



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

FAMILY WEALTH AND LEGACY PLANNING

Course Handbook — Strategy for the Wealthy Family





FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

Introduction

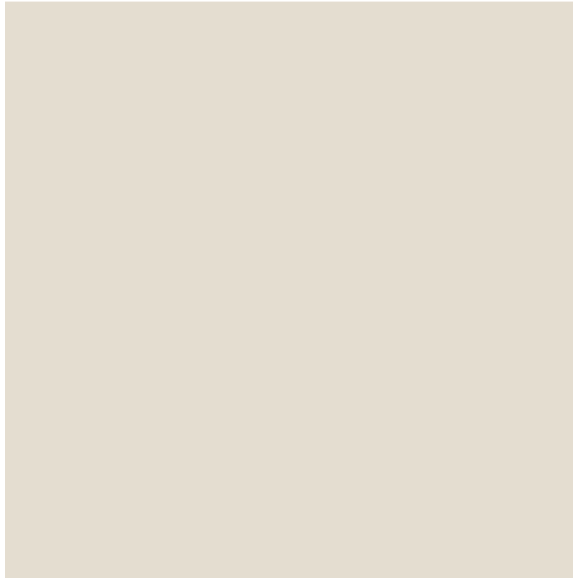
“It takes a great deal of boldness and a great deal of caution to make a great fortune; and when you have got it, it requires ten times as much with to keep it”

Nathan Mayer Rothschild





Introduction: Key Contributors



MARK HAYNES DANIELL JD, DHC

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

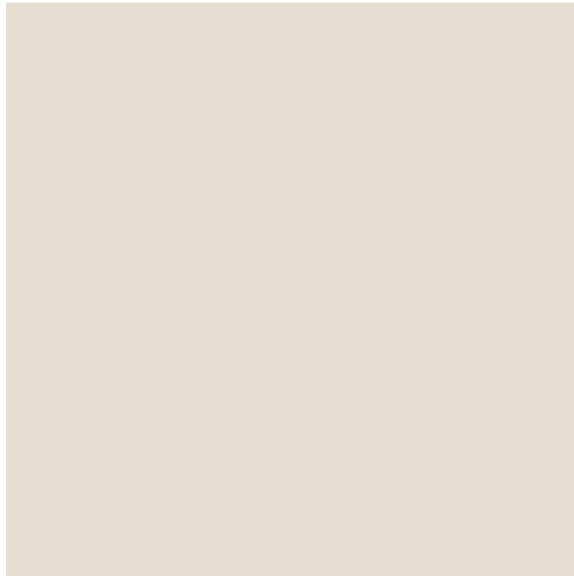
Mark Haynes Daniell is Chairman of the Raffles Family Wealth Trust Pte Ltd. He has more than thirty-five years of experience addressing the core issues of family business and legacy strategy. He has formerly held positions as a partner at Bain and Company, Director of Wasserstein Perella, president of 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 (Marshall Scholar at University College) and a BA from Amherst College, phi beta, kappa, magna cum laude. 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. hc HEINRICH VON UND ZU LIECHTENSTEIN

Integrated Legacy Strategy; Family History, Purpose, Vision and Values; Family Business Strategy.

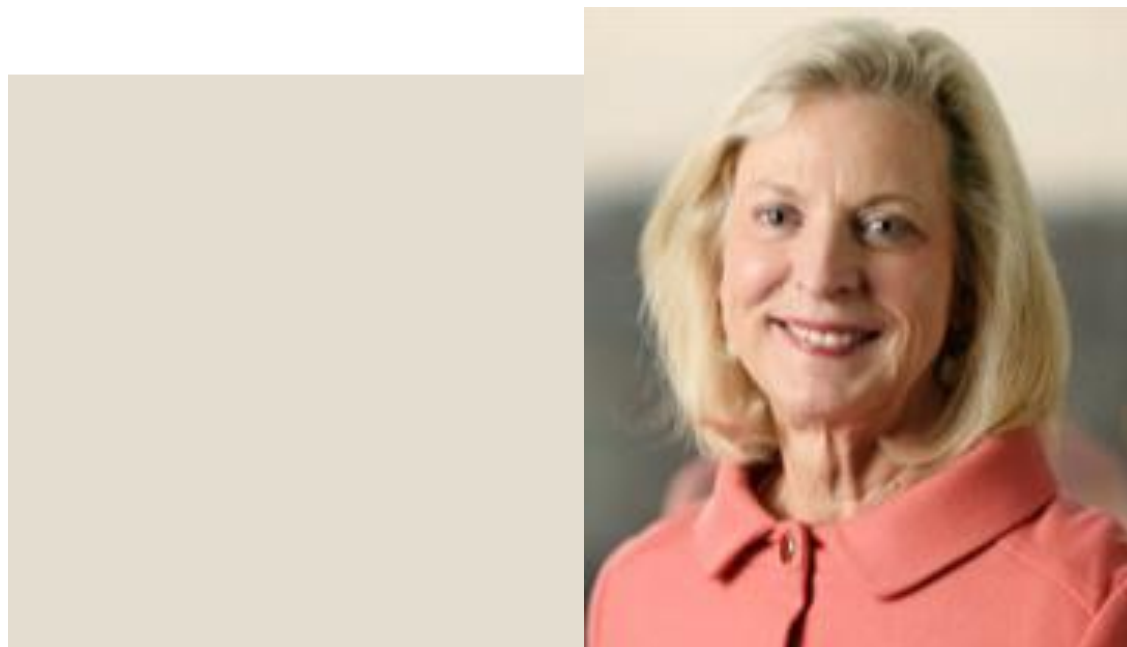
Professor Liechtenstein is a professor of financial management at the IESE Business School in Barcelona and Munich. He is a leading academic researcher and expert on legacy families and their businesses around the world. He is active on several family holding advisory boards and serves as a board member 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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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.



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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.

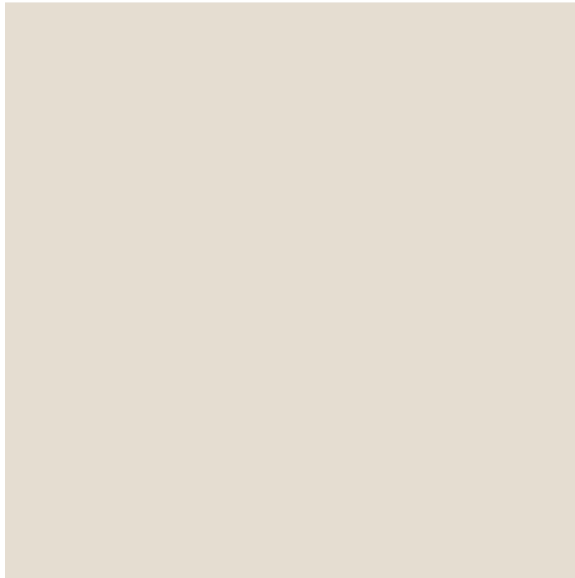
The TRC Group works with legacy families and their members to overcome relationship challenges and personal psychological difficulties, including anxiety, depression and addiction.

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 Cam AI, 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.



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TOM McCULLOUGH, MBA

Family Wealth Management

Tom McCullough is Chairman and CEO of Northwood Family Office, Canada's first 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 International Wealth Manager) designations and is a registered Portfolio Manager.

He is married, has two adult children and is actively involved in a wide range of philanthropic activities, most notably poverty alleviation in the developing world.



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The Essence and Importance of Preserving Family Wealth and Legacy

*“Meaningful legacies can give our lives an extra sense of purpose,
place belonging, meaning, and value.”*

Most people think of legacy as only a passive inheritance of money and other tangible assets - like a large multi-generational business, investment portfolio or collection of art or properties - passed down from the past. This inherited wealth was also often thought of as something that would most likely be lost over time due to any number of reasons, playing out the sad story of ‘riches to rags in three generations’ repeatedly.

Both views are unnecessarily limiting and, if accepted, could inhibit thought, reduce ambition, and lead to lesser outcomes than those that could otherwise be created.

Family legacy, more fully understood, can be seen to be an active concept as much about influencing the present and shaping the future as it is about passively receiving from the past. Family wealth, properly understood, structured and managed, can indeed last far more than three generations, enriching the lives of many individuals within the family, and benefitting those who are not family members but whose lives are touched, directly or indirectly, by the legacy family and its greater enterprise.

Three types of family legacy: One we receive, the second we leave, and the personal legacies created by our decisions and actions during our lifetime

The first type of legacy is ***the legacy we receive***, which fits the traditional concept of financial and other forms of wealth which we inherit from the past. The second is ***the legacy we leave***, which includes that which we receive, but is influenced by how we add to, change, or diminish the legacy handed down from prior generations.



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Between the two forms of legacy lie the ***personal legacies created by decisions and actions*** of the current generation of the family, a group of individual leaders and qualified members whose influence can shape the future of the family for generations. This current generation will decide what future generations receive and will also set an example – good, bad or indifferent – as to how a family legacy should be managed to achieve its defined purpose.

A successful generation of the family will understand, preserve and enhance the legacy they receive, passing on both greater assets and a more informed approach to family wealth and legacy planning that will provide valuable guidance for future generations aspiring to equal, or even surpass past successes. A less successful generation will diminish the legacy they receive, diminishing asset values and even allowing family culture, values and relations to deteriorate as well.

Personal legacy also at cause

Our personal legacy is thus partially determined by what we do – or don't do – with the family legacy we inherit. In a wealthy family, the impact of any member's individual life may be heavily influenced by what he or she does with the wealth inherited – and the energy it contains – as it is used/held in stewardship for some time and then passed on, intact, enhanced or diminished, to succeeding generations.

The meaning and accomplishment of our lives can be measured, in part, by the impact we have on the difference between what we received and what we leave behind. The determination of that personal legacy will influence whether the impact of our passing through this earthly vale has actually shaped the future for the better or not.



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Three Forms of Legacy
The family legacy we receive: our inheritance and heritage from the past
The family legacy we leave: our contribution to future generations
The personal legacy for which we are responsible: the sum of our individual ambitions, decisions, actions, efforts and accomplishments, in part providing the bridge between the two forms of family legacy, but also consisting of other aspects of our individual lives as well

The purpose of this book, in essence, is to help you to avoid that diminution in the value of the legacy you receive. This will allow you to create and leave behind a positive individual and generational legacy, characterized by the preservation – or even enhancement – of family wealth. It can also lead to a strengthening of the family, enabling them to master the new and unpredictable challenges they will face in coming years.

Fostering private wealth and family legacy a social good

In fact, family wealth and legacy can be considered as an important part of the societies in which we participate. Private wealth and legacy families can often play a positive and important role in the social groups, communities and broader societal world in which these families live, work, play, participate and contribute.

Family wealth is not a zero-sum game; one family's loss is most often not another family's gain. If one family loses its wealth through poor planning or unmanaged risk, it is by no means assured that another family will 'inherit' that lost value, or that the benefits once offered to the community will be provided by someone else.



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The diminution or loss of family wealth thus diminishes our aggregate societal capital as well as reducing the wealth of any one family. Preserving private wealth and enhancing family legacies can be seen to be a social good, as well as one of the possible individual and social responsibilities of those individuals and families fortunate enough to be owners of substantial wealth.

Wealth can be seen to be a kind of energy like a fire, which can grow if addressed properly, or at least be maintained in a steady state over time. On the other hand, if subject to adverse interventions from within or outside the family, that same fire can be swiftly reduced, and possibly even extinguished. More often, if taken for granted or left unattended for other reasons, the energy gradually diminishes, like a neglected fire burning down slowly over time, leaving behind only ashes and regret where there was once so much more.

The great potential energy of family wealth, and all the good that it could have done, simply dissipates, a word defined by F. Scott Fitzgerald as meaning *'to make nothing out of something'*.

It does not need to be this way

Good strategy and effective planning can go a long way to overcome the many forces from within and surrounding the family – both centrifugal forces threatening to pull a family apart and centripetal forces increasing the pressures on the family at the center of the system– which conspire to hamper progress, disrupt a positive status quo, or accelerate decline, reducing wealth and damaging legacies.

At the extreme, a positive and engaging approach to important family matters can prove to be a valuable ally in the effort to forestall or offset the many risks and potential harm that the 'dark side of wealth' can visit upon a family and its more vulnerable members.



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The choice between transcendent success and painful failure is ours, with the wide variety of potential outcomes well captured in the elegant words of 19th century pastor Thomas Binney, who wrote

*“Money, as money, is power in repose.
Set in motion, it may fall like dew or rush like the whirlwind;
It may be light to irradiate, or lightning to destroy...
The conditions of stewardship are not the terms of bargain and hire,
but of promise and grace.”*

Money: A Popular Exposition (1856)

Aspiration and Active Engagement the Better Way

Good legacy strategy, and strategic wealth planning, always begin with defining *why* a family choose to remain united and work together, *what* the family want to accomplish through their individual and collective effort, and *how* they can act today and tomorrow to best contribute to the future wealth, wellbeing and enduring legacy of the family.

As the structure of this book reflects, after answering these questions, it is critical to consider all the essential elements of a family wealth and legacy plan: individually and as parts of one fully informed structure in order to design and implement one coordinated and holistic approach.

No great scientist has ever achieved his or her own results, or any great body of knowledge ever assembled, solely through a method of trial and success. Both past successes and failures need to be studied, and the relevant lessons learned from both need to be understood and applied in designing and implementing your own plans.



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Best Practice and Next Practice

However, in times of turbulence, change, volatility and uncertainty, merely applying the lessons of the past may not be enough. The environment is changing, as are the rules of the game. Some of the 'best practices' from the past may already be outdated. What is needed for application in your own family wealth and legacy plans are those practices from the past that are still applicable today, plus a new set of creative 'next practices' which are designed and applied to work in the future.

Restoring original meaning to key words and concepts

There are many words in this space that have lost their initial, more precise content. Both 'wealth' and 'legacy' are among them.

The word wealth is derived from the Old and Middle English words '*weal*' and '*wela*', which carry definitions more akin to wellbeing or welfare (in the broad sense of the term) rather than just money. This broader concept is also found in the understanding of Sanskrit word '*artha*' and the Chinese character '*fu*', which are usually translated as denoting family wealth but also extend into this same realm of broader – and deeper – meaning.

The same is true for the word 'legacy'. Derived from the Latin word for an appointed legate – an individual – the word now has gathered a sense of possessions or traditions transferred down from a past generation. It also means, confusingly, what a person develops and then leaves behind from his or her own life. In this broader sense of the word, it means 'something that is passed on', possibly repeatedly over time and across generations.



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A more precise pair of terms would split the two concepts so that ‘heritage’ could capture the idea of what one receives, while ‘legacy’ could mean what one leaves behind from an individual life.’

Ebullient popular author Tony Robbins takes the broader definition of legacy one step further when he describes legacy as both what one receives and what one leaves behind in very broad conceptual terms, but extends it to include individual purpose and value:

*“A legacy is **a lasting impact on the world**. It's a gift that is passed down through generations: money, property or even stories. It can also be a business – or the profits from a business, set up in a foundation or charity. Leaving a legacy means dreaming big and changing the world for the better....It isn't just businesspeople who can leave a legacy.*

Every great leader you can think of today comes to mind because he or she left a legacy. Nelson Mandela helped defeat apartheid and became South Africa's first Black president. Laurance Rockefeller conserved thousands of acres of parkland. Marie Curie discovered radiation and was the first woman to earn a Nobel Prize. Albert Einstein changed our understanding of the entire universe. Mother Teresa left such a lasting legacy; she was canonized as a saint.

All these people understood that leaving a legacy is the true purpose of life.”



