

FAMILY WEALTH AND LEGACY STRATEGY



Accompanying Textbook — Strategy for the Wealthy Family

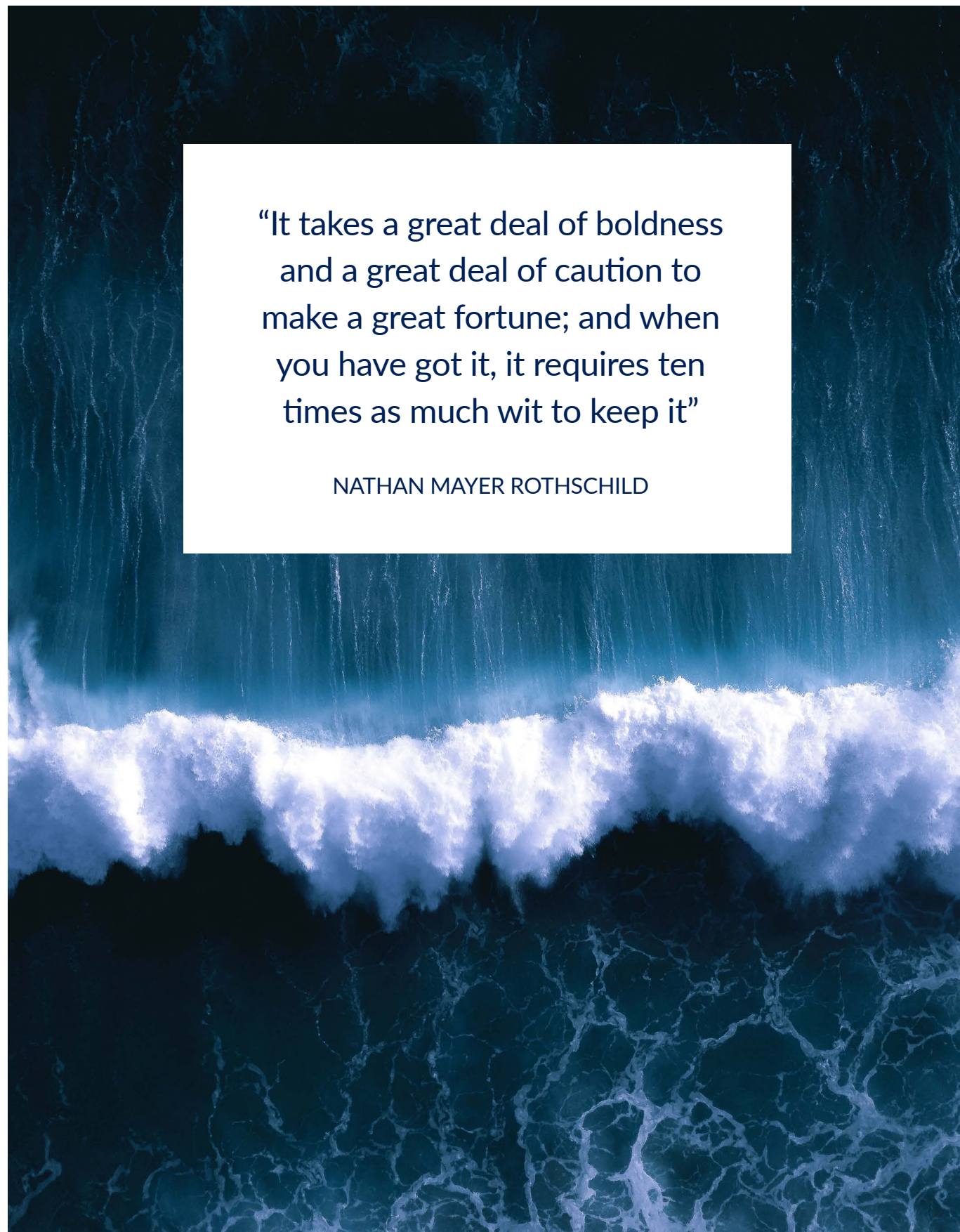




Introduction

“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 wit to keep it”

NATHAN MAYER ROTHSCHILD





Key Contributor



MARK HAYNES DANIELL JD, DHC

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

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 legacy families and their business. He has formerly held positions as a partner at Bain and Company, Director of merchant bank 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 to date 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 in 2019.



Key Contributor



PROF. DR. DR. hc HEINRICH VON UND ZU LIECHTENSTEIN

Integrated Legacy Strategy; Family History, Purpose, Vision and Values; Family Business Strategy; NextGen Education and Generational Transition.

Professor Liechtenstein is a professor of financial management at the IESE Business School in Barcelona. For many years he has been an academic researcher and expert on legacy families and their businesses around the world. He is active on several family holding advisory boards. He is also an active entrepreneur, having founded and sold two companies, and is 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 author on the topic of 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.



Key Contributor



HON. PROF ROBERT BATT, MSc

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

Robert Batt is a family counsellor, psychotherapist, and entrepreneur. He 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 developed with the AI department of Cambridge University in England.

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



Key Contributor



SARA HAMILTON, MBA

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

Sara Hamilton is the founder and Chair 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 co-authored the leading book *Family Legacy and Leadership: Preserving True Family Wealth in Challenging Times* with Mark Daniell.

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

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



Key Contributor



TOM MCCULLOUGH, MBA

Family Wealth Management.

Tom McCullough is the Founder, Chairman and CEO of the Northwood Family Office, Canada's first multi-Family Office, serving the comprehensive needs of families of significant net worth. He is the co-author with Mark Daniell of *Family Wealth Management: 7 Imperatives for Successful Investing*. 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. The Northwood Family Office he co-founded has been consistently recognized as the top independent multi-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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SELECTED READING

INTRODUCTION AND OVERVIEW

- 01 – Redefining Family Wealth and Legacy
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 - 03 – The Legacy Planning Framework
 - 04 – The Renaissance Leadership Imperative: Mastering
and Integrating the Disciplines of our Time
 - 05 – Initial Assessment of Where You Are
-

COURSE MODULES

MODULE 01 – Family History, Challenges, Purpose, Vision and Values

- | | |
|----------------------|--|
| Key Documents | <ul style="list-style-type: none"> 01 – Definition of the Family, History and Culture 02 – Expected Evolution and Priority Challenges 03 – Definition of True Family Wealth 04 – Integrated Statement of Family Purpose, Vision and Values |
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MODULE 02 – Family Governance, Leadership and Succession

- | | |
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| Key Documents | <ul style="list-style-type: none"> 01 – Checklist of Potential Elements of Governance 02 – Structure of Formal Governance System 03 – Streamlined Family Constitution |
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MODULE 03 – Structuring and Managing Family Wealth

- | | |
|----------------------|--|
| Key Documents | <ul style="list-style-type: none"> 01 – Family Philosophy of Wealth 02 – Asset Structures 03 – Principles of Wealth Preservation 04 – Annual Investment Policy Statement |
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MODULE 04 – Family Business: Good Ownership and Effective Strategy

- | | |
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| Key Documents | <ul style="list-style-type: none"> 01 – Unique Family Business Advantages Scorecard 02 – Evaluation Form for Company Board and Directors 03 – Family Business Strategy: <ul style="list-style-type: none"> 1. Strategic Option Evaluation 2. The Promise (Vision and Values) 3. Implementation Plan 4. Executive Summary |
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	02 – Philanthropic Elements of Success Scorecard

MODULE 06 – The Family Office, Ecosystem and Risk Management

Key Documents	01 – Scorecard for Head of the Family Office
	02 – Ecosystem Chart
	03 – Advisor Management Matrix Applied
	04 – Risk Management Priorities

MODULE 07 – Family Dynamics: Culture, Relationships and Individual Issues

Key Documents	01 – Family Relationship “Heat Map”
	02 – Family Culture Assessment Tool
	03 – Stop/Start/Continue Matrix

MODULE 08 – Next Gen Education and Generational Transition

Key Documents	01 – Next Gen Educational Priorities
	02 – Generational Transfer Plans and Phasing
	03 – Executive Summary of Family Wealth and Legacy Plan

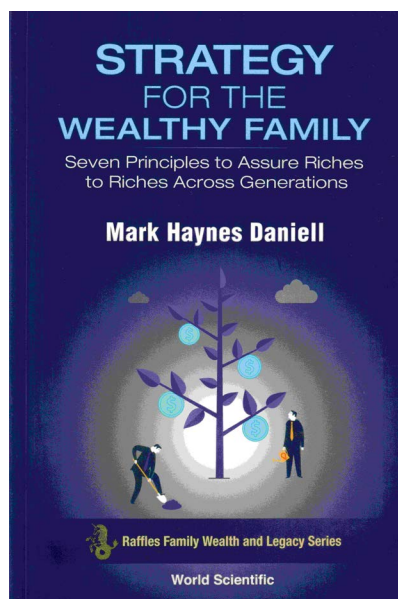
APPENDICES

Appendix 01	Course Completion Checklist
Appendix 02	Document Architecture: Progress Checklist
Appendix 03	Full List of Courses for Further Exploration

ACCESSING THE ADVISORY SERVICES OF THE RAFFLES TEAM OF EXPERTS



Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Principle 1: A Framework for Family Strategy

Pages: 11 to 12

Reference B: Chapters 1 to 5

Pages: 13 to 52



Video Lesson Download

Introductory Video

Welcome to this core course on family wealth and legacy planning. In this course you will be able to address all of the core elements for your long-term family legacy plans at a high level and integrate them into one seamless strategy.

In this course you will be able to access topical reading, e-lessons, selected lesson summaries and key takeaways along with practical examples, insights, instructions and pre-formatted templates of these examples for you to complete with your own content.

This course is available any time you choose to work on an on-demand basis. In addition, this course will be offered two times a year on a curated basis, with regular podcasts and webinars in which you can obtain further information and raise any questions you may have.

For those who would like to discuss working directly with one or more of our team of experts on a direct advisory basis with your family, we can be reached through the Contact Us tab on the home page to organize an appropriate initial conversation or email exchange.

Although each individual and family will have a different approach to process and timing for this course, for most people it can be completed in 6-8 weeks, depending upon your own situation, time availability and past exposure to e-learning and the topics raised. If you are undertaking this course as a team effort with other members of your family, this could extend the time a bit, but should result in a richer experience for all engaged in the initiative!

We begin with a fresh look at the definition of both family wealth and legacy, starting off with a review of the essential content of our joint efforts.



01 – Redefining Family Wealth and Legacy

There are many words in the legacy world 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 the Sanskrit word 'artha' and the Chinese character 'fu', which are usually translated as denoting family wealth, but also extend into this same realm of a broader – and deeper – meaning of wealth including, but also going beyond, financial assets.

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 both cases, for the words family wealth and legacy, a more comprehensive definition would include elements of meaning that are more precise, and both broader and deeper than the more limited traditional definitions of just money and inheritance.

To distinguish between the more limiting simple definition and the more complete version, we can use the term 'true family wealth' and look into definitions of legacy which are both past and future-oriented, and which break down into the categories of the legacy we receive, the legacy we leave, and the personal legacy we create that bridges the two.

True Family Wealth

The full essence of true family wealth, drawn from these earlier definitions of the word 'wealth' and a number of other sources from around the world, extends into this same realm of broader – and deeper – meaning.

As noted family counsellor Jeffrey Murrah remarked:

"The challenging question is, 'What is true wealth?' Definitions of wealth which consider only bank accounts, possessions and property are wholly inadequate."

Although each family will need to set out its own definition of true family wealth, and define what it wants its legacy to be, one list of the elements of True Family Wealth includes the following items for your consideration:

Definition of True Family Wealth

- Financial wealth
- Integrity
- Accomplishment
- Physical security, health and fitness
- Knowledge, wisdom and spiritual growth
- Family harmony
- Individual happiness

For each key element, a brief description follows:

Financial wealth

The family's financial assets, which may include an operating business (or businesses), direct investments, a portfolio of financial assets, property, an art collection and other assets of tangible value; although not the only element of legacy, financial wealth (possibly including a family business) provides a foundation and enabler for many of the other aspects of the greater family enterprise.

01 — Redefining Family Wealth and Legacy

(CONTINUED)



Integrity

A core element of a laudable family culture which provides a basis for trust between family members and earns respect for the family in the outside world.

Accomplishment

Focusing effort on important tasks and seeing them through to completion is both a part of true family wealth and the proven principles of positive psychology which can lead to greater individual happiness.

Knowledge, wisdom, and spiritual growth

Along with the prior elements, these three related elements make up the traditional body-mind-spirit trilogy of aspects of human existence that can be addressed to ensure we live full and fulfilling lives.

Family harmony

Family discord can erode a family's emotional and financial foundations and is among the greatest enemies of a successful legacy. On the other hand, a harmonious, happy and balanced family can be a great source of joy, support and a foundation element of true family wealth, preserved and enjoyed across many grateful generations.

Individual happiness

Families exist as both units in themselves and as a collection of individual family members, with each of these two different aspects inextricably intertwined. It may be hard to maximize the positive aspects of a family if one or more of its individual members are suffering; seeking to support the pursuit of happiness for each individual member of the family, as well as the family as a whole, can be a step toward a better outcome for all.

The importance of the effort is reflected in the great value that a positive legacy can bring.

The Value of Legacy

- Financial Wealth far more likely to be preserved
- A more harmonious family
- A greater sense of identity, sharing and purpose
- Entire family's achievements and stature raised
- Individuals across many generations can lead richer and more fulfilling lives
- The emotional incentive that motivates generations to work together
- An enduring personal legacy - and a better future for the family



01 – Redefining Family Wealth and Legacy

(CONTINUED)

“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, possibly playing out the sad story of ‘riches to rags in three generations’ that exists as a phrase in many civilisations around the world.

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. It can enrich the lives of many individuals within the family and benefit many who are not family members, but whose lives are touched, directly or indirectly, by the legacy family and its greater enterprise.

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 business people 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.”

Three Different Forms of Family Legacy

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 is the legacy we leave for future generations. This includes that which we received, plus any changes – positive or negative – we have added or subtracted during our period of ownership and responsibility.

Between the two forms of legacy lie the **personal or generational 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 as the legacy they leave.



01 — Redefining Family Wealth and Legacy

(CONTINUED)

A successful personal or generational legacy 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 at Cause

Our personal legacy is thus partially determined by what we do – or don't do – with the family legacy we inherit.

While not the only element in a person's full individual legacy 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.

The stewardship of family wealth as it is owned and managed, and then passed on, intact, enhanced or diminished, to succeeding generations is one contribution to an enduring personal legacy.

Three Forms of Legacy

1

The family legacy we receive: our inheritance and heritage from the past

2

The family legacy we leave: our contribution to future generations

3

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 diminution and enhance, to the maximum extent possible, 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 improvement – of family wealth in all its forms.

A full legacy can also lead to a strengthening of the family, enabling them to continue the successes of the past, and to be prepared to master the new and unpredictable challenges they will face in the future.



Video Lesson Download *Accompanying Video*

Fostering Private Wealth and Family Legacy a Social Good.

In fact, family wealth and legacy can be considered as an important and valuable part of the societies in which the legacy family participates. 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, bad decisions 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.

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'.

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 individual and social responsibilities of those individuals and families fortunate enough to be owners of substantial wealth.

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.

A positive and engaging approach to important family and family wealth 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.

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:

02 — The Importance of Preserving Private and Family Wealth

(CONTINUED)



“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.”

—

THOMAS BINNEY
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 optimal, 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.

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.

No Guarantee of a Successful Future

The term ‘riches to rags in three generations’ resounds around the world in virtually every culture in some form. Very few families are able to make a fortune. Even fewer are able to preserve the initial wealth over time.

One telling chart can be found from the archives of the Forbes list, which looked at the status today of the fabled names of wealthy families from America’s Gilded Age, a period where vast fortunes were made in a growing and optimistic United States coming into its own as a major global power for the first time.

With wealth in 1908 currency exceeding a billion dollars at the top, and in a list containing some of the most fabled names in American business and philanthropy, the column on the right is the most striking: not one of the families are anywhere near the top of a more recent Forbes list of the wealthiest individuals in the world, or even in America alone.

02 – The Importance of Preserving Private and Family Wealth

(CONTINUED)

**Forbes Top 20 US 'Rich List' – 1908 vs 2008**

Name	Estimated Fortune (1908 \$)	Chief Source	2008
1. John D. Rockefeller	\$1,200,000,000	Oil	Not on list
2. Henry Clay Frick	\$225,000,000	Coke, Steel	Not on list
3. Andrew Carnegie	\$200,000,000	Steel	Not on list
4. George F. Baker	\$150,000,000	Banking	Not on list
5. William Rockefeller	\$150,000,000	Oil, Railroads	Not on list
6. Edward S. Harkness	\$125,000,000	Oil	Not on list
7. J. Ogden Armour	\$125,000,000	Packing	Not on list
8. Henry Ford	\$100,000,000	Automobiles	Not on list
9. William K. Vanderbilt	\$100,000,000	Railroads	Not on list
10. Edward Howland Robinson Green	\$100,000,000	Banking	Not on list
11. Mrs. Edward H Harriman	\$80,000,000	Railroads	Not on list
12. Vincent Astor	\$75,000,000	Real Estate	Not on list
13. James Stillman	\$70,000,000	Cotton, Banking	Not on list
14. Thomas F. Ryan	\$70,000,000	Traction, Tobacco	Not on list
15. Daniel Guggenheim	\$70,000,000	Mining, Smelting	Not on list
16. Charles M. Schwab	\$70,000,000	Steel	Not on list
17. J. P. Morgan	\$70,000,000	Banking	Not on list
18. Mrs. Russell Sage	\$60,000,000	Banking	Not on list
19. Cyrus H. McCormick	\$60,000,000	Farm Machinery	Not on list

02 – The Importance of Preserving Private and Family Wealth

(CONTINUED)



As this memorable list from the past shows, even the wealthiest and most famous of families may not last longer than a few generations at the top – and some even rise and fall within a single generation.

However, there are also many stories of success, families who have beaten the odds of history, mastered the challenges of their time and prospered through times both good and bad.

The practices and approaches used by the legacy families who have survived and thrived for generations provide an invaluable guide for all who wish to enhance the true family wealth, legacy and leadership of their own wealthy family.

What Makes The Difference?

The most important common element for many families in preserving their wealth is a strong family culture and effective leaders that address both the 'hard' and 'soft' issues of the family's wealth and legacy.

A strong and positive culture, along with an effective approach to family wealth and legacy planning, combine to create the strong and flexible social fabric of the family which has woven into it the threads outlining the patterns of a successful future.

Great Legacies Are No Accident Of History

Neither great legacies nor the fulfilment of a family's higher purpose are the product of passive observation of a family's history, or acceptance of whatever life presents by way of experience.

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

'Hope is not a strategy'

Deliberate, long-term family strategies and selfless investments in the family's future are as old as the family itself. Given the frenetic pace of the 21st century, and a society more and more centered on individual – and instant – gratification, getting a commitment from wealth owners to be engaged in long-term, inter-generational family wealth and legacy planning may be this generation's greatest leadership challenge.

Although not immediate in impact, the value of the effort can be seen in the history of 'successfully wealthy' families with both an impressive past and positive future.

The great Athenian orator Pericles summarized it well more than two thousand years ago when he said *'your children shall gather the fruits of your labours...'*

The costs of developing and implementing a family wealth and legacy plan are relatively small, but the potential rewards are substantial.

Investing today in that better future for the family may be one of the best investments you ever make.



03 – The Legacy Planning Framework

The nature of family wealth and legacy planning is both multi-dimensional in content (with a need for each 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 accelerating 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 family wealth and legacy 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, reinforcing the societal, familial and individual foundations in place, 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), this challenge is eloquently summarized:

'If we want things to stay as they are, things will have to change...'

The Framework For Family Wealth And Legacy Planning

The nature of the task in front of family leaders interested in developing a family wealth and legacy plan 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.

Best Practice in Legacy Strategy

- Based on an aspirational long-term vision
- Taking a long-term view
- Addressing all elements of strategy
- Taking a holistic and integrated approach
- 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 dynamics

03 – The Legacy Planning Framework

(CONTINUED)



The Framework for Family Wealth and Legacy Planning





03 – The Legacy Planning Framework

(CONTINUED)

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 its valuable parts.

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 governance. The family ecosystem 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 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 always be remembered that the ultimate goal of that strategy 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.

Turning a Conceptual Framework into Effective Action

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.

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.

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 a clear outline of the expected 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 family wealth and legacy plan.

03 – The Legacy Planning Framework

(CONTINUED)



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, 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 family's core beliefs, attitudes and behaviors.

A good family wealth and legacy plan 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 for any family.

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

Only by identifying and addressing a family's history, and analyzing 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, Challenges, 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. The resolution of these challenges may be one of the greatest contributors to the reduction of risk, and to the realization of opportunity, family leaders can offer.

The 'foundations of legacy' include both the background of history and culture, and the 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.



03 – The Legacy Planning Framework

(CONTINUED)

Family Governance, Leadership and Succession

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, 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 wider Family Assembly, an organized approach to family governance will create a strong and united platform upon which successful legacies 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 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.

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.

Wealth Structuring and Management

One of the most important decisions a family must make, is to determine its Philosophy of Wealth. It is essential to decide if the relevant family members are owners of wealth as personal assets or as stewards of wealth for future generations.

One of the key elements of the strategy heavily influenced by this decision 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.

Every wealthy family, by definition, has a substantial amount of financial wealth. Those 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 all major asset classes. Managing this wealth on a professional basis requires specific



03 – The Legacy Planning Framework

(CONTINUED)

expertise, a disciplined process and clear strategy, often captured in an Investment Policy Statement ('IPS').

After a major (or first time) wealth creating or liquidity event, the contributing elements of the family wealth and legacy framework also define the modules and lessons making up this course.

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 that suited to 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 also 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.

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, management and strategy.

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 substantial 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 coming years. As such, that family business requires consideration as a key part of an overall portfolio of family financial and commercial assets and liabilities.



03 — The Legacy Planning Framework

(CONTINUED)

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.

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 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 in social engagement 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 endeavor.

The Family Office and Ecosystem

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 system of supporting resources for a particularly wealthy 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 ecosystem, 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.

Active design and effective management of this system is a great source of advantage in developing and implementing a family wealth and legacy plan. All of the active participants making up that ecosystem need to be reviewed periodically, and possibly managed differently or replaced altogether, if necessary. This is an essential task for family leaders as these components of the ecosystem are all major sources of influence, good and bad, on a family's future.

03 – The Legacy Planning Framework

(CONTINUED)



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 wealth and legacy plan. The sum of individual strengths and weaknesses, values, aspirations, and actions will ultimately determine, in great part, the future of the family.

NextGen Education and Generational Transition

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 leading to negative results in wealth and business, unmanaged relationship difficulties, poor planning and communication, family frictions and failures in relationships and individual issues in their rising generation.

