Family wealth held in trust for future generations
3. Both: The most common wealth philosophy—a portion of wealth is spent by the proprietor and a portion is held for the future

Introduction

Defining your family's philosophy of wealth is an important step in defining the roles of individuals in a business.

Are family members proprietors or stewards?

Knowing this will guide crucial decisions on ownership, distribution, structuring, investments, and other elements involving the family enterprise.

Guidance

Think about your family's philosophy of wealth. The two main philosophies are those of proprietors ("this is my money to spend") and stewards ("this money is for future generations").

Your family's wealth philosophy should be clearly documented since philosophical differences can lead to conflict regarding investments, distribution, structuring, ownership and other elements that involve managing the family enterprise.

The two ways wealth can be viewed:

1. As an asset that can be used and controlled within the current generation—a proprietor will see wealth as a means to an end.
2. As an asset that should be nurtured and protected for future generations—a steward will see wealth as not entirely theirs.

Most philosophies of wealth are a balance between these ideologies. Finding a balance between spending, investing and preserving wealth is imperative to prevent friction between family members.

Family members will undoubtedly have differing opinions; understanding these views and finding common ground before conflicts of opinion arise can be a critical element in the preservation of family wealth and harmony.



Key Takeaways

Review your wealth objectives:

- Important to clarify your family philosophy of wealth.
- Need to decide if you want multiple objectives for a single pool of wealth or a single objective for each multiple pools of wealth?
- Understand what you want to do with your wealth and why
- Choose a cost-effective vehicle that is best suited to meet your objectives
- Turn your objectives into practical structuring that allows you to control your wealth
- Decide how the vehicles will be administered, how decisions will be made, and how good advisors will be selected now and in the future
- Asset structure management can be as important as vehicle selection
- In which jurisdiction will you operate?
- Trusts can be governed by strict rules contained in a trust document or influenced by a non-binding letter advising the trustee
- Asset structures are complex, so seek expert advice for vehicle and jurisdiction selection,

- Trust—an agreement between a settler, a beneficiary, and a trustee
- Foundation
- Company
- LLC
- LLP
- FLP
- FIHC
- Fund
- Insurance policy

Once the vehicle has been chosen, determine how, where and by whom the vehicle will be administered, what decisions need to be made and how advisers will be chosen for each asset. Finding the right people to manage the vehicle is as important as which vehicle is selected.

Examples of oversight management:

- Trustee
- Trust company
- PTC- Private Trust Company
- Protectors / Enforcers—people who make sure directors fulfill their duties
- Directors
- Employees
- GP / LP Fund

Introduction

In this module on asset structuring, we will be looking at your wealth objectives (multiple objectives for a single pool of wealth or a single objective for multiple pools), creating a practical structure based on your objectives, and using that structure as a risk management device (taxes, generational transition, etc.).

Guidance

Understanding your wealth objective is the foundation of asset structuring. Once you define the goals for your wealth, you can begin assessing different approaches to determine how to structure your assets. Examples of asset structuring vehicles:

Once you have decided which vehicles to use and how oversight will be managed, the next step is to choose under which jurisdiction the assets will be structured. Examples of jurisdiction:

- Priorities
- Quality
- Tax / dual tax
- Remote distribution
- Disclosure
- Time zone / access
- Diversification
- Cost
- Flexibility
- Fit

Trusts are one common method of asset structuring. A trust is not an entity like a corporation. Rather, a trust is an agreement between:



- A Settler
 - » The individual who originally holds an asset and want to give control of the asset(s) to a beneficiary
- A Beneficiary
 - » The person who receives an asset in the future
- A Trustee
 - » The individual who takes responsibility of the asset on behalf of the settler until the beneficiary is of age

A trust can be governed by a strict set of rules in the initial agreement and later influenced by a letter of wishes, a non-binding document that gives the trustee advice from the settler. The trustee becomes the owner of the asset and has the freedom to act as he or she deems appropriate, always acting in the best interest of the beneficiary.

Structuring family business assets is technical, complex and often requires expert advice. However, thoughtful and expertly implemented asset structure gives you control over your family's future wealth—allowing you to protect and transfer your wealth effectively across generations.



Key Takeaways

- A HEW trust (providing future funding for Housing, Education and Welfare expenses for members of following generations) can ensure that your family's most basic needs are attended to in the future, even if direct inheritance are lost.

Guidance

Previous modules discussed how to structure assets at a high level and how wealth will be allocated and used. Another asset structure option is slightly more creative: a "HEW" trust. A HEW trust addresses the health, education and welfare of current and future generations. HEW trusts take a small portion of family wealth and set it aside for healthcare, education and general familial welfare in case of hardship. HEW trusts work like an insurance policy that can last many generations.

For example, you could allocate 90% of your wealth to your children as inheritance and 10% to a separate HEW trust that will be available to future generations. That 10% acts as an insurance policy to cover basic needs in the event of a financial catastrophe, revolution or other event terminating the flow of wealth within one or more branches of the family. A HEW trust can satisfy long-term needs, helps families achieve their purpose, and promotes unity and harmony for many generations.



Key Takeaways

- An ethical will captures soft elements, such as family history and culture, and conveys wisdom to the next generation rather than financial or physical assets whose distribution is stipulated in a traditional way.
- The format can be digital or traditional, in written, audio or video format, as long as the content is effective and evolving as a means of communicating key messages.
- Understanding family history and lessons learned can contribute to the 'ancestor effect' which leads to increased confidence and improved performance in following generations.
- An ethical will may be the most meaningful element of legacy you leave for your family, which can support the continuity of family wealth.

In addition to assets and business strategies, the lessons you have learned as a wealth owner and family leader are valuable knowledge for your children and other family members. Not only should you create a document for future generations, but you should also engage with family members and have meaningful conversations now for richer knowledge sharing than any document can provide. Understanding family history creates an ancestor effect; knowing where you come from and the successes of your predecessors can give you confidence and an advantage over having to start from scratch.

An ethical will may benefit from a consideration of a family's statement of purpose, philosophy of wealth and definition of true family wealth.

Since monetary wealth can come and go, an enduring ethical will may be the most important thing you can contribute to the prosperous future and broader well being of generations.

Introduction

An ethical will is a document that addresses the soft elements, such as your knowledge and experience as an entrepreneur and family leader and the wisdom that you would like to pass on to future generations. The document can be written or recorded audio or video, as long as it is authentic, and may be the most meaningful artifact you leave for future generations.

Guidance

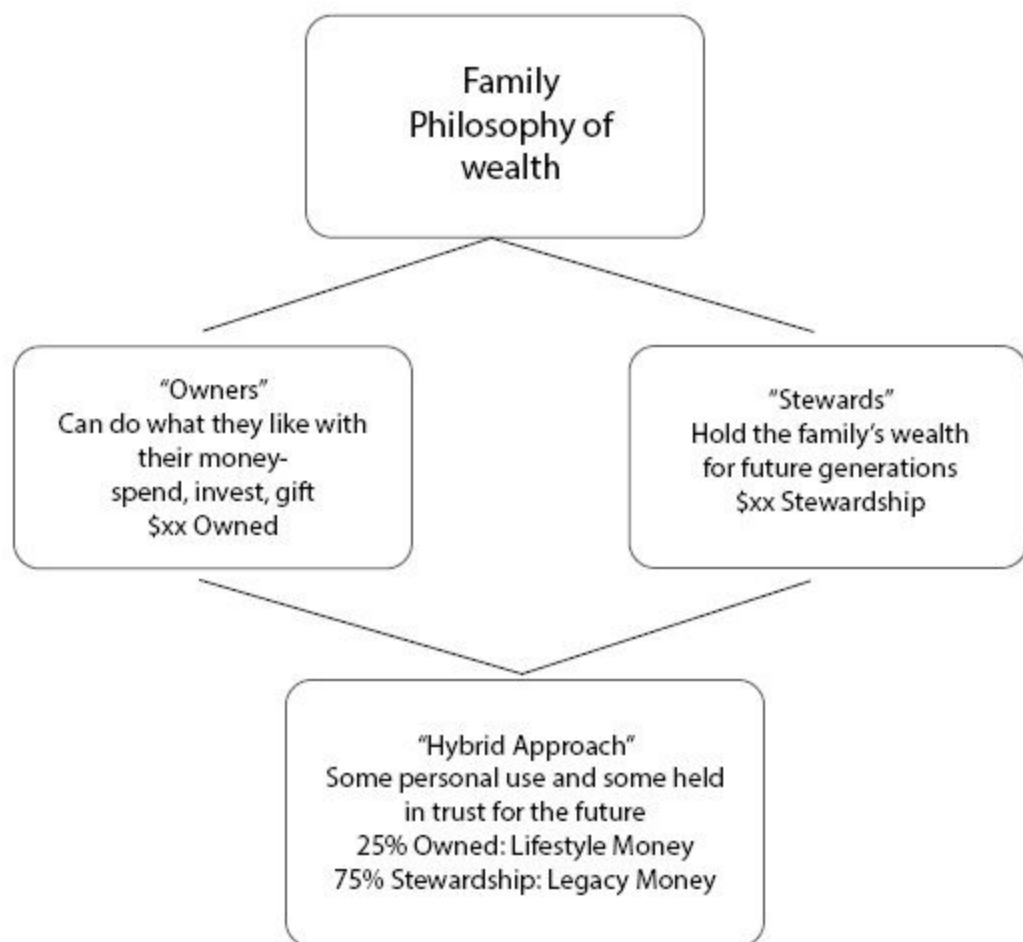
Consider long term goals for both soft and hard issues. Learning and wisdom are part of the legacy that you leave for the next generation—the principles and philosophies (soft issues) of previous generations are passed on in the ethical will. An ethical will says:

- Who you are
- What you have learned in your life
- What you would like to convey to the next generation



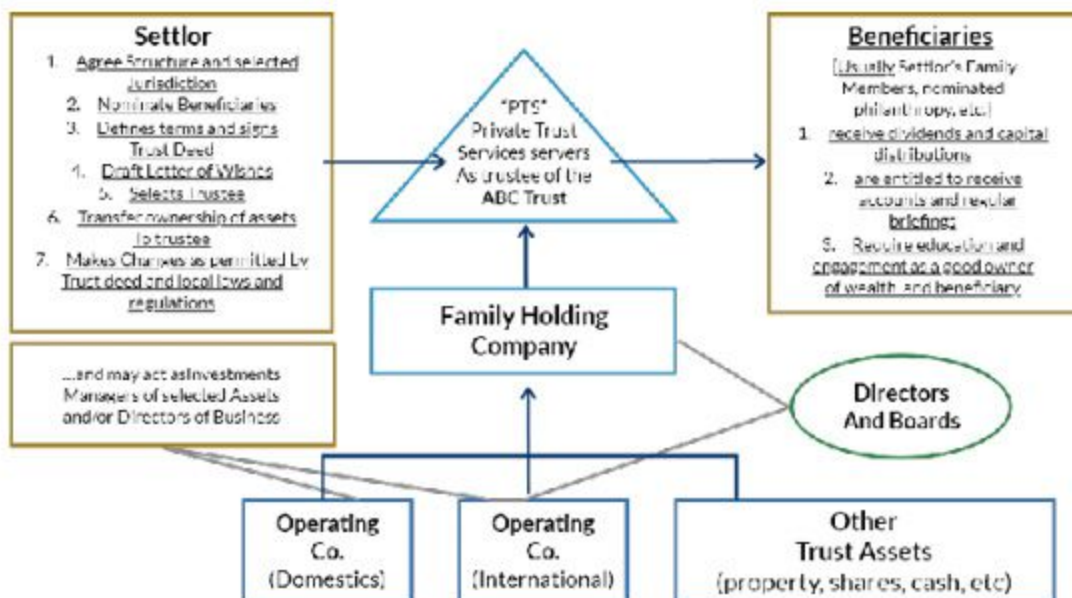
Examples & Templates

Example 4.A: Philosophy of Wealth



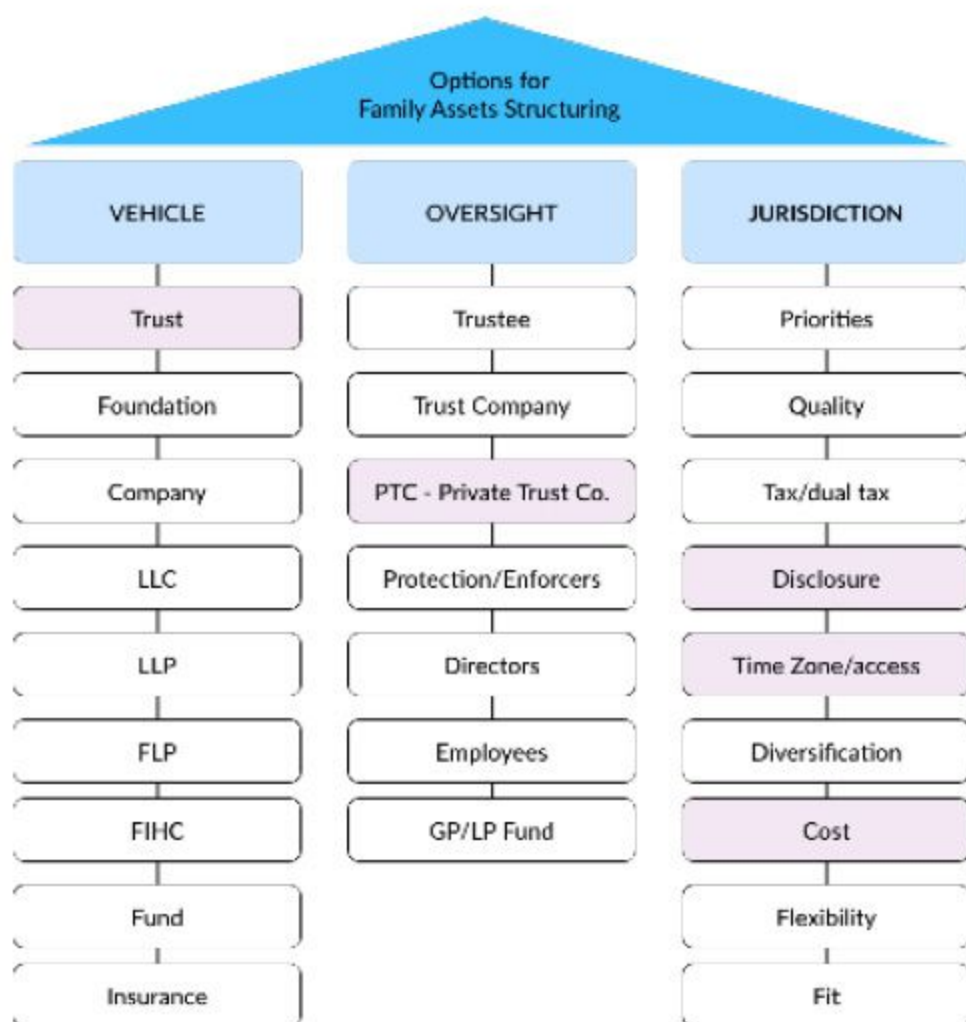
Examples & Templates

Example 4.B: Trust and Corporate Structure



Examples & Templates

Example 4.C: List of Options



Examples & Templates

Example 4.D.i: Legacy Checklist—Good Beneficiary

A good beneficiary's approach to his or her trustee will include:	Score 1-10 [10=Hi, 1=Lo]
1. Understanding all relevant trust documentation	
2. Understanding the trustee's obligations and liabilities	
3. Understanding investment policies and risk management	
4. Frequent communication with trustee when necessary	
5. Understanding the rules of income distribution and capital access	
6. Avoiding conflict and reducing other risk	
7. Participating (where possible) in trustee selection	
8. Educated on relevant trust principles and understanding options	
9. Ensuring regular meetings take place for which the beneficiary is fully prepared)	
10. Understanding the value of a win-win relationship	



Examples & Templates

Example 4.D.ii: Legacy Checklist—Good Trustee

Some of the skills and attributes of a good trustee are a capability and willingness to:	Score 1-10 [10=Hi, 1=Lo]
1. Keep current on knowledge and training	
2. Surfaces and reviews ideas for improved asset structuring	
3. Build the relationship	
4. Educate current and future beneficiaries,	
5. Communicate often	
6. Pursue best practice in documentation, including preparing information two weeks before regular briefing sessions	
7. Plan succession (in family and trustee roles)	
8. Ensure flight clauses and trustee succession are in place	
9. Know where the job begins and ends	
10. Go beyond the pure requirements of the job; can play many roles	

Templates

Template 4.A Philosophy of Wealth

[Template 4A_Philosophy of wealth.docx](#)

Template 4.B: Trust and Corporate Structure

[Template 4B_Trust and Corp Structure.docx](#)

Template 4.C: List of Options

[Template 4C_List of options.docx](#)

Template 4.D: Legacy Checklist—Good Beneficiary

[Template 4D_Legacy Checklist.docx](#)



Module 5 Checklist:

Family Asset Structuring

Content	Yes	No
1. Is your philosophy of wealth clear and agreed? (i.e. are you "owners" or "stewards" of family wealth?)		
2. Are the high level objectives of asset structuring clear?		
3. Do family members understand the asset structures and their role(s), rights and responsibilities within the system?		
4. Do you have the right set of trustees, directors, protectors/enforcers, and advisors in place and working well?		
5. Are the principles of your approach up to date?		
6. Are all tax risks (present and future) fully considered and managed?		
7. Is the approach fully effective (meets objectives) and efficient (low cost)?		