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The Framework for Family Wealth and Legacy Planning

The nature of the task in front of family leaders interested in developing a family legacy strategy is clear from the illustration below, which defines the ‘taxonomy’ (i.e., the structure of the knowledge) relevant to legacy planning. The family, at the center of the effort, are the focus of all activities: every spoke emanates from the family at the center of the display and leads back to the family and its future.

The individual issues need to be addressed separately and require distinct expertise to be developed and documented well. The individual pieces then need to be fitted together in a coherent fashion to serve the long term needs of the strategy, creating a whole which is worth more than the sum of the parts.



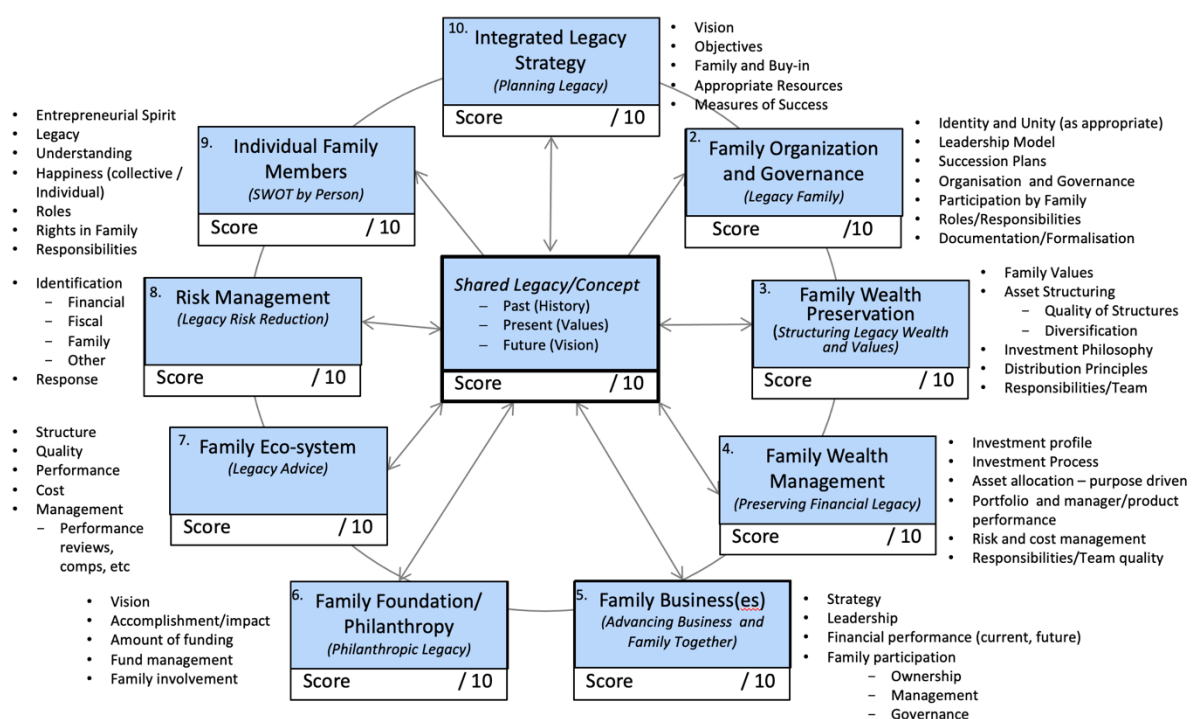
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Initial Assessment of Where You Are

By completing this assessment, you can determine where you are and see where you need to go.

The legacy planning framework described above can also serve as a useful assessment tool to see where you are now and will highlight the areas where you may want to invest further to get the individual elements, and your family wealth and legacy plans, up to the standard you would like.

As set out below (and attached as an editable template at the back of this coursebook) you can review each element of the structure and score yourself between 0 (low) and 10 (high) on each component of a complete plan. By adding up the ten scores from the boxes below, you will see where you are on an overall basis and see where you have the largest areas for improvement.





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It would be a mistake to think that ticking the boxes – putting in place well thought through plans and well-crafted documents – would be enough. The ‘soft’ cultural, relationship, and individual issues and their consequences need to be considered as well as the ‘hard’ technical or strategic content within each discreet element as part of the analysis and design of your strategy and should also feature prominently in your approach as you implement your plans. This implementation phase can cover years, decades, and even generations of the family.

Good family legacy strategies cannot be rushed. The essence of strategy is all so often as much about timing and inspiration as it is specific content.

The approach to each part and the integrated whole of the strategy needs to be considered separately and then together to ensure your approach is having the greatest possible impact, now and for long into the future.

Best Practice In Legacy Strategy

- Based on an aspirational long-term vision
- Taking a long-term view (three generations, at least)
- Addressing all elements of strategy
- Taking a holistic and integrated basis
- Preparing to adapt to changing circumstances within and surrounding the family
- Being creative - thinking about tomorrow's 'next practice' as well as today's 'best practice'
- Reflecting the unique character and challenges of an individual family with its own history, culture, values, and members.



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Interdependent Elements

The first reason to consider all elements of strategy on an integrated basis is that all elements of the strategy are inextricably intertwined. Trust structures and strictures can have an influence on estate plans and wealth management. Philanthropic objectives can have an influence on wealth management and family infrastructure. The family 'eco-system' can play a major role in all aspects of family strategy. Family organization, values, and the content of the family constitution can have a substantial influence on wealth management, the family business, and the lives of individual family members.

A second reason is that the interaction of the elements can create an even better outcome in any one area of strategy than would an isolated approach. By considering each element on a stand-alone basis, family leaders and strategists will be able to create a series of focused strategies targeted at the achievement of specific objectives in each critical area of family strategy. By integrating these individual strategies into a coherent whole, they will contribute to the creation of an approach where the overall results are far greater than the sum of the individual parts.

The third and final reason is that all elements of strategy are aimed at achieving the same overarching goal. Throughout the process of addressing the elements of strategy for a wealthy family, it should be always remembered that the ultimate goal of a strategy for the wealthy family is to achieve a unique family vision and implement the strategy that will lead to the greatest possible harmony, happiness, and prosperity for your own family across many succeeding generations.



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Multi-Dimensional and Multi-Generational

The nature of family wealth and legacy planning is both multi-dimensional in content (with a need for each inextricably intertwined element to be addressed both separately and together) and very long term, even multi-generational in application.

This model and approach are unlike, for example, modern corporate strategy, which is being developed in a non-family context. In the business world, time frames are getting shorter and shorter as the leading business models, the technological and commercial environment and competitors (new and old) progress and change so quickly that rapid change is the only constant. In the content and application of the family wealth and legacy planning framework is found a mix of both the enduring and the new. The strategic and management challenge is in great part to identify what is important and to manage both continuity and change in equal measure.

Yet even to achieve the objective of preserving the best of the past and reinforcing the societal, familial and individual foundations that can support a high quality of life in the future requires thoughtful understanding and careful management of many changing elements around this goal.

In the oft-quoted words from Prince Giuseppe di Lampedusa, author of the classic novel of life in Italy, *Il Gattopardo* (The Leopard), summarized so eloquently: 'If we want things to stay as they are, things will have to change...'



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Turning a Conceptual Framework into Effective Action

Very few wealthy families around the world have been able to preserve the traditional foundations and key elements of a better way of life in the modern world. Financial wealth, no matter how large, can erode quickly within a single generation rather than taking multiple succeeding generations to decline as deeply as it can. Effective strategies are ever more needed, but still lacking in far too many families.

A surprisingly small number of legacy families and their leaders have a coherent, well-thought-through strategy to preserve their wealth and enhance their legacies going forward, even if many of their leaders are aware that 'hope is not a strategy' when it comes to addressing the future of their families.

Effective legacy strategy requires that family leaders design and pursue initiatives which will take time, effort, and the engagement of many family members, addressing several interrelated elements along many complementary dimensions. These strategies are not short term in nature, as they require an informed view of the past, an understanding of current challenges, and the future needs of the family, even looking forward across multiple generations.

In the past, there was no single source of guidance available to help families develop and implement an effective legacy strategy. This is all changing now, with the availability here of a complete and integrated legacy framework providing a model of content, coupled with a description of a clear process, for each family to adopt and adapt to develop and implement its own unique strategy.

While the whole of the approach needs consideration, each individual element also requires understanding and elaboration.



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The Family

At the center of the integrated framework lies the family itself, providing the *raison d'être* of the strategy and exerting gravitational influence on all constituent elements of that strategy. The family is defined by bloodlines, history, traditions, values and relationships developed over time. It is both the sum of its members, family units, family generations, and informal family groupings, and a complete unit unto itself.

The history of the family, once defined, will bring with it a cascade of facts, events and individuals who contribute to the current and future nature of the family. In addition, that history carries with it a culture, evolved over time and forged by a combination of national, religious, economic, social, political and other factors. That culture will affect how people see things and shapes the beliefs, attitudes and behaviors whose application will shape indelibly their individual lives, along with influencing the flows of lives and events within their greater and nuclear families.

A good family wealth and legacy strategy will need to consider and nurture the family as a whole, and to reflect the importance of all of its various internal dynamics. Further, a family strategy will need to take into account the past accomplishments of its iconic figures and build a future on the merits, aspirations, and limitations of each individual family member.

Awareness of the past can be a major asset in creating a better future of any family. Research has proved that connection to the past can be an inspiration and have a positive effect of the present (and hence future) of the family. This 'ancestor effect' supports the spirit of Robinson Jeffers famous words:

*'Lend me the stone strength of the past,
and I will lend you the wings of the future...'*

THE ESSENCE AND IMPORTANCE OF PRESERVING FAMILY WEALTH AND LEGACY |



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Only by identifying and addressing a family's past strengths and weaknesses, successes and failures, and their impact on the current and future generations of the family, can all other issues – such as wealth preservation, investment performance, and family business strategy – be developed in a stable and well-grounded context. Without an agreed approach to the history and current state of the family, or if finding itself in a situation where a negative family dynamic overwhelms any agreed strategy, a family's attempted approaches to family wealth matters are less likely to succeed, until the fundamental issues of the past are identified and resolved.

History, Purpose, Vision, and Values

In diagnosing, designing, and implementing strategy, a solid first step focused on understanding the past and what it has brought into the present is essential. Addressing the context and consequences from the past, coupled with an intelligent extrapolation of the past into the future, can lead to a priority set of current and future challenges to address whose resolution may be one of the greatest contributors to the reduction of risk, and to the realization of opportunity, family leaders can offer.

Building on this understanding of the past, and understanding the nature of current challenges, families can set out to specify and pursue an aspirational approach to their future together. These 'foundations of legacy' include the background of history and culture, and aspirational statements of purpose, vision and values which can explain why, what and how a family will seek to create something special and unique for its members, even those as yet unborn, in the future.



Family Governance and Leadership

One of the critical elements in developing a multi-generational family wealth strategy is a structured approach to the family's organization and leadership model. The family business, family wealth management, and family philanthropic activities, and even the greater family itself, can all benefit from a cohesive and organized approach to the internal structures, roles, governance, and leadership of a wealthy family.

Often captured in a Family Constitution and overseen by a Family Council and a wider Family Assembly which gets together a large set of family members in an Annual Family Meeting, an organized approach will create the strong and united platform upon which successful strategies can be built.

The 'Renaissance' Leadership Model

Many of the great figures from the 15th and 16th centuries have been described as individuals 'capable of mastering and integrating the disciplines of their time'. These famous Renaissance Men (and now Women as well) were adept in many fields in both the arts and the sciences and their relation to each other, that allowed them to live rich and full lives, and to contribute enormously to the accomplishments of their time.

Effective leaders of legacy families need to think the same way, mastering and integrating the full range of disciplines which inform the elements of their strategies designed to shape the long-term future of their own families.

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Philosophy of Wealth, Structuring and Managing Family Wealth

One of the most important decisions a family must make, is to determine its Philosophy of Wealth. One of the key elements of the strategy that must be mastered and integrated heavily influenced by your decisions here is Structuring and Managing Assets, also called Wealth Structuring. This includes designing and implementing wealth ownership structures such as trusts, partnerships, corporations and other alternative approaches, to which is added principles of investment, distribution and risk management. Also included in the activities of integration into a single-family approach are family values, wealth management principles, and the necessary education of the whole family.

No matter how the wealth is held, each family will need to determine its investment profile, set its investment objectives, and define a disciplined and high-quality investment process to make the most of its current assets and future opportunities.

Beating the odds of history and remaining rich across more than three generations requires a specific strategy to take advantage of opportunities and contributions of its members over time, but also needs to protect family wealth from the greatest risks and predictable sources of potential loss.

Family Wealth Management

Every wealthy family, by definition, has a substantial amount of financial wealth and property holding. Assets can be tied up in an illiquid and concentrated family business or property holding or may already be fully liquid and managed as a diversified portfolio of global financial investments. Many of the wealthiest families have, in fact, a combination of both.

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After a Major (First Time) Wealth Creating or Liquidity Event: Many wealthy families and individuals who have become suddenly wealthy or find themselves holding substantial liquid wealth for the first time, are

discovering that wealth management is a very separate discipline from operating a business; it requires separate skills, a separate knowledge base, and a different approach to business analysis and fund management than does operating a large manufacturing or service business.

All too often, wealthy families believe that, because they have successfully run an operating business for generations, they can swing smoothly and quickly into the management of a complex international investment portfolio. Avoiding this classic error and moving swiftly to a best (and next) practice approach to wealth management on a portfolio basis, is a key factor in preserving the fortunes of many wealthy families facing the transition from 'business family' to 'investing family'.

Family Business Ownership and Strategy

A family business, if one exists, may play a central role in the family's economic fortunes and in its history. That business can be a major contributor to a wealthy family's identity and stature in the various communities to which it belongs.

A family business can play a dominant role in the individual careers, personal aspirations, and lifestyles of individual family members. It can also be a highly charged story of lifelong competition, clashing ambitions, emotional reward (and damage), individual and family conflict, economic success and failure, personal victory and loss, bonding and trust, division and distrust, joy and anger, all of which can influence a family very deeply across many generations - for better or worse.

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As well as demanding the full set of considerations applicable to any business strategy, such as customer analysis, channel evolution, cost position, service levels and competitive strategic situation, a family business carries with it a separate set of potential advantages and challenges related to the family's role in ownership, governance, leadership and management. These family issues may be particularly relevant and have a disproportionate influence, when compared to non-family businesses, in areas of finance,

brand, client relations, human relations management, leadership, and other elements of organizational and commercial strategy.

Role in Family Wealth Management: In addition to playing a central role in family history and family members' careers, a family business plays a major *de facto* role in family wealth management, as the holding creates a major source of value, and brings with it both risks and opportunities in the context of a family's total wealth.

A substantial family business, or set of family businesses, can create, by their very nature, a concentrated direct asset within the family portfolio of holdings. That asset will have a given currency and economic exposure, an operating risk level and a particular expectation for cash generation and cash consumption over the coming years. As such, that family business requires consideration as a key part of an overall portfolio of family assets and liabilities.

Philanthropy and Social Engagement

Philanthropy can play a major role in a family's history, current identity and future unity. Sharing wealth effectively, and with a clear sense of value and purpose, is an essential element of the strategic framework for most wealthy families.

Most wealthy families, of all categories of wealth, will share some of their accumulated wealth by supporting one or more charitable organizations or philanthropic causes. Some of the wealthiest families may even create their own philanthropic foundations and related organizational entities.

THE ESSENCE AND IMPORTANCE OF PRESERVING FAMILY WEALTH AND LEGACY |



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

Key Introductory Document

Defining the vision, objectives, practices, organization and target results of a wealth-sharing program is no easy task. To be fully effective, it requires a dedicated effort, a substantial amount of thought and an application of the same kind of discipline and intensity brought to bear on a family business or a program of family wealth management.