Identifying the priority educational needs of the Next Generation today – a combination of relevant experience, technical experience and emotional readiness – is a first step in building a better long-term future for the family.

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 ownership and leadership in the family enterprise are transferred from one generation to the next, require a substantial effort in planning, preparing, executing and then following up on the transition to ensure it has been successful.

03 – The Legacy Planning Framework

(CONTINUED)

**The Ten Elements of Strategy for the Wealthy Family and Implementation Imperatives****Key Takeaways**

1	Family	Define the Family, document the past and set a vision for the future
2	Family Strategy Framework	Set a family strategy with an objective of multi-generational preservation and growth of family wealth
3	Family Organization and Leadership	Organize the family and manage the surrounding ecosystem
4	Family Wealth Preservation	Structure asset holdings and adopt practices for long-term asset preservation
5	Family Wealth Management	Diversify assets and access the best investments and investment managers through a formal process of asset allocation and wealth management
6	Family Business	Clarify and integrate approaches to family business ownership and strategy with long-term family wealth plans
7	Family Risk Management	Identify and manage all major risks to family wealth and wellbeing
8	Effective Philanthropy	Share wealth in a manner that unites the family and gives it meaning
9	Family Office and Ecosystem	Design and align a high quality Family Office and supporting 'ecosystem' worthy of trust
10	Living a Truly Wealthy Life	Remember the unique nature of individual family members including yourself



03 – The Legacy Planning Framework

(CONTINUED)

Common events that can trigger the initiation of a family wealth and legacy planning process

- Major wealth creating or liquidity event, such as the sale of the family business
- Generational change, transition in leadership and/or ownership from one leader to another, or from the current generation to a succeeding rising generation
- Reaching an internal ‘tipping point’ brought on by a confluence of factors
- Other source of inspiration or concern



04 – The Renaissance Leadership Imperative

In every course, lesson and insight across this site, the role and contribution of leadership cannot be overstated.

Yet the kind of leadership required to diagnose, design and implement the most effective strategies for a legacy family differs in many ways from other forms of modern leadership models.

Mastering family leadership challenges in a legacy family setting requires defining and addressing all of the issues of a complex family – both ‘hard’ and ‘soft’ – in a rapidly changing context.

This requires investing the time and effort to develop an understanding of the changes taking place in the world surrounding the family as well as the evolution of the family itself, it requires long-term thinking when many strategic cycles are getting shorter and shorter, and it involves identifying and implementing both proven ‘best practices’ from the past and creative new ‘next practices’ for the future.

The Renaissance Ideal

The successful example of the vaunted ‘Renaissance Man’ of the Enlightenment period, in many ways, captures the ethos underlying the model best suited to inform and guide leaders of modern legacy families in mastering the challenges they face today, and those they will need to address tomorrow as well.

These few individuals (a group which would include a substantial portion of women as well in today’s world) were skilled in many areas of knowledge and activity, were exceptionally creative and innovative in their thinking and, most importantly, were capable of ‘mastering and integrating the disciplines of their time’ in an effort to bring about substantial change in both the lives of individuals and the broader societies in which they lived.

This mastery and integration of many disciplines, application of creativity and innovation, and pursuit of a higher order of accomplishment on many fronts brought about fundamental change at many levels. This new approach empowered individuals explored higher levels of accomplishment and contributed to the progressive societal move from the preceding millennial ‘Dark Ages’ to a new era of openness, light and progress.

Great multi-generational family legacies over time have also developed in a manner consistent with this Renaissance Imperative and benefited from its application; many leading modern legacy families around the world have survived and prospered through the efforts of insightful leaders capable of ‘seeing tomorrow’ through a complex lens – and then acting on that insight in multiple complementary areas to improve the future of their own families.

The Renaissance Imperative here is thus based on a great model from the past, but has also been developed through the understanding and application of a number of more recent developments that contribute to its application and potential impact on current legacy families and their wealth and legacy plans: the framework set out above highlights the range of ‘disciplines of our time’ that require both mastery and integration.



04 – The Renaissance Leadership Imperative

(CONTINUED)

Seven Principles of Renaissance Leadership for Leaders of Legacy Families

1	Aspire and seek actively to improve on what is currently there
2	Develop expertise in multiple domains
3	Apply the highest levels of creativity and innovation
4	Take a holistic approach: address both 'hard' and 'soft' issues
5	Do not be afraid to end the old to make way for the new
6	Benefit from the wisdom and capabilities of others
7	Provide authentic leadership in a manner which inspires trust and engenders support

Essential Content

Those disciplines also require a multi-faceted approach to leadership that extends across each area, including:

Aspire and seek actively to improve on what is currently there: Great leaders of legacy families do not accept passively what they inherit. They look afresh at their situation from all perspectives and redefine what is truly possible. They 'think big' about what can be achieved and set about to make it happen with confidence and energy: accepting and building on history and the foundations of the past, and defining with clarity their purpose, vision and values on the high road forward which leads to a better future for their families.

Leaders of legacy families may seek to be effective captains on a voyage of discovery and greater accomplishment during their time at the helm, rather than just competent stewards serving on traditional routes travelled in the past.

Develop expertise in multiple domains to be able to understand challenges on a timely basis and find effective solutions.

Complex problems often find the best solutions through the application of knowledge and experience in more than one domain of expertise, and often benefit from a perspective built upon an integrated approach, or even by taking a less obvious approach emerging from a more complete view.

Albert Einstein is quoted as saying that '*the solutions to problems often do not arise at the level of the problem itself*'; seeking and finding these unconventional solutions may be more easily found in an approach involving multiple sources of insight and their integration than by extension from a more limited base of reference.

04 – The Renaissance Leadership Imperative

(CONTINUED)



In today's world, this also means investing in a lifetime of learning to keep up with the rapid expansion and increasing depth of what we know in separate domains, forecasting what will come next, and deciding what we can do with that knowledge of both on a standalone and integrated basis.

Apply the highest levels of creativity and innovation:

There is, arguably, no group of individuals in our history who represent the skills and benefits of creativity and innovation better than the scientist-artists who lived the Renaissance Ideal in the Enlightenment period. Leonardo da Vinci, Donatello, Raphael and Michelangelo, all famous artists but also much more when looked at closely, were joined by Giorgio Vasari and many others in their polymath capabilities and accomplishments.

Today, fresh approaches are found in blending both best practice and next practice, balancing art and science, and developing the ability to see and understand complex patterns and systems dynamics from multiple complementary perspectives.

Take a holistic approach:

Address both the 'hard' and 'soft' issues in your understanding of problems and development of solutions. In keeping with the principle of mastering and integrating a diverse set of capabilities, leaders of legacy families would benefit from ensuring that they consider, separately and together, all of the aspects required to understand problems and then design and implement effective solutions. This would require understanding of both 'hard' (technical) and 'soft' (human) issues and exploring both science (proven) and art (creative, unprecedented) thoughts in appropriate measure.

It is important that we do not neglect consideration of higher purpose and the spiritual side of life in a family context. More and more, people are looking for

meaning, purpose and spiritual guidance in a world increasingly severed from the foundations that once sustained their lives.

Emotions also count: Good leaders *'lead from the heart of the family rather than just the head of the table.'*

Do not be afraid to end the old to make way for the new:

While the Renaissance Ideal presented a very different spirit and energy from the prior Dark Ages in the medieval period in European history, the value and role of creative destruction has also long been found in many other civilizations at many different times in history.

As associated with the Indian deity Shiva, and in the modern works of Joseph Schumpeter and Werner Sombart, and captured in the definition of words like the Japanese *'shintaro'*, creative destruction leading to positive progress has long been an obvious, but often painful, part of human progress.

The modern legacy family is no exception, with tough decisions about what needs to be carried forward from the past, and what needs to be left behind, being a key part of every family leader's most important obligations.

It is also important now to address and integrate sustainability into activities aimed at the future of the family, both to engage members of the younger generation and to contribute to societal matters that will, to a large extent, influence the quality of the lives of all those who follow us in our families.

Benefit from the wisdom and capabilities of others: No man or woman is an island, and no man or woman as a legacy leader can identify, understand, design and implement the best solutions to so many unrelated elements of a successful legacy by himself or herself.



04 – The Renaissance Leadership Imperative

(CONTINUED)

As knowledge has expanded so rapidly in recent years, it is no longer possible for individuals to master, as Renaissance Men once did, all of the domain knowledge in multiple areas. The information now available is so vast, growing so quickly and found in so many fragmented areas that there is far too much to know for any one person to retain or comprehend it all. While important to 'know what you know', it is equally important to 'know what you don't know', and 'know what you can't do on your own' as well.

The wise leader will need to reflect upon the limits of his or her capabilities and identify the need for support in understanding, designing and implementing effective strategies for the family and its individual members where needed.

Provide authentic leadership in a manner which inspires trust and engenders support: For leaders of legacy families today, it is important to provide a living example of the change you want to see in your greater family. The two biggest factors in providing a leadership model which can produce enduring success are authenticity and trust.

Living the values, acting with integrity, being fair and sensitive to the concerns of family members are essential. Good listening and communication skills are at a premium. Defining a shared sense of purpose for the family (and possibly the individuals within it), articulating a clear and inspiring vision and defining the set of values which determine who a family is as well as what its members do, are key considerations in assessing the effectiveness of modern leaders of legacy families today.



05 – Initial Assessment of Where You Are

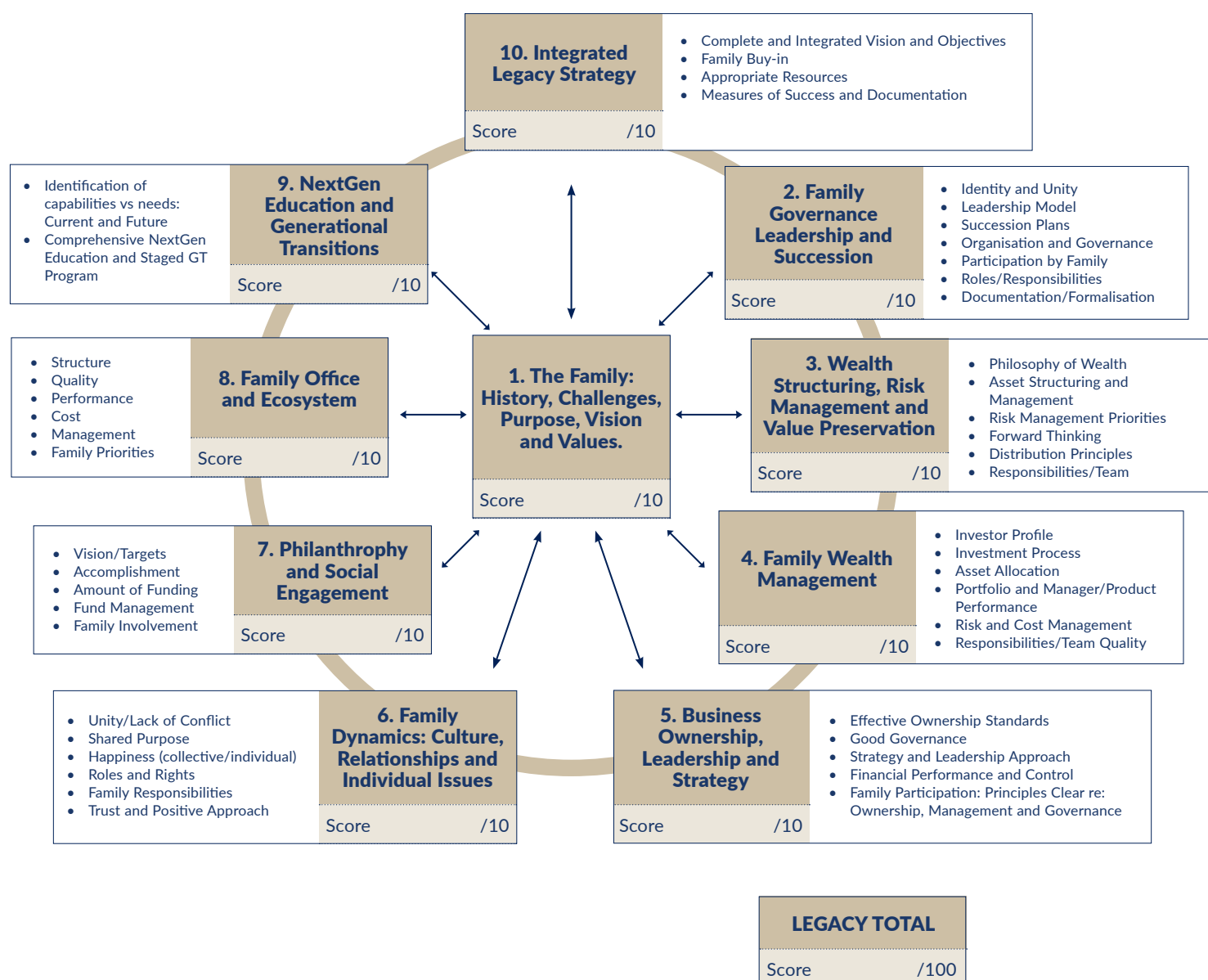


Video Lesson
Download
Introductory Video

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

As set out below (and attached as an editable template for you to use) 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 (total score with a maximum of 100 points) and see where you have the largest areas for improvement.

By completing this assessment, you can begin the next phase of your family wealth and legacy journey with a clear set of priorities for analysis and action.





05 – Initial Assessment of Where You Are

(CONTINUED)

A secondary summary chart will set out the priority actions to address weaknesses in your approach:

Elements	Score	Objectives
1. The Family: History, Challenges, Purpose, Vision and Values		<ul style="list-style-type: none"> No long term history No clear understanding of culture No maternal side history yet included Lack full set of challenges
2. Family Governance, Leadership and Succession		<ul style="list-style-type: none"> Leadership Model requires review Succession Plans not clear Organisation and Governance not fully respected Roles/Responsibilities need refreshing Documentation/Formalisation incomplete
3. Wealth Structuring, Risk Management and Value Preservation		<ul style="list-style-type: none"> Philosophy of Wealth not agreed Asset Structuring and Wealth Management strong Distribution Principles need communication Responsibilities/Trust need NextGen engagement
4. Family Wealth Management		<ul style="list-style-type: none"> Investor Profile in place Investment Process strengthened but not formalised Asset Allocation needs updating Risk and Cost Management missing
5. Business Ownership, Leadership and Strategy		<ul style="list-style-type: none"> Effective Ownership Standards not clear Good Governance but Strategy and Leadership Approach to be improved Financial Performance and Control good Need formal conflict avoidance and dispute resolution policy Family Participation Principles not clear regarding Business Ownership, Management and Governance
6. Family Dynamics: Culture, Relationships and Individual Issues		<ul style="list-style-type: none"> Unity/Lack of conflict good, culture OK Shared Purpose, Roles, Rights and Responsibilities to be clarified
7. Philanthropy and Social Engagement		<ul style="list-style-type: none"> Vision/Targets to be made measurable Amount of funding to be increased Family involvement to be stepped up
8. Family Office and Ecosystem		<ul style="list-style-type: none"> Structure needs review - move offshore? Quality of team needs improving Performance vs cost to be assessed annually Family Priorities need integrating
9. NextGen Education and Generational Transitions		<ul style="list-style-type: none"> Identification of capabilities vs needs: current and future Comprehensive NextGen Education and staged GT Program needed as high priority Need full approach to focus on NextGen ages 18+
10. Integrated Legacy Strategy		<ul style="list-style-type: none"> Complete and Integrated Vision and Objectives Family buy-in not 100% Appropriate resources need strengthening Measures of Success and Documentation to be set

05 – Initial Assessment of Where You Are

(CONTINUED)



FULL DOCUMENT ARCHITECTURE (check if complete)		
Short Term (current year)	Medium Term (3-5 year perspective)	Long Term (more than 5 years) and Multi-generational
Annual Plan <input type="checkbox"/> strategic targets by month <input type="checkbox"/> financial / family / philanthropic objectives <input type="checkbox"/> operating budget Investment Policy Statement <input type="checkbox"/> asset allocation <input type="checkbox"/> distribution objectives <input type="checkbox"/> tactics and tactical changes <input type="checkbox"/> manager priorities Succession Plan (ST) <input type="checkbox"/> Day 1, Week 1, Month 1, Year 1	Strategic Plan <input type="checkbox"/> vision-led <input type="checkbox"/> all elements addressed <input type="checkbox"/> implementation schedule Education & Development Plan <input type="checkbox"/> family <input type="checkbox"/> family office staff Investor Profile & Objectives Asset Allocation Principles Residence and Domicile Plans Expected Distributions Philanthropic Activities	Family History Statement of Family Purpose Business Ownership Objectives Family Constitution Family Member Rights and Responsibilities Trust Deeds / Letters of Wishes Corporate Articles / Memoranda Shareholder Agreements Voting Pool Arrangements Wills, Estate Plans and Ethical Wills Philanthropic Policies Individual Development Plans Long-term Succession Plans



05 – Initial Assessment of Where You Are

(CONTINUED)

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.

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

This implementation phase can cover years, decades, and even generations of the family.

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

A final checklist, possibly filled out in consultation with other family members, will highlight gaps in your plans and identify required actions:

THE FAMILY LEGACY CHECKLIST

Key Question	Yes / No	Comment
Is there a clear definition of family membership?	Yes / No	To be completed for your own family
Is your philosophy of wealth clear?	Yes / No	To be completed for your own family
Is the family history understood?	Yes / No	To be completed for your own family
Are the values clear and agreed?	Yes / No	To be completed for your own family
Is the future vision set out?	Yes / No	To be completed for your own family
Is there a shared sense of purpose and values in the family?	Yes / No	To be completed for your own family
Are the investment and distribution disciplines clear?	Yes / No	To be completed for your own family
Are the reasons for staying together clear?	Yes / No	To be completed for your own family
Do you have a multi-generational strategy?	Yes / No	To be completed for your own family
Does each member understand his or her future role(s)?	Yes / No	To be completed for your own family
Total score		



MODULE 01

Family History, Challenges, Purpose, Vision and Values



Video Lesson Download
Module 01 Introductory Video

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Introduction

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

—
ROBINSON JEFFERS

The foundation for any family wealth and legacy plan is an understanding of who a family is, where they have come from, what challenges they face, and what they aspire to create.

Creating a financial fortune, and keeping a substantial amount of wealth together, are no easy tasks. Each family has its own unique history and evolution, and each family member has his or her own private issues to address as well. Each generation of a wealthy family faces a unique set of challenges, but also may be addressing the many issues typical of families in the same situation.

While not easy, there is a great societal value, as well as a substantial impact on a family's future legacy, for a family to preserve and manage its wealth in a successful manner. If strategy is defined as *‘the informed art and science of effective action to achieve an overarching vision, goal or purpose’*, then that quest can begin with an informed understanding of the broad history and challenges facing a, particular family of wealth, followed by a statement of what the family want to accomplish together.

Each family emerges from a unique history, has its own unique culture and values, and faces a unique set of risks and opportunities in keeping the best parts of their past alive, while adapting to a world where the past recedes ever more quickly and the pace of change never slows.

One of the greatest challenges that financial families face together is perpetuating the passion and the drive that created the family business and legacy. It is ironic that a successful business generates wealth that makes a family comfortable, and that this comfort often engenders complacency in future generations.

This dynamic is what scares parents the most about leaving wealth to their children. They want their children to experience the pleasures and rewards that result from personal accomplishments, and the thought of seeing them lose initiative or never find their calling because they do not need to work is a great concern for many.

Given the fast pace of the 21st century, and a society more and more centered on individual – and instant – gratification, getting a commitment from wealth owners to be engaged in long-term, inter-generational family legacy planning may be this generation's greatest leadership challenge.

Defining the family, documenting its history and challenges, and setting out a shared sense of purpose, vision and values can both bring the family closer together and increase the amount of energy available to work together toward the best possible future for the whole family and all of its members.

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?



Introduction

(CONTINUED)

As a first step, leaders need to ensure that they have a working definition of family membership. Is it a standard bloodline definition of descendants from a defined individual or couple? 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 other 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 the 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 are the members of the family to be governed by the Constitution.

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

Family History and Culture: Starting Point for Family Future

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

A family history is more than a family tree showing births, deaths, marriages and places of habitation. A family history is also reflected in its culture as well: the common patterns that influence the rich flow of events, decisions, individual personalities, relationships, ethics, attitudes and accomplishments.

National origins, religious affiliations, associations with groups or places, educational and economic progress are all parts of the fabric of understanding who a family is and what it stands for. Just as the history of a nation is about far more than a simple timeline and carries within it a unique cultural history, the wealthy family's history and culture are inextricably intertwined, and will cover far more territory from the past – and offer many useful insights to guide the future.

Family history gives its members a sense of place and uniqueness; a link to the past which can provide a firm foundation for the present and future. A family's history and beliefs can explain a great deal about its member's ethics, behavior and attitude toward inheritance and family organization.

In assembling a useable past which can provide a solid foundation for the future, the importance of family stories cannot be over-emphasized.

By selecting (and, hopefully, capturing in written form) the stories that mark out a family's origins and past evolution, a greater sense of identity, shared family experience and common family values can be developed. Telling – and retelling as many times as needed – the most important family stories is a key role for all family members.



Introduction

(CONTINUED)

*The Complete Picture:
Sometimes the negative is
the most valuable*

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

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

The Importance of Family Culture

Some research completed by Professor Heinrich Liechtenstein of the IESE Business School demonstrated that, among the three most important elements in achieving family success, family culture was rated by a group of legacy families as being more important than either formal governance - or even leadership - along many dimensions.

This conclusion, even if derived from a relatively small sample, was fascinating since we may know little about understanding and managing family culture.

There are many definitions of culture, but one of the most useful may be that culture is simply *"the patterns of behaviors and beliefs characteristic of a particular group"*.

Within a family, culture can manifest itself in many ways: how we communicate, celebrate, contemplate, compensate, relate, retaliate, etc. I can embrace other terms that capture the essence of what we do – together and separately – and how we do it.

It is already well known that 'culture trumps strategy' in many businesses, but the same can also be said for many legacy families.

The fabric of a family culture is based on DNA, but also is shaped by a shared history and common memory, national or ethnic identity, language, religion, values, shared experience, and established beliefs, attitudes and behaviors. It can be linked to a particular source or place and will always be a blend of historic sources and constant evolution as each passing generation makes its mark on family history and its development into the future.

Expected Evolution and Current Challenges

Legacy families do not stand still. All families will undergo change and evolve over time. This change is often predictable and can therefore be managed. The challenges faced by members of each generation are shaped by both expected and unexpected family evolution.

A critical role of the family leader is to guide the family through the sea of risks and waves of opportunities that it encounters over time. Risks to the family's wealth and well-being range from the financial risks of loss of capital to the human or personal risks of apathy or disinterest.

Introduction

(CONTINUED)



Opportunities include anticipating and taking advantage of change from within or surrounding the family.