“Happiness is not in the mere possession of money; it lies in the joy of achievement, in the thrill of creative effort.” - Franklin D. Roosevelt

Module 6

Family Wealth Management

Video Lessons and Summaries

- WMA1101 Introduction: Family Wealth Management
- WMA1010 Best Practice in Private and Family Investment
 - WMA1XXX Asset Allocation
 - WMA1XXX Goal Based Wealth Management
- WMA1XXX Selecting Specific Investments for Your Family
 - WMA11XXX Family Financial Eco-system
- WMA1XXX Consolidated Reporting and Active Cost Management
 - WMA1XXX Annual Investment Policy Statement
 - WMA1XXX Sustainable and Impact Investing

Selected Reading

Strategy for the Wealthy Family (pages 221-290)



Module 6: Questions to be Considered

- 01 How effective has your approach to wealth management been in the past? (after all costs and appropriate benchmarks)
- 02 What are your longer term wealth management goals and strategy?
- 03 Are your wealth ownership statutes and processes fully aligned with your philanthropy of wealth, long term goals and both family and fiscal contexts?
- 04 How do you embrace different views on your philanthropy of wealth?
- 05 What are the implications of defining different investment portfolios within one family?
- 06 Are your investment and distribution policies set for the short, medium and long term?
- 07 What does it mean for you to be a good owner?
- 08 Do you have an appropriate educational program for all members of the next generation?
- 09 What gaps exist and how can you address them?
- 10 How does your family operating business(es) fit into overall family wealth and risk management strategies?
- 11 What should be your strategy on sustainable and impact investing - and is it a good opportunity to engage and educate the next generation?
- 12 Is co-investment into a new quality business an attractive option?



Key Takeaways

A comprehensive and integrated approach to family wealth management:

- Define philosophy of wealth and overall wealth strategy
- Set investor profiles and specific investment objectives
- Decide on approach to investment (e.g. GBWM)
- Structure asset ownership and establish investment approach and sustainable wealth
- Agree on potential future macroeconomic scenarios in the short and long term
- Identify the most dangerous risks and most attractive opportunities
- Determine your family strategy with regard to Sustainable and Impact Investing
- Determine your family policy with regard to co-investing (especially in property projects or operating businesses)
- Define wealth allocation by asset category, risk/return, and the strategy for each asset class
- Perform necessary due diligence on potential for post-cost return vs objectives and review expected results as other investment options
- Make tactical investment decisions based on the policy target with appropriate discipline, implementation and structure
- Monitor and adjust investments as appropriate
- Insure comprehensive and timely reporting, portfolio efficiency and risk analysis, linking results achieved with initial strategy and defined expectations.
- Ensure you have the best possible FO investment staff and supporting eco-system
- Educate the whole family on financial disciplines and wealth management

One family-centric approach is called Goals-Based Wealth Management (GBWM) and assumes that the true definition of risk is the potential for a family to fail to achieve its goals. Investing families constantly evaluate which mix of assets will most likely achieve the family's financial objectives for capital protection and growth, income generation, portfolio efficiency and investment effectiveness. In the GBWM approach, defined pools of capital are created, each serving a specific purpose with separate objectives, which are then integrated to achieve the family's overall investment objectives.

Guidance

This module will focus on family wealth management, which addresses the use of financial wealth funds outside of the family business. Family wealth management is the practice of dividing and investing liquid wealth into different investment pools to achieve overarching financial objectives.

When properly managed, different objectives, risk profiles and investing activities and styles can be managed under one portfolio.

Successful family wealth management depends upon several factors:

- A clear strategy
- A disciplined and professional investment process which includes
 - » Document asset allocation
 - » Professional portfolio evaluation
 - » Understand buying and selling tactics
 - » Track performance over time
 - » Understand why you're making an investment (compared to your strategic goals)
 - » An effective team and eco-system
 - » A high quality control system
 - » A culture of objective reviews and necessary adjustment

Introduction

The family is always at the heart of family wealth management. Following the financial crisis, a more practical, human approach to investing earned increasing favor over a purely theory-based portfolio approach.



Guidance

Discipline and structure are necessary for successful private investing. Develop a clearly defined approach and adhere to the rules in order to create a robust approach to private investing.

Step by step investment process:

- Define your investment objectives and process. What do you want to achieve and how will you achieve your goals?
 - » Consider time-frame, capability and funding
- Agree on potential future macroeconomic scenarios.
 - » If you work on an annual planning cycle, what do you think will happen in the next year?
 - What has happened in the world economy?
 - What has happened in the market(s) in which you plan to invest?
 - » How are you going to understand and respond to change?
- Identify the most dangerous risks and most attractive opportunities.
 - » Decide where to invest and how to manage the inherent risks in those areas.
- Define the asset allocation model, strategy and technical approach to each selected asset class.
 - » How much money will you be investing?
 - » How will you allocate those funds?
 - » What are your objective “buy”, “hold” and “sell” conditions?
- Conduct due diligence on managers and individual investments.
- Monitor and adjust investor mix.
- Ensure timely reporting.
- Control costs.
- Monitor managers and portfolios closely.

Set up a step-by-step process, understand investments in each area, manage money objectively and avoid the emotional traps people often fall into. By creating and strictly following a structured approach to investing, you can position yourself for a much greater likelihood of an extended period of successful investing.



Asset Allocation

The recommended allocation takes into account investment needs, time horizon, and ability to tolerate fluctuations in the value of the portfolio. Based on informal investment profile and objective of achieving a return over the long-term in the range of 5-7% per annum before fees, the portfolio would be allocated as follows:

	Target Asset Allocation	Asset Allocation Guideline Ranges	
	Asset Mix	Minimum	Maximum
Cash	5%	0%	5%
Fixed Income	15%	15%	30%
Equities	40%	20%	40%
Hedge funds	10%	0%	10%
Real estate	10%	0%	20%
Private Equity	10%	0%	10%
Infrastructure	5%	0%	5%
Gold	5%	0%	5%
Total	100%		

Rebalancing

The asset allocation recommended for the portfolio represents appropriate balance among asset classes given our risk tolerance. A rebalancing of the portfolio may be recommended based on a substantial change in the mix caused by relative price movements. At a minimum, this will be reviewed annually. The family office has the authority to make tactical allocations within the asset mix ranges.

Quality Guidelines

Quality guidelines are designed as a framework for helping to ensure that securities chosen within the portfolio meet certain criteria. The portfolio will be invested prudently, taking into consideration: securities ratings, portfolio and industry concentration limits, issuer size and ensuring that securities are traded either on a recognized public exchange or as qualified public issues.

Portfolio Constraints

Issues of securities that need to be excluded from your investment portfolio are designated in the Appendix. There are currently none. As well, any pre-existing assets to be managed on a special situation basis will be listed in Appendix along with a description of the treatment of and strategies for these securities. There are currently none.

Tax implications

All of the family entities are taxable, so tax-aware investing is a key component of this investment policy and should be factored into the investment decisions wherever possible.

Investment Manager Selection

Investment managers will be selected by an MFO (Mayfair Family Office) based on the investment policy. The roster and selection guidelines will be reviewed on a regular basis by the investment committee. The manager selection process will be based on the following Five Ps guidelines:



Examples & Templates

Example 5.C: Goals-based Wealth Management

Defining Goals and What They Really Mean

Lifestyle (Spend)	<p>Wealth Preservation Provide principal protection, stability, liquidity and consistent income generation</p> <p>Income Generation Provide high levels of current income, modest principal growth and inflation protection</p> <p>Wealth Accumulation Provide capital growth/growth of principal</p>
Legacy Wealth (Transfer)	<p>Generational Transfer Provide growth of principal for current and subsequent generations</p> <p>Legacy Funding Sustain portfolio assets and income across generations in perpetuity</p>

Source: BNY Vision 2020



Guidance

Designing a professional process, evaluating each step and supporting decisions with data are essential building blocks for a successful family investment plan. When evaluating investments, consider the 7“P”s:

- Performance
 - » Understand the financial history
- People
 - » Who's involved? Who are the major stakeholders? Who is on the board? Who runs the company?
- Philosophy
 - » What is the target asset hoping to accomplish? How similar are your philosophies?
- Price
 - » How and when will you buy and sell? What are possible asset or market scenarios? What kind of profits can you make?
- Process
 - » What limitations will this investment have? How can you get it into a fund? How liquid is it? Has it maximized potential already?
- Partners
 - » What is their background and experience? What role do they play?
- Post investment policies
 - » What information will you get, and how much control will you have over the investment?

By considering these criteria, you can better gauge the value and potential return of an asset prior to investing.



Introduction

Family investors and family wealth managers need to have an effective ecosystem in order to design and implement their strategies.

The family financial ecosystem is comprised of the family, internal family resources, external suppliers, and the web of advisers and influencers who make up the interconnected system that shapes and implements a family's wealth management strategy.

Having the wrong advisors, or being given the wrong advice, can be a greater risk to a family than to a professionally managed financial institution, especially if the family is relatively inexperienced. Assessing, selecting and managing advisors requires experience and an objective view of performance.

Inept advisors with insufficient information, poor skills, bad motivations, or even all three of these together, could become predators in the family ecosystem, a notable source of significant loss of family wealth over the years.

Guidance

While the family is at the core of any family wealth and business ecosystem, they are surrounded by other individuals and institutions in an 'eco-system' that, interconnected, looks a bit like a target. The family is at the center, and is the 'bullseye' many people aim for in various roles. The inner circle is the closest to the family and shares the family's philosophies and goals. In the next ring beyond the inner circle are trusted advisors and staff, who are long term and valuable partners. On a further ring are found the professionals, who provide a variety of specialized, often transactional, services.

All of these concentric rings need to be considered and managed to ensure there is an effective supporting system for the family,

In the ring furthest from the leader are the institutions - schools, churches, associations, etc. - that have only an indirect influence on any specific decisions but can have an enormous gravitational impact on the family's legacy. Map out your current family ecosystem based on these categories, constantly evaluate performance against objective standards and make changes as needed over time.

Monitor performance and contributions from people and companies in the ecosystem. Reward high performers and reinforce positive contributions. Coach, retrain, reassign or release poor performers. Define your goals, build the right team to support you and be thoughtful when implementing your plans to create the most effective ecosystem for your family.



Key Takeaways

- A big mistake that family investors make is calculating the cost, efficiency and relative performance of the portfolio after fees and carry.
- Understanding 'see-through profitability' (profit after all costs are alleviated) and management (including taxes) are essential.
- Become more efficient by looking at the aggregate cost of the individual instruments in your portfolio.
- Measure profit and Total Shareholder Return (including dividends and capital gain and net of all costs) as fully costed benchmarks
- Conduct consolidated portfolio reporting and make sure your processes are working well to guide investment decisions, manage your money and align your portfolio processes.

Some types of investments are difficult to forecast, but reporting is still worthwhile to understand how your money is performing and how that performance is changing over time and against expectations.

Consolidated reporting lets you see the big picture and update forecasts and estimates as needed. These consolidated reports can then be used to guide investment decisions, inform cost negotiations and improve portfolio processes to manage your money professionally.

Guidance

One mistake that many family investors make, and an easy opportunity for improvement, is failing to calculate the full cost, efficiency and relative performance of the portfolio after fees and carry. Investment management fees can add up quickly, so understanding see-through profitability on a fully costed basis is very important.

Understand where you can negotiate, and consider each individual instrument and its aggregate cost as well as within your portfolio. Ensure your portfolio processes are working well, and report on performance relative to benchmarks for your assets to understand how well your portfolio is truly doing on a comparative basis. Optimize your time and funds to ensure the highest possible yield.

Finally, consolidate your portfolio analytics. Run monthly and quarterly cost and income reports and compare actual performance to your internal forecasts and external benchmarks.



Examples and Templates

Example 6.A: Annual Investment Policy Statement

Purpose

The Investment Policy Statement (IPS) is a strategic guide to the planning and implementation of the family's investment program. It provides a framework for managing your investment assets and will prescribe the structure, content and administration of your portfolio. Specifically, the Investment Policy Statement is intended to:

- Establish a clear understanding of the investment goals and objectives of the family
- Determine the relevant time horizons in which the funds will be managed and evaluated
- Set out the structure and process for managing the investment assets, including asset allocations, asset classes, and the composition of the portfolios
- Describe the criteria by which investments and managers will be selected and any restrictions that must be followed
- Outline the process by which the investment program will be implemented and administered on an ongoing basis
- Define the decision-making process and the responsibilities of all parties involved in the management of the assets
- Ensure effective communication between you and the various parties involved in the investment management process
- Ensure that the governance and the management funds comply with all applicable fiduciary standards and regulatory requirements
- Establish a clear basis for reporting on and evaluating the investment results

Background and Scope

This investment policy is designed for the Reynolds family and its related entities. James (71) and Susan Reynolds (64) are the owners, beneficial owners and/or trustees of the entities listed below. These investable assets comprise the bulk of the family's net worth, with the exception of their remaining (55% share of Reynolds Aviation) and their homes and personal use assets. The total investable asset across all entities is \$100 million.

- James and Susan Reynolds
- Reynolds Family Trust
- Artorius Capital
- Cuscaden Family
- HEW Trust

The Reynolds Family Foundation is viewed as a separate entity with a separate investment objectives and policy and an independent board of directors (even though controlled

Objectives

The portfolio is to be constructed to:

- Preserve capital, in real terms
- Provide income to fund spending and donation requirement,
- Provide reasonable prospects for growth within a moderate risk context, and
- Provide some limited liquidity

Specifically:

- The portfolio will be expected fund annual family lifestyle income requirements of \$1 million
- The family intends to continue its tradition of funding all education costs of its descendants for as long as possible and discretionary investments in family member's entrepreneurial ventures. In recent years this has averaged \$1 million per year. This funding is expected to come from the HEW Trust
- The family would like to be able to provide additional funds to the Reynolds Family Foundation of \$20 million on the death of James and Susan.
- The family would like to retain the purchasing power of the capital and grow the funds modestly after distributions.



Key Takeaways

- Being a good family wealth owner requires hard knowledge and soft skills related to the family, quality businesses, wealth statutory and investment
- Business knowledge includes:
 - » Effective ownership practices and principles
 - » Accounting and finance
 - » Asset management and business ownership
 - » Strategy
 - » Governance
 - » Leadership and management
 - » Effective audits of purpose (business, board, management) against objective standards
- Soft skills include:
 - » Communication skills
 - » Leadership
 - » Teamwork
- Recognize when the family is unable to contribute to the company's success, innovation and growth
- Regularly review your business portfolios and where they are in the life cycle
- Consider the best approach to the possible appointment of non-family members to your business board

Introduction

Being a good owner of your family's business is important to preserve wealth and business longevity. However, being a good owner does not necessarily require being directly involved in the day-to-day management of the company.