It is important to note that contributing to the wider world in which we live does not always have to involve substantial financial support. Individuals and the family itself can get involved directly, requiring individual engagement and effort to obtain the desired impact. This kind of effort can have a substantial positive impact on the lives of the individual family members involved, as well as those who are the intended beneficiaries of the endeavour.

The Family Office and ‘Eco-System’

None of the strategic elements related to the internal organization of a wealthy family mentioned here can be pursued successfully without the support of a complex ecosystem of institutions and individuals surrounding a family.

One key part of a family’s system of supporting resources for a particularly wealthy large family (perhaps most applicable for families with total family wealth of \$500 million, or even higher) may be a dedicated Family Office, an organization set up to look after the family’s interests, including family governance matters, tax and estate planning, wealth management, family business issues, philanthropic initiatives, risk management and the more personal aspects of family and private asset services. The ‘FO’ is usually staffed by outside professionals, reporting to a senior member of the family or, in the first generation, to the founder of the family fortune.

That Family Office, and the family itself, will sit at the center of an interconnected ‘eco-system’, consisting of individuals, institutions and communities surrounding and connected to the family. This dynamic network plays a very important role in shaping the decisions, strategies, values and characters of the current and future family, thus playing a central role in determining if a family is capable of preserving and enhancing its family wealth of all kinds over time.

THE ESSENCE AND IMPORTANCE OF PRESERVING FAMILY WEALTH AND LEGACY |



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Key Introductory Document

Active design and effective management of this system is a great source of advantage in developing and implementing a family legacy strategy. All of the active participants making up that ‘eco-system’ need to be reviewed periodically, and either managed differently or replaced altogether, if necessary, as they are all major sources of influence, good and bad, in a family’s future.

Family Dynamics: Culture, Relationships and Individual Issues

The consideration of individual family members, each a distinctive and unique individual as well as an indissoluble part of the family as a collective entity, is essential to any successful family legacy strategy. The sum of individual strengths and weaknesses, values, aspirations, and actions will ultimately determine the future of the greater family.

Generational Transitions and Leadership Succession: No legacy family stands still, and a flow of transitions, successions and change – some predictable and some not – will require the family to identify and manage these events long before they are on the current agenda. Generational transition, in which all aspects of the family enterprise are transferred from one generation to the next, require a substantial effort in planning, preparing, executing and then following upon the transition to ensure it has been successful. Leadership succession, which involves the change of one or more individuals in important positions, takes place in a more limited context and is part of a state of affairs that changes relative to a limited set of positions in an otherwise stable family or business context.

NextGen and Family Education

Over and over again, experts remind us that the education and preparation of the Next Generation is of paramount importance in ensuring the continuity of family prosperity and legacy. The number one cause of wealth transfer failures is lack of preparation of the Next Generation. Many great families have suffered due to lack of knowledge, unmanaged relationship difficulties, lack of planning, and family frictions and failures in relationships and individual characters in their rising generation.

THE ESSENCE AND IMPORTANCE OF PRESERVING FAMILY WEALTH AND LEGACY |



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 01

Family History, Future Challenges, Purpose, Vision and Values

01 Key Questions

02 E-Lessons and Summaries

- A. [Family Definition and Evolution — HVV1204](#)
- B. [Introduction: History and Current Challenges — HVV1001](#)
- C. [The History and Challenges of Family Wealth — HVV1002](#)
- D. [True Family Wealth — HVV1003](#)
- E. [Statement of Family Purpose — HVV1102](#)
- F. [Family Vision and Mission — HVV1103](#)
- G. [Values and Guiding Principles — HVV1104](#)
- H. [Family Virtues — HVV1105](#)

03 Examples

Key Document – Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles

04 Selected Reading

MODULE 01 | Content



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 01 | FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

01 Key Questions

1

Define membership of your family – who is in and who is not?

2	What is your family's history, culture and expected evolution?
3	What are your greatest challenges – considering both “hard” and “soft” issues and a short- and long-term perspective?
4	Why do you stay together as a family (purpose), what are you trying to create (vision) and how do you want to navigate toward a better future for your family (values)?
5	How do you define true family wealth and how do you achieve (and measure) “future success”?

MODULE 01 | Key Questions



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1204

A. Family Definition and Evolution

[DOWNLOAD VIDEO HERE](#)

Sara Hamilton, founder and CEO of the Family Office Exchange, described the importance of family history and its impact on family legacy in Worth magazine, April 2007:

‘When wealth inheritance comprises one of the family’s goals, a strong family legacy can provide the emotional glue that keeps the generations motivated to work together. Many families believe in instilling this legacy even in young children, so that they grow up understanding their history and who they are.’

Defining Family Membership

Before setting out to capture a family’s history and describing the culture, beliefs, attitudes and behaviors that come along with that history, it is important to define who is a member of a defined family – and who is not. What is the definition? How many people are included?

As a first step, leaders need to ensure that they have a working definition of family membership. Is it standard bloodline definition of descendants from a defined individual? Does it include in-laws or stepchildren? Do men and women have equal rights? And does it extend to the broader sets of cousins and relatives who perhaps should not be left out of the benefits of family wealth?

The answers to these questions need to be specified in order to understand the full set of participants and implications for each in the governance of the family and participation in the management and distribution of family wealth. Although the impact and scope of a Family Constitution extend beyond the borders of the family, any family guidance needs to begin with an understanding of who the members of the family to be governed by the Constitution.

MODULE 01 | 02 A | Family Definition and Evolution



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1204

What qualifies someone to be a member of the family?

Original bloodline descendant plus opting in?

At a practical level, family definition is essential in order to formalize family membership for the purposes of inheritance and other family rights and responsibilities. At a more esoteric level, family definition and identity is important to keep the family together, fostering its uniqueness and ensuring the importance of its common history and shared values.

Although the classical 'bloodline' definition of a family still holds for most families, the modern world of frequent divorce and remarriage can force families to ask themselves more probing questions about who is, and who is not, part of the family. Does the family include stepchildren? Children born out of wedlock? (In Germany and Austria today, 40% of children are now born to couples who are not married.) Does the family recognize same sex marriages or unmarried life partners? Does the family include adopted children? Adopted adults? In some countries, again taking Germany and Austria as examples, inheritance tax varies enormously according to whether the inheritance is bestowed upon the child (including adopted child) of the benefactor (8% in 2006), or a more distantly related family member or non-family member (xx%).

In other families, a noble title can only be transferred to a son or daughter of the family. Childless couples may have no alternative other than to adopt in order to ensure that they are not the last of a long and noble lineage.

And what about defending the family against in-laws and out-laws who create schisms and damage family wealth and reputation? Can a family member be expelled from the family and, if so, under which circumstances? How does a family go about extinguishing family rights and freeing up an individual, voluntarily or involuntarily, from his or her responsibilities in the family?

MODULE 01 | 02 A | Family Definition and Evolution



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1001

B. Introduction: History and Current Challenges

DOWNLOAD VIDEO [HERE](#)

Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.



Key Takeaways

The family - its past, present and future - is at the center of the legacy strategy framework

Start with defining the family and understanding how its past will carry forward into the future

How can the past be used to a family's advantage?

Families, legacy families (in particular), never stand still

Evolution is predictable to a certain extent

In the first generation, you tend to see a patriarch, matriarch or couple who have made substantial wealth that is all managed as one unit

Members of the second generation have a common background but different set of challenges from their parents; they are best managed by creating a "sibling partnership"

The third generation is likely to be more diverse and managed more loosely as a "cousins' consortium"

Evaluating at the challenges, opportunities and risks from generation to generation and using that to formulate a coherent strategy is the key to success

Relevant 'hard' and 'soft' issues to consider

MODULE 01 | 02 B | Introduction: History and Current Challenges



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1001

Introduction

Each family has a unique history and culture, which are crucial defining elements in the family's current and future status. Understanding your family's past will allow you to create a distinctive family legacy strategy, which will serve as the cornerstone in your family's journey towards preserving and growing its wealth. In this module, you will learn how to:

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

Each family strategy should take a long-term, multi-generational, forward-looking view that is practical and able to be implemented.

Guidance

Before defining an integrated legacy strategy, first understand the past, present and future. In order to do this, a specific definition of “family” must be agreed upon.

Step 1 – Define the family—Ancestors of one person? Of one couple? If so, which person or couple?

Step 2 – Understand the family’s history (culture, financial background, nation of origin, religion, values, hopes and conflicts). How will the future be affected by these factors? To forecast how history could affect the future, the following factors must be identified to understand the present:

- Location, size and diversity of the family
- How strong are bonds and a feeling of shared identity between family members
- How much knowledge and trust exists between branches and generations of the family
- What keep the family together, and what is pulling it apart
- What are key opportunities for family business and wealth growth, and how are they affected by the family’s evolution?
- What beliefs and attitudes do the family share?
- What are the three biggest concerns and opportunities you see for the family in the future?

MODULE 01 | 02 B | Introduction: History and Current Challenges



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1001

Step 3 - Develop priorities for the present and visions for the future. What opportunities and risks must the family take to reach these goals? Legacy families do not stand still. Families are forced to action by changing trends, market challenges and generational evolution.

Generational Succession

Generation 1—Progenitors of family wealth. All aspects of the family business are managed as one unit controlled by one or two people.

Generation 2—Aspects of the business diverge and are often best managed by siblings taking and delegating responsibilities for the family.

Challenges faced by G2:

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

Generation 3—The family becomes very spread out, possibly having members around the globe, speaking different languages and being active members of other families. A “cousins’ consortium” requires more structure to hold the family together.

Challenges faced by G3:

- Living up to and carrying out the family legacy
- Collaborating with cousins over long distance
- Developing a new vision for staying together
- Balancing nuclear family and legacy family
- Finding meaning in a privileged life
- Developing a multi-generational forward way of thinking

Family business, if one still exists and involves the family as owners or in more actively engaged roles, can be thought of as a combination of ownership, governance and management on top of wealth management, philanthropy and familial relationships, as well as a key part of family wealth, culture, relationships and risk management of a family’s wealth and legacy development. The key to a successful family business is to be able to pull together opportunities, risks, and challenges into a coherent strategy.

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

MODULE 01 | 02 B | Introduction: History and Current Challenges



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1002

C. The History and Challenges of Family Wealth

DOWNLOAD VIDEO [HERE](#)

Guidance

Remember that not all wealth is material. Best practices are not enough, you need to think about next practice. Since best practices are historically based, strategies must learn from best practices and employ next practices to evolve. Legacy strategies must be multi-generational and multi-dimensional, short-term and long-term—pulling expertise from a wide family and business framework.

70% of wealthy families do not have a strategy. Strategies must be clear and defined. When developing a strategy, decide how much time should be spent building your business and monetary wealth versus preparing for the future. Many families may be tempted to spend the bulk of their time focused on running businesses, investing liquid wealth and pursuing current philanthropic endeavours. An effective family wealth and legacy plan addresses broader, longer-term issues, both hard and soft, and needs to find adequate time to match its importance on the agendas of busy family leaders.

Mere hope and unmanaged assumptions are not often the best approaches to secure the best possible for the family.

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 and develop plans to realize their visions by focus on best and next practices. Hope is not a strategy.

MODULE 01 | 02 C | The History and Challenges of Family Wealth



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1003

D. True Family Wealth

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

You may define success, in part, as preserving and enhancing the impact of the family's 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.

Relevant 'hard' and 'soft' issues to consider

MODULE 01 | 02 D | True Family Wealth



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1003

Guidance

True family wealth is more than just money. True wealth is a state of overall wellbeing 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.

MODULE 01 | 02 D | True Family Wealth



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1003

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.

MODULE 01 | 02 D | True Family Wealth



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1102

E. Statement of Family Purpose

DOWNLOAD VIDEO [HERE](#)

Introduction

Families often realize that a clear vision is necessary to give family members purpose and the family business meaning and direction. A vision can act as a family's north star and be a powerful organizational tool.



Key Takeaways

Our shared purpose is to be a united and harmonious family that contributes to the enduring success of a family enterprise, the 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 somethings significant together, which is greater than anything we could accomplish alone

Relevant 'hard' and 'soft' issues to consider

MODULE 01 | 02 E | Statement of Family Purpose



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1102

Guidance

The nature of the business and human interactions are vital to the success of a family business. Developing a purpose, vision and values to guide business conduct are key elements to the business strategy.

“Values that are tested in difficult times really show who a family is, and how they’re going to behave”.

While vision and values comprise business strategies, they are vital to family legacies too. Families must philosophically understand why the business exists in order to achieve business goals, keep the family together and create a foundation for a legacy.

“The secret to success is constancy of purpose”

Having a clear purpose to work towards creates a level of consistency that will carry the family through prosperous, difficult and transitional times.

MODULE 01 | 02 E | Statement of Family Purpose



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1103

F. Family Vision and Mission

[DOWNLOAD VIDEO HERE](#)

Introduction

Having defined what a family is, where it has come from (based upon and understanding of family history) and what is its overarching purpose, a successful leader must work with the greater family to decide *where* the family needs to go, *what* it aspires to create and setting a clear goal and *defining* a path toward that longer term vision.

The vision outlines the full extent and content of a family's aspirations, influencing the future of each individual, as well as the collective family entity.

Setting out a course for the future is not just about governance, business and family money. It is about setting a balanced approach to a future, which addresses all aspects of family capital: moral, intellectual, spiritual, charitable, social, physical and financial. These related types of family capital manifest themselves in both family values and accomplishments, creating an overall family ethos of integrity, hard work and generosity, hopefully leading to a healthy and balanced life as well as continuing financial prosperity.

The vision is the overarching objective, the “timeless goal over the horizon” toward which a family can orient itself for many generations. These visions need to be general in nature, enduring in relevance and applicable to the diverse needs of family members. Such a vision as “enhance and protect the lifestyle options of our descendants so that each succeeding generation can live as well as the last and make an increasing contribution to society” may serve as a solid long term aspirational vision for many generations of the same family.

In setting out the overarching goals and long-term commitments of the family, leaders need to consider the preservation and enhancement of the non-financial elements that make up family capital, as well as preserving and distributing material wealth in a fair manner.

There is no easy way to set a vision for a family, just as there is no easy way to establish a corporate or organisational vision for a family business. Sometimes the simple and brief statements are the most difficult to get right.

MODULE 01 | 02 F | Family Vision and Mission



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1103

Defining a family vision is as much art as science, requiring that the drafters combine a subtle blend of historical fact, precise language and broad aspirational ideals. Finding the right content, the right tone, the right words and even the right

process by which a family arrives at its objective of defining a common goal are as important as the actual words themselves.

A vision is not a strategy. A vision can inspire or define the limits on strategy, and will set the goals of many strategies, but the two are very different indeed.

One military historian neatly summed up the difference. Conquering a continent or freeing an independent country from a colonial empire is a vision. Doing it through a series of political alliances and military encounters led by aerial strikes, followed by armoured divisions, followed by occupying armed forces, is a strategy. Pursuing this strategy by moving as quickly as possible, in the cover of night, is tactics.

In addition to clarifying the overarching purpose and goals of a family, a vision statement can make a powerful contribution to all elements of strategy for a wealth family.

The highly respected family wealth management expert Stephen George, co-founder and CEO of Capricorn LLC, underscored the critical role of an overall family vision in family wealth management when he stated:

'Lack of a vision is often the root cause of failure in family wealth management. The creation of a clear family vision carries into the best process for laying out a tailored approach to the portfolio itself, followed on by a supporting statement of values and a resulting philosophy for investment.'