Some challenges will vary by generation, which are often similar across the world:

First generation success tends to begin with an individual or a small group creating and managing the business and wealth directly, with a challenge to put in place a thoughtful family wealth and legacy plan for the future where there is no precedent or prior knowledge. This will include setting an example of leadership and development of the Next Generation to be able to take on the tasks of being capable, responsible owners and stewards of wealth.

In the second generation, members need to find a working model of a 'sibling partnership'. Many second-generation members look to simplify what the patriarch or matriarch has created, and will need to find ways to share roles, rights and responsibilities with their brothers and sisters, and even cousins if the first generation of wealth creators or owners was made up of more than one individual or couple.

Often, the children of highly successful (and always less than perfect...) entrepreneurs may be fearful of making mistakes and not living up to their parents' success or expectations.

They may have to face traditional second generation challenges associated with establishing governance, simplifying asset structures, finding suitable roles within the family enterprise, 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 an increasing list of internal and external challenges to family unity, harmony, progress and prosperity.

Third generations can be challenged by establishing a new model often described as being a 'cousins' consortium' in which the members have grown up in different households and hence have less in common than the earlier two generations.

Challenges here can include 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.

Modern World Adds to Complexity

In today's world, these traditional generational challenges may be exacerbated by family members living far apart, possibly in different countries, and marrying and raising families with partners from other countries, cultures, languages and religions.

Understanding all challenges in the short, medium and long term will be essential in setting out both the high-level aspirations and the practical strategies required to pursue the agreed purpose and achieve the shared vision of the family.



Introduction

(CONTINUED)

Family Purpose, Vision, Values and Guiding Principles

“Many persons have a wrong idea of what constitutes true happiness. It is not attained through self-gratification but through fidelity to a worthy purpose...”

—
HELEN KELLER
NOBLE PURPOSE P10

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

- Purpose answers “Why are we doing this?”
- Vision answers “What are we trying to do?”
- Values answer “How are we going to navigate the journey?”
- Guiding principles give gravity, meaning and measurability to abstract concepts captured in a list of family values (which are actually just selected virtues in most cases).

Clarifying these issues will help to respond to many challenges, including those often found in the second generation, who need to find a reason and approach to stay together after the founding couple are no longer living. The reasons and approach can include such ideas 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 protect and strengthen the trust and bonds between family members
- Carrying forward the traditions and values of a family name
- Pursuing an ambitious agenda for the greater family enterprise, including the family, business, wealth and philanthropic endeavors

Long term aspirations, goals and guidance

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

Vision

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

Values

Values define the standards by which your family will operate. Do not create a list with too many values; a simple list of 3-5 (max) values, that is unique to your own family may be more useful than 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 by current or future generations.



Key Questions to be Considered

Considering the Good, the Bad and the Ugly

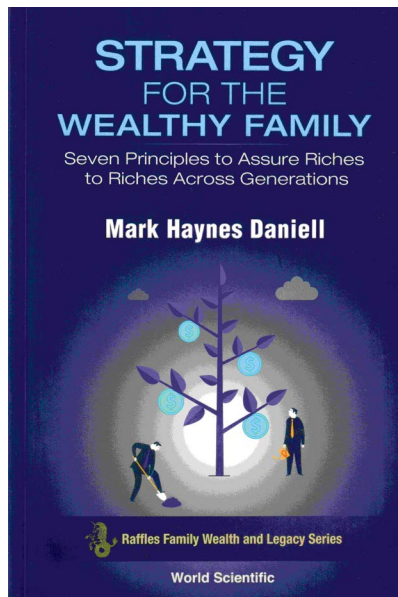
All too often, when families think about their values, they focus solely on the good, the valuable and the virtuous. However, family culture is a reflection of all family values: good, bad and neutral. An honest assessment of values for discussion should include those to change as well as those to exhort. Such values

as greediness, secrecy, passive/aggressive conduct, and other undesirable values and behaviours should also come under the family's moral microscope. In Module 07, Key Document 03, the Stop/Start/Continue Matrix should be considered as a tool to categorize - and change - values better left consigned to the dustbin of history, than carried forward into the future!

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 short- and long-term perspectives?
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?



Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Principle 2: Family Organization
and Leadership

Pages: 53 to 54

Reference B: Chapters 6

Pages: 55 to 64



01 – Family Definition and Evolution



Video Lesson Download
01 – HVV1204 – Family
Definition and Evolution

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, in 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 the standard bloodline definition of descendants from a defined individual or couple? 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.

What qualifies someone to be a member of the family?

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 are 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 some countries, up to 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, inheritance tax varies enormously according to whether the inheritance is bestowed upon the child (including adopted child) of the benefactor, or a more distantly related family member or non-family member.

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.



01 — Family Definition and Evolution

(CONTINUED)

And what about defending the family against in-laws and out-laws who some see as frequent sources of schisms and damage to 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?



Key Document Download

01 — Definition of the Family, History and Culture

Family Definition

Full Family Members of the Cuscaden Family are defined as James Robert Stuart Cuscaden, his wife, their two children, 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.

As you can see from the chart on the next page, defining the family as the descendants of James Cuscaden I would have enormously different implications from using James IV as the starting point for family definition.

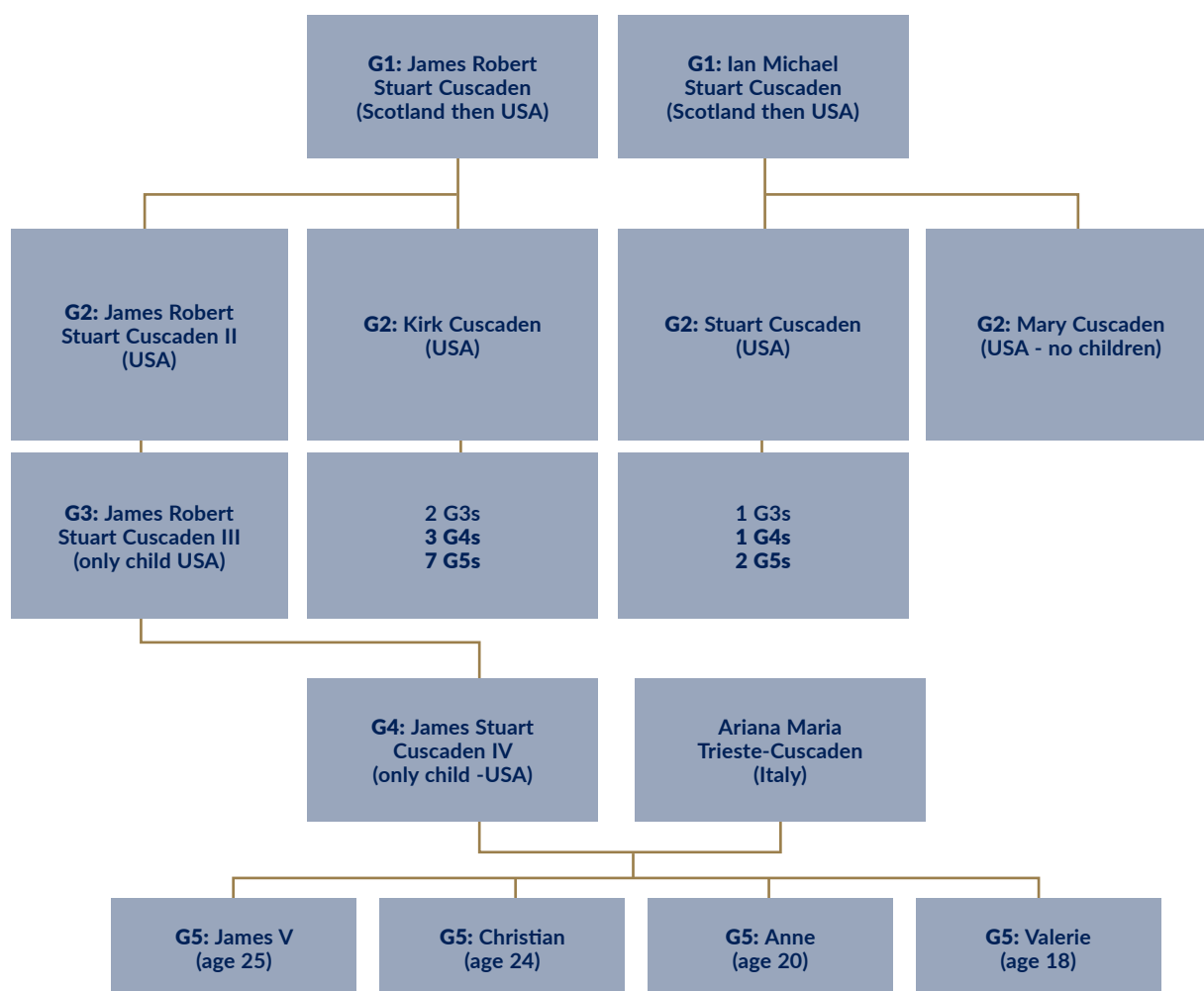
Note: You may also consider as Full or Associate Family Members: Spouses, significant others over a defined number of years of relationships, stepchildren and other family members who may be invited to participate in activities such as family celebrations and holiday events, educational programs for 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 also retain benefits of Family Membership if the family chooses.



01 – Family Definition and Evolution

(CONTINUED)

Broad Family Definition: From First Generation (G1) Onward



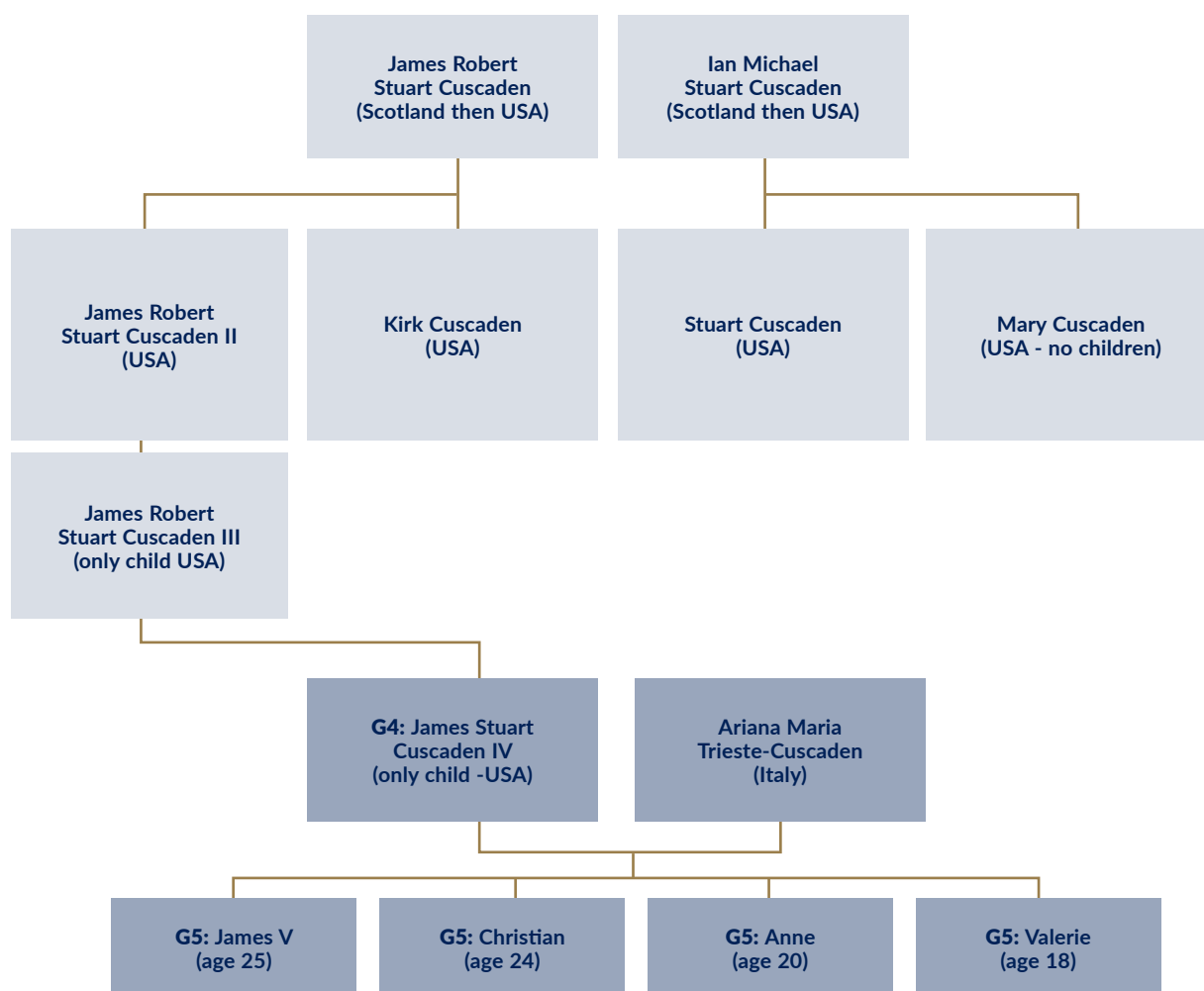
Defined Family Member



01 – Family Definition and Evolution

(CONTINUED)

Narrow Family Definition: From Later Generation (G4) Onward



Defined Family Member

Non-Family Member



01 — Family Definition and Evolution

(CONTINUED)

Family 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, except for Ian's daughter May. 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.

While the three branches have positive and amicable relations between themselves, and share ownership of the Cuscaden family business, James IV has decided to define the family for purposes of identity and governance as himself, his wife, their four children and any descendants of these six individuals.



01 — Family Definition and Evolution

(CONTINUED)

	Key Questions: Implications
1	What is the definition of the family and its individual members?
2	How is the family likely to evolve and what does it mean for current and future family members and leaders?
3	Which associations with other branches of the family should be promoted? Why?
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?



01 – Family Definition and Evolution

(CONTINUED)



Key Document Download

02 – Expected Evolution and Priority Challenges

Expected Evolution: Example of Broad Definition

The family is growing in number and complexity, with the value of a common base in our hometown eroding visibly as people move away and follow different life paths.

Without a strong sense of the family as a whole, there is a growing concern about the potential for branch and generational competition, ambition and conflict of interests.

The potential IPO or sale of the family business will create a fundamental change in our family dynamic, public profile and point of inflection in our family history.



01 – Family Definition and Evolution

(CONTINUED)

Expected Evolution	Family Internal Evolution	External Evolution
1. Family	<p>Current group of four G4s and eleven G5s will grow substantially in the coming G6 group.</p> <p>Effective family wealth strategy requires a forward view across three generations, with each generation addressing its own issues while, at the same time, anticipating those of its children and grandchildren.</p> <p>The family is evolving rapidly within and across generations and branches. As the family grows and the younger generation fragments into different countries, cultures, and religious orientations, the challenge, and therefore the skills and approach required to keep the family engaged, united and harmonious, change in scale and content.</p>	<p>International education, travel and exposure to a multinational social world are fragmenting the family and reducing commonality; decline of interest in formal religion and globalizing presence contributing to lack of a common cultural base.</p> <p>Wealth gap becoming more visible and information availability means NextGen (and their friends) learning details about family business, wealth and other matters at an early age.</p> <p>Global world and rise of AI/IT create different view of business, jobs, investment focus and expectations in the future.</p> <p>Risk of all kinds an increasing topic of conversation</p>
2. Financial	Shareholding in family business to be diluted so largest shareholder will only hold 5-10%, available funds for distribution from financial portfolio shrinking with increase in number of adult family members.	Market sell-off in technology sector, increasing interest rates and derating of financial sector make income generation and capital preservation challenging; credit lines need new terms for renewal.
3. Business	Growth and profitability strong, potential for IPO increases liquidity and pressure for more Independent Directors on the board.	Increasing pressure from Asian competitors, spend on technology and increasing cost of energy; CSR/ESG demands growing.
4. Philanthropy	Insufficient interest from younger family members; need to quantify impact and increase family engagement.	Long and growing list of potential projects: global climate volatility, education of women, eye care, etc.



01 – Family Definition and Evolution

(CONTINUED)

Expected Evolution	Family Internal Evolution	External Evolution
5. Family Office/ Ecosystem	Longstanding ecosystem needs refreshing and annual performance reviews in place.	Tax policies require move offshore for international operations; Singapore growing center for global FOs.
6. People Issues	Increasing friction between Arabella and Gunther a combination of personal and branch issues as Generational Transition approaches and no long-term leadership policies or succession plans in place yet.	Social media and related cultural changes having an impact on aspirations, and mental health of Next Generation.
7. NextGen Education/ Generational Transition	No formal program to assess needs and offer NextGen education; both short- and long-term planning for leadership succession and Generational Transition program needed.	Younger generation learning differently – online education, virtual meetings, YouTube and other sources of information need to be considered; both emotional and technical/ experiential readiness need development.



01 — Family Definition and Evolution

(CONTINUED)

Priority Future Challenges from Family Evolution

1. Fostering a sense of identity, commitment and trust across a more disparate family
2. Creating a sustainable approach to family business and wealth ownership, governance and employment which contributes to the success of both family and total family wealth
3. Reconsider and increase the role of women in leadership positions
4. Planning for the upcoming generational transition from G4 to G5, ensuring the requisite experience, technical expertise and emotional readiness of the Next Generation are in place
5. Addressing the escalating conflicts between branches and sorting out meritocratic vs rotating (branch balance) approach to key positions as soon as possible

Priority Challenges	Specific Issues Arising
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	<ul style="list-style-type: none"> • Concentration in one market • Increase in taxation
3. Business	<ul style="list-style-type: none"> • No CEO successor from within the company
4. Philanthropy	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • No structured educational program yet



02 – Family Culture



Video Lesson Download
02 – HVV1005 – Family Culture

Describing Family Culture

As a result of this history and the people who shaped our family, our family's culture could be best described as [Chosen item in bold, alternatives in brackets]

1. [Close] **Loosely together** [alt: close/remote/hostile]; we act as [one big group]/a **combination of small groups**/[only as highly independent members]
2. Overall, as a multi-generational family we are [very united] **partially engaged**/[loosely affiliated/remote/unknown to each other], **getting further apart**; Current relations between generations and branches can be described as [very close], **warm** [cordial, so-so/independent/remote at best/non-existent/hostile]
3. Common base in [**Christian**] **religion** [broad spiritual practice/ethical approach/non-believers/no particular shared ethos/[other associations]
4. Identified with the [**Scottish and Italian**] cultures [no particular culture]
5. Our family identity gives us a sense of [pride] **position/respect** [support, nothing special/shame/fear]
6. Characteristics of our culture include **hard work, modesty, independence, critical of each other**, [highly commercial approach, [other]; the most admired members of our family include: **James Cuscaden I and his wife Mary**
7. Other elements: High value placed on [formal education] and association with [**Cuscaden Manor**] and [other places, groups, events, activities, ideas, etc]



03 – True Family Wealth



Video Lesson Download 03 – HVV1003 – True Family Wealth

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
- Other activities of choice

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' as well.

Since best practices are historically based, strategies must learn from best practices but also employ new and creative next practices, better suited for the future. Legacy strategies must be multi-generational and multi-dimensional in nature, and address both short-term and long-term risks and opportunities.

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

03 – True Family Wealth

(CONTINUED)



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

It is relevant to consider in each area that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration

Each legacy strategy is designed and implemented to give your family the best possible future over the longest possible time frame

True Family Wealth

1. Financial wealth
2. Integrity
3. Accomplishment
4. Physical security, health and fitness
5. Knowledge, wisdom and spiritual growth
6. Family harmony
7. Individual happiness



**Key Document
Download**
03 – True Family Wealth



04 – Family Purpose, Vision and Values



Video Lesson Download

04 – HVV1006 – Family Purpose, Vision and Values

Guidance

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

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

This will also help guide the response to the challenges faced by the Next Generation, 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 precise meaning to those goals and values.

The Statement allows families to communicate specific messages to future generations, contribute to family stability and create a common view of where the family want to go together.



05 – Statement of Family Purpose



Video Lesson Download
05 – HVV1102 –
Statement of Family
Purpose

Guidance

*“The secret to
success is constancy
of purpose”*

Having a clear purpose to work towards across generations enhances focus, brings people together in a shared endeavor and creates a level of engagement that will carry the family through all prosperous, difficult and transitional times.

Introduction

Families often realize that a clear statement of purpose is necessary to give family members an overarching objective, and a sense of meaning and direction. A statement of purpose, vision and values can act as a family's north star and be a powerful organizational tool.

Key Takeaways



Examples of potential content:

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

Contribute to a family legacy and name worthy of respect

Note: It is important to consider in each area that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



05 — Statement of Family Purpose

(CONTINUED)



Key Document Download

04a — *Statement of Family Purpose, Vision and Values*

Statement of Family Purpose

It is our purpose to work together as a family to create an enduring legacy for our shared family enterprise, which is greater than our individual selves. That family enterprise shall include our collective family and its individual members, our businesses, family investments and societal contributions.

Fulfilling this purpose will require all members of our family to commit to our common aspiration and respect the values and actions necessary, at all times and in all environments, to:

- A. Be a united and harmonious family
- B. Act as good owners of successful businesses and other investments
- C. Demonstrate responsible individual behavior
- D. Reinforce and carry forward the traditions and values of a name worthy of respect
- E. Engagement of the family and all of its members: It is our objective to engage every Family Member in a shared effort to achieve these high common aspirations

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.



06 — Family Vision / Mission



Video Lesson Download

06 — HVV1103 — *Family Vision / Mission*

Introduction

Having defined who a family is, where it has come from (based upon an understanding of family history) and what is its overarching purpose, a successful leader must work with the greater family to decide a common vision — where the family needs to go, what it aspires to create, and then set clear long-term aspirational goals, that define a path toward that enduring positive vision.

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.

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, 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.

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 organizational vision for a family business. Sometimes the simple and brief statements are the most difficult to get right.

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 vision can be 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 armored divisions, followed by occupying armed forces, is a strategy. Pursuing this strategy by moving as quickly as possible, under the cover of a dark night, is tactics.

06 — Family Vision / Mission

(CONTINUED)



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 of Capricorn LLC, underscored the critical role of an overall family vision in family wealth management when he stated in the introduction to the book 'Family Wealth Management' that lack of a vision is often 'the root cause of failure...'

'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.'

—
STEPHEN GEORGE



Key Document Download

04b — Statement of Family Purpose, Vision and Values

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 qualified family member in our family business and greater family enterprise.
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".



07 – Vision, Values and Guiding Principles



Video Lesson Download

07 – HVV1104 – Vision, Values and Guiding Principles

Defining Vision, Values and Guiding Principles

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

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

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.
- Manage financial wealth sustainably to reach target benchmarks.
- Distribute capital only above the preservation of the capital in real terms.
- Donate 10 percent of family wealth and of annual income 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.

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.