While preserving the family business is a common goal, maintaining a business that spans generations is not easy. Successful businesses last for an average of 50 years.

Innovation and growth are essential to sustain a business, but good owners also know when to sell a business to capture the maximum value for the family.

Guidance

What does it mean to be a good owner? How can you know when you are prepared for the responsibilities of business and asset ownership?

Begin by developing the skills associated with your particular function or domain. For example, if your function is finance, become an expert in accounting and financial management. Through your functional expertise, begin learning management, ownership and governance of both the business and family. While working towards functional expertise, continually refine your soft skills, such as communication and relationship management. Because of the nature of family businesses, they often have greater potential for longevity, but sustaining a family business still requires innovation and change. Maintaining growth through generations is a challenge. Knowing how and when to sell may eventually be the best option for your family.

Effective owners not only have functional business expertise, but also maintain a portfolio perspective. They know how to maintain effective boards, comprising both family and non-family members to promote diversity and objectivity.

Understanding daily business operations and how to manage the business both contribute to becoming a good owner. However, not every family member can act as an owner, as the family would become too removed from the business. Find balance as an owner by dividing time between management and operational responsibilities, and structure your family organization to build expertise in both.

In addition to business management and operations, a good owner must understand the strategic possibilities for the company and appoint a CEO that is capable of executing the family's strategy and company vision.



Key Takeaways

- Diversify away from home market risk, business sector risk and other risks.
- Look at interesting co-investment as risk-adjusted diversification opportunities.
- Understand the risks of diversifying into areas outside of your expertise.
- Remember the best investments are always in known markets and known product areas.
- Leverage partners, advisors and other expert knowledge to learn about new investment domains and proceed carefully.

Find investment partners who are familiar with these areas and research thoroughly beforehand. Seek partners who may be interested in investing in your domain or industry so there is possible reciprocation if the first project(s) go well at all levels..

Co-investors who invest in your family business may also help you grow into new markets while expanding your family's network. The best investments are in known markets or known product areas. Consider reducing the risk of diversifying into new markets through analysis and co-investment.

Guidance

As the world becomes more volatile, uncertain and complex, many family investors are becoming more interested in diversifying away from home market and business sector risks.

Family businesses are beginning to diversify their operations by exploring other markets, either within the same industry or in new markets altogether. Portfolio diversification is one tactic for long-term wealth asset allocation model that protects the family. Even families in high growth, emerging markets, which were once an avenue for diversification, are now diversifying away from their home market concentration risk as well.

When investing outside of your comfort zone or area of expertise, evaluate specialists and explore opportunities with local investors who have specific information, networks, opportunities and risk management practices that could take a long time to develop organically. Diversifying into unfamiliar areas with new pastures has inherent risks that need to be managed carefully.



Examples & Templates

Example 5.A: Investment Profile and Objectives

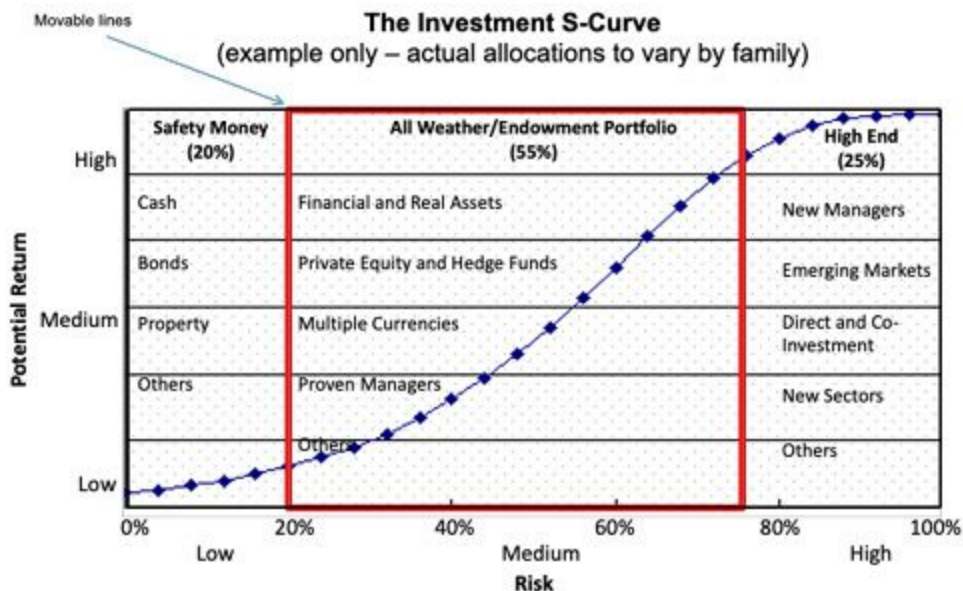
Investment Profile			
Timeframe	short term	medium term	long term
Risk Appetite	low	medium	high
Liquidity Preference	high	medium	low
Savings Rate	low	medium	high
Contingency Needs	high	medium	low

Investment Objectives
1. Double value of family financial assets in seven years (after distributions)
2. Distributions below sustainable rate of withdrawal
3. Shift to top-decline managers only, using EFIM
4. Diversification of managers
5. High-quality reporting



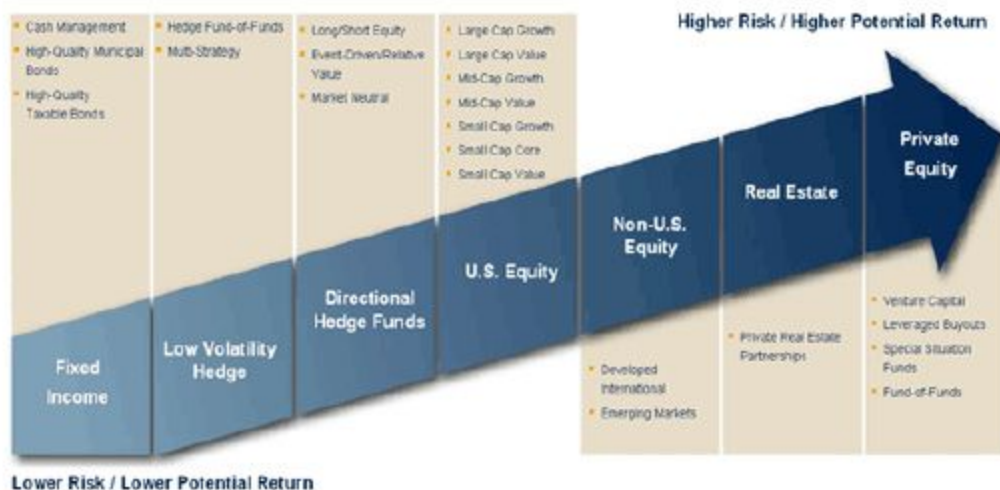
Examples & Templates

Example 5.B: The Investment S-Curve



Examples & Templates

Example 5.C Instructions: Risk-based Asset Class Summary



Examples & Templates

5.D: Goal-based InvExampleesting

Objective-Driven Investing



Source: BNY Vision 2020



Examples & Templates

Example 5.E: Individual Investment Assessment

Individual/Manager Evaluation Scorecard

	Score 1-10 (1=Low, 10=High)
1. Performance and financial history	7
2. People and team	8
3. Philosophy (investment thesis and expected return)	7
4. Price and terms (costs including see-through)	5
5. Process of investment (if a fund) and principles of evaluation	7
6. Partners (strategic, operating and financial)	6
7. Post-investment policies, including reporting, control, management and follow-up	7
8. Right time to buy?	10
9. Plan to sell in place	4
10. Tax-effective structures	5
Total of 100	66

Templates

Template 5.A: Investment Profile and Objectives

[Template 5A_Investment profile and objectives \[check\].docx](#)

Template 5.B: The Investment S-Curve

[Template 5B_SCurve \[check\].docx](#)

Template 5.C: Goals-based Wealth Management

[Template 5C_GBWM \[check\].docx](#)

Template 5.D: Goal-based Investing

[Template 5D_GoalBased Investing \[check\].docx](#)

Template 5.E: Individual Investment Assessment

[Template 5E_Individual assessment.docx](#)



Module 6 Checklist:

Family Wealth Management

Contents	Yes	No
1. Are your short and long term objectives set?		
2. Is your investment philosophy (active vs passive) defined?		
3. Are your investor profiles established for each family portfolio?		
4. Are you happy with your strategic asset allocation and tactical ranges as currently set?		
5. Do you have a good process to make and monitor decisions on individual investments - both to buy and to sell?		
6. Are your approaches to risk and cost management sufficient?		
7. Is your overall performance vs benchmark satisfactory?		



Key Takeaways

- The annual investment policy statement (IPS) and the longer term strategy development (LTSD), the two key documents for successful, professional wealth management
- Consistent with the content of the strategy development, an IPS is often produced annually and is updated every year
- The IPS is a market-specific and time-bound action plan for the tactical implementation of the long-term strategy document.
- The IPS is prepared in advance and provides both investing and divesting guidance for the coming year.
- The IPS needs to take into account any expectations for dividend payment or capital distribution during the year
- Any other emerging family investment principles (negative success, exposure, diversification, etc) have to be respected

Guidance

The second key wealth management document is the annual IPS. The IPS is a short-term tactical document that translates the long-term strategy document into an actionable plan. It provides structure to investment policy and annual investing and divesting guidance.

IPS contents:

- The purpose and scope of managed funds—are the funds associated with specific objectives, purposes and time-frames?
- What investment principles will be used, and what is the expected rate of return?
- What are the definitions and tolerances for risk?
- What is your planning horizon, and what time-frame are you considering?
- What asset classes are available, and how will you allocate funds?
- What quality guidelines and portfolio constraints will be imposed?
- What roles will family members and managers play?
- How will you monitor both individual investments and the entire portfolio?
- How will the IPS account for changes in the market and unexpected results of investments?

Introduction

The annual investment policy statement (IPS) is a tactical guide to implement the family's investment program, which is captured in the long-term strategy document. The IPS provides a framework for managing the family's investment assets and prescribes the structure, content and administration of the family's portfolio. It reinforces the family's investment goals and objectives, confirming the asset allocation model and describes the tactical ranges within which the family will invest during the year, determines timelines for fund management and evaluation, outlines the investment program implementation and defines the roles and responsibilities for all asset management stakeholders.

This LTSD and IPS are drafted within a set of defined expectation and assumptions regarding the external ____ (interest rates, economic growth, sector attractiveness, changes in tax policy, etc) ____ for the year.

Run periodic investment reports to track progress against your plan. Remain objective through this complex and potentially emotional process to promote sound, professional investment decisions.



Investment Principles

The portfolio will be managed based on the following investment principles:

- Diversification among uncorrelated asset classes can help to reduce risk.
- Sound investment in illiquid assets can add to return. The family is able to withstand some illiquidity due to the size of its assets and the long term nature of its objectives.
- Investment fees should be minimized where possible due to the large negative effect they have on investment returns.
- Since the family and its entities are taxable for the most part, sensible tax savings strategies and tactics should figure into the investment policy where possible.
- Investments should be purchased with a margin of safety where possible. Chasing return, following the crowd and speculative securities are not appropriate strategies for this portfolio.
- Reinvestment of dividends and investment returns (net of income requirements) is an important way to grow capital.

Expected Return

Within these overall objectives, the portfolio should seek to earn total returns in the range of 6-8% over the long term before fees and investment expenses. Given historical experience and the ability of the family to invest for the long term with minimal liquidity requirements, this rate of return should be achievable on average. The rate of return is expected to vary each year based on developments in the capital markets.

Income Needs

Income will be required from the portfolio to fund the income oriented objectives is a minimum of 1.5% capital and may need to rise in the future.

Liquidity

Over the short term, the portfolio should be sufficiently flexible and liquid to accommodate reasonable capital withdrawals that may be required, although none are currently foreseen. However, the specific allocation to short-term investments in the asset mix will be relatively small. Liquidity is likely to be achieved through the income normally generated within the portfolio given the asset mix, and increased as needed by the marketability of possibly listed securities. In addition to planned liquidity amounts, the external investment managers may hold cash positions temporarily, pending their intended eventual re-investment.

Risk Tolerance

The family recognizes that the long-term objectives of the portfolio cannot be achieved without incurring a certain level of risk, and that there are uncertainties within capital markets. The family's investment profile reflects an acceptance of the degree of volatility associated with a portfolio of equities, fixed income and alternative or illiquid asset classes including hedge funds, private equity, real estate and others. A list of risks that need to be considered by the family relative to our investment objectives is included in Appendix A.

Portfolios with an emphasis on long term growth will tend to experience wider price fluctuations in the short-term than over a full investment cycle. In those years when returns are above the targeted range, 50% of the excess return can be considered a reserve for those years when the return falls below this range, income available for distribution.

Planning Horizon

Long-term strategies will be evaluated over a three to five year time frame within the context of the planned investment objectives. Results will be measured annually and reported quarterly.



Asset Class Guidelines

The relatively wide range of objectives the family has (preservation, income, modest capital growth, inflation protection and modest liquidity) will require a range of asset classes to meet those objectives. Fixed income and related investments can provide stability of capital, liquidity and some modest level of income (especially in the current low-interest rate environment). But they are not generally able to deliver consistently high returns, nor significant protection from the effects of inflation. Equities and related growth-oriented assets are designed to provide capital growth, inflation protection and, in some cases, growth in income/dividends. On the other hand, equities can have substantial year-to-year variability which can impact investor confidence and liquidity.

Other investments have a range of positive and negative factors. Many alternative investments (real estate, private equity, infrastructure, some hedge funds) target higher long term returns or less variability in returns (absolute return funds) but can sacrifice liquidity and can have high "friction costs".

The goal of a sound investment policy is to balance the risks and rewards of the various asset classes in service of the objectives of the portfolio and the family. The allowable asset class universe in this investment policy is as follows:

- Cash and money market instruments
- Bonds and fixed income
- Equities – domestic, global, emerging market
- Hedge funds
- Private equity (including funds of funds)
- Real estate
- Infrastructure
- Insurance
- Gold, precious metals, and energy
- ETFs

Asset classes and categories specifically excluded from the investable universe include:

- Structured products
- First time funds
- Speculative securities
- Currencies and foreign exchange
- Aviation securities (due to the family's continuing large exposure to the industry via Reynolds Aviation)
- Mutual funds
- In-home products of investment advisors
- Crypto-currencies and related assets
- Shares of tobacco, firearms and high pollution index companies
- Funds and mandates for discretionary management by private banks



Performance

The manager should have a proven minimum track record (3 years) of performance and an ability to meet the objectives of the mandate it is being given. We will target managers with evidence of a higher than average risk-adjusted return over relevant measurement periods relative to their peers, key benchmarks and/or a minimum absolute rate of return for the mandate.

People

The people managing the funds should be of the highest integrity and meaningful experience. The organization should be stable and profitable. There should be good bench strength, effective incentives, human resource and a good succession plan.

Philosophy

The philosophy under which the funds are managed should be reasonable and the manager should be able to articulate it well. It is also helpful to know if the manager has maintained that philosophy or style over the long-term (particularly through difficult years), and their degree of conviction in their particular investment philosophy. The investment committee has a preference for value-oriented managers and their focus on downside protection and portfolio safety.

Process

The manager should have a proven process to implement its investment mandate that is sensible, disciplined and repeatable. They should also have sound operational, administrative and regulatory policies and practices.

Price

The fees should be reasonable based on the products offered. The investment committee is sensitive to the level of fees and prefers not to invest in high margin (for the issuer) structured products, mutual funds or funds of funds if possible.