MODULE 01 | 02 F | Family Vision and Mission



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1104

G. Values and Guiding Principles

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

The first elements of family legacy strategy we will discuss are perhaps the most important: purpose, vision, values and guiding principles	Family
Family purpose answers the question, “Why (are you doing what you are doing)?”	
After defining your family purpose, moving into the more practical aspects of setting the term vision and direction for the family becomes easier to accomplish	long-
A vision usually addresses the four elements of a family enterprise: the family, the family business, family wealth and family Philanthropy	
Values guide you how to behave	
Guiding principles make values meaningful and measurable	
Relevant ‘hard’ and ‘soft’ issues to consider	

Guidance

Family purpose, values, vision 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 abstract ideas and values.

Purpose must be defined and captured to be meaningful. Begin by gathering the family, possibly with a facilitator, and write down in simple words to establish what you want to accomplish as a family and explain why. Once this is complete, create a Statement of Family Purpose from the results. For example:

Work together as a united family and contribute to the enduring success of the shared family enterprise, which is greater than our individual selves.

MODULE 01 | 02 G | Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1104

This will also help mitigate challenges faced by the second generation (G2), such as:

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 constantly protect and strengthen the trust and bonds between family members
Carrying forward the traditions and values of a family name

Guiding principles allow future generations to know what the family is doing individually and together and gives the rationale for why they set those goals and values. The Statement allows families to communicate specific messages to future generations, contribute to family stability and a create common view.

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 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 X percent 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 if the vision ever needs to be adjusted or evolved.

Defining Values

Values define the standards by which your family will operate. 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.

MODULE 01 | 02 G | Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 02 E-LESSON & SUMMARIES | HVV1105

H. Family Virtues

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

Practicing virtues will help you become your best self

Prudence, courage, temperance and justice are vital virtues and serve as pillars of being a virtuous person and a major contribution to the ethical and moral family as well

Relevant 'hard' and 'soft' issues to consider

Introduction

Passing family values from one generation to the next helps preserve family legacy. Although defining values may be difficult, spending time to formalize and implement a value system is a key element in every legacy strategy. Consistently reinforcing positive values gives rise to virtue, 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 judgements 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.

MODULE 01 | 02 H | Family Virtues



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 EXAMPLES

1 A. Instructions: History and Current Challenges

Document 1.a: Past History and Current Challenges

- i. **Family Definition:** Establishes qualifications for membership in the family
- ii. **Family History, Culture and Expected Evolution:** Tells us where we came from
- iii. **Philosophy of Wealth:** Tells us who we are
- iv. **Expected Evolution** describes where the family are likely to change in the future
- v. **Current Challenges** identify the biggest risks and opportunities in front of us

Document 1.b: Future Purpose, Vision and Values

- i. **Family Purpose** answers the question why are we doing this?
- ii. **Vision** answers the question what we are trying to accomplish?
- iii. **Values** guide our behavior along the way and define how we operate and what we respect
- iv. **Guiding principles** clarifies how we will implement and measure our values in action

Example 1.a.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, stepchildren 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 stepchildren from dissolved marriages or significant relationships may retain benefits of Family Membership only upon agreement of a majority of the Family Council.]

[Or, e.g., spouses/in-laws shall be allowed to participate in these core activities and receive relevant information as decided by the Family Council or e.g., in-laws and stepchildren can be the same rights and opportunities as Full Family Members...]

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 **EXAMPLES**

1 A. Instructions: History and Current Challenges + Purpose, Vision and Values

Example 1.a.ii: Family History, Culture and Expected Evolution

Factual History

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 & Co business prospered, diversified into steel fabrication, distribution, banking and property development; and has now, after more than 100 years and 4 generations of Cuscaden ownership and leadership, 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.

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 **EXAMPLES**

Current Culture

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
3. Common base in Christian religion
4. Identified with the Scottish and Italian cultures
5. Our family identity gives us a sense of position/support
6. Positive characteristics of our culture include hard work, modesty, sporting accomplishment, generosity; negative aspects include lack of transparency in communications, increasing branch competition and conflict over time and being 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

Expected Evolution

As we transition from G4 to G5, we are seeing a very different future from the past

1. Geographically more diverse
2. Multiple cultures blending
3. Increasing sense of unearned entitlement
4. Emerging resentment at unequal treatment/representation of branches
5. Potential sale/IPO of main business

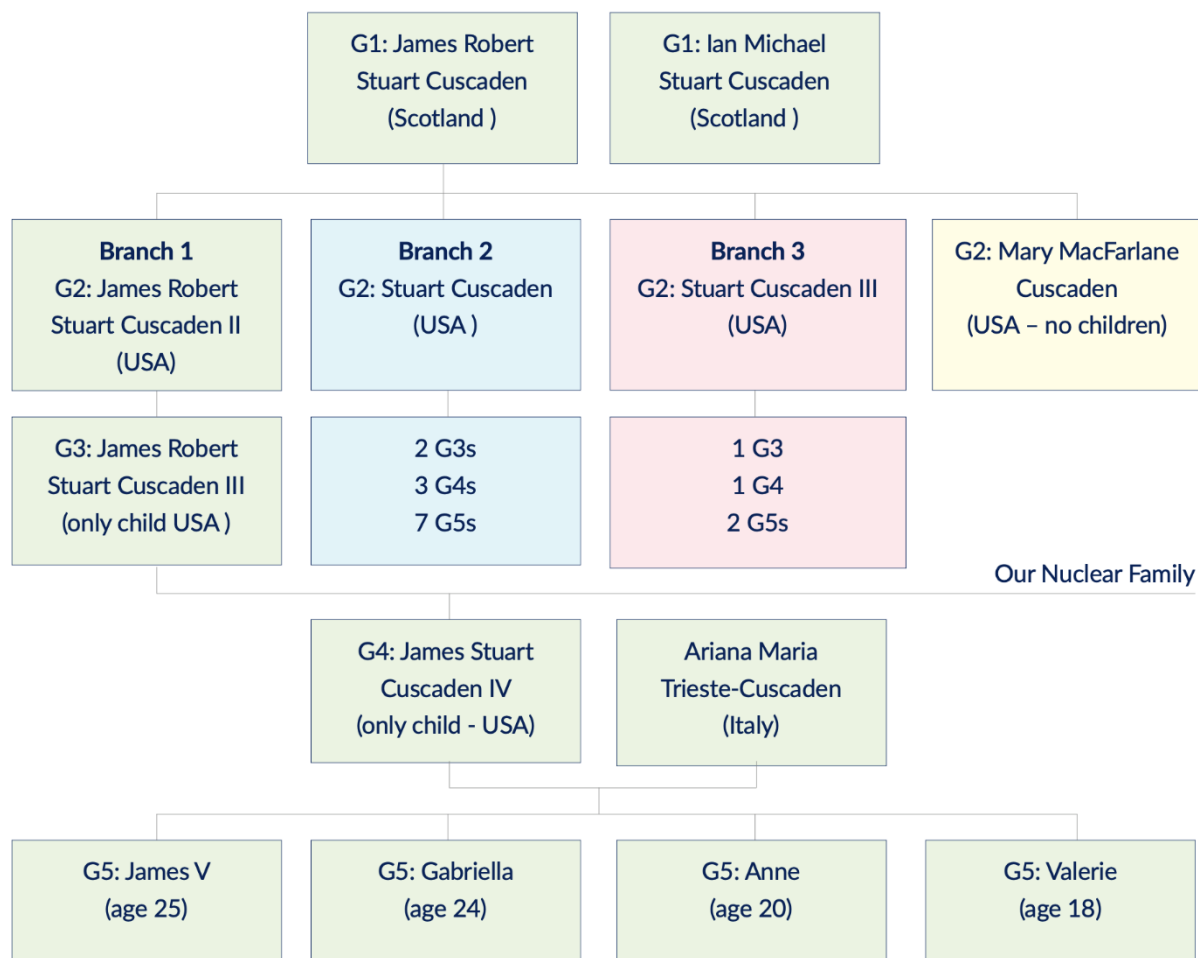
MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FO FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 **EXAMPLES**

Family Tree



Currently active in the family business:

5 G4's (hold 20% each of family business) and
13 G5's (in family governance, business, family office, philanthropy, etc.)

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 **EXAMPLES**

Example 1.a.iii: Current and Future Challenges

Priority Challenges	
1. Family	<ul style="list-style-type: none"> • Growing and becoming more diverse • Need to update Family Constitution • Increasing sense of branch identity and pressures for equal representation of branches in family and business ??
2. Financial	Concentration in one market
3. Business	No CEO successor from within the company
4. Philanthropic	Efforts too low scale and fragmented
5. Family Office/Ecosystem	<ul style="list-style-type: none"> • Financial performance below benchmark • Need to add non-financial metrics
6. People issues	<ul style="list-style-type: none"> • Potential dispute between Bill and Maria • Increasing sense of unearned entitlement in younger generations • Family more geographically and culturally disparate over time - weakening bonds of sharing and trust
7. Education/Transition	No structured educational program yet

Template 1.a: Family Definition, History, Culture, Expected Evolution and Challenges

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 EXAMPLES

1 B. Instructions: Family Purpose – Why are we doing this?

Key Questions

1	What is the definition of success for the family and its individual members? Where is the common ground? What makes us unique?
2	How is the family likely to evolve and what does it mean for current and future family members and leaders?
3	Which other families are admired? Why? Not admired? Why not?
4	What is the right degree of togetherness? Independence?
5	What are the responsibilities to the greater (and nuclear) family vs individual freedoms?
6	What is the family's philosophy of wealth, with resulting policies on decision making, investment and distribution of wealth?
7	Should the family require a 'work ethic' lifestyle, and how is that to be defined and fostered?

Example 1.b: 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, the 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 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

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 | **EXAMPLES**

1 C. Family Values

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

- Integrity
- Unity
- 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

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 **EXAMPLES**

1 D. 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".
4. 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.

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 **EXAMPLES**

1 D. Family Vision – Cultural

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
4. Our family identity gives us a sense of position/support
5. 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
6. Other elements: High value placed on formal education and association with Cuscaden Manor in Scotland.

MODULE 01 | 03 | **KEY DOCUMENT** Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 03 **EXAMPLES**

1 E. 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

Value	Guiding Principles
Stewardship	<ul style="list-style-type: none"> • Setting long term plans for our business every year • Making decisions for long term interests of family and business • Creating sustainable and responsible business • Understanding requirements for good ownership of our businesses • Putting place leaders, teams and a culture consistent with the stewardship
Integrity	<ul style="list-style-type: none"> • Speaking honestly at all times • Keeping our word, honoring our commitments
Unity	<ul style="list-style-type: none"> • Staying together and building bonds of trust • Acting in manner that puts family first
Effort	<ul style="list-style-type: none"> • Working hard; using time effectively; going “the extra mile” when needed
Responsibility	<ul style="list-style-type: none"> • Taking ownership for resolving issues • Setting and maintaining standards • Donating 10% of our profits to worthy causes

Template 1.b: Family Purpose, Vision and Values

Template 1.c: Family Values

Template 1.d: Philosophy of Wealth

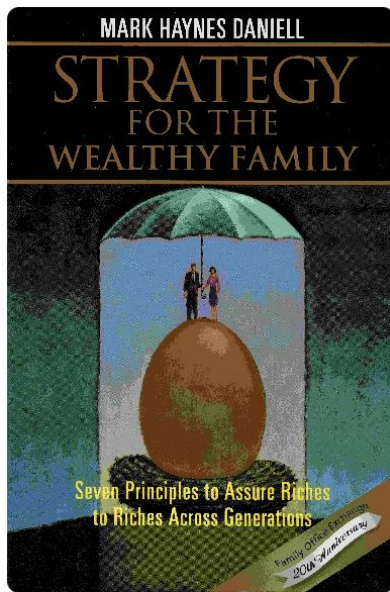
Template 1.e: Values and Guiding Principles

MODULE 01 | 03 | KEY DOCUMENT Integrated Statement of Family Definition, Challenges, Purpose, Vision, Values and Guiding Principles



FAMILY HISTORY, FUTURE CHALLENGES, PURPOSE, VISION AND VALUES

MODULE 01 | 04 | SELECTED READING



Book 1

Title: Strategy for the Wealthy Family

MODULE 01 | 04 | Selected Reading



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 02

Family Governance, Leadership and Succession

01 Key Questions

02 E-Lessons and Summaries

- A. Introduction: Family Governance and Leadership— GLS1001
- B. Establishing a System of Formal Governance — GLS1005
- C. Family Council — GLS1006
- D. Family Constitution — GLS1008
- E. Family Meetings — GLS1009

03 Examples

Key Document – Structure of Formal Governance System and Streamlined Family Constitution



01 Key Questions

1	How well is the family currently organized?
2	How well is the current leadership model working and how is performance measured?
3	What is the right degree of formal governance for the family and the broader family enterprise?
4	How should the family (and its business, philanthropy, family office and “ecosystem” be led?
5	How can the family best prepare itself and its members for future transitions and new challenges?
6	How can the family best take advantage of opportunities and minimize risks through effective approaches to governance, leadership, succession, feedback and resolution of potentially damaging disputes and grievances?



Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.

Introduction

Social systems need governance to work effectively. Legacy families often concentrate on governance and leadership systems when they reach a certain size and level of complexity.

Guidance

Depending upon the size and complexity of a family, governance systems can be very robust and well defined. Governance systems define leadership models, the family council, meetings, philanthropic boards, family business boards, and member rights and values (in a family constitution). As family and business complexity grow, the organizational structure should evolve to secure a constructive future.

A fair and effective leadership model and organizational governance structure, when supported by the family, lays the groundwork for multi-generational success. Consider the costs and benefits of each decision, role, tier, value set, etc. as you begin building it. Define how non-family members will be involved as advisors or team members. Decide if in-laws are family members or non-family members for the purpose of the governance system—some wealthy families consider in-laws to a potential threat to stability, while others recognize them as essential family members vital to the long-term success of the family in the future.

In addition to defining the governance system, consider any existing issues and find methods to resolve them as the structure is being built. A well-designed and family-backed system will provide structure and guidance to family members for many generations if maintained properly.

MODULE 02 | 02 A | Introduction: Family Governance and Leadership



FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

MODULE 02 | 02 E-LESSON & SUMMARIES | GLS1005

B. Establishing a System of Formal Governance

DOWNLOAD VIDEO [HERE](#)

Guidance

Successful legacy families 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
- Reducing friction
- Providing clarity
- Providing a specific forum for communication
- Reducing uncertainty
- Encouraging engagement

A formal governance system begins with a family constitution, which defines family values, structure and operating processes. The constitution is implemented by a family council, the supreme body for the family that acts like a board of directors.

The council is usually multi-generational and can include a council of elders or (occasionally) independent advisors. Boards focusing on the next generation, advising, education and investment can also be incorporated. This council meets periodically—every year to few years depending on how cohesive the family is.

To maintain control of the intricacies of the family and family council, a family organizational structure is essential. A clearly defined central system cohesively governs the many facets of a family business. An effective family council will maximize diversity, having representatives from each branch of the business and each generation of the family. By having each group represented and tied to a central structure, the work and philosophy of the family business can effectively flow through the organization.

Purpose of family governance

Create bodies that achieve the family purpose and represent family, ensure council members play important roles, provide checks and balances, and coordinate the people running the family business.

MODULE 02 | 02 B | Establishing a System of Formal Governance



FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

MODULE 02 | 02 E-LESSON & SUMMARIES | GLS1006

C. Family Council

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

True family wealth is much more than just money

Strategies for family wealth also factor things such as integrity, accomplishment, effort, physical security, health and fitness, knowledge, wisdom and spiritual growth and family harmony

The best strategies are developed using best practices and next practices

Legacy strategy is multi-generational

Evaluate your role as a leader and member of a wealthy family when implementing a multi-generational strategy

Relevant 'hard' and 'soft' issues to consider

Introduction

Successful legacy families usually 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 as a family “board of directors”, is typically defined in the constitution.