07 — Values and Guiding Principles

(CONTINUED)

Key Takeaways



The first elements of family legacy strategy we will discuss are perhaps the most important: Family purpose, vision, values and guiding principles

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 long-term vision and direction for the family becomes easier to accomplish

A vision usually addresses the four elements of a family enterprise: the family, the family business, family wealth and family philanthropy

Values provide guidance on how to behave — and how not to behave

Guiding principles make values meaningful and measurable

It is relevant to consider in each area, that there are both ‘hard’ (technical) and ‘soft’ (culture and people) issues to take into consideration



08 — Family Virtues

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 foster 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.



Video Lesson Download
08 — HVV1105 —
Family Virtues

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.

Values

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

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 aspects of the family as well

It is relevant to consider in each area, that there are both ‘hard’ (technical) and ‘soft’ (culture and people) issues to take into consideration as you contemplate your long-term future as a family

08 — Family Virtues

(CONTINUED)



As first postulated by Aristotle, the four Cardinal Virtues are seen to provide a solid foundation for a virtuous life.

Four Cardinal Virtues

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 develop 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

Values 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 in place leaders, teams and a culture consistent with effective long term 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 a manner that puts family first
Effort	<ul style="list-style-type: none"> • Working hard to achieve our objectives • Setting and achieving high standards in everything we do
Responsibility	<ul style="list-style-type: none"> • Taking ownership for resolving issues • Setting and maintaining standards • Donating 10% of our profits to worthy causes



Key Document Overview

This page includes all of the Key Documents available to download.

These are editable templates, provided in different formats (PDF, JPG, PPT and/or Word) which are to be completed with your own Family Wealth and Legacy Planning content.



Key Document Download

01 – Definition of the Family, History and Culture



Key Document Download

02 – Expected Evolution and Priority Challenges



Key Document Download

03 – Definition of True Family Wealth



Key Document Download

04a – Statement of Family Purpose, Vision and Values



Key Document Download

04b – Statement of Family Purpose, Vision and Values



End of Module Checklist

Checklist	Yes	No
Is the value and context of this module understood by the family?		
Is family definition clear and its implications understood by all?		
Do you have a shared understanding of family history and culture?		
Do you have a clear and agreed set of family challenges: short, medium and long term? Internal and external?		
Do you have an agreed Statement of Family Purpose?		
Do you have a clear and agreed Vision?		
Do you have a clear and agreed Values and Guiding Principles?		
Is there an agreed approach to the drafting and archiving of key documents?		



MODULE 02

Family Governance, Leadership and Succession



Video Lesson Download
Module 02 Introductory Video

Introduction and Overview		02
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E-Lessons		
01 – Introduction: Family Governance and Leadership	GLS1001	07
02 – Establishing a System of Formal Governance	GLS1005	08
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Introduction and Overview

“Leading from the heart of the family, not just the head of the table.”

One of the major differences between legacy families that retain their wealth and stature and those that do not is that the former invest time and effort in addressing issues that go beyond financial wealth – focusing on money matters, of course, but also addressing the ‘soft’ factors such as family values and organization which are equally relevant to long-term family success.

Most families with a tradition of successfully preserving wealth and family harmony across generations would have some form of a Family Council, a formal group made up of family members – and, in some cases, trusted outsiders, as well – which represents the family as a whole in considering and making decisions on a full array of family issues.

A Structured Approach to Organization and Operation

A structured approach to family organization and leadership is a core element in family wealth and legacy planning, an initiative and approach to family oversight shared by almost all families that preserve their family unity and harmony across generations, as well as safeguarding the value of their financial, property and business assets.

Designing and implementing the right approach to family governance and a leadership model for a

specific family requires a deep understanding of where the family came from, how they operate, what degree of ‘togetherness’ is right for them now, and how the family is likely to evolve across coming generations.

It will also need to be based upon a shared understanding of a family’s ‘soft factors’, including its history, culture, relationships, informal and formal networks, and approaches to conflict avoidance and dispute resolution mechanisms. Leadership is always challenging for the individuals involved, calling for a unique approach which combines ‘leading from the heart of the family’ as well as providing guidance from ‘the head of the table’.

Depending upon the size and complexity of a family, governance systems may need to be very comprehensive, robust and well defined. Governance systems define leadership models and put in place the governing and oversight bodies to ensure that the family is well structured and capable of pursuing its overall purpose and specific initiatives in support of that purpose. These bodies and governing principles typically include a Family Council, Family Meetings, philanthropic boards, family business boards, and specify family member leadership roles, individual rights, responsibilities and shared values to be respected in their generation.

In all cases, family governance will need to be considered as a coordinated set of organizational entities, governing documents, operating principles and approaches sympathetic to family culture and all relevant groups and individuals within the family. The ‘hard’ elements of governance setting out the structural approach and operating protocols need to be balanced with an approach that takes into account the ‘soft’ social and individual issues (which one sage said should actually be called the ‘even harder’ issues).



Introduction and Overview

(CONTINUED)

Finding the right blend of togetherness, freedom, direction, guidance, participation, communication and engagement will be essential in establishing and maintaining a successful multi-generational governance, leadership and succession.

In other situations, where the family is smaller, commercial and philanthropic oversight less demanding, and where there is little need to consider such issues as branch balancing or generational transition, a leaner model may be in place until there is a need for a more comprehensive approach.

As family and business complexity grow, the organizational structure and related operating principles should evolve to ensure that the requisite support is in place to support the family's evolving wealth and legacy aspirations.

The Elements of Family Governance

In most legacy families, a family constitution, family council, Family Meeting and a range of other supporting bodies and committees make up the approach to family governance. This may, or may not, include the corporate and other structures of a family business.

Establishing, and adhering to the principles and approaches enshrined in these elements are important steps in establishing a solid foundation for future unity and harmony in the family across generations.

There are many benefits to a formalized approach to governance, leadership and succession. Such an approach reduces frictions created by unresolved differences on matters of importance, misunderstanding of family policies and principles, conflict and competition between individuals, generations and branches and, perhaps most importantly, creates an environment where decisions are made on policy, not on an *ad hominem* basis.

Such decisions as when a family leader steps down,

when family members are eligible to join the business or be proposed for leadership positions, what family investment and distribution policies should be determined, and other similarly sensitive decisions can be established as matters of policy before they become issues related to any individual.

The typical elements of family governance and leadership include a family constitution, a family council, and a regular (often annual) Family Meeting.

The Family Constitution

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 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 structures, rules and member rights, forum meeting guidelines and checks and balances.

The Family Council

The overall purpose of a Family Council is often related to supporting the broader objectives of a family and its leaders: family unity, harmony, a positive and supportive culture and values, development and pursuit of an ambitious agenda for the future, reflecting an appropriate degree of togetherness and cohesion, and defining and overseeing family members across branches and generations in their roles related to family business, investment or philanthropy.



Introduction and Overview

(CONTINUED)

The ability to strengthen bonds between family members, build trust between individuals and generations, and 'carry forward the traditions and values of a name worthy of respect' can all be seen as important elements in the family's long-term success.

What does a Family Council do?

The overall objective of the Family Council is to take an integrated and long-term view of all aspects of the family and its enterprise, to establish a sense of purpose, define a shared long-term vision and set of values, design medium term strategies to pursue a defined set of priority goals, and put in place the resources and short term action plans to implement those strategies successfully.

The Family Council is also the repository of accumulated family history, knowledge and wisdom, family reputation, culture and values, and the 'keeper of the flame' on positive family and individual identity and progress where possible.

This requires, inter alia, establishing, operating and adjusting as necessary the governance bodies, operating principles and oversight of the family and related activities for generational transitions and leadership successions. It would take into account:

- family vision, strategies, action plans and supporting resources
- family dynamics: cultures, relationships and individual issues, including conflicts and disputes, values and culture ('soft factors')
- business, investment and other financial, legal and commercial matters related to the family's total wealth
- risk management, taking into account all types of priority risk and potential response
- individual roles, rights and responsibilities
- the leadership model and succession planning
- family educational programmes and social activities
- communication
- issues related to the Family Office and ecosystem

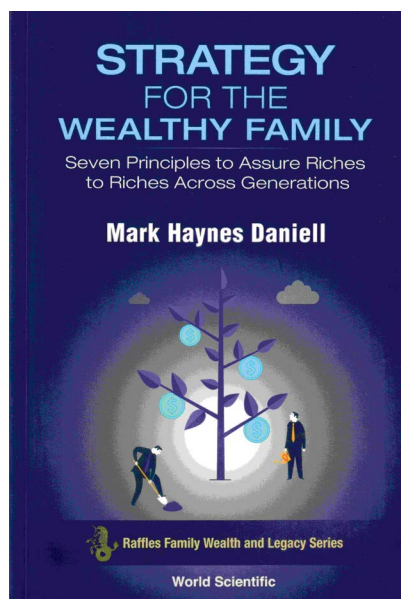


Key Questions to be Considered

1	How - and 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 and succession?
7	What approach to communication will work best to provide positive guidance and avoid negative conflicts and disputes?



Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Principle 2: Family Organization
and Leadership

Pages: 53 to 54

Reference B: Chapters 7 to 8

Pages: 65 to 96

Reference C: Example 2: Family Constitution

Pages: 403 to 430



01 — Introduction: Family Governance and Leadership



Video Lesson Download

01 — GLS1001 — *Family Governance and Leadership*

Guidance

Depending upon the size and complexity of a family, governance systems may need to be very comprehensive, robust and well defined, or limited, focused and less formal in some ways.

Governance systems define leadership models and put in place the governing and oversight bodies to ensure that the family is well structured and capable of pursuing its overall purpose and specific initiatives in support of that purpose. These bodies and governing principles typically include a Family Council, Family Meetings, philanthropic boards, Family Business Boards, and specify family member leadership roles, and individual rights, responsibilities and values.

A fair and effective leadership model and organizational governance structure, when supported by the family, lays the groundwork for multi-generational success.

This will require you to:

- Decide on your philosophy and approach to governance, selecting those elements you wish to include, and ensuring there is a shared understanding of how things will operate in the future
- Define how non-family resources will be involved as advisors or team members.
- Decide if in-laws are family members or non-family members with a role to play in 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



02 — Establishing a System of Formal Governance



Video Lesson Download
02 – GLS1005 –
*Establishing a System
of Formal Governance*



Video Lesson Download
*Sarah Hamilton on A
Formal System of
Governance*

Guidance

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

A formal system of governance allows the family to achieve many objectives simultaneously:

- Provides a clear model of leadership
- Guides the family through change
- Reduces friction
- Provides clarity on potential roles, rights and responsibilities
- Provides a forum for communication
- Reduces uncertainty
- Encourages engagement

A formal governance system is best captured in a written family constitution, which defines family purpose, values, structures and operating processes. The constitution is usually developed and implemented by family leaders, a board of directors, Family Council or similar supreme body for the family, frequently supported by an external expert advisor.

The council is usually multi-generational and can include a minority of non-family members who act as independent advisors. This council meets periodically, perhaps four times per year, and usually is supported by the work of one or more committees reporting to the head of the Family Council.

An effective Family Council may seek to maximize diversity in its membership, having representatives from each branch 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 flow to all members of the family effectively through the organization.

Purpose of Family Governance

The overall purpose is to create bodies and processes that support the achievement of the family purpose, represent all members of the family, provide prudent, organized leadership and ensure the checks and balances needed to avoid major family risks or catastrophes are in place.



03 – Family Council



Video Lesson Download 03 – GLS1006 – Family Council

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. The structure and leadership of a Family Council, which serves like 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 and investments matters, and philanthropy programs.

Guidance

The Family Council is an important component of family governance. The Council heavily influences decision making, which determines the success or failure of a family enterprises over time. Since the Council can make, or at least exercise significant influence on, strategic family and business decisions, it should be structured to ensure that all branches and adult generations are represented.

The family leadership council operates in some ways like a board of directors and may incorporate trusted non-family members. However, in most cases the Family Council is made up solely by 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 for the family

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

Family Councils set rules and provide guidance on such matters as family member qualification, roles available and qualifications and promotions, 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 may play different roles and have thus a set of specific rights and responsibilities.



03 — Family Council

(CONTINUED)

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 and implementation
- Building a stronger family and family business
- Planning for the future: ownership, participation and succession
- Managing family wealth and wealth structures
- Preserving family tradition and history
- Managing family business
- Recognizing and resolving conflict
- Educating the next generation

The Family Council also oversees critical short-term projects, which will need to be handled well and should often be subject to formal governance and review, such as a specific generational transition projects or NextGen educational initiative.

A generational transition transfers the ownership and responsibilities of business, governance, philanthropy and succession planning to 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 philanthropic strategy
- Initiation of a new NextGen educational program

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 are all usually governed by the Family Council.



04 – Family Constitution



Video Lesson Download 04 – GLS1008 – Family Constitution

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)?



04 — Family Constitution

(CONTINUED)

A Family Constitution may contain a list of family member rights for family members and a (sometimes overlooked) equally important statement of Responsibilities. 'Bill of Rights' clearly describes the potential roles and rights granted to family members, as well as the values and expectations to guide their conduct in those notes.

A 'Statement of Responsibility' complements the 'Bill of Rights' by assigning accountability and common obligations to, for example, act with discretion, educate themselves, work hard, act with respect and respect confidentiality in important matters.

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



05 – Family Meeting



Video Lesson Download 05 – GLS1009 – Family Meeting

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 the size of the gathering, costs and logistics. They typically includes all bloodline family members, shareholders, spouses, children and very important family guests. Family Meetings serve to discuss business, socialize and, possibly vote on important matters.

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
- Provide 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 achieve the purposes of the meeting. Not only does the meeting possibly have a business purpose, but it also reinforces the social bonds that are vital and unique to family businesses.

Family Meetings should be fun and celebrate what the family stands for, reinforce family values, victories, and personal or business progress. Family Meetings can have lasting positive effects.

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 one or two 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

It is relevant to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration.



01 – Checklist of Potential Elements of Governance



Key Document Download

01 – Checklist of Potential Elements of Governance

Possible Elements of Family Organization	Selected
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



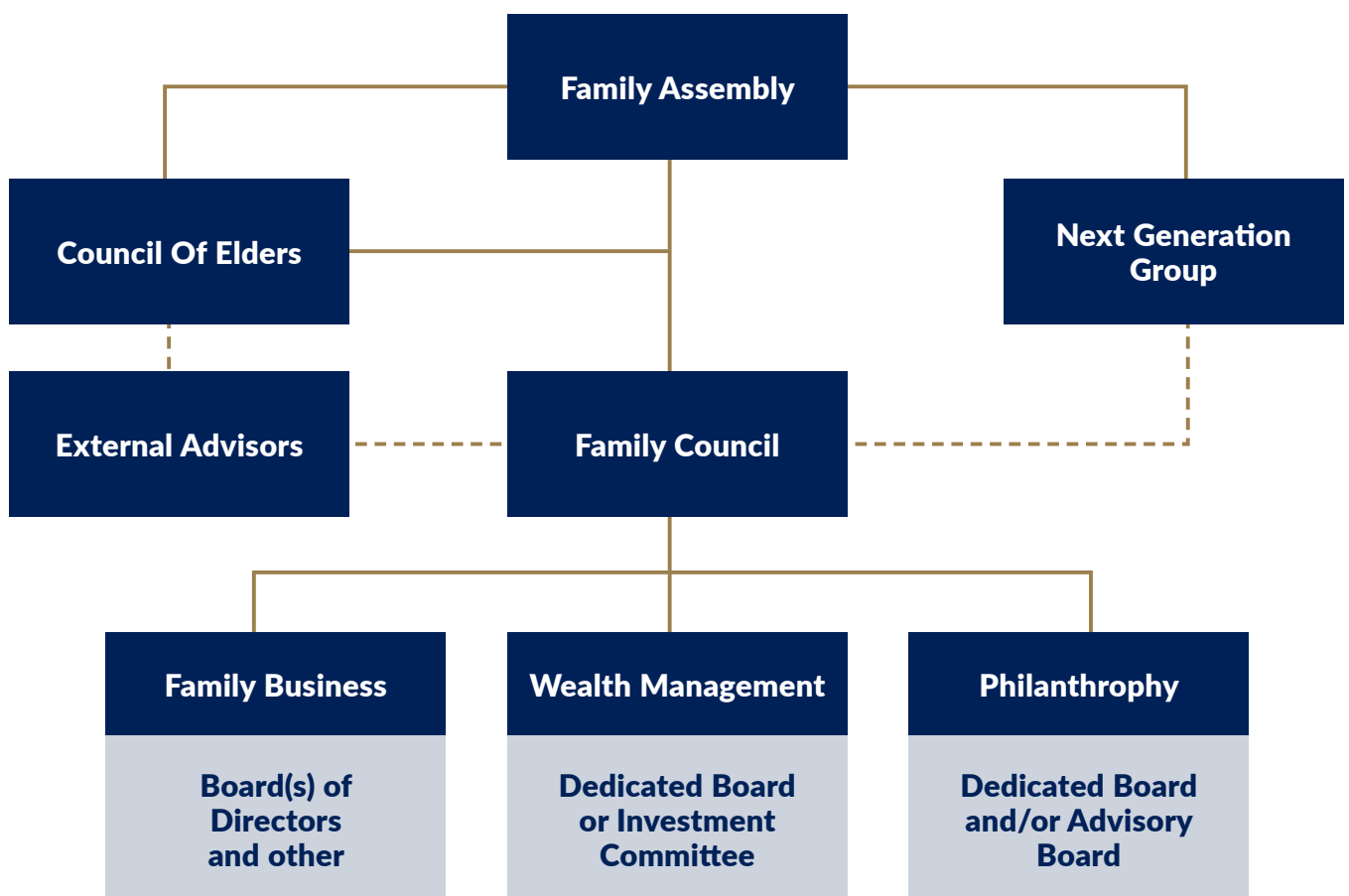
02 – Structure of Formal Family Governance System



Key Document Download

02 – Structure of Formal Family Governance System

Family Governance Structure for a Large Multi-Generational Family





03 – Streamlined Family Constitution



Key Document Download 03 – Streamlined 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 CUSCADEN FAMILY

The Cuscaden family shall be defined to include all bloodline descendants of James and Mary Cuscaden, and their children adopted before the age of five.

II. STATEMENT OF CUSCADEN FAMILY PURPOSE

It is our purpose to work together as a family to create an enduring legacy for our shared family enterprise, which is greater than our individual selves.

That family enterprise shall include our collective family and its individual family members, our businesses, family investments and societal contributions.

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.

Fulfilling this purpose will require all members of our family to commit to our common aspiration and respect the values and actions necessary, at all times and in all environments, to:

- A. Be a united and harmonious family
- B. Act as good owners of successful businesses and other investment
- C. Demonstrate responsible individual behavior
- D. Reinforce and carry forward the traditions and values of a name worthy of respect

Engagement of the family and all of its members: It is our objective to engage every Family Member in a shared effort to achieve these high common aspirations.

03 — Streamlined Family Constitution

(CONTINUED)



Family Definition, Purpose and Values

III. FAMILY VISION – THE “WHAT”

Cuscaden 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”.



03 — Streamlined Family Constitution

(CONTINUED)

Family Definition, Purpose and Values

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

03 — Streamlined Family Constitution

(CONTINUED)



Family Definition, Purpose and Values

V. 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, 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 business, investment portfolio, and philanthropic activities of the Cuscaden Foundation
3. Be considered for defined roles in the family business, Family Office, family philanthropy and related activities
4. Receive an appropriate education and post-formal education learning and career support
5. Be considered for participation as supporting members of the Committees and initiatives of the Family Council
6. Raise relevant issues to the Chair of the Family Council for due consideration
7. Participate in all systems of communication with the family

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 at all times and in all places
3. Understand and respect the family's approach to family governance and the leadership of its business, commercial and philanthropic affairs
4. Be effective owners, leaders and managers of our family business and wealth management practices
5. Pursue a lifelong education to learn how to be effective owners of our businesses, good members of our family and contributing members of our communities
6. Respect the agreed principles of confidentiality with regard to private family matters
7. Act in a way to foster affection, respect and trust between all family members at all times



03 — Streamlined Family Constitution

(CONTINUED)

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:

VI. 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 our times per year, with additional meetings as called by the Chair. The annual meeting schedule shall be set by the Chair and communicated before the beginning of each year.

Composition: The Family Council will be made up of even Voting Family Members – the Head of the Foundation (who must be a member of the family) plus two 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 three-year term from among its members by majority vote; there shall be a maximum of two consecutive terms as Chair of the Family Council.

Minimum age: The minimum age for a Family Member to serve on the Family Council for his or her branch is 30.

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.



03 — Streamlined Family Constitution

(CONTINUED)

Approach to Family Governance

Committees: The Family Council will be supported in its work by three committees, whose structure, corporation and leadership shall all be determined by the Council:

- Committee to oversee Total Family Wealth (including the businesses and property)
- Philanthropic Committee
- Family Culture, Education, Conflict Avoidance and Dispute Resolution Committee

This latter committee shall be made up of five members, of which two are non-family members familiar with and respected by the family.

VII. 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 and provide a member of the Family Council.

VIII. 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, and advance our business and philanthropic activities. Three core events will be spread throughout the year and may include:

1. Annual Meeting/Weekend Retreat
2. Christmas or New Year party (social only)
3. Founder's Birthday Dinner (optional attendance) on April 17 of each year

IX. FAMILY ADVISORY BOARD

A Family Advisory Board, made up of four family members and a minimum of three 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. The Family Council will appoint the Chair of the Family Advisory Board.



03 — Streamlined Family Constitution

(CONTINUED)

Approach to Family Governance

X. 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 in proportions to be determined by each generation of the family, as it sees fit.

Individual family members are free to invest their own funds as they see fit, so long as those investments do not conflict with, encumber, risk or otherwise have potentially negative impact on the family business and its 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 are invested in a fully prudent and professional manner over the long term to achieve those objectives

XI. 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.

XII. DISPUTE RESOLUTION COMMITTEE

If the Family Council is not successful in resolving a conflict or dispute through the intervention of the Family Council, a pre-established Dispute Resolution Committee will be called to hear and decide on the best way forward to resolve any material issue.

That Committee will be made up of three non-family members as appointed by the Family Council.

This Committee shall agree its own Chair, define its process and time frame for decision-making and make its decision by majority vote.

XIII. VALIDATION AND REVISION OF THE CONSTITUTION

This Constitution shall be valid upon signing by 2/3 of the Voting Members of the family and be binding upon those who sign.

Non-signing family members will not receive distributions or participate in family business boards, positions in family governance, philanthropy and other positions.

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



03 — Streamlined Family Constitution

(CONTINUED)

Approach to Family Governance

- 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 five of the seven members thereof.

XIV. 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:



Key Documents Overview

This page includes all of the Key Documents available to download.

These are editable templates, provided in different formats (PDF, JPG, PPT and/or Word) which are to be completed with your own Family Wealth and Legacy Planning content.