Investment Decision Making and Responsibilities

The following outlines the responsibilities of the various parties involved in the investment process:

Family Investment Committee

The family investment committee is the representative of the family in all investment decisions and is responsible to:

- Participate in developing the investment policy including the determination of long-term objectives, risk tolerance, asset mix and control procedures
- Approve the initial investment policy statement and review it at least annually
- Select the investment consultant/ family office who will provide overall management of the investment process
- Report to the other relevant members of the family on the investment portfolio and any relevant decisions and developments

The current investment committee is comprised of James Reynolds, Jeremy Reynolds, Morgan Reynolds, Gavin Dunston (solicitor and trustee), and Maria Van Holland (friend and university endowment investment manager).

Mayfair Family Office (Investment Advisor /outsourced CIO)

The family has retained an objective, third-party advisor (Mayfair Family Office) to manage their financial affairs including their investment portfolio. Mayfair has been delegated the responsibility to lead the investment process by the family investment committee and will:

- Manage the family's investments in the context of the overall wealth plan and family balance sheet
- Prepare, execute and maintain the investment policy statement, in conjunction with the family investment committee
- Recommend an appropriate asset mix that is likely to meet the family's objectives
- Select the investment managers (based on full due diligence) and products to fulfill the asset allocation
- Negotiate investment fees on behalf of the family
- Rebalance the investments as needed
- Monitor and oversee the investments and managers
- Provide consolidated reporting on all investments to the family investment committee
- Manage all portfolio and fiscal risks



Investment Managers

The investment managers selected will have the following responsibilities related to managing a component of the investment portfolio:

- Discretionary investment management including decisions to buy, hold or sell individual securities in the mandates assigned to them
- Ensure 'best execution' on all transactions within the mandate, where relevant
- Diligently follow all regulatory policies and corporate action requirements
- Communicate to Mayfair all relevant information and changes within the firm or the fund
- Provide required reporting to Mayfair

Custodian

The custodian(s) will be responsible for the execution, administration and reporting on the assets. They will:

- Maintain possession of the securities owned by the family in separate accounts based on individual or entity
- Settle all transactions and collect dividends, income and distributions
- Provide monthly valuation and reporting on all holdings and transactions in the account

Reporting and Review

Regularly

Mayfair will communicate the investment committee (via James Reynolds, chair) whenever there are relevant issues to discuss.

Monthly

The investment committee will receive reports from the custodian(s) each month detailing the holdings and all transactions with the accounts.

Quarterly

Mayfair will meet with the investment committee each quarter and will produce formal portfolio statements and transactions for each account together with a written investment outlook and forecast use of funds. A performance report showing the return of your portfolio and appropriate benchmarks for return will also be provided.

Annually

Mayfair will provide a comprehensive portfolio review including performance evaluation, evaluation of financial market conditions, and a review of the specific circumstances of each entity on an annual basis. The investment committee will be asked to review and approve the investment policy annually as well.

Templates

Template 6.a: Annual Investment Policy Statement

[Template 6.a_Annual Investment Policy Statement.docx](#)



Summary Questions

- 01 Before making an investment, have you considered the 5 "P"s?
- 02 Are you looking at investment financial returns before or after fees and taxes are accounted for?
- 03 Do you have a map and management plan for your current ecosystem?
- 04 Do you know what changes in your current ecosystem could have the biggest positive long-term impact on your legacy?
- 05 Are the purpose, role and assessed performance of each member clear?
- 06 Do you review performance against internal targets and external benchmarks every year?
- 07 Do you have a clearly stated Long-Term Strategy Document and (Annual) Investment Policy Statement? Are they respected? Effective vs benchmark?
- 08 Are family members and advisors aligned?
- 09 Have misalignments been surfaced and addressed?



“All men can see the tactics whereby I conquer, but what none can see is the strategy out of which victory is evolved.” - Sun Tzu

Module 7

Family Business Ownership, Governance and Leadership

Video Lessons and Summaries

BUS1001 Introduction: Family Business Ownership and Strategy

BUS1003 Being a Good Director of Family Enterprise

BUS10XX Strategic Imperatives for ++

BUS1102 The Three Phases of Strategy: Phase I: Diagnostics

BUS1201 Phase II: Design

BUS1301 Phase III: Implementation

BUS1005 Strategic Possibilities for Your Business

BUS1002 The Company Eco-system

Selected Reading

Strategy for the Wealthy Family (pages 291-324, 451-463)

Strategy (pages 1-37)



Module 7: Questions to be Considered

- 01 Do you have an accepted definition of the requirements to be a good owner, director, leader or manager in your family business?
- 02 Do you take full advantage of the natural advantages of a family business?
- 03 Do you support the implementation of strategic success in the business?
- 04 Do you have a clear policy with regard to succession, career management and compensation for family members in the business?
- 05 What are your policies for external experience before joining the family business? Family board? Why?
- 06 How well does your business perform against plans and competitors?
- 07 How should your company and board be organised? Role of non-family members?
- 08 How effective is your board? What changes need to be made? Do you have an established annual review process of effectiveness in objectives for Board, CEO and Chairman?
- 09 What training is in place for board members, especially those with no external experience?
- 10 What are the risks and shortcomings of taking family members on as directors or chairs?
- 11 What are the selection processes, integration plans and review strategies for family and non-family board members?



Key Takeaways

- The chairperson usually is required to ensure that the board acts in the best interests of the company's stakeholders and all other relevant stakeholders.
- Family members play different roles, including as owner, director, or management
- Prepare for a board meeting by doing the following: Agenda setting, drafting protocol and outcomes, determining your aims and achievements and being a team player.
- Good directors prepare well for every meeting.
- Good directors are well educated in general and well informed about the companies they serve.

Family and business leaders need a high degree of business and legal knowledge, possibly balancing family and public responsibilities. Mastering the soft issues, which are also necessary in order to lead, requires diligence and patience.

A successful board will require addressing the right agenda, presenting high quality motions in time, open and honest discussion, an effective balance of skills and experience represented on the board, regular rotation of members, education and effective meeting guidance by the Chair. An annual review of Chair, board and committee effectively is very beneficial and may be required.

Introduction

Potential directors of a family business must be well prepared to undertake the role. A good director will learn how to grow into his or her role rather than simply inheriting the position suddenly. He or she will eventually influence decisions and take actions that will affect the company as a whole for many years.

Learning about the business, and having a good legal and accounting foundation, are crucial to the administration of the business. A good director must also cultivate often 'hard' (technical) and 'soft' (people) skills in order to contribute to the creation of a sustainable and successful business for the long term.

Guidance

Understand the different roles family members can play. A family member can be an owner, governor (representing the family in different circumstances), or a manager (being a part of the structure that operates these activities) within the family structure. Family councils, committees and meetings are key elements of family governance and can be used to maintain stability and unity.



Key Takeaways

Thoroughly review:

- Company history and business definition
- Customers, markets, and sources of profitability
- Historical and current results
- Financial and strategic balance sheet

Guidance

We will go through the three phases of developing a strategy, diagnosis, design and development. Each one will contribute to the larger strategy in its own way. Start with diagnosing the business so you can answer the right questions before moving into the design phase.

In defining the most appropriate future for the company, it is important to avoid a fire-ready-aim approach. Some questions that are important to answer well in advance of setting out a strategic pathway into the future are:

- What is the history of the business: origins, strategies, objectives and results?
- What business are we actually in?
- Correct business definition?
- Current market competition and assessment?
- Option and evaluation
- Strategic evaluation and action plans
- Implementation schedule and responsibilities

It is important to understand the history of the business, its culture, successes and failures, what the financial performance has been, what kind of issues were faced in the past and how were they dealt with.

It is even more important to understand where the company is and where it should go in the future.



Introduction

The first of the three phases of strategy is the Diagnostic Phase. This phase consists of seven steps.

Guidance

Each of the three phases of strategy share the common trait of making sure the current business context is fully understood.

Step 1: Point of departure—define your company's current standing and position before developing a strategy. "Before you begin a journey, know where, from whence you start."

Step 2: Business process portfolio—understand your business portfolio (profits and costs).

Step 3: Competitors' perspective—Who else is competing? What are your competitors' strengths and weaknesses compared to yours?

Maximize your company's advantage while exploiting competitor's weaknesses. "When you spot your opponent's weak spot, hammer it" – John Heisman

Step 4: Business dynamics—Industries don't stand still. Are technology, customers or distribution channels changing, or are they likely to change?

Step 5: Organizational assessment—Strategy always includes as assessment, organisation and management of full time employees and the use of external resources. Understand the human aspect of your company and how they compare to competitors.

Step 6: Range of strategic options—What options does your business have, and what would each imply?

Step 7: Strategic options evaluation—Of the potential strategic options available to your business, what does each entail? What are the advantages and disadvantages of each? What is the best high level strategy for you to adopt?

Understanding the strategic options in detail and evaluating them against key criteria will allow you to select a strategic course.



Three Phases of Strategy Phase III: Implementation

Introduction

Diagnosis - Design - Implementation

The third and final phase of strategy is the implementation stage, which is comprised of the following seven elements:

- Imperatives, actions, and responsibilities
- Tactics and timetable
- Implementation team
- Alignment and integration
- Program control
- Full value capture
- Leadership and motivation

The implementation stage aims to bring the company leadership's vision to life, through these well-thought-out and structured steps.

Guidance

Implementation builds on diagnosis and design, and specifically decides what, when and how the strategy will be executed, who will manage it, and what kind of leadership will be required. In order to do this:

- Imperatives, actions, and responsibilities must be understood
- Timetable and tactics must allow for effective implementation
- The right team with proper ethos, skills, and objectives, must be assembled
- The objectives must be aligned and implemented alongside the daily activities of the organization
- A control system must also be installed so those running the business can also run the implementation process.

All this can lead to an efficient (low cost) and effective (high impact) implementation program.

Full value capture effectively examines strategy and innovation of the full set of available benefits.

Does an effective CSR program open the door for green finance?

Does the success of the product group create opportunities for additional products or opportunities to serve relevant customer segments?

Does pursuing a certain activity open door to other possibilities?

Full value capture involves exploring other opportunities to ensure effective return on investment.

All of this requires effective leadership to motivate and engage and motivate employees. Motivation creates energy for productive and rapid change, and allows for greater progress in any venture.



Key Takeaways

- Develop a matrix summarizing all the elements that determine strategy
- Create a checklist for relative valuation of options based on the seven-element model:
 - » Value impact in capital markets
 - » Net Present Value (NPV) impact
 - » Contribution to profitable growth potential
 - » Fit with organizational capabilities
 - » Impact on strategic balance sheet
 - » Positive change in customer relationships
 - » Contribution to competitive differentiation
- Attach a different weight to one or more elements to reflect the difference in importance and elevate the calculations for a more valuable assessment

Guidance

At the end of the diagnostic phase, a number of practical options were discussed: maintaining status quo, selling, restructuring, refocusing, adding new ventures and M&A. Changes can be made at either incremental or breakthrough rates. Once these options have been discussed and reviewed, determine the best way forward. How can you choose the best long-term option?

One method to help you decide is to list the options and the ways to evaluate each strategy. Decide which options have the greatest opportunity for future growth, strengthening the strategic balance sheet, limiting liabilities and creating customer and competitive value. These can then be summarized into an evaluation matrix of all the elements to help you determine strategy. Assign each option a score based on the aforementioned questions, then calculate the values and use these as directional indicators for which appears to be the most valuable strategy for the business.

Strategy is the art and science of informed action to achieve an overarching purpose, objective or vision.

Strategy is as much of an art as a science. When thinking about the numbers, do not forget about the qualitative factors such as risk factors, organizational response, and feasibility.

Leadership is as much about leading from the heart of the organization as it is from the head of the table. Being able to turn data into a motivating strategy is paramount and requires a level of artistic thinking. Consider all factors and determine which strategic option has the highest probability to bring the highest positive yield and pursue that strategy



"No man is an island entire of himself" - John Donne

Guidance

No company stands alone as an entity, but is one part of a larger ecosystem. The ecosystem can have as much influence on the company's performance as the people within the company.

While the company is at the core of the ecosystem, suppliers, customers and competitors surround and directly affect it. These immediate ecosystem players are in turn affected by advisers, strategists, PR and marketing firms. Beyond that are transactional advisers, who are there simply because they provide the highest quality people-power.

For the long term, think about the institutions, activities and individuals that can help shape your company. Understand the full expanse of your ecosystem when defining, implementing and diagnosing your strategy. You can manage your core system, long-term advisers, independent advisers, influencers and sources of insight, but keep in mind the ecosystem factors you cannot manage.



Key Takeaways

- Corporate social responsibility and social engagement have come to the forefront of business today, and are expected to increase in importance even further in the future
- There are two different types of social responsibility activities: internal and external
- The four areas of internal social responsibility are: workplace, business system, reporting and governance
- The areas of external social responsibility are: providing ethically sourced products and services to customers, protecting the environment, understanding the business' role in the social and

CSR, when done properly, is good for the environment, communities, the company, and your family. It is fully embedded in business strategies and all advantages of a good CSR program - customer requirements being met, creating a more alternative place to work, competitive advantage, etc. - should be pursued.

Guidance

Corporate social responsibility (CSR) and social engagement are important elements of modern family businesses. CSR often falls into one of two categories: internal or external. Internal issues relate to the family business itself and can impact business operations.

Internal issues include:

- The workplace (e.g., providing a healthy work environment for employees)
- Business systems (e.g., ensuring the standards and ethics of the business ecosystem and suppliers)
- Reporting (e.g., abiding by accounting and environmental regulations)
- Governance issues (e.g., ensuring proper board representation, checks and balances and activity).

External issues include:

- Product and customers (e.g. good customer standing and loyalty through ethical products and services)
- Environmental (e.g., pollution and degradation reduction)
- Social community (e.g., allocating wealth for philanthropic goals)
- Business community (e.g., defining and influencing the procedures of the industry).



Examples & Templates

Example 7.A: Unique Family Business Advantages Scorecard

Q: Have you extracted maximum value from each inherent family business advantage?

Three greatest weaknesses and actions to address them:

Unique Family Business Advantages Scorecard	Score 1-10 [10=Hi, 1=Lo]	Action required
• Longer term view and commitment		
• Greater preparation time for succession		
Need long term succession plans for Chairman (family) and CFO		
• A more sophisticated appetite for risk		
• Higher degrees of speed and flexibility		
Cultural change program needs to be put in place		
• Personal nature of corporate and social responsibility		
• Natural diversification through family members		
• More limited reporting and disclosure burdens		
• Higher degree of confidentiality and discretion		
• Ability to define strategy by owners		
Lacking high quality long term vision and strategy: lack external view		
• Greater and more enduring commitment		

Example 7.B: Nine Characteristics for Strategic Success in a Business Family

Q: Have you extracted maximum value from each inherent family business advantage?

Highlight three greatest weaknesses and actions to address them:

- Strong family relationships
 - » Conflict between Chairman and Family Director
- Entrepreneurship
 - » Too much complacency and satisfaction with status Quo
- Clear and explicit rules for ownership, management, and governance
 - » Lack of consistent policy on standards for family entering the business

Example 7.C: Family Business Management Guiding Principles

Q: Have you extracted maximum value from each inherent family business advantage?