The family council may also be responsible for the management and implementation of specific operations, family duties or projects, such as generational transition programs, leadership succession, business divestiture and acquisition, or philanthropy programs.

Guidance

The family leadership council is an important component of family governance. The council heavily influences decision making, which determines the success or failure of a family business over time. Since the council impacts strategic family and business decisions, it should be structured to ensure that all branches are represented.

MODULE 02 | 02 C | Family Council



FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

The family leadership council operates like a board of directors and can incorporate trusted non-family members; however, the council usually only comprises family members.

The primary functions of the council are to:

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

Over time, leadership councils may condense to roughly 7 members, each representing a different aspect of the family. A council this size is big enough to manage large responsibilities, but small enough to make decisions effectively, and should only need to meet every 2-3 months ordinarily. In times of crisis, the council may need to meet more often. The council is usually supported by one or more family members or a family office.

With a deep understanding of the family's character and values, the council usually oversees the entire family operation. The council knows what makes the family unique and uses these differences as advantages.

Leadership councils preside over rule setting, such as family member qualification and succession or retirement criteria. 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 has a specific set of responsibilities. Since representatives support different interests and functions, decision making improves and council member succession is streamlined.

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 or family business
- Planning for the future ownership, participation and succession
- Managing inherited wealth
- Preserving family tradition and history
- Managing family-business relations
- Recognizing and resolving conflict



FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

MODULE 02 | 02 E-LESSON & SUMMARIES | GLS1008

D. Family Constitution

DOWNLOAD VIDEO [HERE](#)

The leadership council also oversees critical short-term projects, which will need to be handled well and should often be governed, 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 of a philanthropy strategy

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. Cross-disciplinary, multi-generational, and high-impact projects should be governed by the family council.



FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

MODULE 02 | 02 E-LESSON & SUMMARIES | GLS1008

Guidance

Just as countries benefit from having a written constitution, so too do wealthy families. Legacy families that have a complicated family enterprise benefit from greater definition in their family constitution. Internal family dynamics and external relationships should be well understood and documented.

Many organizations have a governing document that captures purpose, mission, vision and values, which in turn serves as an operating guide. A family constitution can 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. Questions to be considered in a family constitution:

- How will family membership be determined?
- What will the process for membership be?
- Who will have voting rights?
- Who will have economic rights?
- Which bodies or 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 to prevent one group from holding too much power
- Consulting independent family advisory board to prevent issues from going to court and leaving lasting damage
- 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 (business)?

A family constitution usually contains a bill of rights and a (sometimes overlooked) statement of responsibilities. 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 defined in the bill of rights—working towards common goals, acting with discretion, educating themselves, working hard, and acting with respect.

Family constitutions are only as valuable as their implementation. Values and expectations will fade unless the constitution is constantly followed by all family members. If constructed and implemented correctly, a constitution can contribute to a unified legacy.



FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

MODULE 02 | 02 E-LESSON & SUMMARIES | GLS1009

E. Family Meetings

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

Family meetings are a great opportunity to bring the entire family together, including extended relatives

A formal system of governance and an agenda should be set for family meetings

Who is eligible to attend the meetings should be decided beforehand

Family meetings usually last a few days and are paired with fun activities for the entire family

Some matters to be discussed during the family meetings include:

- Open issues from previous family meetings

- Objectives of the current year

- A review of the current year

- State of the family business

- Wealth management

- Risk management

- Plans for the coming year

Relevant 'hard' and 'soft' issues to consider



FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

MODULE 02 | 02 E-LESSON & SUMMARIES | GLS1009

Guidance

A family meeting is a great opportunity to involve the entire family. Family meetings can take place every 1 to 5 years, depending on logistics, and typically includes all bloodline family members, shareholders, spouses, children and very important family guests. Family meetings serve to discuss business, socialize and possibly vote.

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

- Establish the purpose of the meeting
- 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 the upcoming year and long-term plans
- Family networking activities for the broader family
- 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 family businesses.

Family meetings can have lasting positive effects.

Family meetings should be fun and celebrate what the family stands for, individual family members, family values, victories, and personal or business progress. Find a nice destination where your family can get away to celebrate, have fun, network, team build and be productive!



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

Example 2 A. Leadership Model

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 step down from their positions.

Example 2 B. Family Governance

Select Elements for your Family Organization

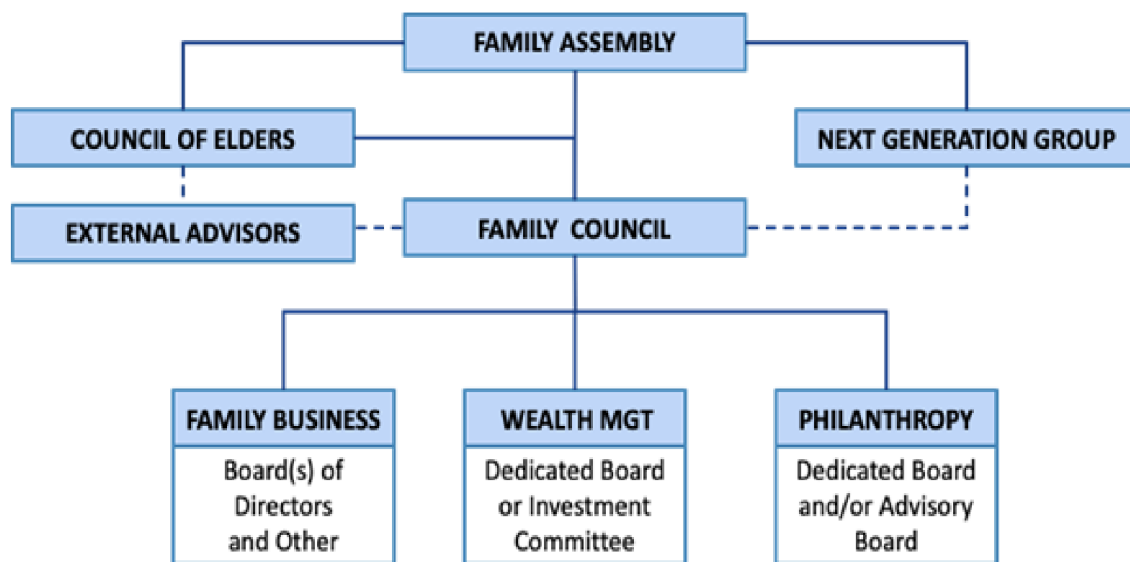
- | | |
|---|-----|
| • Family Meetings | Yes |
| • Family Council | Yes |
| • Council of Elders | No |
| • Advisory Board (partially non-family members) | Yes |
| • Next Generation Group | Yes |
| • Family Funds/Wealth Management Board | Yes |
| • Family Business Board | No |
| • Family Philanthropic/Foundation Board | No |
| • Family Office and Board of Directors | Yes |



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

Example 2 C. Family Governance Structure



Example 2 D. 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?



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

Example 2 E. Family Constitution

CUSCADEN FAMILY CONSTITUTION

PREAMBLE

It is our shared purpose here to organize 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 organize 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

I. 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.

II. 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

- A creating opportunities and improving the quality for life of all family members
- B strengthening bonds between members, building mutual trust and respect for each other
- C preserving Family Unity and harmony
- D contributing to the communities in which we live and work
- E 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.



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

III. FAMILY VALUES AND GUIDING PRINCIPLES

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 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 maximize 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 meets our family in any way. We shall always remain down to earth and well-grounded, avoiding arrogance in attitude and behavior or other behaviors inconsistent with an appreciation of the equality, dignity and respect due to all human beings .



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

IV. FAMILY MEMBER RIGHTS AND RESPONSIBILITIES

Membership of the family shall carry with it certain rights and responsibilities common to all members, both Voting and Non-voting alike.

Membership of the family shall carry with it certain rights and responsibilities, which all Members agree to by signing this document:

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 always to support the long-term best interests and positive reputation of the family
2. Act as conscious ambassadors always protecting and enhancing our family reputation 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.



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

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

- a. promotion of Family Unity and the long-term best interests of the family
- b. oversight of the Family Office
- c. education and development of family and its members
- d. avoidance of conflict and resolution of disputes
- e. organizing 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.



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

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, except for 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

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



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

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.



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

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.



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 EXAMPLES

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: _____



STRUCTURE OF FORMAL GOVERNANCE SYSTEM AND STREAMLINED FAMILY CONSTITUTION

MODULE 02 | 03 **EXAMPLES**

Template 2.a: Leadership Model

Template 2.b: Family Governance

Template 2.c: Family Governance Structure

Template 2.d: Family Constitution



MODULE 03

Structuring and Managing Family Wealth

01 Key Questions

02 E-Lessons and Summaries

- A. The Family Philosophy of Wealth — HVV1004
- B. Asset Structuring and Estate Planning — WMA1002
- D. The HEW Trust: Securing the Long-Term Future of Your Family — WMA1004
- E. Family Wealth Management — WMA1102
- F. Being a Good Owner of Family Wealth — WMA1103

03 Examples

Key Document – Philosophy of Wealth, Asset Structures and Draft IPS



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 03 | STRUCTURING AND MANAGING FAMILY WEALTH

01 Key Questions

1	How do you embrace different views within the same family?
2	What is your family's philosophy of wealth and its implications for asset structure, investment and distribution?
3	How will you structure your family assets? Why?
4	What are the implications of defining different investment portfolios within one family? Objectives: short, medium and long term
5	How will you invest and report your family's wealth to make the most of it?
6	What does it mean for you to be a good owner of wealth?
7	Do you have an educational and transitional program for the next generation?



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | HVV1004

A. The Family Philosophy of Wealth

DOWNLOAD VIDEO [HERE](#)

Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.



Key Takeaways

There are 3 main philosophies of wealth:

Proprietor: Financial assets are the property of the current wealth owner – can do with the wealth as he or she wants

Stewardship: Family wealth held in trust for future generation

Both: The most common wealth philosophy – a portion of wealth is spent by the proprietor – a portion of wealth is spent by the proprietor and a portion is held for the future

Relevant 'hard' and 'soft' issues to consider

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.

MODULE 03 | 02 A | The Family Philosophy of Wealth



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | WMA1002

B. Asset Structuring and Estate Planning

DOWNLOAD VIDEO [HERE](#)



Takeaways

- Review your wealth objectives – Do you have multiple objectives for a single pool of wealth or a single objective for 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 tMOShe 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, administration and documentation
- Relevant ‘hard’ and ‘soft’ issues to consider

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.).

MODULE 03 | 02 B | Asset Structuring and Estate Planning



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | WMA1002

Guidance

Understanding your wealth objective is the foundation of asset structuring. Once you define the goals for your wealth, you can begin learning best practices to determine how to structure your assets and decide which vehicle to use.

Examples of asset structuring vehicles:

- 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 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

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.



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | WMA1004

C. The HEW Trust: Securing the Long-Term Future of Your Family

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

A HEW Trust can ensure that your family's most basic needs are attended to in the future

Relevant 'hard' and 'soft' issues to consider

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.

A HEW trust can satisfy long-term needs, helps families achieve their purpose, and promotes unity and harmony for many generations.



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | WMA1102

D. Family Wealth Management

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

A comprehensive and integrated approach to family wealth management:

Define investment objectives

Set investor profiles and investment objectives

Agree on potential future macroeconomic scenarios in the short and long term

Identify the most dangerous risks and most attractive opportunities

Define asset allocation by asset category and the strategy for each

Perform necessary due diligence on potential for post-cost return vs objectives and review findings against shortlisted investment options

Make tactical investment decisions based on the policy target with appropriate discipline, implementation and structure

Monitor and adjust investment as appropriate

Insure comprehensive and timely reporting, portfolio efficiency, exposure and risk analysis, linking results with strategy and actions

Relevant 'hard' and 'soft' issues to consider



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | WMA1102

Introduction

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

This 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.

Investment 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. By leveraging the GBWM approach, defined pools of capital are created each serving a specific purpose with separate objectives, which are then coordinated to achieve the family's overall investment objectives families achieve their purpose, and promotes unity and harmony for many generations.

Guidance

This module will focus on family wealth management, which addresses the 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 disciplined and professional investment process:
- Document asset allocation
- Professional portfolio evaluation
- Understand why you're making an investment (compared to your strategic goals)
- Understand buying and selling tactics
- Track performance over time



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | WMA1103

E. Being a Good Owner of Family Wealth

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

True family wealth is much more than just money

Strategies for family wealth also factor things such as integrity, accomplishment, effort, physical security, health and fitness, knowledge, wisdom and spiritual growth and family harmony

The best strategies are developed using best practices and next practices

Legacy strategy is multi-generational

Evaluate your role as a leader and member of a wealthy family when implementing a multi-generational strategy

Relevant 'hard' and 'soft' issues to consider

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.

MODULE 03 | 02 E | Being a Good Owner of Family Wealth



STRUCTURING AND MANAGING FAMILY WEALTH

MODULE 03 | 02 E-LESSON & SUMMARIES | WMA1103

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 can execute the family's strategy and company vision.



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

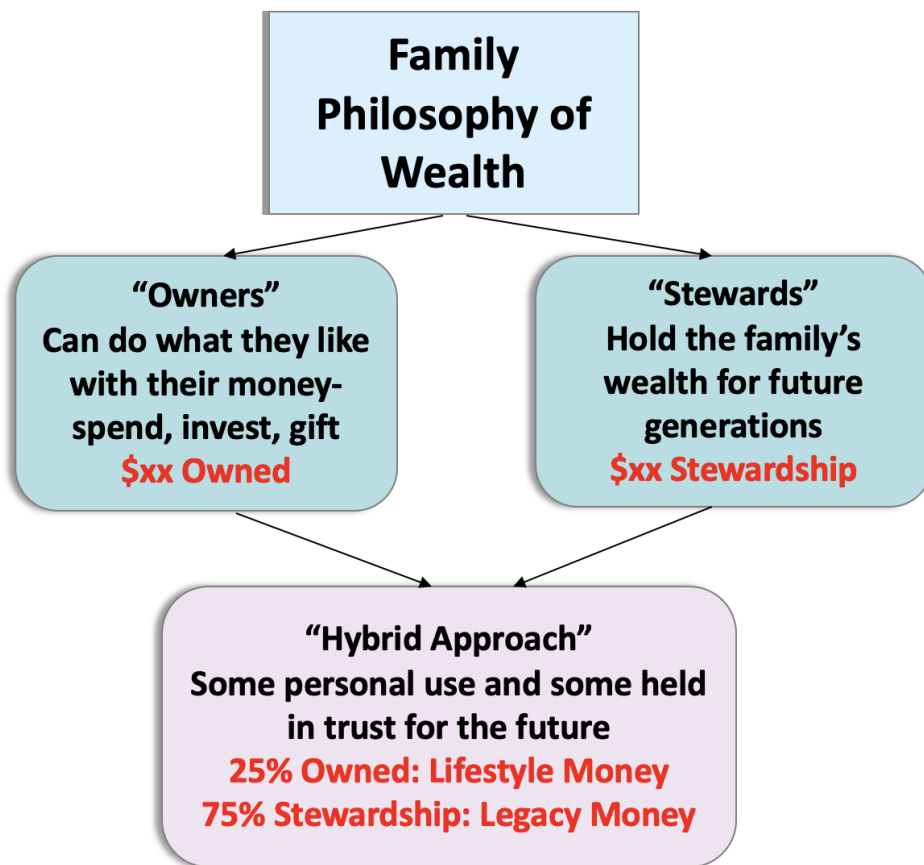
MODULE 03 | 03 EXAMPLES

Example 3 A. Philosophy of Wealth

Key Questions

1	How do we think about wealth ownership - is the money ours to invest, spend or donate as we wish?
2	Or is it held in trust for future generations?
3	Or is it a mix of both? If a mix, how much (and which assets) are to be allocated to each?