Key Document Download

01 – Checklist of Potential Elements of Governance



Key Document Download

02 – Structure of Formal Family Governance System



Key Document Download

03 – Streamlined Family Constitution



End of Module Checklist

Family Governance, Leadership and Succession	Yes	No
Are the purpose and practical aspects of family organisation clear and agreed?		
Is there a Family Constitution, including rights and responsibilities?		
Is the leadership model, including succession planning, defined and accepted?		
Is the Family Council established and running well? Family Meeting?		
Are individual roles clear — and protected roles?		
Is the approach to dispute resolution (and conflict avoidance) understood and in place?		
Are effective communications and feedback systems in place?		



MODULE 03

Structuring and Managing Family Wealth



Video Lesson Download
Module 03 Introductory Video Part 1

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Introduction and Overview



Video Lesson Download
Module 03 Introductory
Video Part 2

*“Our wish is that...
[there be] maintained
that state of property,
equal or unequal, which
results to every man
from his own industry
or that of his fathers.”*

—
THOMAS JEFFERSON

Substantial family wealth – inherited or freshly minted – is a great gift. It offers new avenues for personal experience and growth along with unprecedented opportunities for the realization of each family member’s full personal potential.

Empowered by resources and unencumbered by the stresses of providing for self and family on a daily basis, wealth can be a door to a more fulfilling life for individual family members. It can also provide the foundation for a positive and lasting legacy for the individual member and legacy family as a whole.

A Different World

Ironically, many of the skills required to make an entrepreneurial fortune are the opposite of the skills required to preserve wealth over the long term. First generation wealth is often created by one individual (or small group of individuals), a focus on one or two major business initiatives, an appetite for high risk-taking, leveraging up to maximize equity return, and structuring and managing assets for short-term purposes. It is often focused on complicated approaches to commercial affairs and tax planning.

Longer-term wealth preservation may be driven by a more diversified allocation of capital, reduced risk and leverage, a longer-term and simplified approach to structuring, and the involvement of an increasing number of professional advisors and beneficiaries in the management and benefits from of the family fortune.

Concerns may also arise over the cultural and individual impact of unearned wealth. Designing and putting into place a well-grounded strategy for asset structuring and wealth preservation requires addressing both the ‘hard’ factors such as trust and corporate jurisdiction, and ‘soft’ factors such as preparing the Next Generation – emotionally as well as technically – to be good wealth owners.

Long before setting out to invest, spend or give away wealth, it is essential to clarify the views and philosophy that a family holds toward that wealth. Family leaders will thus be better prepared to face future challenges if their views are grounded in a solid foundation of shared forward views crafted by their predecessors.

However, **without a clear philosophy of wealth, financial advantage can increase confusion and trigger conflict between inheritors.** By clearly defining a family’s philosophy of wealth and its consequences, potential negative consequence can be avoided.



Introduction and Overview

(CONTINUED)

Family Philosophy of Wealth

There are two very different attitudes that family members can have toward inherited or newly created family wealth. Some family members may view themselves as personal proprietors of the wealth (also called ‘inheritors’ by some advisors) who view their inheritance as something passed on to them for their personal use.

These ‘proprietors’ (or ‘owners’) of wealth see themselves as fortunate to have received an inheritance, but don’t feel obliged to preserve the fortune for future generations, or may not believe that a future enterprise is viable for their family. They are comfortable with the fact that the legacy may end with their generation, and they may spend down the assets. They see themselves as capable of making this decision without regret or concern for future generations.

The families that pass on control of both capital and income may want each owner to have personal choices that are unencumbered by the rest of the family, believing that this builds healthy, independent individuals and supportive relationships within each generation.

For others, inheritance is viewed as something to be cared for and passed to future generations. These owners feel a great responsibility to preserve the wealth during, and possibly even after, their lifetimes.

These ‘stewards’ of wealth have a broader definition of what they are passing on and a different attitude toward such issues as legacy, responsibility, risk, spending disciplines and education of the next generation.

Obviously, a family or family member who aspires to preserve family wealth for future generations – and acts consistently with that view – is more likely to create a long-term financial and family legacy than one who sees his or her wealth as a short-term resource to be spent, invested or given away to charities, social causes or other recipients with only personal interests in mind.

Risk of Wealth Dissipation

Families cannot retain their wealth over multiple generations when their members spend more than they contribute to the pool of family assets. Even large family fortunes can disappear if systematically unsustainable distribution and spending patterns become the norm across generations. One well-known entrepreneur in the media world, famed for his great wit and ability to write snappy one-liners as well as his business acumen, announced to his extravagant wife, in the wake of a recent economic crisis that wealth preservation was important, making it *“time to go on a ‘Money Diet’ until we are in better financial shape.”*

Without the discipline of a sustainable rate of withdrawal, even a large trust or family wealth corpus can be diminished over time, especially in a family expanding exponentially in size at each generation.

Given the nature of money as a kind of energy, like a fire that can burn out if not tended properly, it is important to ensure that financial assets are well protected and managed over time. Dissipation, as defined by F Scott Fitzgerald is *‘making nothing out of something’*.

For those interested in preserving their wealth and strengthening their families through effective family wealth and legacy planning, this would be a sorry outcome indeed.



Introduction and Overview

(CONTINUED)

Balancing Different Views

As experts and family counsellors explain, there is no right or wrong about these philosophical differences. Most multi-generational families have both types of owners in their group. Each wealth owner needs to be comfortable with his or her own as it applies to individual wealth, and not be judgmental about those who feel differently.

The trouble usually surfaces when differences in philosophy are not discussed openly on decisions taken together with regard to shared wealth.

Second generation siblings who inherit wealth are almost always told by the founders that it is important to keep the family and the wealth together. They seldom feel that they are in control of the money during their parent's lifetime, so their views on stewardship are typically mandated by their parents. These parental views may not be seriously challenged during a founder's lifetime.

With individuals in the third generation or beyond in a family, differing philosophies emerge. The siblings and cousins grow up in different households, are possibly more diverse in outlook than their parents and hence may have different views on spending down or preserving their inherited wealth.

It is essential for families to have a conversation about their philosophies of wealth as they begin to think about family wealth and legacy from the point of view as both current heirs and future leaders of the family. If not openly discussed, failure to clarify each owner's basic views about stewardship versus proprietorship may lead to a series of misunderstandings or controversies as families struggle to reconcile differing general beliefs when facing specific decisions on family wealth investment, distribution or structuring.

Consensus and Co-existence

Proprietors and stewards of family wealth can co-exist as long as they respect each other's beliefs and agree on the decisions and actions they need to take that can be mutually beneficial. There is no way to force all family members to adhere to one philosophy. Since every family has a variety of owners and stewards, including risk-takers, risk-avoiders, conspicuous consumers and balanced hybrid heirs, the need for co-existence of different views is inevitable. Acceptance of these different views, and agreeing on their implications, is essential for the family legacy to survive.

In most families of substantial wealth, a balanced approach is adopted. Some assets are considered to be personal or 'proprietary', and with others treated as 'heirloom' or 'legacy' assets for a future generation. Different investment strategies and distribution policies are often in place for the different "buckets" of money. These sophisticated wealth owners see the choice of steward or proprietor as a false choice, since they comfortably embrace both roles with clarity and balance.

If there is a shared pool of family assets, and different philosophies about wealth ownership and legacy, there may never be an ability to reach perfect agreement about these matters. But setting up a family structure and process to support different philosophies can allow diversity to thrive and legacy to survive.

One of the most valued roles of a family leader is to help the family balance the needs of both its stewards and proprietors, and to prepare future generations to live with the imbalance in the size of assets to be passed down to them that results from the application of the two different philosophies.



Introduction and Overview

(CONTINUED)

Asset Structures and Related Documents

The vehicles through which stewards and proprietors hold, protect, and transfer their wealth are also profoundly affected by opinions about the philosophy of wealth. Options exist to tie up family financial wealth for many generations, establishing perpetual trusts and guiding them from beyond the grave through a complex set of trust deeds, letters of wishes and estate documents. Although these documents may create structures that are tax-efficient and risk-sensitive, they may not always be seen as positive forces in the lives of the beneficiaries.

Asset structures, properly established and operated, can have a great influence on income tax, capital gains tax, inheritance tax, estate duty and litigation-related risks (notably marital) that can have a direct impact on the wealth passed on from one generation to the next.

A greater share of assets placed in trusts and similar ownership arrangements which are tax-efficient can both perpetuate a philosophy of wealth and protect that wealth to a greater extent over the long term.

On the other hand, proprietors may prefer to have no long-term encumbrances on the management and enjoyment of their wealth. This approach could be characterized by fewer trusts, more partnerships, and managed accounts under the direct control of the individuals concerned.

In some families, there is a preference to have owners at each generation inherit their wealth through trust vehicles that pay out principal at 30, 35 and 40 years of age, or even in tranches to be inherited at 30, 40, 50 and/or upon the death of the current wealth owners.

Needless to say, many families do not believe in passing on ownership and control of the assets at all until the death of an owner. Other families do not believe in intergenerational inheritance at all and leave all of their money – properly structured to fit the purpose – to charitable or other purposes.

Investment Implications

In terms of investment objectives for family investment portfolios, stewards of wealth and wealth proprietors may well choose very different options for the management and disposition of their wealth.

Wealth stewards, by definition, have a longer-term investment horizon, a greater sensitivity to risk and a view that looks for solid investments that will do well across many inevitable economic cycles and many generations of family circumstances. Wealth stewards may also have a greater propensity to professionalize the investment process, and to establish clear and disciplined investment guidelines.

To meet a balanced approach – with some money considered as personal inheritance or ownership and other assets to be treated as family stewardship funds – many families choose to have multiple investment portfolios or partnerships pursuing separate strategies. One portfolio designed for wealth preservation may have a more conservative orientation and be characterized by low liquidity, a selection of lower risk investments (with lower expected return), a higher proportion of real (inflation-resistant) assets and a longer-term investment horizon.

Another portfolio, aimed at meeting income or spending needs may be characterized by shorter investment periods, greater liquidity, more income generation and, perhaps, a greater appetite for risk in the search for higher investment return to fund lifestyle expenses in the near future.



Introduction and Overview

(CONTINUED)

Trust Building

The establishment and management of trusts are among the most common approaches to long-term family wealth preservation used over time. This is particularly so in common law countries where there have been many generations of wealth, and long-established trust-based approaches to safeguard and distribute that wealth responsibly across many generations. In civil law countries foundations, *stiftungs* and other similar structures can play the same role.

These arrangements allow settlors, usually the businessmen, investors or entrepreneurs who have created or inherited substantial assets, to control the investment and distribution of their assets long into the future, and across many generations of their families.

What Are Trusts?

Unlike corporations, trusts are not defined legal entities or legal 'persons'. Essentially, trusts can be thought of as three-way contracts which regulate the relationships between the settlor (the person who establishes the trust and provides its funding), the trustee (who oversees the management and distribution of the assets, and must act at all times in the best interests of the beneficiaries) and the beneficiaries (who are the people designated to receive the distributions and other benefits of the trust assets).

Trusts can take many forms. They can be onshore, offshore, contingent, special purpose, foreign grantor, revocable (allowing the settlor to cancel the trust at his or her discretion) or irrevocable.

In addition to preventing beneficiaries from accessing (and then possibly misusing or investing unwisely) family assets held within a trust, trusts have been established for purposes of limiting distributions of liquid assets, obliging future beneficiaries to live within defined parameters before receiving distributions (for example; completing a university degree or living within a "work ethic lifestyle"); managing future tax liabilities; and ensuring that a defined set of assets – legacy, business or financial – remain within the family for a defined period of time

In addition, through a trust deed and/ or a non-binding letter of wishes – the key documents establishing the terms and operations of the trust – a settlor and his appointed trustee can decide the investment policies for the future, set risk management principles, and define family obligations that must be met with regard to the management or distribution of defined assets.

It Starts with a Vision and Aspiration

In some ways, developing and building a well-defined approach to family wealth structuring is like designing and constructing a family house. There is a need for a central architecture, a vision and a plan that achieves the purpose established by the owner within the prescribed local and international regulations.

Within that central architecture are the independent materials and building blocks, the legal and administrative structures that can be assembled by a supporting cast of characters in the proper order and with the proper relationships and operating principles to achieve the overall objectives.

Protective walls need to be erected to shelter the family from fiscal and economic storms, and foundations need to be firm enough to support the family through many generations of testing and change.



Introduction and Overview

(CONTINUED)

Every exercise of this kind is, to some extent, a balancing act. The need to respect the intentions of the original architecture has to be balanced with reasonable future flexibility on behalf of the beneficiaries of trusts or other purpose-driven or tax management vehicles. Long before a potentially wealth dissipating Next Generation inherits control of family assets, wiser (and usually older) members of the family will have designed and implemented actions to offset any foreseeable future risks.

Structuring Wealth to Serve Multiple Purposes

Family wealth always serves more than one purpose within the family, and the structuring and oversight provided by a trust arrangement allow family wealth to be allocated to specific purposes and managed in a particular manner to achieve these different purposes.

Financial capital can be invested, for example, within a trust established for the lifetime use of one individual or a set of individuals for legacy purposes, or for income or capital preservation, for family or philanthropy, or for one individual or group within the family.

Before setting out on an integrated family investment strategy, the various 'buckets' of assets making up the entire pool of family wealth need to be defined – by purpose, quantum of funds, investment philosophy and financial objectives, assets by type, reporting targets and dates, and taking into account the pros and cons of each structuring option.

Multiple Non-Financial Purposes

The philosophy of wealth, purpose of a defined 'pool of wealth' and specific financial objectives lie at the heart of every wealth structuring arrangement but there are many other factors to consider as well.

Equally important can be additional objectives such as risk management, avoiding loss through litigation, marital disputes, profligate or incapable heirs, family discord, economic upheaval and even expropriation due to political or other unforeseen events. Careful planning can help ensure that family wealth is successfully protected and preserved across many generations.

A typical trust with multiple objectives could, for example, hold funds in a discrete account, invest the funds in safe income generating assets, and transfer a defined quantum of funds to a specified beneficiary upon that person reaching the age of 21 and completing a degree from an accredited university.

Anticipating Divorce, Discord and Disputes

Some of the most sensitive and complex asset protection issues for a wealthy family are those related to marital disharmony, separation and divorce, along with those established to limit the impact of family discord. Although one hopes never to have to face the emotional and financial effects of a divorce, in many countries the divorce rate is approaching 50 per cent, while in others non-marital spouses are accumulating financial rights in a partner's assets without ever making a conscious decision to marry or establish a formal legal relationship.

The need for structuring on the marital side, (e.g. pre-nups and protective trusts) stems in part from the fact that national laws on divorce, which can override any specific agreement between partners to a dissolving marriage, are evolving rapidly and unpredictably in many countries, creating a situation where unknown policies and future legislation may determine the impact of a future divorce on a family's wealth.



Introduction and Overview

(CONTINUED)

Should a divorce become necessary, the prior asset structures and the initial selection of jurisdiction, often heavily influenced by the first filing by the petitioner, may have a substantial impact on the final outcome of a litigated action or agreed settlements related to the divorce. While not all risks and disasters can be anticipated and managed, a sound approach to the structuring and administration of family assets can provide protection from many of the established patterns of wealth dissipation that have brought down wealthy families over time. Effective structuring can thus enhance both the individual and collective future of the family.

The “HEW Trust” as Long Term Legacy Option

One of the more attractive uses of a trust is to set aside a defined amount of total family wealth, often around 10 per cent or so, for the longer-term benefit of generations of beneficiaries, usually ‘bloodline descendants’ of a defined individual, for their ‘Health, Education and Welfare’. This kind of trust, usually characterized by a conservative investment policy and managed in a safe foreign jurisdiction, can allow future generations of a given family to be assured that funds will be available for future generations for their healthcare, a good education and support through disasters and other unforeseen events no matter what happens to the main trust corpus or their expected inheritance.

Multi-Jurisdictional Approaches for Future Generations

Although all trusts, corporations and partnerships are registered and ‘resident’ in a single jurisdiction, most asset structuring approaches for very wealthy families, especially those outside the US, are multi-jurisdictional in nature. For families seeking to avoid undue scrutiny

and preserve family privacy, a multi-jurisdictional approach has many advantages. In addition to sheltering income and assets from tax, litigation and other risks, a multi-layered approach can make it very difficult for internet snoops, corporate rivals, journalists or other unauthorized parties to discover the extent and nature of a family’s private wealth and business holdings.

Integrity and Integration

The key to success in any asset structuring exercise is to take a fully informed view of the system — usually involving layers of trusts, corporations, partnerships and other structures — as it is set up and as it evolves, to ensure that it achieves its original purpose and that it has evolved to take into account any important regulatory or testamentary changes along the way. The principles of operation and the structures selected have to work in harmony, without placing any undue burden on future beneficiaries, directors, trustees, and settlors.

Setting Out a New Approach to Family Wealth Management

The family itself is always at the heart of family wealth management. Under the new rules of the game, the failure to take into account the full set of rules of successful family wealth structuring and investing, may well be the greatest risk of all.

Successful investment in the new world will require avoiding the mistakes many families have made over the years, while preserving the best of the past and simultaneously managing important change to prepare for a difficult and uncertain future. It is all about adopting both the ‘best practice’ of the past, and also putting in place the ‘next practice’ of the future.



Introduction and Overview

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It may be necessary to review basic assumptions about portfolio theory, asset allocation, risk, expected returns and distributions, and to think afresh about what realistic goals can be achieved, and then to reset distribution expectations and other actions to realign family wealth management with both long-term family vision and the realities of the external markets.

The principles and practice of old allocation models, for example, may be necessary, but no longer sufficient, input for a less hospitable investment climate, and may not fit a particular family's philosophy of wealth, cash flow timing or full set of objectives.

Long held views on such issues as correlation, volatility, liquidity, currency exposure and real after-fees-and-carry performance in alternative asset classes may need to be reconsidered. Overall portfolio objectives, dynamics, risk and costs will need to be measured against benchmarks and managed along with individual investment performance.

Most successful investors understand that Modern Portfolio Theory's (MPT) definition of risk as volatility is only one piece of an overarching investment strategy. The role of risk, especially concentration, systemic, tail, correlation, counterparty, currency and value risk, have all come under renewed scrutiny and policy resetting as a result of recent dynamics in the global capital markets.

There are many elements to a new model of family investment which incorporates recent lessons learned:

- it is first and foremost focused on unique family needs and goals
- it is more agnostic toward market fluctuations and more aligned with investor and investor cash flow needs

- it takes into account multi-scenario planning
- it focuses on influencing factors investors can control and predict, setting aside those they cannot
- it eschews high fees and product-oriented sales
- it understands that beta can be had very cheaply and alpha has value, but is not readily available across all asset classes
- it tilts toward direct investment, where possible, to benefit both family and investees
- its principled approach takes into account social, environmental, governance, geo-political and other factors beyond just the financial

This new approach also increasingly combines the intelligence and financial capital of multiple families acting in concert to pursue attractive co-investment opportunities.

Such an approach is well suited to maintaining performance in a more volatile climate characterized by unpredictable swings in market values, major systemic challenges, low growth, higher risk, and fewer opportunities for alpha or substantial income generation in a world awash with cash.

Resetting expectations: Families may need to adjust their expectations for capital growth and income – and hence review distribution assumptions and policies – to reflect the reality of the markets and the times in which they operate. But they also must hold fast to their long-term financial goals and overarching family aspirations, not losing sight of the long-term vision regardless of the chattering voices that tempt them toward a pursuit of the investment flavor of the day.

It is this tenuous balance between steadfastness and adaptability that each family must find to secure and defend its own prosperous future.



Introduction and Overview

(CONTINUED)

Basic Asset Allocation and the IPS

A summary document, called the Investment Policy Statement (or 'IPS') captures both the strategic and tactical approaches adopted for the management of a specific family portfolio. This document, often completed annually, will begin with a statement of the purpose, investor profile and objectives of the portfolio.

It will then specify the approach to be taken to all aspects of the portfolio and act as a guide for investment strategies and tactics during the year.

One of the key elements in the IPS is a clear model and statement of the approach and guidelines for asset allocation. There are many models of asset allocation to consider, ranging from Modern Portfolio Theory

('MPT') to Goals Based Wealth Management ('GBWM') to simpler models adapted for less sophisticated investors.

Two of those models, 'Risk Bucketing' model and the 'S Curve' approach, do not specify how much of a portfolio's assets should go into any one asset class. They do highlight that all investors need to think about purpose, risk and the role of both the individual elements of investment and the holistic content and behavior of the portfolio under different scenarios; then family investors can select individual asset class ranges, allocating funds and selecting managers or investments in each class as appropriate.