Highlight three greatest weaknesses and actions to address them:

- Ensure freedom of decision-making
 - » Family make important decisions outside of Business Board
- Value external business experience
 - » No requirement for 3-5 years outside family business
- Actively involve independent advisors and directors
 - » Too insular, need more Independent Directors



Examples & Templates

Example 7.D: Corporate Social Responsibility

Internal	Workplace <ul style="list-style-type: none"> • Continue "Watch it" Safety program • No Accidents • Improve lighting and eyes care standards • Commitment to hire wheelchair-bound 	Business System <ul style="list-style-type: none"> • Gold suppliers healthy work practices verified • Distributor service excellence training 	Reporting <ul style="list-style-type: none"> • Adopt triple bottom line accounting • Publish "annual report", even pre-IPO 	Governance <ul style="list-style-type: none"> • Add two independent non-Swiss directors to Board within 2 years • Add Board committed on corporate Responsibility
	Customers <ul style="list-style-type: none"> • Provide lifetime product guarantee • Ensure safe packaging Materials used 	Environment <ul style="list-style-type: none"> • Cut toxic effluents from cleaning fluids by 80% • Invest R&D fund to find alternatives to plastics in packaging 	Social Community <ul style="list-style-type: none"> • Increase annual eye care project contribution • World watch Institute • Provide clocks and teaching materials to African program 	Business Community <ul style="list-style-type: none"> • Funding 20% of budget of watch-makers college • Chairman on Board of Swiss Industry Council
External				



Examples & Templates

Example 7.E: Being a Good Director

Bill Reynolds		
Criteria for Evaluation	Self Score	Average Score
General Quality of Participation		
1. Prepares well for meetings	6	8.2
2. Listens carefully to others	8	9.2
3. Participation respectful and constructive	8	9.2
4. Respects agenda and leadership	8	8.2
5. Punctual and organised	5	7.8
Business Focus/Value addition as a director		
6. Provides practical input	7	10
7. Provides creative ideas/external examples	7	9.5
8. Supports group/team strategy meetings	7	8.5
9. Contributions to Committees (esp Chair)	7	8.2
10. Balances family, group and BU interests	6	8.8
Total Score/100	69	87.6

Comments:

Positive Performance Elements

- Vast experience and his comments are always on point
- Challenges management well; knows how to work with team
- Ability to think independently and critically
- Very capable businessman and very lively personality

Areas for Improvement

- Time management, sometimes goes over time so we end up behind with the other meetings
- Manage agenda and discussions of board members to be constructive within the assigned timetable
- Needs to show up early and start on time
- Make sure we stay on agreed agenda and achieve agreed objectives of the meeting (e.g. Amman) and each discussion item
- We need to look less at past operating performance and have more focus on strategy and the long term goals of the overall business



Submitted by:	Individual Assessed (1 to 10, with 1 = low, 10 = High)							
Criteria								
Quantitative								
Contribution in specification jobs								
Level of effort								
Level of preparation								
Investment in personal development								
Overall contribution to GT programme								
Quantitative								
Quality of interaction/style								
Effective member of team								
Proactive engagement								
'Living the values'								
Impact non-family staff								
Total Score/100								

Templates

Template 7.A: Unique Family Business Advantages Scorecard

[Template 7A_family business scorecard.docx](#)

Template 7.B: Nine Characteristics for Strategic Success in a Business Family

[Template 7B_Characteristics for success.docx](#)

Template 7.C: Family Business Management Guiding Principles

[Template 7C_Family Business Principles.docx](#)

Template 7.D: Corporate Social Responsibility

[Template 7D_CSR.docx](#)

Template 7.E: Being a Good Director

[Template 7E_Being a Good Director.docx](#)



Module 7 Checklist:

Family Business Ownership, Governance, Leadership and Management

Contents	Yes	No
1. Do your family members have a full understanding of the advantages (and limitations) of family business and are exploring them to the full?		
2. Do you have a clear business strategy and plan for the family in the business?		
3. Do you have a clear set of objectives and annual review of board, constitution, leadership and effectiveness?		
4. Is there a full alignment of family, family wealth and family business objectives?		
5. Are the full opportunities and risks of the business and family involvement clear?		
6. Are external experience obligations understood and respected?		
7. Are risk management plans in place to balance family business and family wealth objectives – e.g. management of single stock concentration?		



Module 8 Checklist:

Family Business Strategy

Contents	Yes	No
1. Are future objectives and principles agreed?		
2. Adequate resources available to achieve objectives?		
3. Is the foundation investment strategy in place?		
4. Are family, advisor and foundation roles and responsibilities clear?		
5. Is target impact agreed and actual performance measured?		
6. Is the link to a family business optimised?		
7. Is the full impact on family – between and within generations – understood and communicated?		



Module 8

Generational Transitions and Strategic Career Pathing for the Rising Generation

Video Lessons and Summaries

BUS1XXX Introduction: Generational Transitions and Succession

BUS1XXX Preparing for Generational Transitions

BUS1201 Three Phases of Strategy Phase II: The Design

BUS1XXX Succession Planning

BUS1XXX Strategic Career Pathing in the Family Business

Selected Reading

Strategy for the Wealthy Family (pages 291-324, 451-463)

Strategy (pages 1-37)

Examples / Templates

1. Summary of Family Ownership and Leadership
2. Business Vision and Strategy (short form)



Module 8: Questions to be Considered

- 01 What has happened in the past that led to the business as it is now?
What lessons - positive and negative - can be derived from the past?
- 02 How far does the ecosystem of your business reach?
- 03 What parts of this ecosystem want your business to succeed?
- 04 What parts of your ecosystem can you manage?
- 05 What business are you in?
- 06 What exactly is the business trying to accomplish?
- 07 How can the business best be described in full diagnostic detail?
- 08 How strong are your competitors?
- 09 Where do you make your money?
- 10 How good is your organization?
- 11 What are the real options that you have?
- 12 How can you best evaluate your options?
- 13 What is your best possible strategy - overall and in its key components?
- 14 How can this detailed strategy best be implemented?
- 15 Do you have the right team and additional resources required for strategic implementation - and to take the company to the next level??
- 16 How can you build motivation and morale in the workplace?



Key Takeaways

- Family Generational Transitions
- Legacy families never stand still.
- To a certain extent, family evolution is predictable.
- In the first generation, families tend to have a patriarch and matriarch, or a couple, who have made substantial wealth that is essentially managed as one unit.
- Members of the second generation have a common background, but different set of challenges from their parents; G2 is best managed by creating a "sibling partnership".
- The third generation is likely to be diverse and managed more loosely as a "cousins consortium".
- Evaluating the challenges, opportunities and risks generation by generation to develop a coherent strategy is a key to success.
- "If we want things to stay the same, things will have to change."
- The family is at the center of the legacy strategy framework.
- Starting by defining the family and establishing how its past will carry into the future.
- How can the family's past be used to its advantage rather than against it?

the company, being active owners, sharing ownership and control with siblings, inheriting living with financial complexity, simplifying operational structures and personalizing their predecessor's business to be successful for them. Third generation members can see a vast influx of outside influence into a family business. While siblings tend to run second generation businesses, third generation companies are often run by consortiums of cousins. Third generations can be challenged by living up to two generations of family legacy, collaborating over long distances, developing long-term visions, finding systems of family unity, balancing nuclear and legacy families, finding meaning in privilege, and developing multi-generational thinking.

When preparing for generational transitions, evaluating all opportunities, risks and challenges and synthesizing a coherent strategy is a key to success.

Guidance

Legacy families do not stand still. Most families will undergo change and evolve over time. This change is relatively predictable and can therefore be managed. The challenges faced by members of each generation are shaped by a natural family evolution.

First generation success tends to begin with an individual or a small group managing the business and wealth directly.

In the second generation, different facets of the family business tend to be managed separately, often by siblings. Second generation members are usually fearful of making mistakes and not living up to their parents' success or expectations. They have to face challenges associated with simplifying asset structures, finding suitable roles within



Module 13 Checklist:

Generational Transitions and Leadership Successions

Contents	Yes	No



"What you leave behind is not what is engraved in stone monuments, but what is woven into the lives of others."
- Pericles

Module 9

Philanthropy and Social Engagement

Video Lessons and Summaries

PSE1001 Introduction: Philanthropy and Social Engagement

PSE1XXX Insights on Effective Philanthropy from 'Give Smart'

PSE1XXX Perspectives from Prominent Philanthropists

Melinda Gates, David Rubenstein, Carrie Avery, Pierre Omidyar, Ratan Tata, Bill Draper,
Stanley Druckenmiller, Peter and Carolyn Lynch, Josh Bekenstein, Desh Deshpande, Steve
and Jean Case.

Selected Reading

Strategy for the Wealthy Family (pages 325-346)

Examples / Templates

1. One page summary of Philanthropic Approach and Objectives



Module 9: Questions to be Considered

01

02

03

04

14

15 Do you have the right team and additional resources required for strategic implementation - and to take the company to the next level??

16 How can you build motivation and morale in the workplace?



Key Takeaways

- One of the most important cornerstones of legacy can be philanthropy and social engagement within the communities in which our families live and work.
- Philanthropy can help to give meaning to individual lives, and helps targeted communities and causes.
- The purpose of philanthropy is to share wealth to create a substantial, enduring, positive change in areas that are meaningful to the family, which in turn can help to unite the family.
- Creating a philanthropic foundation or initiative can lead to positive family stature and promote good causes, altruism and respect both within the family and the community.
- Historically, philanthropic efforts focused on passive donations, often in a will for religion (churches), education (schools and scholarships) and medicine (hospitals and research) in what was called "checkbook philanthropy".
- Now families have a world of new philanthropic opportunities and may be less interested in simply writing checks, but want to get their families actively involved with causes meaningful to the family.
- Have clear goals and targets, calculate the estimated return on your investment (this may not be monetary) and monitor results closely.

Reasons to engage in philanthropy:

- Moral and philosophical drive
- Creates sense of purpose, especially for future generations
- Unites the family behind a common cause
- Positive family stature

The nature of philanthropic initiatives is changing. Families no longer simply fund local schools, hospitals, etc just by writing a check. Many legacy families are also now interested in projecting philanthropy through global-scale initiatives.

Stages of philanthropy:

- Managing funds to generate income necessary for philanthropic activities
- Selecting the type of philanthropy that is meaningful to the family
- Selecting initiatives, hiring people or running a foundation

Types of philanthropy may include:

- Funding large institutions through donations
- Working with partners on selected projects
 - Funding projects with partnerships
 - Direct engagement by the family
- Becoming truly involved with a particular project or organization

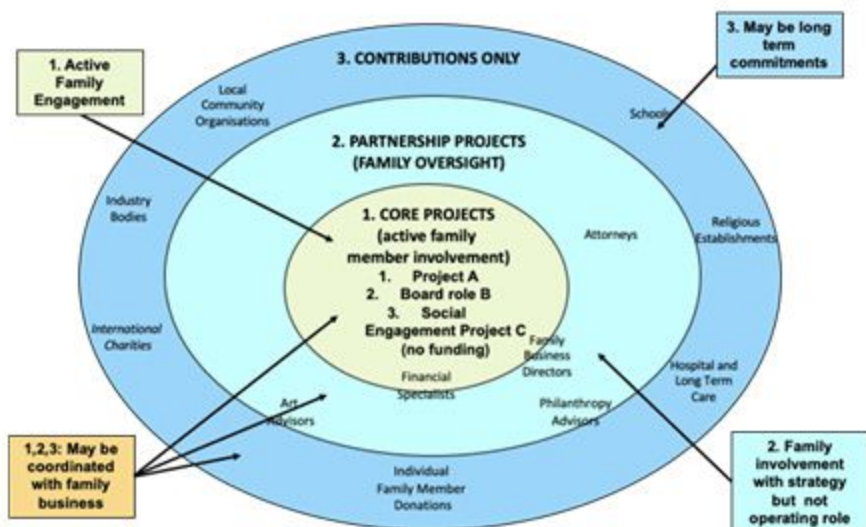
Guidance

Philanthropy and social engagement is a cornerstone of family legacy. Philanthropy gives meaning to those involved, has positive impact for individuals, families and beneficiaries, and may improve family positioning within society. The purpose of philanthropy is to share your wealth in a way that improves the community, reinforces family purpose and unites the family by supporting meaningful causes.



Examples and Templates

Example 9A One-Page Summary of Philanthropic Approach and Objectives



Templates

Template One-Page Summary of Philanthropic Approach and Objectives

[Template 9A_OnePage Philanthropy \[check\].docx](#)



Module 9 Checklist:

Philanthropy and Social Engagement

Contents	Yes	No
1. Are future objectives and principles agreed?		
2. Adequate resources available to achieve objectives?		
3. Is the foundation investment strategy in place?		
4. Are family, advisor and foundation roles and responsibilities clear?		
5. Is target impact agreed and actual performance measured?		
6. Is the link to a family business optimised?		
7. Is the full impact on family – between and within generations – understood and communicated?		



"I don't know why they call these people issues 'the soft stuff'; they should call them 'the even harder stuff!'"

"Relationships never end , they just take on a different form..."

Module 10

Culture, Relationships, Individual Issues and Family Dynamics

Video Lessons and Summaries

- CRI1101 Introduction: Culture, Relationships and Individual Issues
 - CRI1201 Fostering an Entrepreneurial Spirit
 - CRI1003 Building Trust, Harmony and Unity
 - CRI1002 Conflict and Dispute Resolution
 - CRI1XXX Family Communication
- CRI1XXX Perspectives on Individual Issues: Addiction, Depression, Anxiety, Grief and Other Issues

Family Legacy and Leadership (pages 9-18)

Examples / Templates

1. Family Cultural diagnostic Relationship 'heat map' with priority actions
2. Emotional readiness



Module 10: Questions to be Considered

- 01 How can you teach future generations to foster a sense of hard work?
- 02 How are you encouraging young family members to become more entrepreneurial?
- 03 How are values put into practice?
- 04 Do you have a clear understanding of the four cardinal virtues and how to apply them within yourself?
- 05 Have you researched the ways to be virtuous?
- 06 Have you put the time into understanding the parameters of each virtue?
- 07 What are some of the potential points of conflict in your family?
- 08 Are younger generations being monitored for potential sources of future conflict?
- 09 Is there a structured process for family members to opt out of the business?

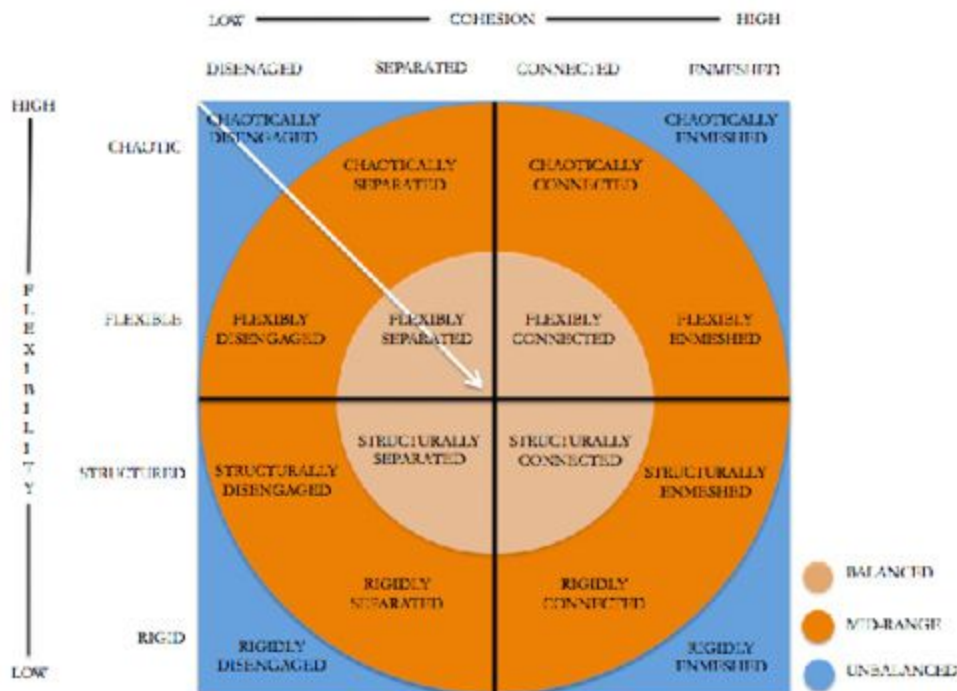


Examples & Templates

Example 4.D.ii: Legacy Checklist - Culture, Relationships and Individual Issues

Assess your level of satisfaction and set priorities for action	Score 1-10 [10=Hi, 1=Lo]
1. Family history and identity ("who we are...")	
2. Culture (multi-generational) and values (often defined by nationality, religion, residence, friends, eco-system)	
3. Relationships (within families, between branches and generations) and personal issues (individual)	
4. Rights and responsibilities	
5. Communication within and about the family	
6. Conflict avoidance and dispute resolution	
7. Leadership and succession	
8. Education and a common orientation	
9. Common engagement despite individual differences	
10. Trust in the leadership	
11. Respect for the system of family governance	
12. Approach of the current 'family system'	

Example 10.b: Framework to Address "Family System"



Key Takeaways

- While challenging, fostering a culture that promotes an entrepreneurial business spirit helps preserve true family wealth
- Creating an entrepreneurial culture should be supported by specific activities such as:
 - » Teaching children about the benefits of entrepreneurial activity from an early age
 - » Giving people the chance to learn through trial and error
 - » Rewarding effort
 - » Fostering a spirit of adventure
 - » Understanding and knowing how to assess risk
- Encourage experimentation and external experience
- Inculcate the notion of hard work from an early age

Introduction

Though not easy to establish, an effective entrepreneurial family culture lays a multi-generational foundation upon which wealth and an ongoing legacy can be built.