Note: The asset structures, principles of wealth preservation, state planning and investment implications can be spelled out in greater detail though other courses on the Raffles Legacy Learning site and related materials.



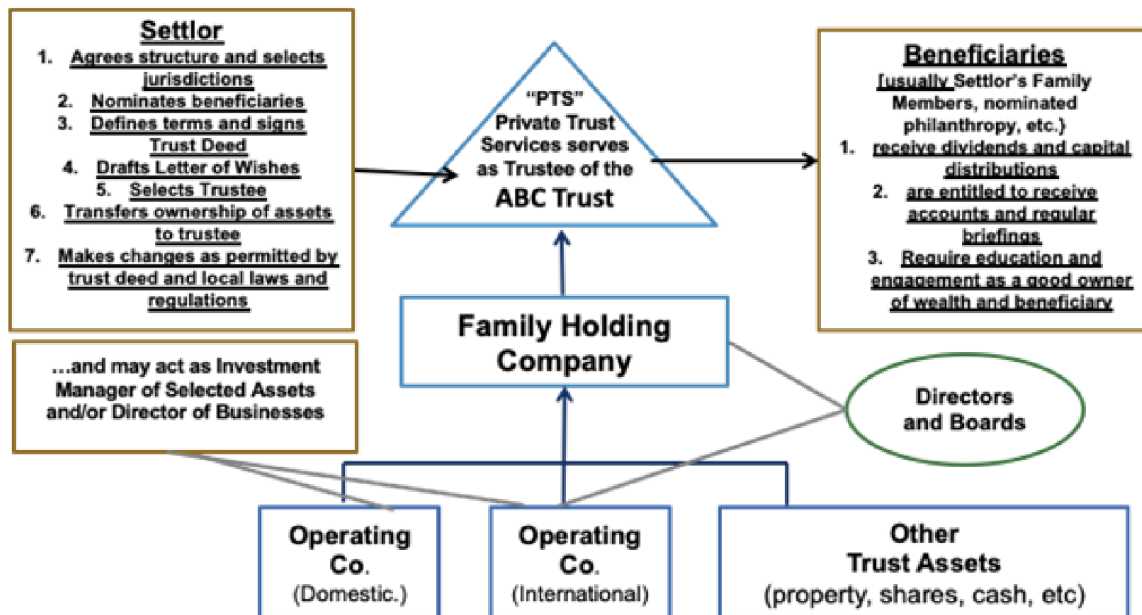
MODULE 03 | 03 | KEY DOCUMENT Strategic Option Evaluation and Director Evaluation



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 EXAMPLES

Example 3 B. Trust and Corporate Structure



Template 3 B. Trust and Corporate Structure

MODULE 03 | 03 | KEY DOCUMENT Strategic Option Evaluation and Director Evaluation



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 | EXAMPLES

Example 3 C. 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-decile managers only, using EFIM
4. Diversification of managers
5. High-quality reporting

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 **EXAMPLES**

Example 3 D. Draft Investment Policy Statement IPS

Investment Policy Statement

The Reynolds Family

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

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 **EXAMPLES**

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
- 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 by James and Susan).

Objectives

The portfolio is to be constructed to:

- Preserve capital,
- 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.

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 | **EXAMPLES**

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. Of course, the rate of return will 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 and will need to rise with the rate of inflation.

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 the marketability of securities. In addition to planned liquidity amounts, the external investment managers may hold cash positions temporarily, pending their intended eventual re-investment in the portfolio.

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 **EXAMPLES**

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 your investment objectives is included in the Appendix.

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 this range, the excess return can either be considered a reserve for those years when the return falls below this range, or an addition to capital on which to earn future income. We believe that the approach of focusing on a long-term target for returns will provide more stability for future planning.

Planning Horizon

Investment recommendations are made using a very long-term horizon and 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. The appropriate asset mix will be a key factor in the achievement of the family goals.

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.

MODULE 03 | 03 | KEY DOCUMENT Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 | EXAMPLES

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
- Bonds and fixed income
- Equities – domestic, global, emerging market
- Hedge funds
- Private equity
- Real estate
- Infrastructure
- Insurance
- Gold
- ETFs

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

- Structured products
- Commodities
- Speculative securities
- Currencies
- Aviation securities (due to the family's continuing large exposure to the industry via Reynolds Aviation)
- Mutual funds

MODULE 03 | 03 | KEY DOCUMENT Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 | EXAMPLES

Proposed Asset Allocation

The recommended allocation takes into account your investment needs, time horizon, and ability to tolerate fluctuations in the value of the portfolio. Based on your investment profile and objective of achieving a return in the range of 7-8% per annum before fees, we are recommending that your portfolio 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	<u>5%</u>	0%	5%
Total	100%		

Rebalancing

The asset allocation recommended for your portfolio represents what we believe to be an appropriate balance among asset classes given your risk tolerance. A rebalancing of your portfolio may be recommended based on a substantial change in the mix of your portfolio 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.

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 | **EXAMPLES**

Portfolio Constraints

Issuers 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 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:

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 experience level, and the organization should be stable and profitable. There should be good bench strength, effective incentives and human resource management and a visible 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 manager and their focus on downside protection and manager of safety.

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 **EXAMPLES**

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 use mutual funds or funds of funds where 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 the 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).

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 **EXAMPLES**

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 fulfil 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

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

MODULE 03 | 03 | **KEY DOCUMENT** Philosophy of Wealth, Asset Structures and Draft IPS



PHILOSOPHY OF WEALTH, ASSET STRUCTURES AND DRAFT IPS

MODULE 03 | 03 **EXAMPLES**

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 (via James Reynolds, chair) whenever there are relevant issues to discuss. You can contact Mayfair when you have questions or any other issues.

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. 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 re-approve the investment policy annually as well.



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 04

Family Business:

Effective Ownership, Board Assessment and Leadership Strategy

01 Key Questions

02 E-Lessons and Summaries

- A. Three Phases of Strategy — BUS1101
- B. Three Phases of Strategy Phase I: Diagnostics — BUS1102
- C. Three Phases of Strategy Phase II: Implementation — BUS1301
- D. Assessing Strategic Options — BUS1007
- E. Advantages of Family Business— BUS1003

03 Examples

Key Document – Strategic Option Evaluation and Director Evaluation

MODULE 04 | Content



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 04 | FAMILY BUSINESS: EFFECTIVE OWNERSHIP, BOARD ASSESSMENT AND LEADERSHIP STRATEGY

01 Key Questions

1	Do you have a clear strategic process including diagnosis, design and implementation?
2	Have you completed the seven steps in the diagnosis phase?
3	Do you have the right team for the design phase?
4	Do you have the right team for the implementation phase?
5	What is the best strategic option for the business?
6	Have you understood and taken into consideration the advantages of a family business?
7	Do you know what it takes to be a good owner and director of your family business?
8	Are there other possible avenues for investment?
9	How can you build motivation and morale in the workplace?

MODULE 04 | 01 | Key Questions



FAMILY BUSINESS: EFFECTIVE OWNERSHIP, BOARD ASSESSMENT AND LEADERSHIP STRATEGY

MODULE 04 | 02 E-LESSON & SUMMARIES | BUS1101

A. Three Phases of Strategy

DOWNLOAD VIDEO [HERE](#)

Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.



Key Takeaways

Thoroughly review:

Business history and its role in the family

Benefits of family business

Three Stage Process

Strategic options and evaluation

The Promise incl. CSR

Implementation

Relevant 'hard' and 'soft' issues to consider

Guidance

We will go through the three phases of developing a strategy, each with a specific set of sub-activities: diagnosis, design and development. Each one will contribute to the larger strategy in its own way. Eventually the strategy can be completed and implemented in the way you want for your business. Start with diagnosing the business so you can answer the right questions before moving into the design phase.

It is important to avoid a fire-ready-aim strategy. Some questions that are important to answer are:

- Where has the business been?
- Where do we come from?
- What business are we actually in?

MODULE 04 | 02 A | Three Phases of Strategy



FAMILY BUSINESS: EFFECTIVE OWNERSHIP, BOARD ASSESSMENT AND LEADERSHIP STRATEGY

MODULE 04 | 02 E-LESSON & SUMMARIES | BUS1102

B. Three Phases of Strategy Phase I: Diagnostics

DOWNLOAD VIDEO [HERE](#)

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.

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 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 is impacted by people and how they affect the organization. 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? Understanding the strategic options will allow you to select a strategic course.

MODULE 04 | 02 B | Three Phases of Strategy Phase I: Diagnostics



FAMILY BUSINESS: EFFECTIVE OWNERSHIP, BOARD ASSESSMENT AND LEADERSHIP STRATEGY

MODULE 04 | 02 E-LESSON & SUMMARIES | BUS1301

C. Three Phases of Strategy Phase II: Implementation

Introduction

Diagnosis → Design → Implementation

The third and final phase of strategy is the implementation stage, which comprises 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 possible additional activities. 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 employees. Motivation creates energy for productive and rapid change and allows for greater progress in any venture.

MODULE 04 | 02 C | Three Phases of Strategy Phase II: Implementation



FAMILY BUSINESS: EFFECTIVE OWNERSHIP, BOARD ASSESSMENT AND LEADERSHIP STRATEGY

MODULE 04 | 02 E-LESSON & SUMMARIES | BUS1007

D. Assessing Strategic Options



Key Takeaways

Corporate social responsibility and social engagement have come to the forefront of business today versus a generation ago

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 sources products and services to customers, protecting the environment, understanding the business' role in the social and business community

Relevant 'hard' and 'soft' issues to consider

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)

CSR, when done properly, is good for the environment, communities, the company, and your family.

MODULE 04 | 02 D | Assessing Strategic Options



FAMILY BUSINESS: EFFECTIVE OWNERSHIP, BOARD ASSESSMENT AND LEADERSHIP STRATEGY

MODULE 04 | 02 E-LESSON & SUMMARIES | BUS1003

E. Advantages of Family Business

DOWNLOAD VIDEO [HERE](#)



Key Takeaways

The chairperson must ensure that the board acts in the company's benefit as a whole

Family members can play different roles, including being an owner, director or in management

Prepare for a board meeting by doing the following: Agenda setting, drafting protocol and outcomes, determining your aims and achievement and being a team player

Relevant 'hard' and 'soft' issues to consider

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 make decisions and take actions that will affect the company as a whole.

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 soft skills to create a sustainable and successful business for the long term.

MODULE 04 | 02 E | Advantages of Family Business



FAMILY BUSINESS: EFFECTIVE OWNERSHIP, BOARD ASSESSMENT AND LEADERSHIP STRATEGY

MODULE 04 | 02 E-LESSON & SUMMARIES | BUS1003

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.

Consider which skills need to be developed to steer the family direction. Family and business leaders need a high degree of business and legal knowledge, balancing family and public responsibilities. Mastering the soft issues, which are also necessary to lead, requires diligence and patience. When working with people, empathy and listening skills are crucial to managing relationships with team members.

When preparing for a board meeting, set a well-researched agenda. Drafting a protocol and outcomes can also add a level of clarity for all involved. Most importantly, determine at least three goals for the board meeting and then to be able to actualize them. Finally, when acting as a chair, although difficult at times, be a team player. Having a sense of how people operate and how to interact with individuals is an art—learn how and you can excel as a team leader.

MODULE 04 | 02 E | Advantages of Family Business



STRATEGIC OPTION EVALUATION AND DIRECTOR EVALUATION

MODULE 04 | 03 EXAMPLES

Example 4 A. Unique Family Business Advantages Scorecard

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

Greatest weaknesses and actions to address them:

Unique Family Business Advantages Scorecard

Score 1-10

[10=Hi, 1=Lo]

- Longer term view and commitment /10
- Greater preparation time for succession /10

Need long term succession plans for Chairman (family) and CFO

- A more sophisticated appetite for risk /10
- Higher degrees of speed and flexibility /10

Cultural change program needs to be put in place

- Personal nature of corporate and social responsibility /10
- Natural diversification through family members /10
- More limited reporting and disclosure burdens /10
- Higher degree of confidentiality and discretion /10
- Ability to define strategy by owners /10

Lacking high-quality long-term vision and strategy: lack external view

- Greater and enduring commitment /10

Overall Score /100

MODULE 04 | 03 | **KEY DOCUMENT** Strategic Option Evaluation and Director Evaluation



STRATEGIC OPTION EVALUATION AND DIRECTOR EVALUATION

MODULE 04 | 03 **EXAMPLES**

Example 4 B. Corporate Social Responsibility

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



Example 4 C. Being a Good Director

Bill Reynolds			Comments:
Criteria for Evaluation	Self Score	Average Score	
General Quality of Participation			<p>Positive Performance Elements</p> <ul style="list-style-type: none"> • 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 <p>Areas for Improvement</p> <ul style="list-style-type: none"> • 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
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	



Example 4 D. Instructions: Family Business Succession Planning Checklist

Management Development programs for all employees, but with a special focus on potential job successors and high talent individuals to be designed and implemented with input from GNHRC and BU management and HR teams, with alignment with other group companies where available and appropriate:

For EDs and VPs in lines of succession

- Individual 3-year development plan linking governance and management experience on-the-job and management experience on-the-job and external experience (e.g., outside board, business organizations) and study.
- Minimum 2 weeks general management/strategic skills every two years on off-site program: strategy, m&a, JVs/partnering, technology adoption, leadership, etc.
- Personalized training and development on leadership style and effectiveness based on profile, review scores and business needs
- Development of brand and network: individual, corporate and family
- Mentoring system (as mentor and 'mentee')

For high potential senior and mid-level managers with the potential to grow and take over from their current bosses

- Annual professional development plan
- Identified skill gap program sourced from external – probably domestic – service providers: finance and accounting, strategy, marketing, HR, risk management, etc. based on current and potential future job descriptions (which need to be high quality and in place)
- Communications skills
- Leadership seminars
- Internal seminars on mentoring and team capability development
- Corporate values

MODULE 04 | 03 | **KEY DOCUMENT** Strategic Option Evaluation and Director Evaluation



STRATEGIC OPTION EVALUATION AND DIRECTOR EVALUATION

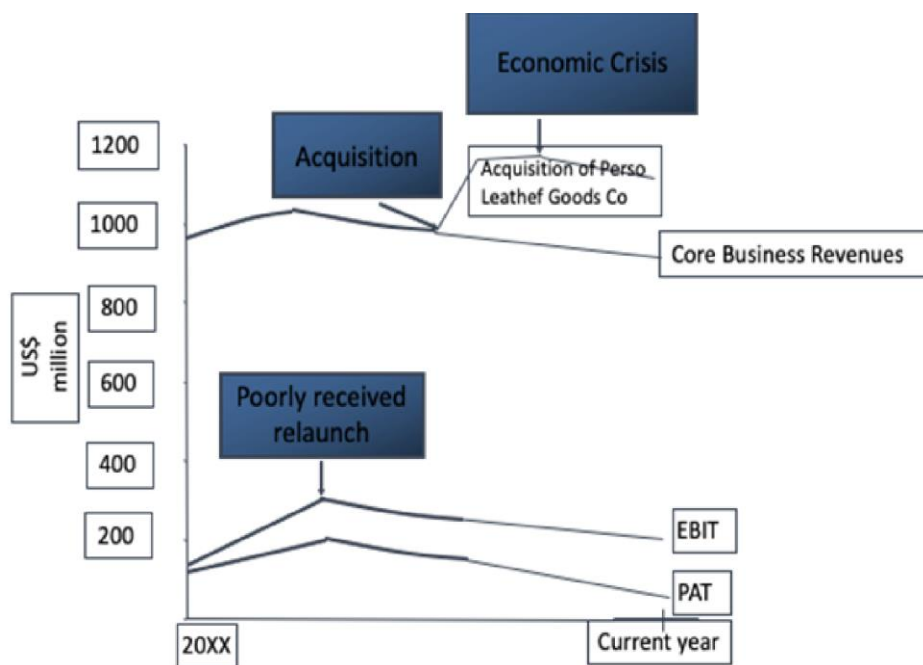
MODULE 04 | 03 **EXAMPLES**

Example 4 E. Family Business Strategy Summary

Background and History

- The Raffles Watch Co, founded in 1788, is one of the world's leading luxury watch businesses, specializing in men's and ladies' gold dress watches.
- Following the recent Crisis and decline in industry demand, compounded by issues of greater competition on both price and service, the business continues to suffer long term erosion in market share, brand presence, and relative margins. Men's leather band formal watches are in a particularly weak position and suffer from an ageing clientele and tired brand image.
- Competitors have overtaken the Raffles Watch Co and continue to grow in our core segments, and in high growth/higher profit sectors such as sports and fashion forward watches and accessories
- Corporate financial performance has achieved over \$100 million in revenue and \$15 million in profit; and current cash reserves are strong, but performance is declining slowly and in need of reviving
- The closure of the recently acquired leather goods business and growth investments in ladies' watches have not provided the desired uplift in profits nor the expected cross-sell opportunities
- A new CEO has been hired from the outside to develop a new strategy for business.