Displays of these two models which allocate assets to broad categories based upon a combination of risk and their purpose and role in the portfolio are as follows:

A 'Risk-Bucketing' Model:

"Personal" Risk Do Not Jeopardize Basic Standard of Living	"Market" Risk Maintain Lifestyle	"Aspirational" Risk Enhance Lifestyle
Protective Assets	Market Assets	Aspirational Assets
<ul style="list-style-type: none"> • Cash • Home & Mortgage • Partially Protected Investments <ul style="list-style-type: none"> - Traditional annuities - Hedging through Puts/Collars - Insurance - Human Capital 	<ul style="list-style-type: none"> • Equities • Fixed Income • Strategic Investments <ul style="list-style-type: none"> - Fund of Funds - Liquid "non-traditional" investments, e.g., Commodities 	<ul style="list-style-type: none"> • Alternatives Investments <ul style="list-style-type: none"> - Private Equity - Hedge Funds • Investment Real Estate • Small Business • Concentrated Stock and Stock Option Positions
<div> <div>Low Risk/Return</div> <div>Risk/Return Spectrum</div> <div>High Risk/Return</div> </div>		

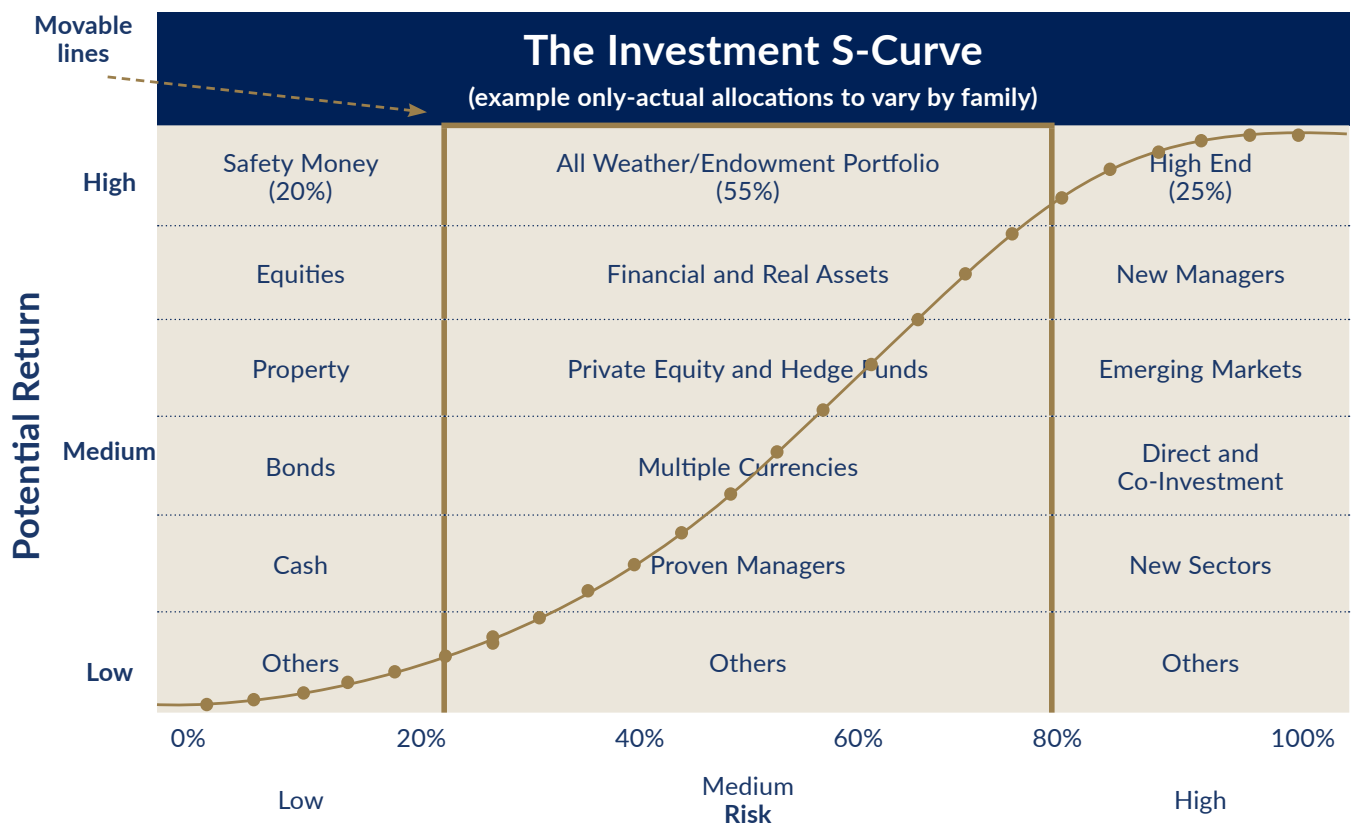


Introduction and Overview

(CONTINUED)

And the somewhat similar....

'S Curve' Model:



Whatever your historic approach to investment has been, it is always useful to understand your own strengths and weaknesses as an investor, and ensure you are well equipped with the right structures, processes, understanding of purpose and objectives, and benefiting from an 'ecosystem' of advisors and information worthy of trust.

The final document example in this module, which is explained and also included as a template for your editing/completion with your own content, is an IPS created for the entirely fictitious Reynolds family.

On one final point, educating the next generation on financial planning and wealth management is an important function for every family - and it is better to start to build the knowledge and habits of effective disciplines.

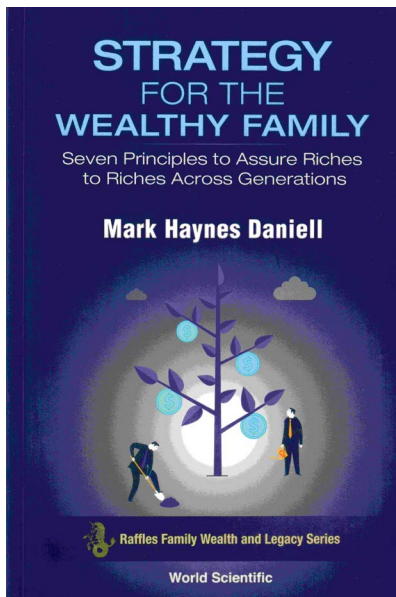


Key Questions to be Considered

1	What is your family's philosophy of wealth and its implications for asset structure, investment and distribution?
2	How do you embrace different views within the same family?
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 inline with your general philosophy of wealth and specific investment objectives?
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?



Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Principle 3: Family Wealth Preservation

Pages: 155 to 156

Reference B: Chapters 13 to 17

Pages: 157 to 210

Reference C: Principle 4: Family Wealth Management

Pages: 221 to 222

Reference D: Chapters 19 to 23

Pages: 223 to 290

Reference E: Examples 3 and 4:

Pages: 431 to 451



01 – The Family Philosophy of Wealth



Video Lesson Download
01 – HVV1004 – The
Family Philosophy of
Wealth

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

Defining your family's philosophy of wealth is an important step in defining the role of family wealth and its legacy objectives. You need to answer the basic question: Are family members proprietors or stewards of wealth generated by the family business

and investments, or possibly a combination of the two?

If a hybrid approach is taken, what is the proportion of your wealth allocated to each purpose within each generation? 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). A balanced approach to the two may be the best model to adopt for both the individual and family concerned.

A third element could be wealth held for philanthropic purposes, with a balanced approach allocating either capital or income to all three 'buckets' – private wealth, long-term family assets and philanthropic ventures - in appropriate proportion.

Your family's wealth philosophy and its implications should be clearly documented since philosophical differences if not well addressed can lead to conflict regarding investments, distribution, structuring, ownership and other elements that involve managing the family enterprise.

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 generations or for philanthropic purposes

Hybrid Blend The most common wealth philosophy is a hybrid approach– in which some portion of wealth is allocated to the owner of the wealth as his or her own wealth to spend, invest or give away as he or she sees fit, while another portion is allocated to be held and managed by the wealth owner for the benefit of future generations of the family

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



02 – Asset Structuring and Estate Planning



Video Lesson Download

02 – WMA1002 – *Asset Structuring and Estate Planning*

Introduction

In this lesson 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 part of a family wealth and legacy plan. This can also act as a risk management device to protect the family from the potential costs of divorce, dispute, taxes, generational transition, predators in the ecosystem, etc.

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
- Limited Liability Corporation
- Limited Liability Partnership
- Family Limited Partnership
- Family Investment Holding Company
- Family Fund
- Insurance Policy
- Other Vehicles

Once the vehicle has been chosen, determine where the entity will be located (onshore or offshore), what are the terms of the investment vehicle, how the vehicle will be administered, what decisions need to be made and how managers will be chosen for each asset. Finding the right people to manage the vehicle can be as important as which vehicle and justification are selected.



02 — Asset Structuring and Estate Planning

(CONTINUED)

Key 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 the future to oversee the management and distribution of your wealth

Asset structure management can be as important as vehicle selection; remember that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration

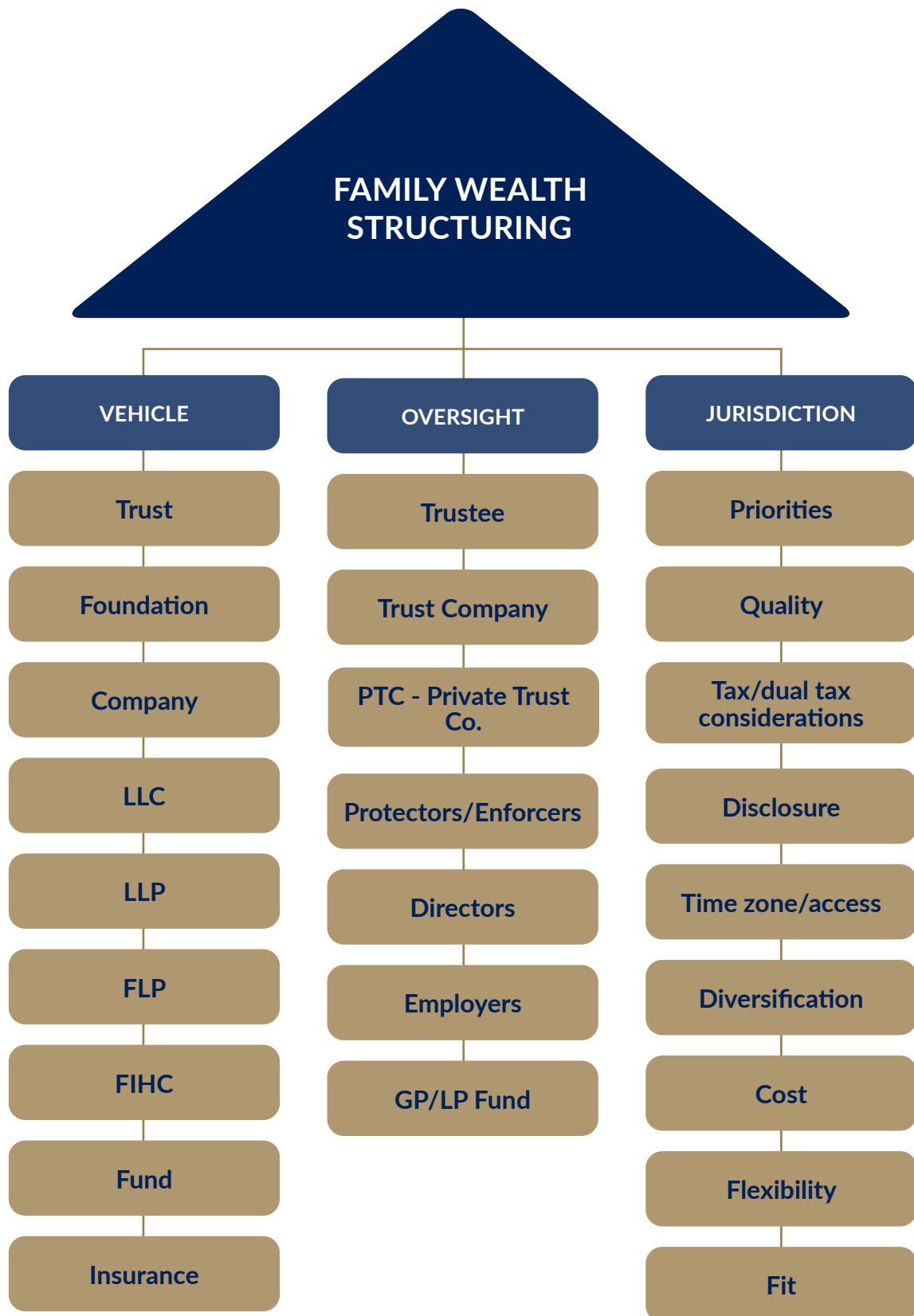
In which jurisdiction will you operate?
Trusts will be governed by strict rules of the jurisdiction and the agreed terms contained in a trust document or influenced by a non-binding letter advising the trustee

The rules related to tax and other risk factors are complex and constantly changing, so seek expert advice for vehicle and jurisdiction selection, administration and documentation



02 — Asset Structuring and Estate Planning

(CONTINUED)





Video Lesson Download

03 – WMA1004 – *The HEW Trust: Securing the Long-Term Future of Your Family*

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: an HEW trust. An HEW trust addresses the health, education and welfare needs 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 for future generations in case of hardship. Often, HEW trusts are established to be available to family members whose parents, for example, have lost their own individual wealth. 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 should the main trust corpus and its benefits no longer be available. That 10% acts as an insurance policy to cover basic needs in the event of a financial catastrophe or other wealth-diminishing event.

An HEW trust can satisfy many long-term needs, help the greater family to achieve its purpose, and promote unity and harmony for many generations.

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' culture and people) issues to take into consideration when planning or implementing such a far-sighted approach.

Key Takeaways



An HEW ('Health, Education and Welfare') Trust can ensure that your family's most basic needs are attended to in the future; such a trust will carve out a small proportion of a legacy family's wealth and place it into a long-term structure, conservatively managed.

The capital and income from this trust will only be accessed by family members in the future whose parents may have lost their own direct inheritance, or been victim of expropriation, natural disaster or another unexpected event.

The purpose of an HEW Trust is to ensure that future members of the family will always be able to obtain access to an education (often the first step on the ladder back to prosperity in most jurisdictions), and access to housing and welfare funds for temporary or long-term use.



04 – Family Wealth Management



Video Lesson Download

04 – WMA1102 – Family Wealth Management

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.

Investing families constantly evaluate which mix of assets will most likely achieve the family's financial objectives for capital protection and growth, income generation, portfolio efficiency and investment effectiveness.

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.

Guidance

This module will focus on family wealth management, which addresses the structuring, investment and use of 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:
- Asset allocation
- Professional portfolio managers
- Disciplined and documented process
- Understand buying and selling tactics
- Track portfolio after-tax, cost and fees performance over time against external benchmarks and internal targets



04 – Family Wealth Management

(CONTINUED)

Key Takeaways



A comprehensive and integrated approach to family wealth management:

Define investment objectives

Set investor profiles and investment objectives as part of a disciplined and fully documented professional approach to investment

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; link results with overall strategy

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



05 — Being a Good Owner of Family Wealth



Video Lesson Download

05 — WMA — *Being a Good Owner of Family Wealth*

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. Even successful businesses may last for an average of 50 years or less.

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

Guidance

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

Begin by developing the skills associated with your particular function or domain. For example, if your function is finance, become an expert in accounting and financial management. Build functional expertise, begin learning new approaches to 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 than non-family rivals, 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 of the combination of their assets and relationships between them. They know how to maintain effective boards, comprised of both family and non-family members, to promote good governance practices, including independence of view, objectivity and diversity.

In addition to business management and operations, a good owner must understand the strategic possibilities for the company and appoint a CEO who can esign and execute the family's company vision.



05 — Being a Good Owner of Family Wealth

(CONTINUED)

Key Takeaways



True family wealth is much more than just money

Strategies for family wealth also factor in ideas 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 and multi-dimensional

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

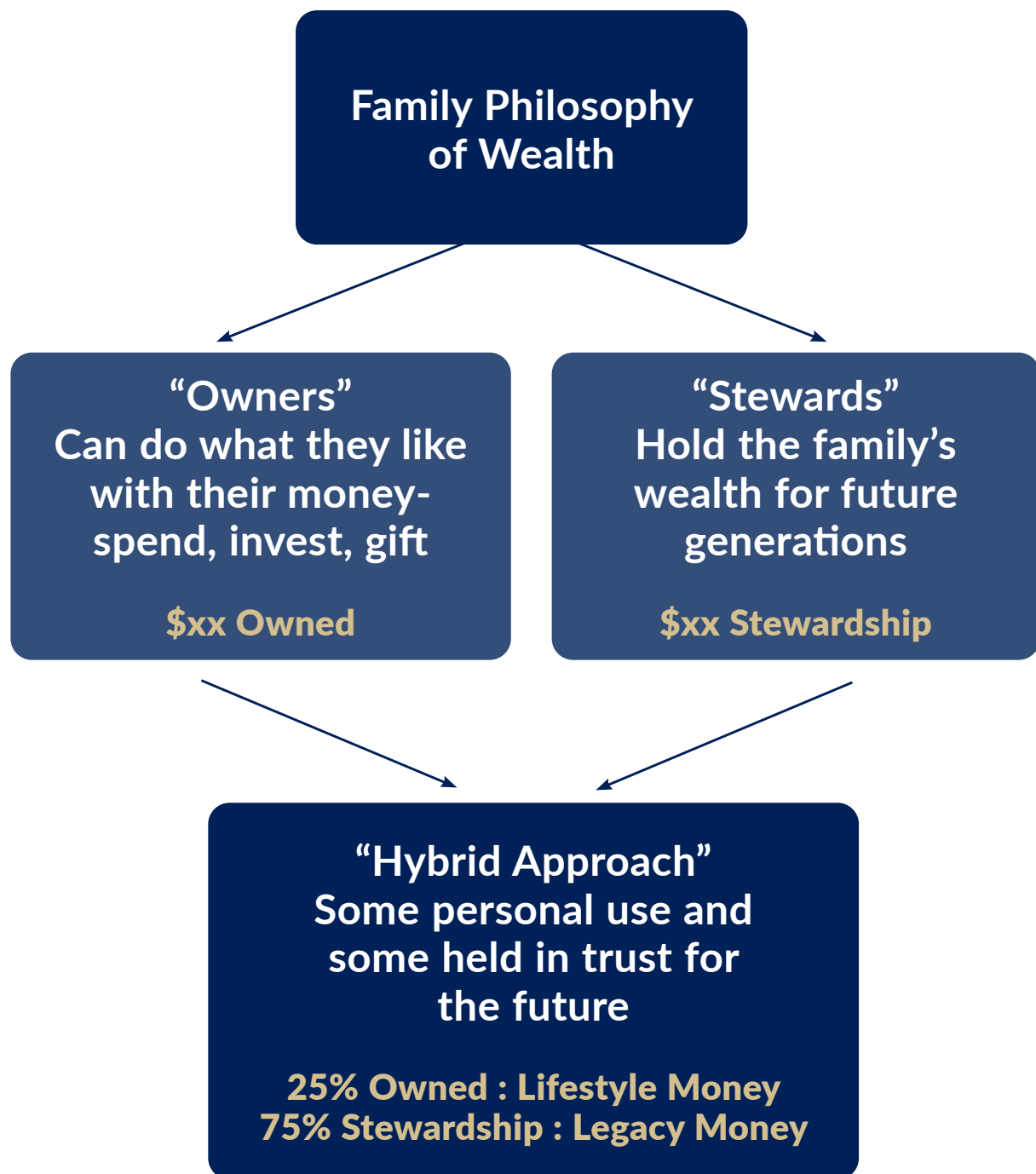
Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



01 – Family Philosophy of Wealth



Key Document Download
01 – Family Philosophy of Wealth





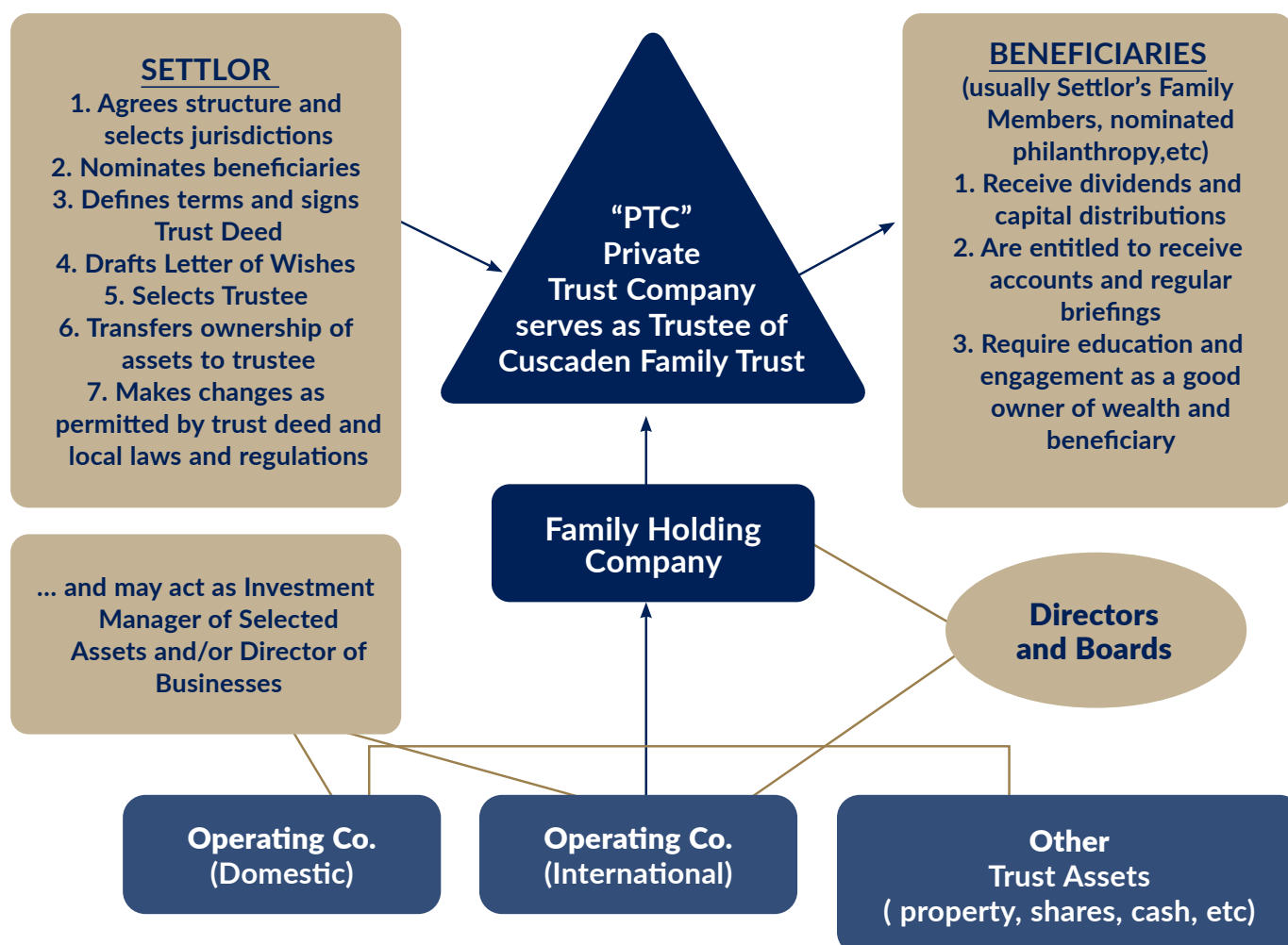
02 – Asset Structures: Simple Example



Key Document Download
02 –Asset Structures

EXAMPLE ONLY:

Please discuss your own objectives, needs and options with your qualified tax advisor before deciding on and implementing your own approach.





03 – Principles of Wealth Preservation



Key Document Download

03 – *Principles of Wealth Preservation*

1. 75% of wealth for each principal beneficiary to be placed in a long-term trust with dividends and income reinvested on an annual basis for future bloodline descendants of the Settlor unless there is an exceptional need as defined in the trust deed and Letter of Wishes.
2. 25% of wealth shall be placed in a separate trust and/or bank or brokerage accounts as specified by the beneficiary, with income and capital to be managed and distributed as per the personal choices of the beneficiary.
3. These funds to be delivered in equal proportions at age 30, 40 and 50. No distributions shall be made until a family member reaches age 30, unless the Family Council wants to lift this limitation for any reason it sees fit.
4. Prior to reaching the age of 30, distributions shall only be made for educational costs (room, board, tuition) if the beneficiary is in a full-time accredited degree program, and thereafter for a stipend equal to the average income of a person in the country in which the beneficiary resides.
5. Prior to taking control of the first tranche of the 25% of funds, the beneficiary must show proof of completion of an accredited wealth management course or equivalent, with prior approval of the course by the trustee.
6. No one manager or institution shall have more than 1/3 of assets under his or her mandate at any one time.
7. If the beneficiary shall suffer from drug or alcohol addiction, or be convicted of a crime with a possible sentence exceeding one year, no distributions shall be made from funds not yet disbursed except for treatment as recommended by a medical doctor and agreed with the trustee.