Guidance

Entrepreneurship is not only important to creating wealth, but it is also important to maintain family wealth as well. Family members who contribute to the collective creation of wealth while also pursuing their own goals leads to a stronger family business. Business-oriented families usually want to drive a continued spirit of entrepreneurship in the family. Use some of the following exercises and activities to help build this culture:

- Teaching children the benefits of entrepreneurship
- Creating opportunities to learn (through trial and some failure)
- Rewarding effort
- Cultivating a spirit of adventure
- Being present for your children
- Teaching family members how to understand and assess the decision-making process

Use examples and shared experience to help build an entrepreneurial culture. Encourage experimentation and external personal and career experience; broad experience outside of the family translates to heightened confidence and creativity if and when future generations run the family business.

Hard work may be the most important ethic a person can adapt to maintain family wealth. A combination of hard work, hard skills (e.g., accounting, marketing, distribution, and technology) and soft skills (people, management, organisational and culture building) contribute to a family's entrepreneurial culture, continued business success and family legacy.

Risk tolerance and response is substantially developed during adolescence. Future family business members should have intellectual and structured views of risk, understanding how to analyse and balance expected risk against potential rewards.

While specific skills and values are important in guiding family culture, both family leaders and members should have a view of the big picture. A family member can act as coach and mentor, can promote experimentation, help to learn from failures and be inclusive and understanding in order to build a broad culture of entrepreneurship for current and future generations.



Key Takeaways

- Family unity and harmony are common objectives listed in the family statements of values, vision and purpose
 - » What does it mean to you and your family?
 - » How do you accomplish it?
- Address both the hard and soft elements of the strategy
- Think long-term when establishing practices, institutions, belief systems, traditions and rituals to create a sense of identity for the family
- Avoid things that damage family unity and harmony
- A family's past, present and future are important to family unity and harmony
- Reinforce your family's sense of identity and cultivate trust and harmony to build a strong foundation for the future
- Get people involved in the family council and philanthropic efforts

Actively manage areas that may damage family unity and harmony:

- Avoid conflicts
- Resolve disputes quickly and effectively

To lay the foundation for family unity and harmony, begin with ties from the past and present—and then decide where you'd like to take your family culture in the future:

The Past:

Celebrate your history, legacy stories and landmark events. Keep artifacts, archives and assets to connect with your past. Creating a "Family Museum" to display and physically connect with your history.

The Present:

Gather through family holidays, annual meetings or other coordinated events whenever possible. Use technology to stay in touch more regularly. Celebrate significant family events or dates (possibly through a newsletter). Establish a family fund for growth and improvement initiatives, such as education, travel, etc. Capture current stories as historical documentation and wisdom for future generations through 100 questions.

The Future:

Understand the roles that governance and philanthropy will play. Network the family and choose effective family ambassadors. Create a next generation (NextGen) group to pass down the family philosophies of harmony and trust.

Guidance

Almost every family lists unity as one of their greatest aspirations. But how do you create family unity and cohesion when families are so dynamic and compelled to change? How do you build a foundation of trust, respect and common interest that will help your family get through tough times?

Hard skills (business, legal, finance, etc.) and soft skills (communication, human resource management, etc.) both contribute to building family unity. Discuss your strategy, activities and institutions to involve the family and promote unity. Addressing the soft issues—people's motivation, enthusiasm, engagement and activities—will help build unity and harmony as well. People tend to be drawn together when they have mutual goals and shared achievements. Think long term; find ways to bring young family members into the family enterprise.



Key Takeaways

- Clarify the actual family and business issues
- Correct issues within the existing governance and family structures if possible
- Agree upon a process to engage external advisors to resolve issues such as strategy, values, relationships, risk appetite, profile, etc.
- Define an approach to resolve immediate and fundamental issues—define and assess the range of options, including business restructuring or complete separation and the pros and cons of each
- Consider “good leaver” and “bad leaver” policies
- Establish critical corporate and family governance processes for major family disputes, especially the roles of independents and voting authorities
- Create a plan to preserve family continuity even if there is discontinuity in the business

A structured governance system with defined processes is essential to resolve conflicts that cannot be avoided.

Family members may benefit from the freedom to opt out of the family business—simply having the option can alleviate tension, even if no one chooses to leave. A formal exit system must be in place to manage departures from the family business. Just as having an exit option is important, nurturing familial bonds in those who remain can also strengthen the position of the company

Remember to:

- Avoid conflicts when and where possible
- Address critical, urgent or fundamental disputes immediately
- Listen to objective guidance from outside experts and intermediaries as needed
- Structure assets, people and activities in a manner that will allow you to keep your family together should a dispute arise that leads to an exit from family business or asset structures
- Offer family members the ability to opt out of (and back into) the family business and systems of governance

Introduction

Conflict between family members can tear a family business apart. Family businesses risk falling victim to disputes if fair resolution cannot be reached on specific issues.

Guidance

Common sources of conflict are money, family relationships, unmet expectations, unjustified feelings of entitlement, legal structures that create imbalances in branch balance and an entrenched hierarchy within the family, cultures of judgment and criticism, individual self interest and personal family member issues. Sources of conflict can be identified early if proper systems are in place, and external expertise from counselors, advisors, and psychologists can help resolve some of the fundamental issues.

Occasionally conflict can be avoided altogether through a council, informal communication and management systems and cultivating family unity and harmony. Family dynamics and individual relationships are potential sources of conflict as well, so a deliberate family and business structure can be designed to mitigate conflict.



Key Takeaways

- One of the biggest challenges and benefits for preserving true family wealth, and in particular financial wealth, is having effective culture in the family that fosters a spirit of entrepreneurship
- Having a general approach that fosters entrepreneurship is a very important general aspiration but needs to be supported by specific activities such as:
 - » Teaching children about the benefits of entrepreneurial activity from an early age
 - » Giving people the chance to learn through trial and error
 - » Rewarding effort
 - » Fostering a spirit of adventure
 - » Understanding and knowing how to assess risk
- Encourage experimentation and external experience

How people understand their approach to risk is often developed in adolescence, and it is important for future family business members to have intellectual and structured views of risk and understand that there is no reward without certain amounts of risk. Using examples and shared experience is part of building and entrepreneurial culture. It is also important to encourage experimentation and external experience, as broader experience outside the family translates to heightened confidence in running family business.

Being hard working is possibly the most important quality a person can have when maintaining family wealth. Without a good work ethic and appreciation of hard work for yourself and other people, you will not be an entrepreneurial success. A combination of hard work and accounting, marketing, distribution, and technology skills will allow the family member to be a successful entrepreneur.

While it is important to have specific skills and values, it is important to have a grasp on the big picture. Building the broad culture, support system, will for experimentation, and the ability to be loved in a family even in the event of a business failure as well as the ability to foster these values are hugely valuable to future generations.

Guidance

An effective culture of entrepreneurship in the family can be one of the most important elements of maintaining family wealth but can be challenging to implement. Having family members who pursue the creation of wealth and contributing to the family who also pursue their own goals will lead to a stronger family business.

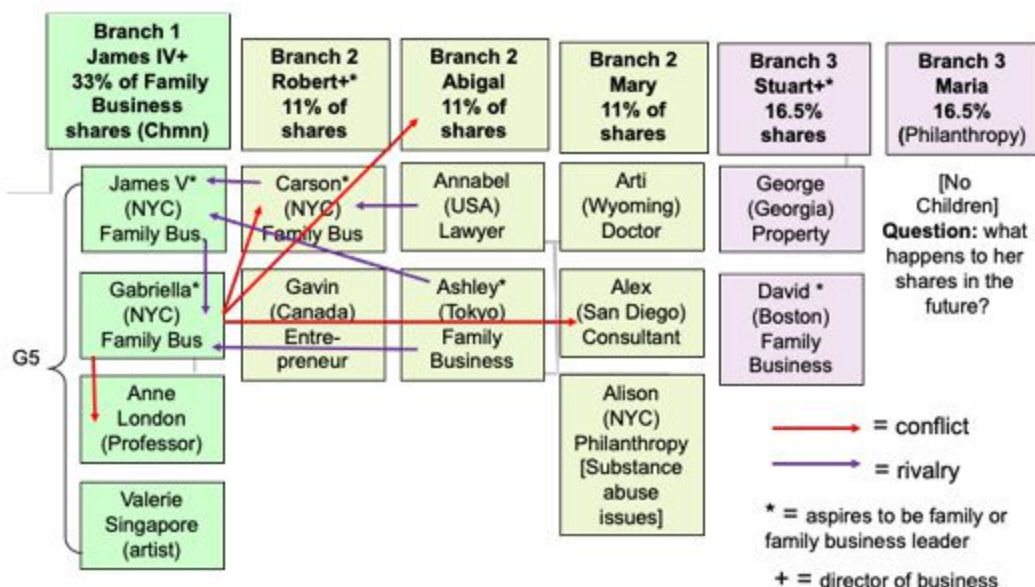
Business-oriented families are keen to have the right culture and spirit of entrepreneurship in the family. In order to have this culture, an approach that fosters entrepreneurship as an aspiration must be supported by specific activities such as:

- Teaching children the benefits of entrepreneurship
- Creating opportunities to learn and fail
- Reward effort
- Cultivating a spirit of adventure
- Being there for your children
- Teaching them how to understand and assess



Examples & Templates

Example 10.C: Relationships "Heat Map"



Example 10.D: "Soft Issues" Action Priorities

Culture

- Reduce conflict by formalizing governance
- Introduce independent third party advisors on family roles to avoid lingering resentments
- Reinforce common history, purpose, values of unity and harmony.
- Create multiple opportunities for leadership and engagement
- Allocate roles to – both rotating and meritocratic
- Create more opportunities for interaction to strengthen bonds

Relationships

- Work with Gabriella on aggressive/conflict style (external counselor, family G4 mentor and other parties to conflict)
- Develop communications program and roles for remote Family Members that work via e-comms
- Increase family-funded summer social programs for G6s
- More frequent meetings with all G4s to plan Generational Transitions

Individual Issues

- Provide support to Alison to address dependency issues



Example 10.E.i: Soft Issues

Relationship Issues can have a major impact on family harmony and legacy; List priority issues and how to address them

Issue	Approach/Who to lead effort
James III – Cousin B	Head of Family Council/Counselor personality conflict
Branch Conflict	Balance roles in Generational Transition Program between 3 branches
Cousin X and Y (brothers)	Family Council review of sustainable Difference in philosophy distributions of wealth and spending habits
Father of A and Father of B	Head of Family Council, job placement only one son taken into agency, Counselor business

Example 10.E.ii: Soft Issues: Helping family members to answer essential questions - in both a personal and family context

- Who am I?
- What is important to me?
- What do I want to do?
- What do I want to be?
- What practical options do I have to pursue my chosen path?
- How can I best select between the available options?
- How can I best follow the path i have chosen?



Examples & Templates

Example 10.F: Soft Issues Checklist

Have Priority Family and Individual Issues Been Fully Addressed?

Family Issues (for whole family)	
Issues/ Opportunity	Addressed
Common history and purpose reinforced	Yes
Degree of sharing agreed	Yes
Individual roles, rights and responsibilities clear	Yes
Critical leadership roles and generational transitions well planned in advance	No
Branch and generational issues resolved amicably	Yes
Leadership selection and succession fair and transparent	No
Conflict avoidance and dispute resolution mechanism set?	Yes

Individual Issues (Vary by Member)	
Issues/ Opportunity	Addressed
Feels an important part of the family	Yes
Has a sense of individual purpose and life objective	No
Sufficient knowledge to be a good owner of wealth?	No
Understanding of personal strengths and weaknesses	Yes
Option to opt out clear	Yes
Avoid in the 'dark side' of wealth	Not all
Personal "eco-system" of advisors and influences high quality	Yes

Templates

Template 10.A: "Soft Issues"—Setting Priorities

[Template 10A_Soft Issues Priorities.docx](#)

Template 10.B: Framework to Address "Family System"

[Template 10B_framework to address family system.docx](#)

Template 10.C: Relationships "Heat Map"

[Template 10C_Relationships Heat Map.docx](#)

Template 10.D: "Soft Issues" Action Priorities

[Template 10D_Soft Issues Priorities.docx](#)

Template 10.E: Soft Issues

[Template 10E_Soft Issues \[check\].docx](#)

Template 10.F: Soft Issues Checklist

[Template 10F_soft issues checklist.docx](#)



Module 10 Checklist:

The Flourishing Family

Contents	Yes	No
1. Are the perspectives of family members gathered on the greater family and their roles within it?		
2. Is each individual aware of the family history, values, vision and importance of family harmony?		
3. Is an opt-out mechanism in place?		
4. Are individual aspirations, priorities and realistic expectations set and feedback provided?		
5. Are the 'dark side of wealth' risks fully understood and addressed?		
6. Are the individual eco-systems of advisors and influencers understood?		
7. Are Next Gen educational programs defined and in place?		



"An ounce of prevention is worth a pound of cure."
- Benjamin Franklin

Module 11

Family Risk Management

Video Lessons and Summaries

ILS1102 Introduction: Family Risk Management

ILS1XXX Managing Marital Risk and the Pre-Nuptial Agreement

FOE1002 Predator in the Ecosystem

Selected Reading

Strategy for the Wealthy Family (pages 211-220)

Examples / Templates

1. Risk Management Priorities



Module 11: Questions to be Considered

01

02

03



Key Takeaways

- Potential risks include:
 - » Family risk
 - » Financial risk
 - » Fiscal risk
 - » Investment risk
 - » Physical risk
 - » Marital risk
 - » Cyber risk
- Develop an effective risk monitor to track internal and external risks, and have a thoughtful response to high priority risks
- The sources of risk may vary, the gravity of the risk may change and the nature of the solution may change. Having a risk management plan helps you stay aware to reduce or eliminate risks early on, and also to prepare to address them well if necessary

These are most common types of risk:

- Fiscal Risk
- Business Risk
 - » Counter-party risk
 - » Competitive or market risk
 - » Irreconcilable debts
- Investment Risk
- Financial Risk
 - » Related to the business and portfolio, which could damage or 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 and data security
- 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

Guidance

Successful long-term legacy strategies must holistically factor the individual strategic elements that can all reduce or address risk-related issues:

- Governance
- Trusted leadership
- Wealth management
- Asset structuring
- Business
- Philanthropy
- Family ecosystem
- Healthy culture
- Sense of purpose, vision and values

Risks change over time. For example, after a financial crisis, many families became more concerned with financial risk than family matters. In better economic times, family issues often rise to the top of the priority list. Having an active risk monitor which regularly examines risks helps identify and prioritize changing risk profiles, sources and solutions. Prioritizing and planning for risk management contributes to a more stable and enduring family legacy and helps avert potential damage caused by unmitigated risk. Learning to address and overcome risk is important to successful family legacy strategy.