Historical Financial Results



MODULE 04 | 03 | KEY DOCUMENT Strategic Option Evaluation and Director Evaluation




STRATEGIC OPTION EVALUATION AND DIRECTOR EVALUATION

MODULE 04 | 03 EXAMPLES

Example 4 E. Family Business Strategy Summary (cont'd)

Range of Options Available

					
	Option A	Option B	Option C	Option D	Option E
	Status quo plus	Focus on international watch growth	Hybrid and network model	Breakthrough	Sell Company
Content:	<ul style="list-style-type: none"> Stabilize profits Retain and fix Perso Increase brand spend Improve performance of existing distribution systems No mergers, acquisitions or divestitures Stay private No major initiatives in ladies' or sports range 	<ul style="list-style-type: none"> As option A plus <ul style="list-style-type: none"> Launch second line Sign up 50 new distributors Add 15 owned outlets Add international sales resources Sell Perso Build service division 	<ul style="list-style-type: none"> As option A plus <ul style="list-style-type: none"> Increase points of sale to 1,000 with partners Set up network of sales JVs in key countries Merge OECD distribution/ logistics system with European competitor Keep Perso 	<ul style="list-style-type: none"> Launch RRW sports brand or acquire sports watch company Relaunch ladies' brand Launch Collection Establish service division Grow owned outlets to 75 from 36 Add 100 third party outlets Cut costs 20% Sell Perso Public listing of RRW 	<ul style="list-style-type: none"> Hire investment bank to sell all (or majority) of equity

Mission Statement

The Raffles Watch Co will become one of the country's leading high end watch companies, and one of the country's most highly respected companies, constantly setting and achieving new standards of excellence in sales and service capability.

- Achieving this vision will require us to:
- Build and communicate the value of the service offer.
- Design and deliver great service to select customers
- Center our entire business on core xxx products and related products and services.
- Establish and expand on global leadership in quality, market presence, and organizational excellence in our selected customer, product and market segments.
- Attract, develop, and support the best people in our industry
- Continue to build our enterprise as a caring company which contributes to the greater world community

Achievement of this Mission will allow us to preserve and enhance our heritage of quality, excellence, and aspirational value, surpassing all others in our industry.

MODULE 04 | 03 | **KEY DOCUMENT** Strategic Option Evaluation and Director Evaluation



STRATEGIC OPTION EVALUATION AND DIRECTOR EVALUATION

MODULE 04 | 03 | **EXAMPLES**

Example 4 E. Family Business Strategy Summary (cont'd)

Executive Summary

We have concluded a detailed STRATEGY exercise over the past six months, drawing from 15 senior executives and over 100 colleagues around the company.

That analysis has shown that our performance over the past five years has not been satisfactory. We have:

- lost leadership in our core sector
- missed out on high growth opportunities in adjacent countries
- acquired Perso, which failed to meet expectations
- allowed our organization to stagnate relative to competition
- failed to manage cost sufficiently, especially at HQ

With a new CEO nominated earlier this year, we are well placed to undertake a new direction. Having reviewed our current situation and assessed all options on an intensive basis, our recommendation is to undertake a more aggressive/conservative strategy in both revenue and profit.

The key elements of that strategy are:

- de-emphasize low/no profit business to refocus on our attractive core business
- investment to reduce costs and improve service in our core and adjacent businesses
- launch or acquire a new high-end sports range, with an industry leadership goal in 5 years
- grow distribution network to cover all geographies
- restructure and re-staff the organization
- cut HQ costs by 20%

Pursuing this strategy successfully should enable us to:

- restore leadership in the core business
- double profits in three years
- end costs and distraction from unattractive or bad debt risk distribution clients
- improve organizational morale and performance
- Increase the current value and future prospects for our business

The strategy carries with it a set of specific risks (ownership, organizational, financial) which we believe we can manage successfully.

MODULE 04 | 03 | **KEY DOCUMENT** Strategic Option Evaluation and Director Evaluation



STRATEGIC OPTION EVALUATION AND DIRECTOR EVALUATION

MODULE 04 | 03 | **EXAMPLES**

Example 4 E. Family Business Strategy Summary (cont'd)

The implementation timetable will take 3 years:

- an intensive first twelve-month phase to realign product/service mix (taking more 'hard' business in JV contracts) reduce costs, prepare re-launch of core products, spec out a new organization, and upgrade the distribution system.
- a second twelve-month phase to implement the proposed organizational change fully, pursue the acquisition of our priority target entities
- a final phase in year three to integrate the target company, capture financing benefits of to improve our balance sheet and effective yield on capital and prepare the company for faster profitable growth and further industry consolidation.

Template 4.A: Unique Family Business Advantages Scorecard

Template 4.B: Corporate Social Responsibility

Template 4.C: Being a Good Director

Template 4.D: Instructions: Family Business Succession Planning Checklist

Template 4.E: Family Business Strategy Summary



01 E-Lessons and Summaries

A. CSR and Social Engagement — PSE1003

02 Examples

Key Document – Family Philanthropic ‘Target’ Display and Checklist
from Give Smart



Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.



Key Takeaways

Perhaps the most important cornerstone of legacy is Philanthropy and Social Engagement within the communities in which we operate and live

Philanthropy helps give meaning to individual lives and sustainably helps 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 and its values, which in turn help unite the family

Philanthropy has a positive impact within the family and in the community at large

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 religion (churches), education and medicine (hospitals) in what we called “Checkbook Philanthropy”

Now families have a world of new philanthropic opportunities and are not interested in simply writing checks, but in getting their families involved with causes meaningful to the family

Because of the complexity of modern philanthropy, carefully consider each stage, have clear goals and targets, calculate the estimated return on your investment (this may not be monetary) and monitor results closely

Philanthropy is much more than an investment strategy and an asset allocation model when done the right way

Relevant ‘hard’ and ‘soft’ issues to consider

MODULE 05 | 01 A | CSR and Social Engagement



PHILANTHROPY AND SOCIAL ENGAGEMENT

MODULE 05 | 01 E-LESSON & SUMMARIES | PSE1003

Guidance

Philanthropy and social engagement are 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.

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. by writing a check. Legacy families are 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

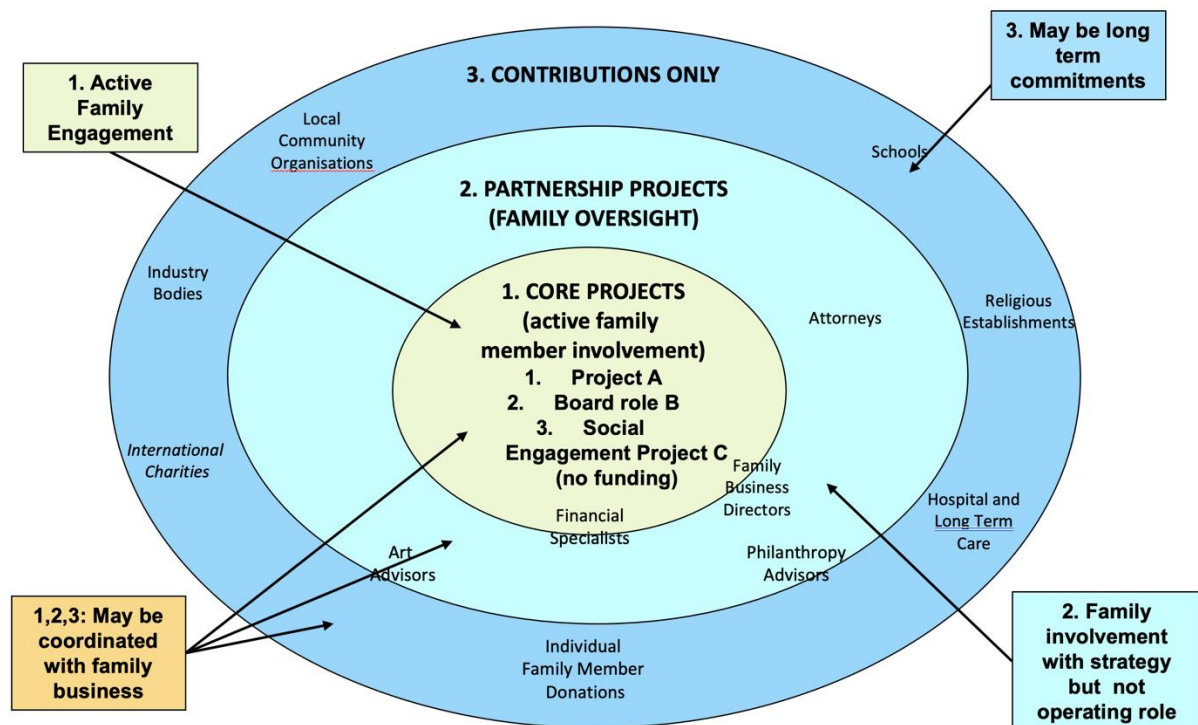
Types of Philanthropy:

- Funding large institutions through donations
- Working with and funding small local projects
- Becoming heavily involved with a small organization

Philanthropy is much more than an investment strategy and an asset allocation model—it's about investing back into the community, demonstrating family values through your wealth and strengthening your family bond and purpose by providing a sense of fulfillment



Example 5 A. One Page Summary of Philanthropic Approach and Objectives



Template 5.Z: One-Page Summary of Philanthropic Approach and Objectives

MODULE 05 | 02 | KEY DOCUMENT Family Philanthropic 'Target' Display and Checklist from Give Smart



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 06

The Family Office, Ecosystem and Risk Management

01 E-Lessons and Summaries

- A. Family Risk Management — ILS1102
- B. Predators in the Ecosystem — ILS1102

02 Examples

Key Document – Ecosystem Chart and Advisor Management Matrix,
Scorecard for Head of the Family Office



A. Family Risk Management



Key Takeaways

Successful long term family legacy strategy comprises a holistic view of the individual strategic elements

Consider the strategic impact across both “soft issues” (e.g., people management) and “hard issues” (e.g. trust structures, investment principles, etc.)

Develop an effective risk monitor to track internal and external risks, and have a thoughtful response to the high impact risks

Potential risks include

- Financial risk
- Investment risk
- Physical risk
- Marital risk

The sources of risk may vary, the gravity of the risk may change, and the nature of the solution may alter; having a risk management plan helps you stay aware

Relevant ‘hard’ and ‘soft’ issues to consider

Guidance

Successful long-term legacy strategies must holistically factor the individual strategic elements:

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

MODULE 06 | 01 A | Family Risk Management



THE FAMILY OFFICE AND ECOSYSTEM

MODULE 06 | 01 E-LESSON & SUMMARIES | ILS1102

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

These are most common types of risk:

- Fiscal Risk
- Business Risk:
 - Counterparty risk
 - Bad customers
 - Violation of privacy
- Investment Risk
- Financial Risk:
 - Related to the business and portfolio, which could threaten the long-term viability of the family's legacy
- Physical Risk:
 - Related to the external incidents such as crime, kidnapping, accidents, travel, behavior, digital risk 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

Risks change over time. For example, after the financial crisis, many families became more concerned with financial risk. Having an active risk monitor who constantly examines financial market factors and the family organization helps identify and prioritize changing risk profiles, sources and solutions.

Prioritizing and planning for risk contributes to family harmony and helps avert potential damage caused by unmitigated risk. Learning to address and overcome risk is important to successful family legacy strategy.



DOWNLOAD VIDEO [HERE](#)



Key Takeaways

A healthy family ecosystem is vital to ongoing business success

Predators in the ecosystem can lead to disastrous consequences through poor decision making, advice and criminal activities bad

Possible effects of predators in the ecosystem can be mitigated by maintaining a diverse portfolio

Relevant 'hard' and 'soft' issues to consider

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, or both are one of many 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. The most common reason for family wealth loss is a predator in the ecosystem. Bad investment decisions, gambling, theft and other nefarious behaviors can severely harm family businesses and dynamics.

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

MODULE 06 | 01 B | Predators in the Ecosystem



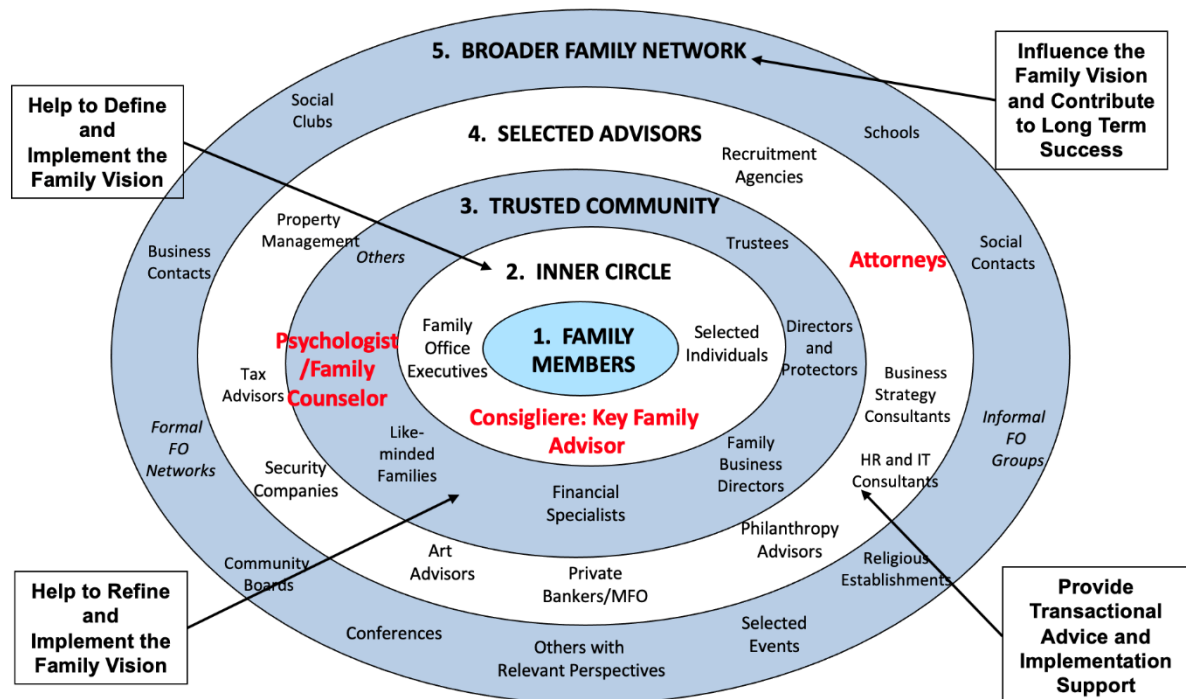
**ECOSYSTEM CHART AND ADVISOR MANAGEMENT MATRIX,
SCORECARD FOR THE HEAD OF FAMILY OFFICE**

MODULE 06 | 02 EXAMPLES

Example 6 A. 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



MODULE 06 | 02 | **KEY DOCUMENT** Ecosystem Chart and Advisor Management Matrix, Scorecard for the Head of Family Office



ECOSYSTEM CHART AND ADVISOR MANAGEMENT MATRIX, SCORECARD FOR HEAD OF THE FAMILY OFFICE

MODULE 06 | 02 **EXAMPLES**

Example 6 B. Family Office

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

MODULE 06 | 02 | **KEY DOCUMENT** Ecosystem Chart and Advisor Management Matrix, Scorecard for the Head of Family Office



**ECOSYSTEM CHART AND ADVISOR MANAGEMENT MATRIX, SCORECARD
FOR HEAD OF THE FAMILY OFFICE**

MODULE 06 | 02 **EXAMPLES**

Example 6 C. Ecosystem

CHECKLIST	Yes	No
Do you have a map of your current ecosystem?		
Do you know what changes in your current ecosystem could have been the biggest positive long-term impact on your legacy?		
Are the purpose and role of each member clear?		
Do you review performance vs pre-set standards every year?		
Is an effective selection and renewal process set?		
Is the alignment of interest confirmed between family and advisors, and any misalignment surfaced and addressed?		
Are costs and benefits monitored vs benchmark?		