04 – Annual Investment Policy Statement



Key Document Download

04 – Annual 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 for its total family wealth. It provides a framework for managing your investment assets and will prescribe the structure, content and administration of your portfolio.

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
- Provide some limited liquidity

Specifically:

- The portfolio will be expected fund annual family lifestyle income requirements of \$X million
- The family intends to continue its tradition of funding all education costs of its descendants for as long as possible and fund 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 Cuscadan IV
- The family would like to retain the purchasing power of the capital and grow the funds modestly after distributions



04 – Annual Investment Policy Statement

(CONTINUED)

The first step in putting together your Annual Investment Policy Statement, is to define your own Investment Profile

Investment Profile			
Timeframe	Short term	Medium term	Long term
Risk Appetite	low	medium	high
Liquidity	high	medium	low
Savings Rate	low	medium	high
Contingency Needs	high	medium	low
Investment Expertise	low	medium	high

The second step is to define your objectives clearly, which will be turned into informed action in the IPS

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



04 — Annual Investment Policy Statement

(CONTINUED)

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 objective.
- 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.

Risk Tolerance

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

A list of risks that need to be considered by the family relative to our investment objectives is included in 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. 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
- Cyber currencies



04 — Annual Investment Policy Statement

(CONTINUED)

Proposed Asset Allocation

The recommended allocation takes into account investment needs, time horizon, and ability to tolerate fluctuations in the value of the portfolio. Based on an investment profile and objective of achieving a return in the range of 7-8% per annum before fees, a portfolio could be allocated as follows.

The asset allocation recommended for the portfolio represents what we believe to be an appropriate balance among asset classes given our risk tolerance.

Rebalancing

A rebalancing of the portfolio may be recommended based on a substantial change in the mix of assets in the portfolio caused by relative price movements. At a minimum, this will be reviewed annually.

The Family Office with the approval of its Investment Committee and Board has the authority to make tactical allocations within the asset class ranges during the year.

	Target Average Asset Allocation	Asset Allocation Guideline Ranges	Guideline Ranges
	Asset Mix	Minimum	Maximum
Cash	5%	0%	10%
Fixed Income	15%	10%	25%
Equities	30%	20%	40%
Hedge funds	10%	0%	15%
Real estate	20%	10%	30%
Private equity	10%	5%	15%
Infrastructure	5%	0%	10%
Gold	5%	2%	5%
Total	100%		



04 — Annual Investment Policy Statement

(CONTINUED)

Investment Manager Selection

Investment managers will be selected by the 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, Policy, People, Process and Price.

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.

Policy

Investing in an attractive area of the market with well-structured institutional investments.

People

The senior team of the Investment Manager must have been together for at least three years and have a mutual investment in the funds they manage. They must have clear succession plans as well.

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.

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 distribution
- Provide monthly valuation and reporting on all holdings and transactions in the account

Reporting and Review

A performance report showing the return on your portfolio net of fees and carry, and compared to appropriate benchmarks should always be provided.

Regularly

Mayfair will communicate the investment (via James Reynolds, chair) whenever there are relevant issues to discuss. Family members can contact Mayfair when they have questions or other issues.

Monthly

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



04 — Annual Investment Policy Statement

(CONTINUED)

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 the 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.



Key Document Overview

This page includes all of the Key Documents available to download.

These are editable templates, provided in different formats (PDF, JPG, PPT and/or Word) which are to be completed with your own Family Wealth and Legacy Planning content.



Key Document Download
01 – Philosophy of Wealth



Key Document Download
02 – Wealth Structuring



Key Document Download
03 – Principles of Wealth Preservation



Key Document Download
04 – Annual Investment Policy Statement



End of Module Checklist

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



MODULE 04

Family Business: Good Ownership and Effective Strategy



Video Lesson Download
Module 04 Introductory Video

Key Questions	02
Selected Reading	03
E-Lessons	
01 – Advantages of Family Business	BUS1003 04
02 – Three Phases of Strategy Phase I: Diagnostic	BUS1101 05
03 – Three Phases of Strategy Phase II: Design	BUS1102 07
04 – Three Phases of Strategy Phase III: Implementation	BUS1301 08
05 – Corporate Social Responsibility	BUS1007 09
06 – Being a Good Owner	BUS1003 & WMA1004 10
Key Document	
01 – Unique Family Business Advantages Scorecard	14
02 – Corporate Social Responsibility Matrix	15
03 – Being a Good Owner	16
04 – Family Business Strategy Summary	17
a) Strategic Option Evaluation	
b) The Promise (Vision and Values)	
c) Implementation Plan	
d) Executive Summary	
End of Module Checklist	25

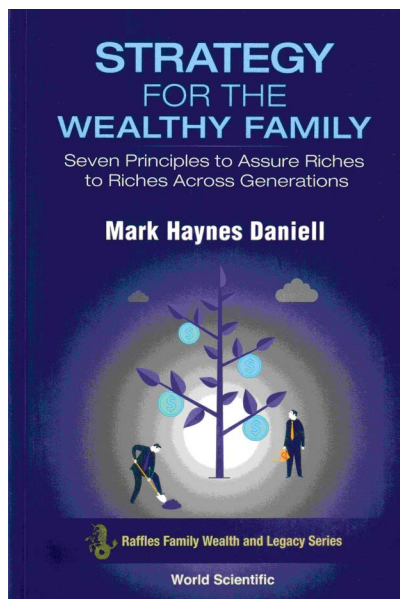


Key Questions to be Considered

1	Do you have a clear sense of the role of your business for your family?
2	Do you have clear vision and full alignment with long term objectives?
3	Are you happy with your current leadership model and team?
4	Governance and ownership approaches performing well?
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 have a clear strategic process including diagnosis, design and implementation?
8	Do you know what it takes to be a good owner and director of your family business?



Selected Reading



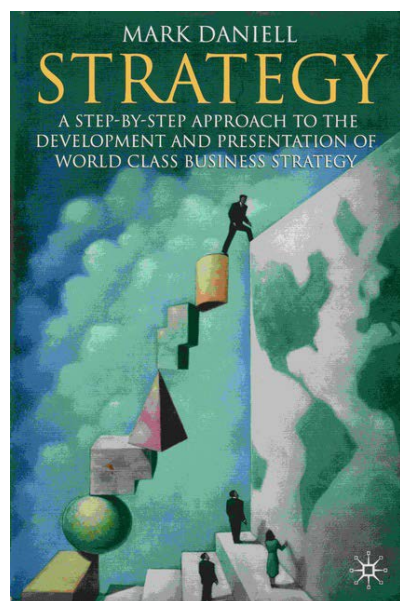
Book: Strategy for the Wealthy Family

Reference A: Principle 5: The Family Business

Pages: 291 – 292

Reference B: Chapters 24 to 28

Pages: 293 – 324



Book: Strategy



01 – Advantages of Family Business



Video Lesson Download

01 – BUS1003 – Advantage of Family Business

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

Guidance

Understand the different roles family members can play. A family member can be an owner, director (representing the family in different circumstances), leader or a supporting 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 for both family and business.

Consider which skills need to be developed to steer the family business. 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 well, 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. Most importantly, determine at least three goals for the board meeting and then to be able to realize 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 both the art and science of leadership and you can excel as a team leader.

Key Takeaways



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

Family members can play different roles, including being an owner, director or leader or supporting manager

Prepare for a board meeting by doing the following: Agenda setting, determining your aims for each meeting and being both a leader and a team player

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



02 – Three Phases of Strategy Phase I: Diagnostic



Video Lesson Download

02 – BUS1101 – *Three phases of Strategy Phase I: Diagnostic*

Lesson Guidance

We will go through the three phases of developing a strategy, diagnosis, design and development, each with a specific set of sub-activities. Each one will contribute to the larger strategy in its own way.

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.



02 — Three Phases of Strategy Phase I: Diagnostic

(CONTINUED)

Diagnosis → Design → Implementation

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: Download video here



Point of departure - define what your company's current business really is to provide a platform for current understanding and future action and position before developing a strategy. *"Before you begin a journey, know where you start."*

Step 2: Download video here



Business process portfolio - understand your business portfolio, business process flows, (profits and costs).

Step 3: Download video here



Competitors' perspective - Who else is competing? What are your competitors' strengths and weaknesses compared to yours? New competitors likely to emerge?

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

Step 4: Download video here



Business dynamics - Industries don't stand still. Are technology, customers or distribution channels changing, or are they likely to change in the near future?

Step 5: Download video here



Organizational assessment - Strategy is driven by people and how they perform in their jobs. Understand the human aspect of your company and how capabilities compare to both needs and competitors performance.

Step 6: Download video here



Range of strategic options - What options does your business have, and what would each imply?

Step 7: Download video here



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 the best option.



03 – Three Phases of Strategy Phase II: Design



Video Lesson Download

03 – BUS1102 – Three phases of Strategy Phase II: Design

Diagnosis → Design → Implementation

Based upon the facts and observations gleaned in the diagnostic phase, the design phase will draw together all elements of your strategy into a single coherent approach, leading seamlessly from diagnosis to implementation.

In order to be as powerful and effective as it possibly can, the design phase must be carried out with one eye on the lessons of the past and another on the demands of the future, and must embrace:

- Creativity and Innovation
- Priorities and resource allocation
- New organizational approach
- Risk management
- Target results

Step 1

The Promise: Vision, Mission and Values is perhaps the most important element in any strategy as it sets the overarching goal that will unite and motivate employees behind a common purpose, guide investment decisions, and inspire shareholders.

There are four key elements of The Promise: a clear vision, a detailed mission statement, a commitment to values, and a program of engagement and responsibility.

Step 2

Key Levers on Performance and Value. Within each industry, there is a limited set of high impact 'levers' that can lift business performance most efficiently and effectively. Once the key levers have been identified, the task is to define how they can best be applied to create the greatest positive impact for your organization. The resulting imperatives will serve as a bridge between the vision and specific priorities, targets and investments.

Step 3

Creativity and Innovation. The best way to release individual – and a team's – most creative capacities will vary based upon the individuals concerned and the culture of the organization in which the strategic initiative is being pursued.



03 — Three Phases of Strategy Phase II: Design

(CONTINUED)

Step 4

Priorities and Resource Allocation. A clearly defined set of priorities, and an equally clearly defined set of non-priorities, can guide resource allocation to those areas that will lead to the highest return on corporate financial and human capital.

Step 5

New Organizational Approach. There are three parts to organizational design: structure, staffing and operating principles. All three aspects are essential to consider to ensure that options can be implemented in a way that suits the culture and character of a company.

Step 6

Risk Management. Business risks can broadly be broken down into three categories: financial, operating and contextual. A far-sighted team will have a specific plan of action in all of these areas.

Step 7



Video Lesson Download
03 — BUS1102 — Step 7

Target Results. Successful strategies can only be driven by managers with a clear set of operating and financial targets indicating the performance required to implement the chosen strategy. These targets must be ambitious, credible, and fully aligned with agreed strategy.



04 – Three Phases of Strategy Phase III: Implementation



Video Lesson Download

04 – BUS1301 – Three phases of Strategy Phase III: Implementation

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, support, 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.



05 – Corporate Social Responsibility



Video Lesson Download

05 – BUS1107 – Corporate Social Responsibility

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 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 environmental 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 the legacy family itself.

Key Takeaways



Corporate Social Responsibility (CSR) and social engagement have come to the forefront of business today

There are two different types of social responsibility activities: internal and external

The four areas of internal social responsibility are: workplace, business system, reporting and governance

The areas of external social responsibility are providing ethically sourced products and services to customers, protecting the environment, understanding the business' role in the social and business community



06 – Being a Good Owner



Video Lesson Download
06 – BUS1003 &
WMA1004 – *Being a*
Good Owner

Defining Purpose, Setting Goals and Structuring Wealth

While there are many challenges to managing a business successfully across multiple generations, beating the odds is not impossible. A number of very successful family businesses in many countries prove that it is indeed possible to balance the three variables of family business strategy discussed in the previous chapter and create and sustain positive results across generations.

From a selected set of long-term successful companies, and from the combined analyses of the INSEAD Business School and corporate strategy specialists Bain & Company, eight key characteristics for strategic success in an individual family enterprise can be high-lighted, as follows:

Strategic Success Factors in a Family Business

- Ownership commitment
- Strong family relationships
- Clear succession plans
- Ability to redefine strategy and renew the business
- Entrepreneurship
- Effective shareholder structure and processes
- Resilience in hard times
- Clear and explicit rules for ownership, management and governance

Ensuring that a family business reflects as many of these characteristics as possible will add to the chances of any one business emerging as a rare victor in the battle for survival and long-term prosperity for business and family.

“Only one in seven family businesses makes it to the third generation.”

Ownership commitment: A family fully committed to ownership will attract better staff, create the energy for change and innovation, and reassure colleagues that the business is in safe hands.

Strong family relationships: Divisions, discord, and differences of opinion, especially if played out in public, can all create confusion, greater risk, counterproductive behavior, or, at a minimum, substantial operating inefficiencies.

Strong values of work and stewardship: Great wealth does not always lead to a great work ethic or an understanding of the actions and attitudes that make a good owner or manager. The most successful family businesses demand, and receive, adherence to the highest standards of effort, attainment, and stewardship of family assets from all generations.

Clear succession plans: In a world where there may be limited room for outsiders to rise to top positions, clear succession plans will need to be worked out well in advance of any actual transition. However, one of the unique advantages of family business is the luxury of multi-year and multi-generational succession planning.



06 — Being a Good Owner

(CONTINUED)

“Revolution does not often start with the monarch.....”

Ability to redefine strategy and renew the business:

At times, the need for change runs so deep that only a fundamental change in the business model can preserve the business and prepare it for continuing prosperity.

Although revolution does not often start with the monarch, profound change may need to be initiated and supported by the leaders and owners to survive big changes in the environment.

Entrepreneurship: Whether from within the family or from selected colleagues brought in from the outside, entrepreneurship is a major virtue which can be applied to existing and new business opportunities alike.

Effective shareholder structure and processes: The private or family-controlled business leadership team needs to set and achieve the highest standards of ownership and governance processes.

Resilience in hard times: Every business passes through cycles, good and bad. INSEAD Business School research shows that only one in seven family businesses makes it to the third generation. One of the major differentiators separating the quick and the dead is an ability to ride out hard times, to adapt business models, reinvent companies, implement painful decisions, and place the long term survival of the family business above all other shorter term goals.

Clear and explicit rules for ownership, leadership/ management, and governance: These three roles are fundamentally different, requiring different skills, styles, and capabilities. A failure to separate the three increases the risk of an expensive failure in one or more of these critical activities.

Selling out: One of the key questions any family considering the sale of the family business is as cited earlier: Is your family keeping the business together or is the business keeping your family together?

The family may be widely dispersed and pursuing very different interests in very different parts of the world. In this case, an annual family business meeting can act as the mortar that binds the family together.

In considering the broader definitions of family wealth presented in the first part of this book, the role of the family business can assume even greater importance in shaping the lives of family members. The vision, values, purpose, influence, and opportunities open to family members can vary enormously depending upon whether or not a family business forms part of the family's traditions and economic activities.

In each generation, numerous opportunities may arise to sell all or part of the family business. Even major charitable owners of businesses may find it appropriate to sell down their major holding at the right point in time.

In choosing the sale option, families and trustees will need to consider not only the business and financial logic of a sale, but will also need to consider all aspects of the family and community dynamic involved.



06 — Being a Good Owner

(CONTINUED)

Opting out: Many wealthy business families that have endured across generations have a mechanism through which individual members can sell their shares in the family business. The price, consequences, and options available vary dramatically - from paying full market value on demand to providing nothing but a handshake and good wishes for the departing member's independent and unsupported future.

In one wealthy international family based in Geneva, members who decide to leave the business take no financial assets with them. This family is centred on its business, and members who are no longer involved become very marginal in the determination of family issues of any consequence.

In another family of equal wealth and standing, individuals who wish to opt out of the family business are given a pay-out over three years which is as close to the market value of their shares as possible. These individuals, providing they do not leave with ill will between themselves and other family members, remain very much a part of the larger family regardless of their diminished equity shareholding in the family enterprise.

Buying out: It is not impossible for a small subset of family members to buy out the economic interests of other family members. Such a consolidation of ownership may be necessary in order to get full and focused support for a business, or to resolve conflicting ownership objectives of a broader ownership cohort.

Cutting out: Some prominent European families, including the Oetker family in Germany, have established a process which deliberately cuts out many potential family shareholders in favor of a concentrated group of family members.

Family decision-makers had decided that an equal distribution across all family members would lead to an excessively broad shareholder base in the family and would be likely to be sub-optimal from both a business and family perspective.

Established as a means to protect a family business from excessive fragmentation of ownership, cutting out now joins opting out and selling out as important family policy decisions to be made, followed by the necessary operating approach to be considered by family leaders.



06 — Being a Good Owner

(CONTINUED)

Vendor's remorse: According to such experts as Professor J. William Petty of Baylor University in the US, many vendors of family businesses come to regret their decisions, even on the same day as the sale is completed.

Their remorse can arise from the lack of a replacement activity for themselves, a missing forum to bring the family together, dismay at the way purchasers manage the business and the people within it, loss of their position in the local and larger community, and a feeling that the next generation have missed out on the opportunity to develop or maintain something unique and significant.

Keeping it in the family: One European family, to avoid being forced into a position of having to go public to finance the buyback of a departing member's shares, has developed a sophisticated internal mechanism by which these shares are offered at a set price, in the following sequence:

- a. To members within that individual's Family Unit.
- b. To existing family shareholders in other Family Units on a pro rata basis
- c. To the Company.
- d. To outside purchasers, but with the express proviso that no shares can be sold outside the scope of this mechanism without the express permission of the Family Council.

The aim of this approach was to ensure that all opportunities to keep the family business in family hands were fully considered, and that the entire process was both fair and transparent.

Given the importance of a family enterprise to this - and other - families, careful consideration of any sale transaction, and an appropriate process, needs to be established in order to avoid unnecessary loss of control of the enterprise.



01 – Unique Family Business Advantages Scorecard

Q: Have you extracted maximum value from each inherent family business advantage?	Score 1-10 (10 =High 1 = Low)
Greatest weakness and actions to address them: <ul style="list-style-type: none"> • Longer term view and commitment • Greater preparation time for succession 	X / 10 X / 10
Need long term succession plans for Chairman (family) and CFO <ul style="list-style-type: none"> • A more sophisticated appetite for risk • Higher degrees of speed and flexibility 	X / 10 X / 10
Cultural change program needs to be put in place <ul style="list-style-type: none"> • Personal nature of corporate and social responsibility • Natural diversification through family members • More limited reporting and disclosure burdens • Higher degree of confidentiality and discretion • Ability to define strategy by owners 	X / 10 X / 10 X / 10 X / 10 X / 10
Lacking high-quality long-term vision and strategy: lack external view <ul style="list-style-type: none"> • Greater and enduring commitment 	X / 10
Overall Score	X / 100



Key Document Download

01 –Unique Family Business Advantages Scorecard



02 – Corporate Social Responsibility Matrix

	Workplace	Business System	Reporting	Governance
Internal	<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
	Customers	Environment	Social Community	Business Community
External	<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 watchmakers college Chairman of Board of Swiss Industry Council



Key Document Download

02 – Corporate Social Responsibility: Company Priorities

03 — Being a Good Owner



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 on time and be better prepared• We need to look less at past operating performance and have more focus strategy and the long term goals of the overall business
Prepares well for meetings	6	8.2	
Listens carefully to others	8	9.2	
Participation respectful and constructive	8	9.2	
Respects agenda and leadership	8	8.2	
Punctual and organized	5	7.8	
Business Focus/Value addition as a director			
Provides practical input	7	10	
Provides creative ideas/external examples	7	9.5	
Supports group/team strategy meetings	7	8.5	
Contributions to Committees (esp Chair)	7	8.2	
Balances family, group and BU interests	6	8.8	
Total Score/100	69	87.6	



Key Document Download
03 – *Being a Good Owner*



04 – Family Business Strategy: History

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.



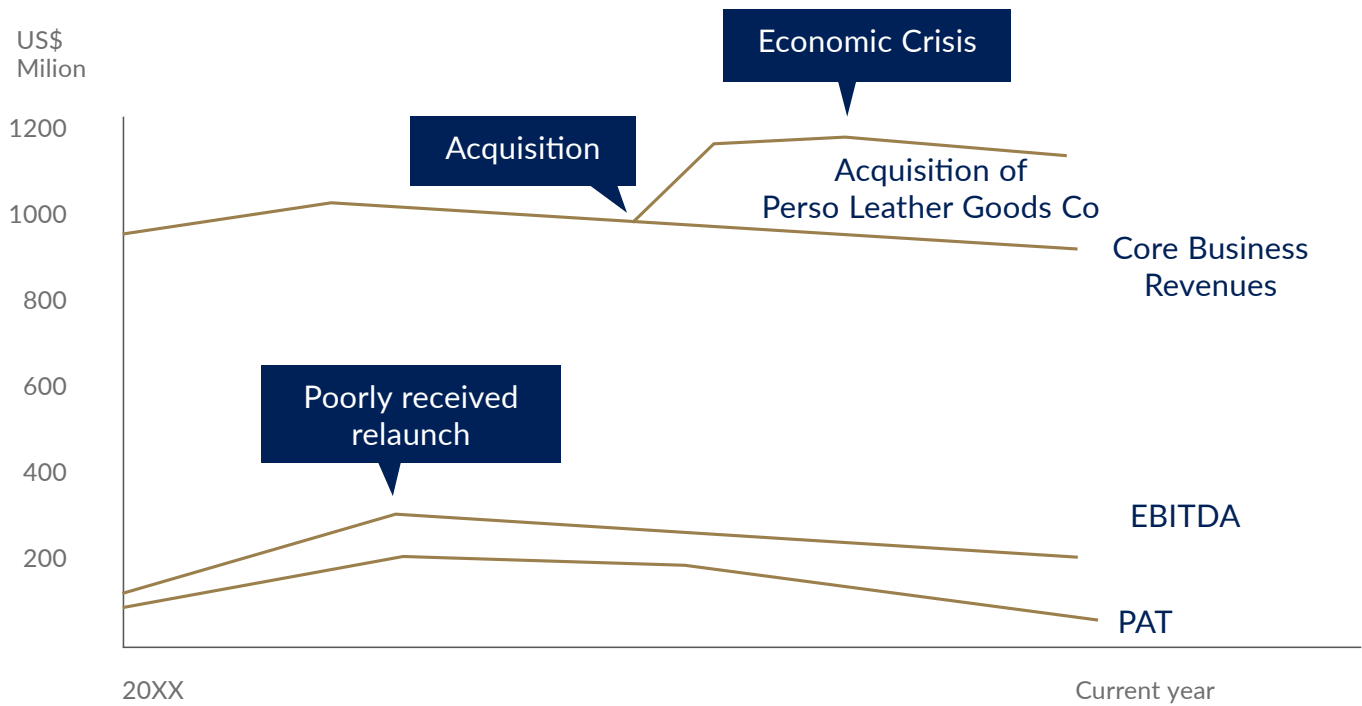
Key Document Download
04 – Family Business Summary

04 — Family Business Strategy: Past Results

(CONTINUED)



Historical Financial Results



04 — Family Business Strategy: Executive Summary

(CONTINUED)



Range of Options Available

PREFERRED OPTION

	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, acquisition or divestitures • Stay private • No major initiatives in ladies' or sports range 	<ul style="list-style-type: none"> • As option A plus • 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 • 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 IPO 	<ul style="list-style-type: none"> • Hire investment bank to sell all (or majority) of equity

04 — Family Business Strategy: The Promise (Vision and Values)

(CONTINUED)



The Raffles Watch Co will become one of the world'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.