Consider each risk element through the lens of both hard and soft issues. Risk is inherent to each component of strategy. While each family will have its own definition of risk, you need to have an effective risk monitor, to identify and address issues arising both internal or external to the family.



Key Takeaways

- A healthy family ecosystem is vital to enduring business success
- Predators in the ecosystem can lead to disastrous consequences through poor decision making, bad advice and even criminal activities
- Possible damaging effects of predators in the ecosystem can be mitigated by maintaining a diverse set of advisors and an active set of risk monitors.

Introduction

Predators in the family ecosystem are one of the greatest risks to family wealth over time. The wrong advisors with poor skills, bad motivations, fundamental relationships or individual issues or some culmination of the above are common sources of great family wealth loss.

Guidance

A robust ecosystem can have a positive effect on a family, while a predator in the ecosystem can have a devastating effect on stature, wealth and the future. Bad investment decisions, gambling, theft and other negative behaviors can severely harm family businesses and dynamics.

Creating a high-quality ecosystem with a diverse portfolio, formal risk management protocols and methods of identifying predators help reduce risks presented by potential threats and preserve legacy family status.



Examples and Templates

Example 11.A: Risk Priorities

Ranking: 1-10			
Categories	Importance	Effectiveness of Approach	Comments
. Family (culture, relationships, etc.)			
Marital risk			
Physical risk			
Cyber security			
Fiscal (tax) risk			
Team of advisors (eco system)			
Financial (business and investment)			
Family (esp Next Gen) education and preparation			
Preparation for successor and Generational Transitions			



Examples and Templates

Example 11.B: Family Risk

Definition and Identification of Risk

Our definition of risk is the possibility of our not being able to achieve our goals: risks can be financial, personal or family-related and can arise as a result of factors arising Both within and surrounding the family.

Top 5 priority risks	Plan to address issues
Family Leadership of Business	Plan for transition to Chairman by James V submitted to Board
Tax Exposure (current and future)	Review options to diversify jurisdictions and structures
Asset and Market Diversification	Move 25% of assets to USA
Marital Risk	Revise pre-nups and G5 trusts
Personal Health and Wellness	COVID-19 plans to include PPE and access to testing



Module 11 Checklist:

Family Risk Management

Contents	Yes	No
1. Is your definition of risk set?		
2. Have you completed a 360 degree analysis of risks?		
3. Are high priority family risks identified and managed?		
4. Are high priority financial risks identified and managed?		
5. Are lessons of the past (yours and other families) understood and applied?		
6. Do you have processes set and adequate resources in place to identify and manage risk?		
7. Are responsibilities for risk management set and performance reviewed regularly?		



"The most important asset a legacy family can have in building a successful future is a well prepared Next Generation."

Module 12

The Family Office and Eco-System

Video Lessons and Summaries

- GLS1XXX Introduction: The Family Office and Eco-System
- GLS1XXX The Family Office Scorecard
- GLS1XXX The Family Office as a Master of Complexity and Manager of Risk
 - GLS1XXX The Family Office
 - GLS1XXX The Multi-Family Office
 - GLS1XXX The Virtual Family Office
- GLS1XXX Selecting and Working with Private Banks
- GLS1XXX The Satellite Family Office as a Pathway to Diversification
- GLS1XXX Family Networking

Selected Reading

- Family Legacy and Leadership (pages 47-60, 135-162)
- Family Wealth Management (pages 375-402)

Examples / Templates

1. Outline program of NextGen and Family Education
2. High-level plan for Generational Transitions



Module 12: Questions to be Considered

- 01 How well prepared - technically, emotionally and socially (as a group) - is the Next Generation?
- 02 What do they need to know to:
 - be a good owner of wealth?
 - be a contributing family member?
 - be a good manager?
 - be a good director?
 - be a good leader of a business or family?
- 03 What are each person's strengths and weaknesses?
- 04 Does each Next Gen family member have:
 - a useful psychological profit?
 - mentor?
 - review feedback on performance?
 - professional development plan?
 - sense of purpose?
 - understanding of family history, culture, purpose, vision and values?
 - sense of priority risks and appropriate management?
 - understanding of strategy and their role in long-term success of the family?
 - clear understanding of key success features in generational transitions?



*“No family is an island...”***Key Takeaways**

- The modern family office began in the 19th century as families expanded and appointed advisers to assist with business operations, who in turn hired their own employees.
- The number of family offices has increased as more families entrust operations to professionals hired from outside the family.

Guidance

Modern family offices began around the mid-19th century. As legacy families have grown, so have family offices. Multiple living generations and non-business wealth have caused family businesses and family affairs to become more complex. As a result, families hire trusted advisors to help manage investments, trusts, tax plans, education, wealth transition and family administration. The modern family office was born as these trusted advisors began hiring their own employees.

Selling the family business, or other major liquidity events, is often the catalyst for forming a family office. Such a large event may require the input of numerous experts with regard to e.g. the potential need to structure wealth, invest in more complex strategies, and put in place IT and other systems that can support the achievement of the objectives of the family office.

The family office may also assist entrepreneurs as they make the transition from wealth creators and business owners to wealth owners and stewards. The number of family offices has grown as legacy families become more comfortable with the concept of having their wealth and a broad range of services managed externally.

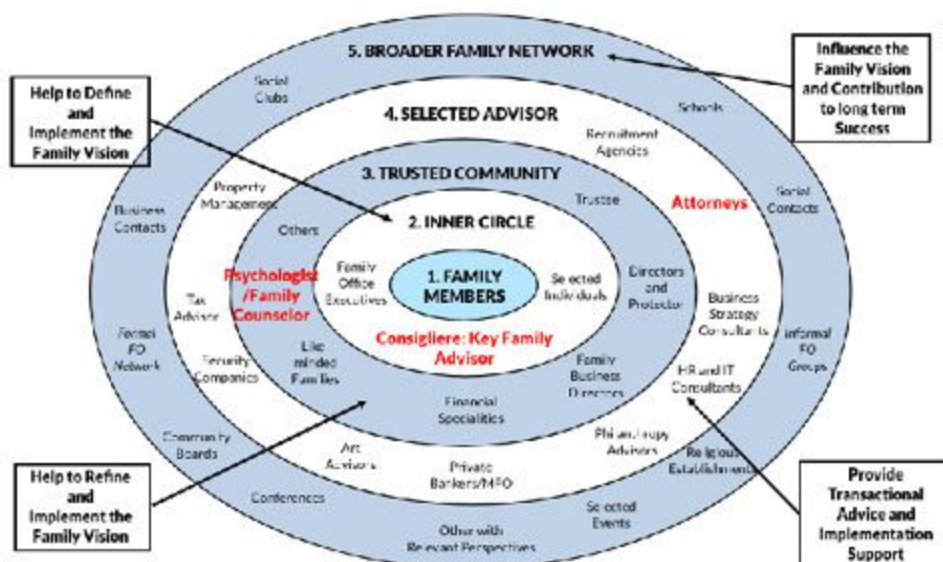


Examples & Templates

Example 12A.i: Family Office and Ecosystem

Step 1: Complete the chart for your own Family Enterprise

Step 2: Highlight unsatisfactory (e.g. 3) and plan to improve or replace them



Example 12A2

Members of Ecosystem	Satisfaction 1/Low 10/High	Comment/Action
Family Admin	10/10	Need to plan for success of NextGen
Trustees	9/10	Excellent
Larger Trust	8/10	Good
Larger Tax	7/10	Needs fresh look
Private Bank	8/10	Need to remove info - too expensive
Banker	5/10	Performance weak, cost high, consider change to MFO
Tax Advisor		Good
Security Providers	7/10	Need review of NXG press Cybersecurity review needed
Family Office		
Property Management	7/10	OK - No change
NextGen Ed	-	Need to hire
'Soft Issues'	-	Need to assess needs and potential providers



Module 4 Checklist:

Eco-System

Contents	Yes	NO
1. Do you have a map of your current eco-system?		
2. Do you know what changes in your current eco-system could have the biggest positive long term impact on your legacy?		
3. Are the purpose and role of each member clear?		
4. Do you review performance vs. pre-set standards every year?		
5. Is an effective selection and renewal process set?		
6. Is the alignment of interest confirmed between family and advisors, and any mis-alignments surfaced and addressed?		
7. Are costs and benefits monitored vs. benchmark?		



Examples & Templates

Example 3.D: Head of Family Office Scorecard

Critical Function	Score 1-10 (Max 10)	Required Action
1. Strategy and family governance	-	-
• Roles and responsibilities	-	-
• Documentations and operation	-	-
2. Wealth protection	-	-
• assets structure and processes	-	-
3. Wealth management	-	-
• assets allocation	-	-
• investments	-	-
• reporting and risk management	-	-
4. Eco-system and reporting/control	-	-
5. Family business	-	-
6. Philanthropy	-	-
7. Family services and individual support	-	-

Template

Template 12.A: Family Office and Ecosystem

[Template 12A_Family Office and Ecosystem.docx](#)

Template 12.B: Head of Family Office Scorecard

[Template 12B_Head of Family Office Scorecard.docx](#)



"In times of change and uncertainty, some 'best practices' may already be outdated; what we need now are both the enduring best practices of the past and the 'next practices' that will work best in the future."

Module 13

Next-Gen and Family Education

Video Lessons and Summaries

GLS1XXX Introduction: Next Gen and Family Education

HW1XXX Legacy Strategy for the Future: Multi-generational and Multi-dimensional Framework

GLS1XXX Family Learning: Different Lessons at Different Ages

GLS1XXX Example of a Family Learning Programme

GLS1XXX Emotional Readiness

GLS1XXX Core Knowledge Requirements

Selected Reading

Family Legacy and Leadership (pages 135-162)

Family Wealth Management (pages 375-402)



01

02

03

04



Key Takeaways

- Owners who take responsibility for their own education are better able to sustain wealth.
- Educational journeys occur at varying developmental stages and in a variety of ways. Respect for individual readiness, learning styles and unique needs will help ensure success for legacy family learning.
- When developing an educational strategy for the next generation, incorporate important lessons such as rights, responsibilities, family vision and values and the risks and limitations of wealth.

Creating deep familial bonds in a fragmented world of experimentation and cultures that do not honor family tradition is difficult. What can be done to bring people together?

To engage the next generation, promote participation and entrench family values, these steps can help:

- Reinforce a sense of identity and affiliation
 - » History and culture
 - » Shared activities
 - » Education (together)
 - » Digital community
 - » Communications
 - » Roles in governance
 - » Generational transition programs
- Enhance individual benefit and life/career opportunities
 - » Family support (mentoring)
 - » Assessment and reviews
 - » Education and development
 - » Internships and externships
 - » Career advice and placement
 - » FO services and resources
 - » Economic and brand benefits
 - » Philanthropy
- Demonstrate attractive leadership
 - » Style
 - » Substance (addressing evolving generational issues)
 - » Eligibility and exposure
 - » Inclusiveness
 - » Trust (number one issue)
 - » Humor and fun in the family
- Avoid alienation and reduce conflict
 - » Understand NextGen perspectives and dynamics
 - » Identify priority risks
 - » Address individual, relationship and key cultural issues
 - » Manage soft issues
 - » Do not pander, but avoid issues where possible

Introduction

Wealthy families should understand the importance of educating and engaging the next generation (NextGen) in order to preserve wealth and carry on the family legacy across future generations. Educating and engaging the NextGen presents unique challenges, especially as the generation gap widens and new risks emerge.

Central to the theme of NextGen education is the subject of responsible ownership and family dynamics (both individual and as a unit). Learning about the responsibilities of family business ownership is an ongoing process, not a series of singular events. Meeting owners once or twice per year without a regular schedule, coherent vision, learning goals or clear outcomes is not sufficient. Educational opportunities need to be consciously threaded throughout family activities and the family office as a persistent, cumulative learning process. Creating an educational strategy must be a partnership between owners (current leaders who define vision and values), the NextGen leaders, NextGen members and advisors. Education is the responsibility of all family stakeholders, not just the principles.

Guidance

Families around the world are discovering that engaging the next generation is challenging. Because of widespread, accessible technology and inexpensive travel, future generations are more likely to be globally dispersed.

Following these four guidelines will encourage younger generations to join the family culture and continue its legacy.



Next Gen Education: Understanding legacy strategy

Key Takeaways

- Hope is not a strategy
- Family legacy strategy involves thinking forward across multiple generations
- Family legacy strategy is long term and comprehensive
- Poor strategy or a lack of strategy is the main reason that families and family businesses fail

Legacy Strategy Challenges:

- Understanding the family (history, current state, goals, size, definition, family culture)
- Shaping the future with family purpose, vision, values and guiding principles, as well as family governance and leadership
- Managing wealth and assets creatively and effectively, deploying ownership strategies, governance and management
- Undertaking strategic transactions outside of the pure family business to build future businesses

Introduction

Creating a family legacy requires thinking across multiple generations and is very different from strategies for business and investments. The family and family business failure can be avoided through strategic planning. Creating a legacy strategy is a three-phase process: a diagnostic phase, a design phase and an implementation phase.

The business, family wealth management and legacy strategies outlined in the following modules will provide wealthy families with the tools and skills necessary to create a legacy strategy and preserve their family wealth.

Guidance

Strategy for wealthy families is very different from strategies for business:

- Families are multi-generational
- They are complex and multi-dimensional
- Leadership of a family business requires diverse skill sets, such as understanding hard and soft elements of the business

Effective legacy strategy:

- Sets a long-term vision which is aspirational
- Takes a three-generation view
- Uses a holistic and integrated approach
- Adapts to changing circumstances
- Is creative
- Utilizes a unique approach based on family culture
- Has a clear vision

Strategy is essential to maintain a stable future. We all hope for a prosperous future, but hope is not a strategy; planning and actions are required. Family legacy strategies operate on a much longer time scale and are more complex than other business strategies. Long term family wealth strategies require cooperation from and mastery of many disciplines across the family.

Reasons family businesses fail:

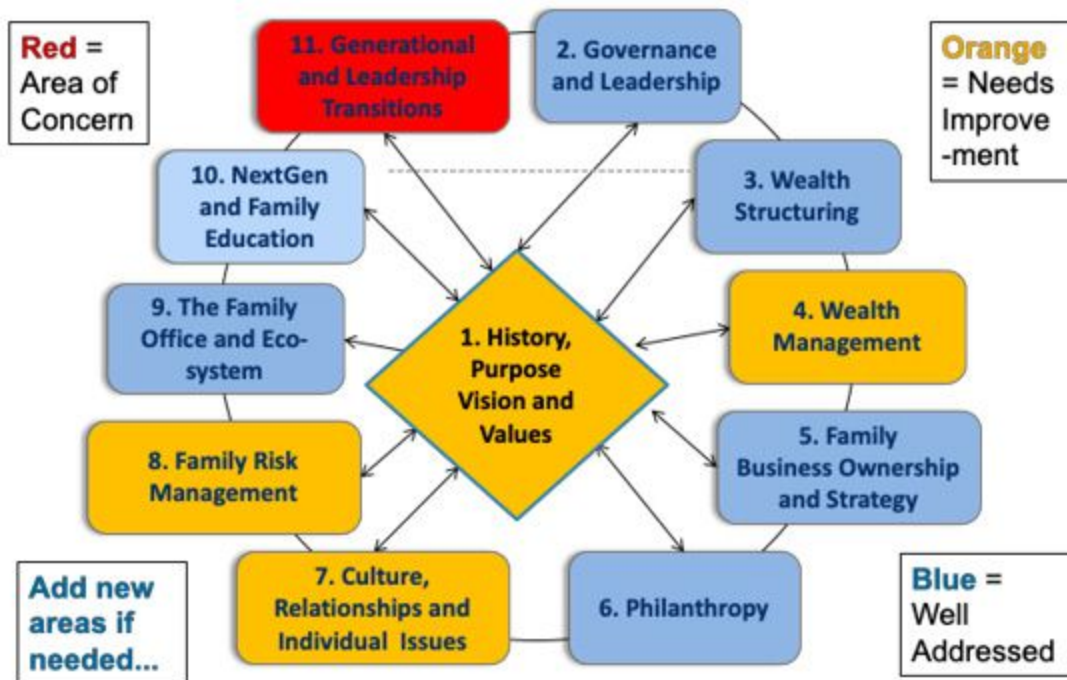
- Unprepared next generation leaders
- Poor succession planning
- Lack of good advisers
- Family conflict
- Different visions between generations
- Governance challenges
- Exclusion of family members outside the business
- Not using the family as an advantage in business
- Not respecting the fundamental principles of strategic planning for business

An effective family legacy strategy can prevent many of these issues. Successful family businesses create legacy strategies that address both the family business as a whole and the individual needs of family members. Younger generations are able to inherit the momentum and best practices of older generations. Curating family, personal and cultural relationships across generations can be dubbed "soft work", but can be considered more difficult than the technical aspects of running a business. Balance hard and soft skills across disciplines for an effective family legacy and business strategy.