Example 6 D. Identify Risk Priorities (Select 5 Priorities)

Business Ownership & Strategy

- Family Control
- **Family Leadership of Business**
- Family Dynamics
- Alignment of Interests
- Business Strategy
- Business Governance
- Business Operations
- Organizational Capability

Wealth Structuring & Management

- Wealth Structuring
- Investment Goals and Objectives
- **Asset and Market Diversification**
- Manager and Advisor Selection
- Investment Performance
- Public Equity Concentration
- Private Equity Control
- Distressed Situations

Legal & Financial Exposure

- **Tax Exposure (present or future)**
- Potential Litigation
- Fiduciary Roles and Responsibilities
- Wealth Transfer Protection
- Financial Leverage
- Financial Reporting/Compliance

Family Issues

- Personal Privacy, Security & Privacy
- **Marital Risk**
- Family Disputes and Conflicts
- Family and FO Governance & Decision-Making
- Family Relationships
- Family Reputation & Public Image
- **Personal Health & Wellness**
- NextGen Education and Future Transitions
- Challenges of Individual Family Members

SELECT
TOP 5
PRIOR-
ITIES

Other ?: [Insert other risks here]



ECOSYSTEM CHART AND ADVISOR MANAGEMENT MATRIX, SCORECARD FOR THE HEAD OF FAMILY OFFICE

MODULE 06 | 02 EXAMPLES

Example 6 E. Family Risk Priorities

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
<ul style="list-style-type: none">• Family Leadership of Business• Tax Exposure (current and future)• Asset and Market Diversification• Marital Risk• Personal Health and Wellness	<ul style="list-style-type: none">• Plan of transition to Chairman by James V submitted to Board• Review options to diversify jurisdictions and structures• Move 25% of assets to USA• Revise pre-nups and G5 trusts• Covid-19 plans to include PPE and access to testing

Template 6.A: Family Office and Ecosystem

Template 6.B: Family Office

Template 6.C: Ecosystem

Template 6.D: Identify Risk Priorities

Template 6.E: Family Risk Priorities



MODULE 07

Family Culture, Relationships and Individual Issues

01 E-Lessons and Summaries

- A. Conflict and Dispute Resolution — CRI 1002
- B. Building Trust, Harmony and Unity — CRI 1003

02 Examples

Key Document – Family Culture Assessment Tool and Stop/Start/Continue Matrix



FAMILY CULTURE, RELATIONSHIPS AND INDIVIDUAL ISSUES

MODULE 07 | 01 E-LESSON & SUMMARIES | CRI1002

A. Conflict and Dispute Resolution

DOWNLOAD VIDEO [HERE](#)

Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.



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

Relevant ‘hard’ and ‘soft’ issues to consider

Introduction

Conflict between family members can tear a family business apart. Family businesses risk falling victim to disputes if resolutions cannot be reached.



FAMILY CULTURE, RELATIONSHIPS AND INDIVIDUAL ISSUES

MODULE 07 | 01 E-LESSON & SUMMARIES | CRI1002

Guidance

Common sources of conflict are money, family associations, entitlement, legal structures that create hierarchy within the family, cultures of judgement 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 counsellors, 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.

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

Family members must be able 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 properly manage departures from the family business.

Just as having an exit option is important, nurturing familial bonds can also strengthen the position of the company

Remember to:

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



FAMILY CULTURE, RELATIONSHIPS AND INDIVIDUAL ISSUES

MODULE 07 | 02 E-LESSON & SUMMARIES | CRI1003

B. Building Trust, Harmony and Unity

DOWNLOAD VIDEO [HERE](#)



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

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

Relevant 'hard' and 'soft' issues to consider

Introduction

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.



FAMILY CULTURE, RELATIONSHIPS AND INDIVIDUAL ISSUES

MODULE 07 | 01 E-LESSON & SUMMARIES | CRI1003

DOWNLOAD VIDEO [HERE](#)

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.



FAMILY CULTURE, ASSESSMENT TOOL AND STOP/START/CONTINUE MATRIX

MODULE 07 | 03 EXAMPLES

Example 7 A. Family History - 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**
3. Common base in **Christian religion**
4. 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**

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

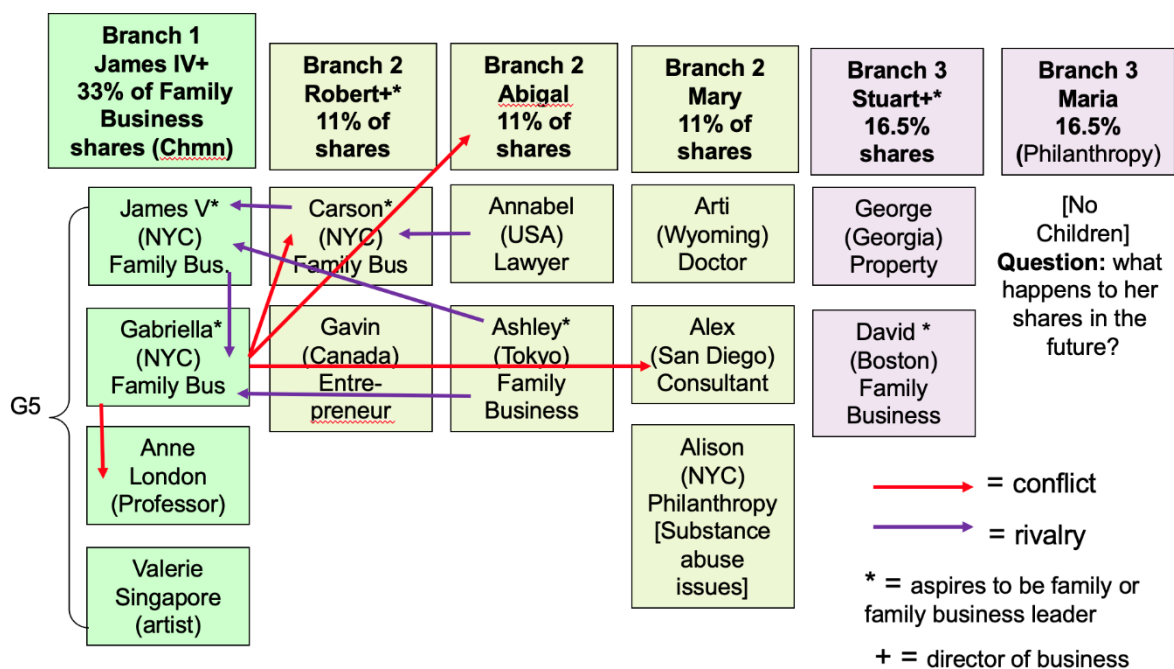
Stop	Start	Continue
Informal process	Scheduled discussions	Friendly and open style
"Clique" mentality	More members engaged	Branch equality
Ad hoc approach	More formal structures	Listening to all attending
Limiting information	More active communication	Family events
Unclear knowledge needs	Family educational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



FAMILY CULTURE, ASSESSMENT TOOL AND STOP/START/CONTINUE MATRIX

MODULE 07 | 02 EXAMPLES

Example 7 B. Relationships “Heat Map”





FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

MODULE 08

Next Gen Education and Generational Transition

01 E-Lessons and Summaries

- A. Introduction: Generational Transition and Succession — GLS1201
- B. Legacy Strategy for the Future: Multi-Generational and Multi-Dimensional Framework — ILS1005
- C. NextGen Education and Engagement — NXG1002

02 Examples

Key Document – GT Plan and Phasing, Next Gen Educational Priorities



NEXT GEN EDUCATION AND GENERATIONAL TRANSITION

MODULE 08 | 01 E-LESSON & SUMMARIES | GLS1201

A. Introduction: Generational Transition and Succession

DOWNLOAD VIDEO [HERE](#)

Lesson Summaries

Below you will find summaries for select videos within this module. Note that not every video in the module has a summary document.



Key Takeaways

“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?

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 a 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

Relevant ‘hard’ and ‘soft’ issues to consider



NEXT GEN EDUCATION AND GENERATIONAL TRANSITION

MODULE 08 | 01 E-LESSON & SUMMARIES | GLS1201

DOWNLOAD VIDEO [HERE](#)

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 must face challenges associated with simplifying asset structures, finding suitable roles within the company, being active owners, sharing ownership and control with siblings, inheriting or 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.



NEXT GEN EDUCATION AND GENERATIONAL TRANSITION

MODULE 08 | 01 E-LESSON & SUMMARIES | ILS1005

B. Legacy Strategy for the Future: Multi-Generational and Multi-Dimensional Framework

DOWNLOAD VIDEO [HERE](#)



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

Relevant ‘hard’ and ‘soft’ issues to consider

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

MODULE 08 | 02 B | Legacy Strategy for the Future: Multi-Generational and Multi-Dimensional Framework



NEXT GEN EDUCATION AND GENERATIONAL TRANSITION

MODULE 08 | 01 E-LESSON & SUMMARIES | ILS1005

DOWNLOAD VIDEO [HERE](#)

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

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

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:

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



NEXT GEN EDUCATION AND GENERATIONAL TRANSITION

MODULE 08 | 01 E-LESSON & SUMMARIES | ILS1005

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 can 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 business strategy.

Strategic Family Wealth Planning elements include:

- Family purpose, vision, and values
- Guiding principles
- Governance and Leadership
- Asset structuring
- Wealth management
- Business strategies
- Execution of strategic transactions
- Philanthropy
- The family ecosystem
- Conflict avoidance
- Family culture and relationships
- Individual family members
- Education and engagement of family members
- Managing integrated risk
- Managing generational transition, leadership successions, and major initiatives

Legacy strategy is a unique challenge but is an opportunity to shape the future. It allows the achieving of goals and fulfilling the purpose of family enterprise



GENERATIONAL TRANSITION AND NEXT GEN EDUCATION

MODULE 08 | 01 E-LESSON & SUMMARIES | NXG1002

C. Next Gen Education and Engagement

DOWNLOAD VIDEO [HERE](#)



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

Relevant 'hard' and 'soft' issues to consider

Introduction

Wealthy families should understand the importance of educating and engaging the next generation (NextGen) 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.



GENERATIONAL TRANSITION AND NEXT GEN EDUCATION

MODULE 08 | 01 E-LESSON & SUMMARIES | NXG1002

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. 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

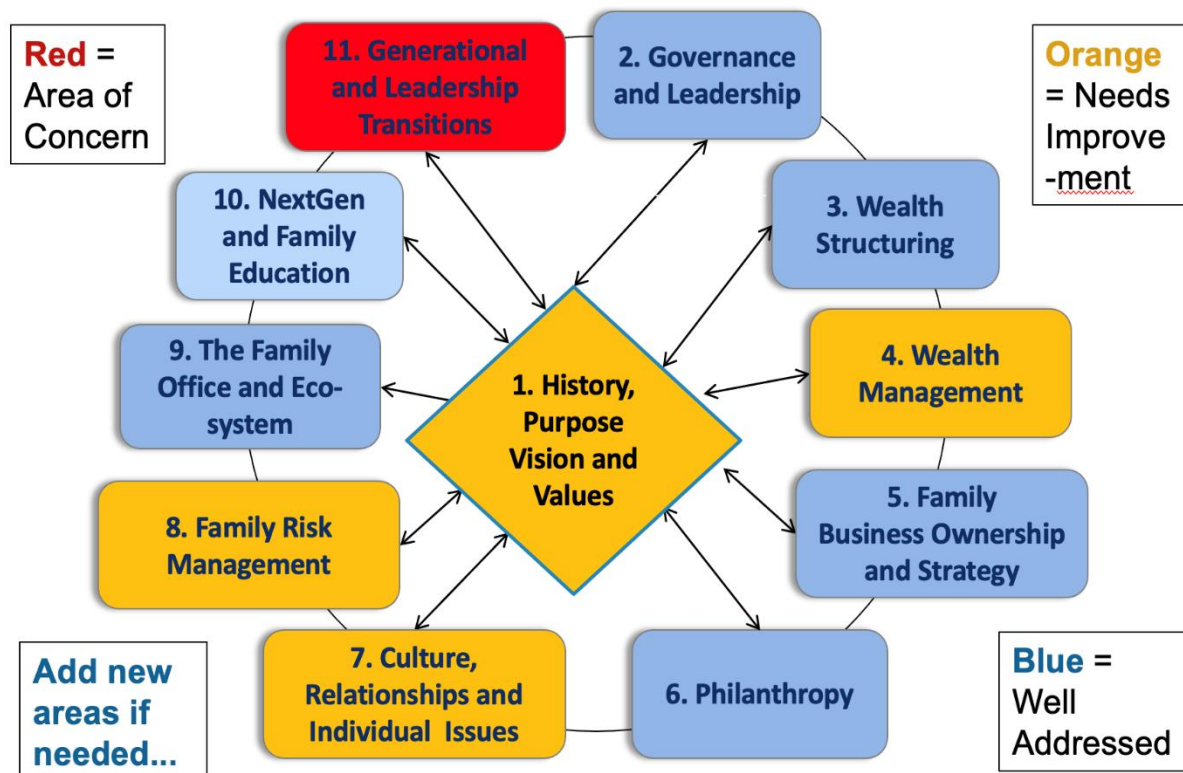
Following these four guidelines will encourage younger generations to join the family culture and continue its legacy.



GT PHASING AND PLAN, NEXT GEN EDUCATIONAL PRIORITIES

MODULE 08 | 02 EXAMPLES

Example 7 A. Next Gen Educational Priorities





GT PLAN AND PHASING, NEXT GEN EDUCATIONAL PRIORITIES

MODULE 08 | 02 EXAMPLES

Example 7 B. Generational Transfer

- Create a Steering Committee and set responsibilities for Generational Transition, with an important role for all Next Gen member
- Identify and address existing gaps in business, family and philanthropic governance, policies and organization – and a plan to address them
- List priority areas of knowledge and experience needed for the future for each element of the legacy framework
- Assess individual and team knowledge and capability to learn vs needs
- 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 7 A: NextGen Educational Priorities

Template 7 B: Generational Transfer



FAMILY WEALTH AND LEGACY PLANNING COURSEBOOK

END OF MODULE CHECKLIST | COURSE COMPLETION

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

END OF COURSEBOOK CHECKLIST |