Examples & Templates

Example 13.A: NextGen Educational Priorities



Template

Template 13.A: NextGen Educational Priorities

[Template 13A_NextGen Ed Priorities.docx](#)

Emotional Readiness Checklist



Examples and Templates

Example 14.A: Transition of Ownership and Leadership

- Description of assets to be transferred (business, financial, philanthropic, non-financial assets – e.g. property, traditions, community roles, etc)
- Principles and approach (inc asset structures) to future asset stewardship and requirements for success (hard and soft skills), consistent with family purpose, values, governance and culture
- Assessment of Next Generation skills and capabilities - individually and as a group – to handle ownership responsibilities: both ‘hard’ and ‘soft’ factors considered, with gap analysis to define educational programs
- Design Three Phase plan for generational transition
 - » planning and assessment (plans for each element of the legacy framework)
 - » preparation and phasing in to future roles (making adjustments as required)
 - » operation with mentoring only
 - » annual performance and development milestones in place throughout (with checkpoints and an annual review of each family member)



Examples and Templates

Examples

Example 14.B: Plan for Key Roles

Phase I: When the senior generation is still fully engaged in leadership

1. Establish an ad hoc GT Committee reporting to the Family Council
2. Develop a long term GT plan and development goals for NxG members
3. Design a program of rotation in key roles for NxG members
4. Review and reinforce family governance and advisory board
5. Create and empower NxG Committee to assess team and individual issues (profiles and individual SWOT) and make recommendations; begin to work together as a leadership team

Phase II: When the patriarch is no longer fully active but still available as a mentor and guide

1. Transition NxG into new roles with branch balance and meritocratic selection as appropriate
2. Senior generation to step back and take on new initiatives
3. Review of progress one year after all transitions complete by third party
4. Make adjustments as necessary

Phase III: When the senior generation is no longer engaged in any way

Example 14.C: Generational Transfer

1. Create a Steering Committee and set responsibilities for Generational Transition, with an important role for all Next Gen member
2. Identify and address existing gaps in business, family and philanthropic governance, policies and organization – and a plan to address them
3. List priority areas of knowledge and experience needed for the future for each element of the legacy framework
4. Assess individual and team knowledge and capability to learn vs needs
5. Define needed educational program for individuals and the group – involving current generation of leaders as well (compare 3 vs 4)

- Allocate resources for each component – internal and external – and Identify time and cost implications for both 'hard' (accounting, finance, strategy, IT, governance, etc) and 'soft' (teamwork, communication, leadership, trust-building, etc) skills
- Set out objectives, milestones and timetable for the "GT" plan

Template

Template 14.A: Transition of Ownership and Leadership
[Template 14A_Transition of Ownership and Leadership \[check\].docx](#)

Template 14.B: Plan for Key Roles
[Template 14B_Plan for Key Roles \[check\].docx](#)

Template 14.C: Generational Transfer
[Template 14C_Generational Transfer \[check\].docx](#)



Module 12 Checklist:

NextGen and Family Education

Contents	Yes	No



Module 14

Executive Summary and Full Document Architecture

Video Lessons and Summaries

Executive Summary
Full Document Architecture

Selected Reading

[Insert Book and Chapter, e.g. SWF-Chapter 1 (note: we will need to have the source file to copy the passage into the CourseBook)]



Example and Templates

Example 16.A: ILS Executive Summary

INTEGRATED LEGACY STRATEGY

EXECUTIVE SUMMARY

DOC 15

I. Executive Summary

In the midst of an unprecedented global health and economic crisis, and the uncertainties it brings, the Cuscaden Family faces a number of unprecedented family and business challenges. As a result, both our immediate tactics and long term strategies need to be reconsidered, and changes made, to manage the risks, and take advantage of the opportunities, in front of us.

A Testing Time: Family leaders, capabilities and values are tested, and great families are forged in times of crisis and adversity. The strategies that we develop, and the actions we take, will have a profound influence on the future we create, and the family legacies we leave. If we respond well, we can navigate successfully through these turbulent times and also take advantage of the opportunities to reinforce and build on our family foundations, strengthening our family and emerging even stronger to face the inevitable crises of the future.

Our approach to the present and future challenges will need to be conscious of the fact that some 'best practices' from the past will need to be supplemented by a set of new 'next practices' which are better adapted to allow your family's wealth and legacy to survive and prosper in the future. Rising to the short and long term challenges of this phase will also be as much about addressing the 'soft' people issues such as leadership, unity and motivation as well as the 'hard' issues such as wealth structuring, investment, business strategy and philanthropic impact.

Elements of Strategy: In order to be as effective as possible, we will need to address a number of interdependent elements of strategy on a coordinated basis. These areas are as follows, with a short summary of our priority actions in each area below:

I. Purpose, Vision and Values

The new Cuscaden Family Statement of Purpose and Values can provide a relevant guide to our actions:

1. To create a business and manage our wealth in a responsible and sustainable manner in order to secure the health, education and financial welfare of members of the Cuscaden family indefinitely, and also to use our wealth to improve the quality of life for those in need of support
2. To make a valuable contribution in selected areas of philanthropy, sustainable investment and environmentally-focused "clean" technology
3. To be a united and harmonious family - across multiple generations and at all times - whose members, traditions and values are worthy of respect

Revising our Vision: Due to the constraints of starting new businesses in the current climate, coupled with increased geopolitical risks, we are deferring, and possibly canceling, our emerging markets JV initiatives India and China. This will revise our vision which included the development of a scale set of activities, and an increasing international presence, by 2025.

Living our Values: In addition to aligning with this aspirational statement, the principles we demonstrate at this time in our decisions and actions must be consistent with the four primary Cuscaden family values - Integrity, Unity, Responsibility and Generosity.

In the current environment we are putting these values into action by reinforcing unity through increased communication, and open sessions with all G2s and G3s, generosity by increasing our philanthropic spending by 50% to fund local food banks for unemployed individuals and their families, responsibility by retaining as many employees in our businesses as we can, and integrity by taking tough decisions to honor our commitments - or work together to find new agreed win/win solutions - even if it is not always easy to do.

2. Leadership and Governance

We have taken a major step forward in formalizing our governance and broadening the number of leadership roles in the family. Drafting and ratifying our first Family Constitution.



we have created an approach which is balanced, fair and transparent, and operates in line with the achievement of our broader purpose and our four principal values. In creating roles which are a balance of both meritocratic positions (ensuring the best person is in place for the job) and rotating between branches and generations (ensuring balance and stability within the family), the approach taken will provide a structured approach which, we hope, can operate successfully for many years no matter who is taking up the available positions.

Given the number of times that leadership appears as either a weakness or as an opportunity for improvement in interviews during the early stages of the legacy planning exercise, addressing this issue is a high priority task.

It is essential now to redefine the roles and responsibilities of the leadership and advisory team, even in advance of an FD/future CEO coming on board. There is now a need to put the right people into the right jobs with the right objectives, leadership, supervision and compensation.

3. Wealth Structuring and Protection

In addition to continuing the longer term initiatives over the past three years with regard to the diversification of trust jurisdictions and increased use of our own Private Trust Companies, we need to add a review of the possible value of a long term HEW Trust for the future members of the family whose parents have lost a substantial portion of their wealth. The level of distributions of trust income and capital to family and philanthropic beneficiaries also needs to be examined in an environment with diminished dividends and low interest rates.

A review of the trust system and its operations, resulting in the drafting and agreement of a new Letter of Wishes, more frequent meetings with trustee and advisors on a group basis with younger family members, the outline of a system of PTCs and diversification of trust jurisdictions and trustee arrangements

In addition, as a result of increased long term tax risk in our home country, a review of domicile issues, on and off-shore living options or Family Members and roles and responsibilities related thereto should be addressed. We are also strengthening the role of our offshore functions through the establishment of a high quality Investment Committee, which also constitutes the board of the Swiss entity, to review proposals and make formal investment recommendations to the trustee for decision-making.

4. Wealth Management

A Wealth Review initiative undertaken by Charles Cuscadon and the FO team led to a change in portfolio reporting to show total family wealth from different perspectives, both with and without the family businesses, overall asset allocation and concentration risk ratios, individual manager performance, cash on hand and currency exposures

While confirming our lifestyle-legacy approach to investing, the current situation demands a review of the split of assets between the two, the risk profile and expected return in each asset class and industrial sector, and the need to take a more active role in balancing portfolio risk - concentration risk, currency risk, counter-party risk and tail risk - based on the lessons learned over this past year and from the GFC as well.

Investment Policy Statement: The drafting of our first IPS led to a top-down and bottom-up review and rethink of the asset allocation model (emphasizing income generation as well as capital growth), the nature of the investments chosen, the role of the investment manager and possible appointment of a new investment advisor with a broader and more forward looking approach, eradication of some unhelpful patterns (e.g. investing with friends and doubling down on unsuccessful investments) and the institutionalization of a more expert and disciplined approach taken to the selection of managers in our financial 'eco-system' and related tactics and execution in each asset class.

Cost reduction and portfolio efficiency: We have reduced our manager and banking charges by 30% over this past year through a greater amount of attention being invested in redesigning reporting forms, and analyzing and renegotiating portfolio costs and returns.

Sustainable and Impact Investing: We will be investigating the possibilities to reallocate a visible portion of our liquid wealth to this sector, headed by a joint team of G2 and G3 Family Members.

5. Family Business Ownership and Strategy

The economic impact of the COVID-19 pandemic led to a thorough review of the way we were doing business: increased importance of cash collection, reduction in HQ and operating cost reduction, and restructuring financial arrangements with the banks were all part of the new focus in the markets. Decisions were taken to defer some growth initiatives in the emerging markets and limit credit lines, even to established clients.



CSR: We did not step back from our CSR policies, but have refocused on those areas where there is greater tangible commercial benefit, e.g. 'green energy' and organic products in our agriculture businesses.

Innovation and Entrepreneurship: Within the family and our businesses we have restructured our 'I&E' program to focus on innovative ways to protect and improve operations in existing operations, including the application of new technologies. The Family Entrepreneurial Fund remains available to younger Family Members who see business creation opportunities despite (or maybe because of) the challenges of the crisis.

6. Philanthropy and Social Engagement

We have increased our financial commitments to philanthropic activities, and added a new branch of activity, providing ICU equipment to local hospitals and working with partners to feed unemployed individuals and their families in our home city.

Immediate action priorities: To review the long term consequences and family needs in our home city as a result of the pandemic and lead an effort to assemble a group of leading families, companies and public bodies to identify priority needs, and then design and roll out both short and long term action plans to fill these needs.

7. Family Culture, Relationships and Individual Issues:

Family relations have been generally harmonious for many years, but the bonds between younger generation members appears to be dedining as people move abroad and follow different life paths in different places. A cross-generational social program was put in place and an improved approach to communications was set up by Anna Cuscaden under the direction of the Family Council.

8. Family Risk and Crisis Management

As a result of the crisis, we are moving into an era of enormous tax revenue shortfalls and a likely targeting of res non-doms and rich list UHNWIs by the new Inland Revenue Special Unit. In this environment, nothing but 100% solutions regarding offshore structures, reporting lines, processes and policy-setting are likely to hold up in the coming years. Action consistent with this observation could include bolstering of resource in Geneva, protection of the integrity of the trustee's role, simplification where

possible, and a strict separation of on and offshore employees, reporting lines, advisors, meetings, archives, activities and structures.

9. Family Office and Ecosystem [Rawji]

Following a full review and wholesale change of the family services area, culminating in a comprehensive security review and overhaul of premise security, staffing and reference procedures, selection and management of security guards, hiring of a professional head of family services (Rose Haywood) and significant increase in interaction between family members and the new head of family services.

The creation of a Geneva office with seven key functions:

- Supporting function for trust administration
- Supporting the operations of Investment Committee
- Building up a broad network of family offices and co-investment deal sources
- Searching for and evaluating investment managers
- Searching for and evaluating direct equity opportunities
- Coordination of banking relationships
- Optimal management and development of the family property portfolio

It will be a high priority to determine the future shape of the organization, define roles at all levels, fill in gaps in resource levels, reduce costs and address weaknesses in operation and execution.

10. Generational Transitions and Leadership Succession

Although not due for more than 5 years, James IV (4 years from now) and Anne (5 years) will be stepping down from all of their leadership roles. Effectively, this means that each major role in the Family Enterprise will need to be filled: Chairman of the Businesses, Chairman of the Foundation, Chairman and Vice Chairman of the Family Council, representative on the national President's Business Board, Trustee of the Church Body of Elders, Chairman of the Family Office Oversight Board and Investment Committee.

Although the process for filling these roles is now established in the Family Constitution, a full scale effort needs to begin today with the Nominating Committee to identify potential candidates for these roles, assess individual and team capabilities, review different approaches to filling the roles and offer opportunities for future leaders to step into related roles such as director of small businesses, Vice Chairman of the Family Council, etc.



Progress to increase engagement of all NextGen members in selected meetings and decisions, the initiation of Alex's summer internship at Cuscaden Steel, the design and implementation of a major remedial educational program to address knowledge gaps have been necessary, but not sufficient, progress in preparing the family and selected individuals for their roles in the future.

Addressing other succession issues will include hiring a replacement firm for legal advice (John and Samantha), identifying a successor to the lead trustee, and identifying and beginning the search for a successor to ND as the Geneva FD/future CEO.

Emotional Readiness: In both Generational Transition and Leadership Succession considerations, the role of 'Emotional Readiness' needs to be considered along with technical expertise and experience in the job. A Myers-Briggs style analysis and work with a coach and family (non-parent) mentor will be a valuable part of all future preparations.

Inverting the pyramid at the time of transition: One proposed approach for the succession of financial leadership into the next generation would be to 'invert the pyramid,' meaning that the team of advisors who currently report to James's leadership (at the apex of the pyramid) would themselves become leaders of the process, explaining policies and fielding ideas from family members but retaining ultimate decision-making authority. Family Members would thus

The details of this approach have yet to be worked out or accepted by the trustee and relevant family members.

11. NextGen and Family Education

Each Family Member will need a basic education in business and financial matters, along with exposure to family governance and family 'soft' issues in order to play their roles as good owners of wealth and contributing members of the family.

From the age of 25 onward, family members will be strongly encouraged to have completed a participation in some form of formal external training to ensure that these basic skills are in place. No position in any family body will be open to individuals until he or she has completed this training.

A special role will be created in the Family Office, reporting to the Chair of the Family Council, to ensure that programs are available and funding in place for this education to be assured.

Oversight and Implementation Planning

In addition to these individual elements, the Family Council shall establish a Family Strategy and Development Committee, made up of members from all active generations and branches of the family, to oversee progress in each of the areas above.

The Annual Family Implementation MasterPlan will be reviewed quarterly by this Committee and progress reported to the Family Council at their regular meetings. The first such plan is attached as Appendix A to this document.

Template:

[Template 16a_ILS Executive Summary.docx](#)