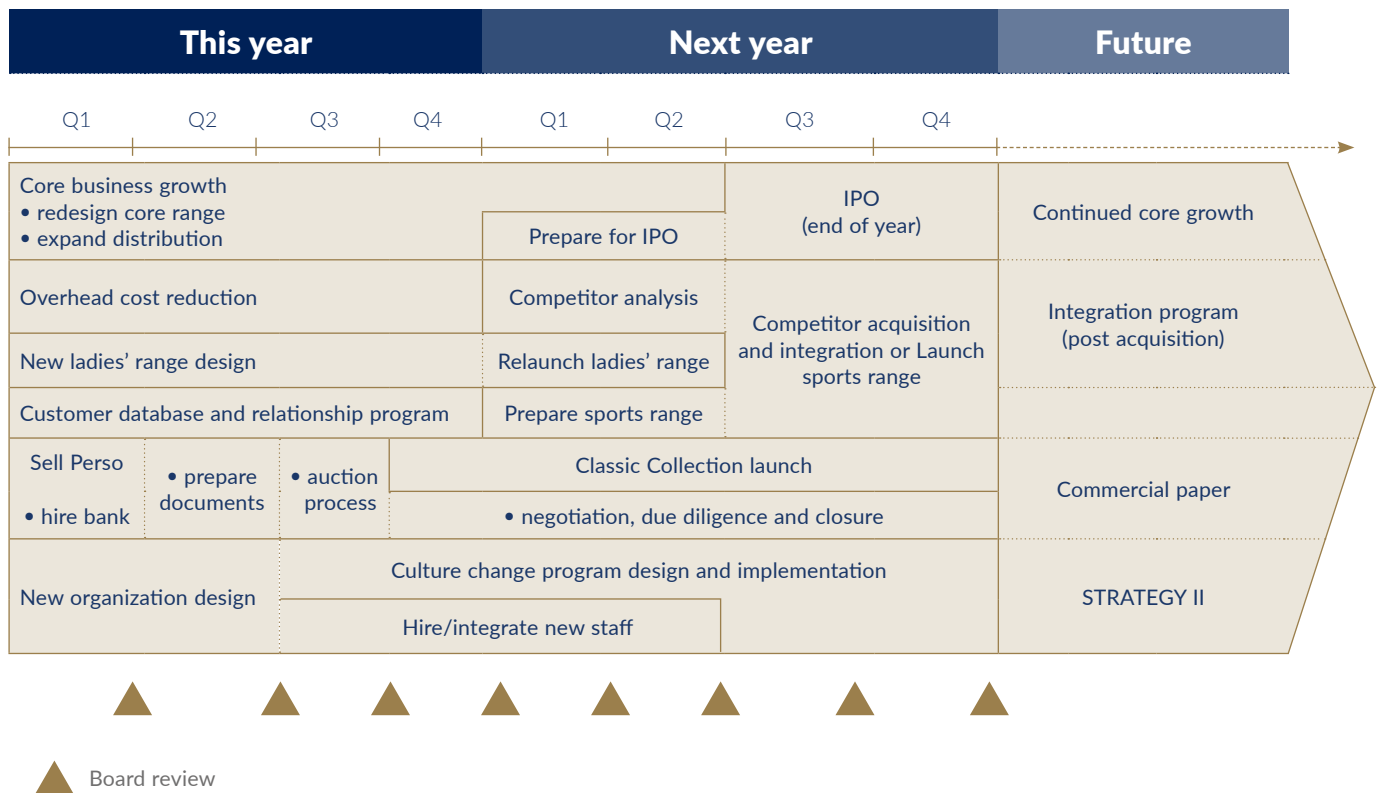
Achieving this vision will require us to:

- Center our entire business on core 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
- Build and communicate the value of the service offer
- Design and deliver great service to select customers
- 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.

04 – Family Business Strategy: Implementation Plan

(CONTINUED)





04 — Family Business Strategy: Executive Summary

(CONTINUED)

We have concluded a detailed business strategy exercise over the past six months, drawing from 15 senior executives in over 10 offices 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.

The implementation timetable will take 3 years:

- an intensive first twelve-month phase to realign product/service mix, 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 to improve our balance sheet and effective yield on capital, and prepare the company for faster profitable growth and further industry consolidation.

04 — Family Business Strategy: Executive Summary

(CONTINUED)



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.

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 to improve our balance sheet and effective yield on capital, and prepare the company for faster profitable growth and further industry consolidation



Key Document Overview

This page includes all of the Key Documents available to download.

These are editable templates, provided in different formats (PDF, JPG, PPT and/or Word) which are to be completed with your own Family Wealth and Legacy Planning content.



Key Document Download

01 – *Unique Family Business Advantages Scorecard*



Key Document Download

02 – *Corporate Social Responsibility Matrix*



Key Document Download

03 – *Being a Good Owner*



Key Document Download

04 – *Family Business Strategy Summary*



End of Module Checklist

Family Business: Effective Ownership, Board Assessment and Leadership	Yes	No
Do your family members have a full understanding of the advantages (and limitations) of family business and are exploring them to the full?		
Do you have a clear business strategy and plan for the family in the business?		
Do you have a clear set of objectives and annual review of the board, constitution, leadership and effectiveness?		
Is there a full alignment of family, family wealth and family business objectives?		
Are the full opportunities and risks of the business and family involvement clear?		
Are full opportunities and requirements for family members to join the business clear?		
Are risk management plans in place to balance family business and family wealth objectives - eg. management of single stock concentration?		



MODULE 05

Philanthropy and Social Engagement



Video Lesson Download
Module 05 Introductory Video

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01 — Introduction and Overview

'The generosity that causes people to use their wealth on others' behalf is a wonderful expression of humanity at its best, and it can bring enormous joy into a donor's life. But generosity alone is rarely sufficient if you aspire to leave a legacy of exceptional results.'

Outstanding philanthropy is distinguished by what it achieves as well as by the act of charity itself..'

—

GIVE SMART PAGE 02

Philanthropy is often a cornerstone of a family's legacy, and 'legacies of generosity and sharing are often the greatest legacies of all.'

Philanthropy is as much about who a family is as what that family does.

In addition to the direct benefits it creates, philanthropic activity can give meaning to a family's Statement of Purpose and Values and can support long term goals in instilling a great sense of familial identity and pride; this can be a major element in 'the glue' that binds together disparate members of the greater family, an increasingly challenging task in an ever more global and fragmented world.

For many families, their philanthropic activities are the most important source of their identity, unity, and personal reward. In responding to the question *'what makes your family different from others?'* it is often the philanthropic side of family life which comes first in a description of what makes the larger family both unique and special.

Historic philanthropic approaches of 'check book philanthropy', often aimed at established educational, religious and healthcare institutions, are now being replaced by a more active approach of 'giving while living', requiring families to take a more engaged – and hence educated – role in their efforts.

For family leaders, philanthropy is an obvious avenue to pursue a number of concurrent objectives. It can provide a link to the past, bring all members of a family together in the present, and can provide useful lessons in values, family meaning and identity for the future.

The Benefits of Philanthropy

Legacies of generosity and sharing are indeed often the greatest and most lasting legacies of all – and can be started young to develop a more cohesive, caring and lasting family bond.

A Link to the Past

Philanthropic activity can play many roles, including providing a link to the founder of the family fortune and his or her vision of the charitable focus of the family legacy he or she created.



01 — Introduction and Overview

(CONTINUED)

A Platform to Unite the Family Across Generations and Genders

In addition to linking the family with its past, philanthropic activity can tie a family more closely within and across generations. Either by bringing together different generations on a charitable board, or by allocating a sum to be directed by members of the same generation sitting on their own board, families have found philanthropy to be an ideal platform to unite all members of the family behind a common cause and create a sense of shared accomplishment.

In many cultures, a family foundation or philanthropic initiative is one of the activities in which women play an equal, or even a leading role, relative to their male counterparts. Although this limiting role definition is eroding quickly, the involvement of female members of the family in philanthropy can bridge the gender gap as effectively as it bridges the generation gap.

A Platform to Convey Values and Philosophies

By donating or investing family funds, time and reputation behind a chosen cause, family leaders are demonstrating to the members of the family and to the greater world that the family is about much more than financial wealth; charitable activity can be a highly visible aspect of the Family Constitution and living proof of the family values that demonstrate a real commitment to a greater world.

Supporting and Complementing the Family Business

For some legacy families, there may be value in aligning family philanthropy with some elements of the family

business. This could double the value created, as it would have an impact on the family and its business assets in equal measure.

The impact of the initiatives could also be strengthened and morale in the business enhanced if the family were to draw on expertise of the business team in areas that could be areas of focus for the family's charitable investments, or a focus of active engagement by family members.

Businesses that operate in lesser developed countries or communities could focus on education, health care or other sources of community development. Families in beverage businesses could focus on clean water or recycling initiatives. Financial services businesses could focus on customer financial education or similar projects.

Weaving Philanthropy into the Family Fabric

Every family has the same opportunity to develop its own charitable programs, no matter what the scale of the family wealth. For most people, being part of a family means living the family culture and passing the family's values through the generations. If philanthropy is part of a family's ethos and identity, most parents agree that there are many ways to incorporate the concept as well as the practice of giving in day-to-day life.

"The best way to raise responsible children with wealth may be to first make sure we are responsible adults with wealth." ¹

1 "Acquirers' and Inheritors' Dilemma", Dennis T. Jaffe and James A. Grubman, *The Journal of Wealth Management*, 2007.



01 — Introduction and Overview

(CONTINUED)

Even beyond the element of giving, the management of funds for a philanthropic purpose can be a solid learning experience for younger members of the family. Because the needs of a foundation can be planned out for many years in advance, the portfolio management process provides an education for those who eventually move on to the management of more substantial family funds.

Traditions and Reasons for Giving

The establishment of a culture of generosity in a family is a major accomplishment and is also likely to be consistent with many of the elements of both family history and the future-oriented Family Promise.

The ethical virtues of giving, and the impact such generosity can have on a family's stature, sense of common purpose, unity and well-being, make philanthropy an essential part of any legacy planning exercise.

Although religion is fading as an influence on many wealthy families, the personal history of the family wealth creator and the ethic that created the original wealth often have religious or cultural origins that can be honored by sharing the wealth these foundations provided.

Most systems of belief make specific mention of the value and virtue of generosity towards the less fortunate: The Christian religion exalts faith, hope, and charity as supreme virtues, with charity the most highly valued; the practice of generosity, zakat, is one of the five pillars of Islam; charity is one of the transcendent virtues in Buddhism.

FAITH AND GIVING

"If anyone has material possessions and sees his brother in need but has no pity on him, how can the love of God be in him? Dear children, let us not love with words or tongue but with actions and in truth."

—
1 JOHN 3:17-18

It is not just the quantum of giving that counts. It is also the spirit, intention and impact.

Wealthy families of any magnitude can establish a legacy of giving and contribution at any level; different families will be comfortable with different levels and forms of philanthropy.

How Much to Give?

There is, of course, no fixed target or social agreement on the amount that any individual or family should give to charity. The Mormon Church requires tithes of 10 percent of after-tax income and the Jewish tradition of tzedakah recommends a 10- to 20-percent donation of after-tax income.

Islamic principles mandate two and a half percent of savings and valuables to be set aside as an appropriate amount.



01 — Introduction and Overview

(CONTINUED)

The Church of England is less precise, encouraging its members to give between one and five percent of their income to charitable causes, but also recommending up to a 10-percent contribution. One endorsement for a 10-percent target comes from the Reverend Thomas Binney, who wrote in his 1865 collection of sermons:

“...If anyone lays down for himself the rule of devoting a tenth of his income to God, he does well...It is to be remembered, however, that for some, a tenth of their income would be too much, while for others it would be far too little.”

How to Give

Alongside the question of how much to give is the question of how to give.

One of the most informative guides to giving dates back to 1201 and is captured in the works of Spanish doctor-philosopher Maimonides.

In his treatise “The Book of Seeds”, he noted that a hierarchy of approaches to giving should be used as a guide to the inherent virtue of the giver.

In ascending order of merit, the eight levels of charity described by Maimonides¹ were:

- Giving with resentment at the costs of filling an obligation
- Giving without resentment, even happily, but at a much lower level than one should, given the economic situation of the giver
- Giving, but only in response to a specific request
- Giving on a proactive basis, before being asked
- Giving to anonymous beneficiaries in situations where the giver is known to his or her beneficiaries
- Giving in a situation where the beneficiaries are known, but where the giver remains anonymous
- Giving in a situation of mutual anonymity, where neither benefactor nor beneficiary is known to the other
- Giving in a manner to enable the beneficiaries to become independent and capable of giving greater tzedakah himself or herself, acts which have been described as ‘teaching someone to fish’ rather than ‘giving fish to a hungry person’

Today, more and more wealthy families are choosing this latter type of social philanthropy, investing in a sustainable manner for long-term maximum positive impact.

They are also following the route of “giving while living”, taking on an active role in their philanthropy during their lifetimes, rather than solely leaving a generous bequest as part of an estate.

They are also starting to give at a younger age, instead of becoming involved after retirement from the business community and are often choosing to do it together with the other members of the family, spouses included.

¹ In Ephraim Frisch, *An Historical Survey of Jewish Philanthropy*, New York MacMillan 1924, pp. 62-63.



01 — Introduction and Overview

(CONTINUED)

Tracking Progress

Vision	To make a substantial positive impact in two areas selected by James and Mary Cusaden — healthcare and education — in a manner that creates independence and sustainable change in the poorest areas of the world
Objectives	<ul style="list-style-type: none"> • Provide an education to 1,000 girls and young women in selected poor countries • Provide training for 100 healthcare professionals for women's healthcare in emerging markets
Approach	<ul style="list-style-type: none"> • Create separate trust and dedicated organization • Adopt outcome-specific standards and selection criteria • Performance audited every year • Select and work with strategic partners where 1+1 = 3 • Programs which create substantial community impact • Programs which contribute to the longer term independence of all beneficiaries of our programs: "a hand up, not a hand out"
Team	<ul style="list-style-type: none"> • Double team size in program locations (not HQ)
Foundation Investment Philosophy	<ul style="list-style-type: none"> • Three managers of world-class standing • 50% of funds low risk/high income generation • 50% of funds medium risk/capital gain focus



01 — Introduction and Overview

(CONTINUED)

New Approaches to Philanthropy

Consistent with the highest level of giving in Maimonides' hierarchy of giving, newer philanthropy is more about venture philanthropy or social entrepreneurship than old fashioned checkbook charity.

By seeking out ways to maximize the impact of philanthropic endeavors and stretch the value of funds available, philanthropic families in this new era are looking to blend grants, loans and equity investments, with some targeted at achieving financial profits as well as positive social impact.

SOCIAL ENTREPRENEURS

"I'm not giving anything to anybody," he says. "There is no charity with me. I'm a social investor investing in capital for social profits."

—
PHILIP BERBER

Also known as mission-related philanthropy, many families are now considering using more of their assets than just the percentage set aside for philanthropy to invest in businesses or projects that have a positive social or environmental impact. The Heron Foundation is an industry leader in this field and reports that its investment strategy has resulted in better-than-average portfolio² performance as well as increased social impact³.

² See website www.tpi.org

³ Credit Suisse White Paper on Philanthropy, June 2009

Community and Volunteerism

Philanthropy is not just about giving or investing money. Families can also give their time and physical energy to improve the communities in which they live and work. By adding a very personal stamp of approval to community-based activities, wealthy families can both contribute to the education of their younger members and reap the rewards of meaningful family initiatives and individual effort.

Early Involvement and Lasting Impact

Philanthropy is an activity that can be developed from an early age. Even very young children can understand that helping others is a good thing to do. Starting early on something that can be understood and shared across generations provides one of the major building blocks in a family's shared sense of purpose, identity, and legacy.

From Principles to Practice

The following activities, which can supplement the three-part approach to allowance allocation for children (1/3 saving, 1/3 spending, 1/3 charity) are drawn from The Philanthropic Initiative's paper Raising Children with Philanthropic Values:

- Develop family giving rituals in which children can participate. Perhaps "adopt" a needy family for the winter holidays — many homeless shelters offer this program, which affords great opportunities for kids to get involved.
- To engage young children, consider joining a parent-child philanthropy club. Some parent-child book clubs have even begun to include a giving component.



01 — Introduction and Overview

(CONTINUED)

- Perhaps a local book club - or another group to which you and your child belong — would consider adding philanthropy to its activities.
- Create an informal “family fund” or “grandchildren fund” and invite children to nominate their favorite charities.
- Volunteer with children in ways that align with their interests. Take them on foundation site visits and ask them to write a brief report on the work of current or potential grantees.
- If time is limited, consider using birthdays or holidays to get them excited about giving. Give them a book with a philanthropic message or make a donation in their name.
- Talk to them about what philanthropy means to the family.
- Share examples of why the family supports particular causes or institutions.

One of the areas in which learning has advanced can be seen in the development of a proven step-by-step methodology to sharpen your objectives, focus your investments, measure results and magnify the impact of your efforts.

That approach, spelled out in the seminal book *Give Smart*, proceeds as follows:

- Clarifying role in the family legacy, assessing history and impact
- Establishing your family purpose, beliefs and values
- Setting the overall goal and targeting specific results
- Defining and honoring family responsibilities and commitments
- Designing a practical action plan to achieve results
- Working effectively with grantees
- Measuring progress and maximizing impact

Legacies of generosity and sharing are indeed often the greatest and most lasting legacies of all – and can be started young to develop a more cohesive, caring, and lasting family bond.

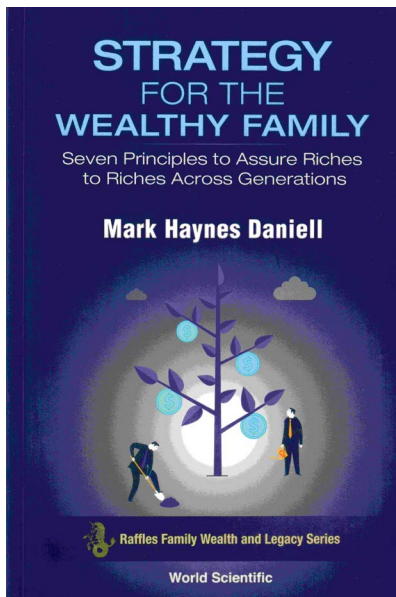


Key Questions to be Considered

1	What has been your history of philanthropic and social engagement? What lessons have you learned?
2	Are your vision and future objectives and principles agreed? Do they align with your Statement of Family Purpose, Vision and Values?
3	What are your selected areas of focus and specific initiatives? Why?
4	How do you define success in each area? Measure progress?
5	How would you like your family and family members to participate in philanthropic and social engagement projects?
6	Are family, advisor and foundation roles and responsibilities clear?
7	Is the full impact on family – between and within generations – understood and communicated?



Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Principle 6: Effective Philanthropy

Pages: 325 to 326

Reference B: Chapters 29 to 31

Pages: 327 to 346



Book: Give Smart: Philanthropy that Gets Results

Links:

[Purchase from Amazon.co.uk](#)

[Purchase from Amazon.com](#)



01 — Introduction to Philanthropy and Social Engagement



Video Lesson Download

01 — Introduction to
Philanthropy and Social
Engagement

Modern philanthropy creates a wide range of opportunities for families to be both funders of activities and actively engaged in initiatives themselves to make an impact on the greater world and their selected causes within it

Philanthropy can also be the glue that binds an extended family together, and a cornerstone of a family's multi-generational legacy.

Many modern families have changed their approach to philanthropic and societal initiatives. Modern philanthropy offers a wide range of opportunities for families to fund activities and actively engage in initiatives. Philanthropic families can make an impact on the world through the causes they support.

The historical approach of passive “checkbook philanthropy” and bequeathing assets is being replaced by an active, engaged and more personal method of “giving while living”.

Family philanthropy and social engagement has a history extending back over many thousands of years, and across almost all religions. In Anglo-Saxon countries, family philanthropy has traditionally focused on education, health care and religious causes. Now, the range of interests is much larger and the list of avenues of participation increasing every year.

*‘What you leave behind is
not what is engraved in stone
monuments, but what is
woven into the lives of others’*

Beginning with a family's statement of purpose and extending through to general areas of focus and specific project selection, effective philanthropy is characterized by its professional approach to the selection and management of projects, with a sharp-eyed focus on the creation of tangible results from the funds and time invested.

In addition to effective philanthropy, social engagement, made up of activities without any significant attached funding, is another area of expanding interest for both for the societal impact it can create and the impact it has on the family itself.

Many wealthy families, of all categories of wealth, will share some of their good fortune 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. Philanthropy can also 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 any wealthy family.



02 – Philanthropy and Social Engagement



Video Lesson Download
02 – PSE1003 –
*Philanthropy and Social
Engagement*

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.

Guidance

Philanthropy and social engagement are cornerstones 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



02 — Philanthropy and Social Engagement

(CONTINUED)

Key Takeaways



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

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



03 — Selected Videos for Philanthropy

This page includes video downloads to complement the course module.



PSE 2100— Pete Petersen On The Role Of Philanthropy



PSE 2101 — Melinda French Gates On Values And Their
Impact On Philanthropy



PSE 2102 — Rakesh Bharti Mittal On The Obligation To Give Back



PSE 2103 — David Rubinstein On The Advantages
Of A Modest Upbringing



PSE 2104 — Pam Omidayr On The Science Of Giving



PSE 2105 — Insights On Clarifying Inspiration

03 — Selected Videos for Philanthropy

(CONTINUED)



This page includes video downloads to complement the course module.



PSE 2107 — Ratan Tata On Business Mindset In Philanthropy



PSE 2115 — Pierre Omidayr On Why Focus Matters



PSE 2116 — Measuring Performance



PSE 2117 — Should I Give Anonymously or Publicly?



PSE 2118 — Getting Better Over Time

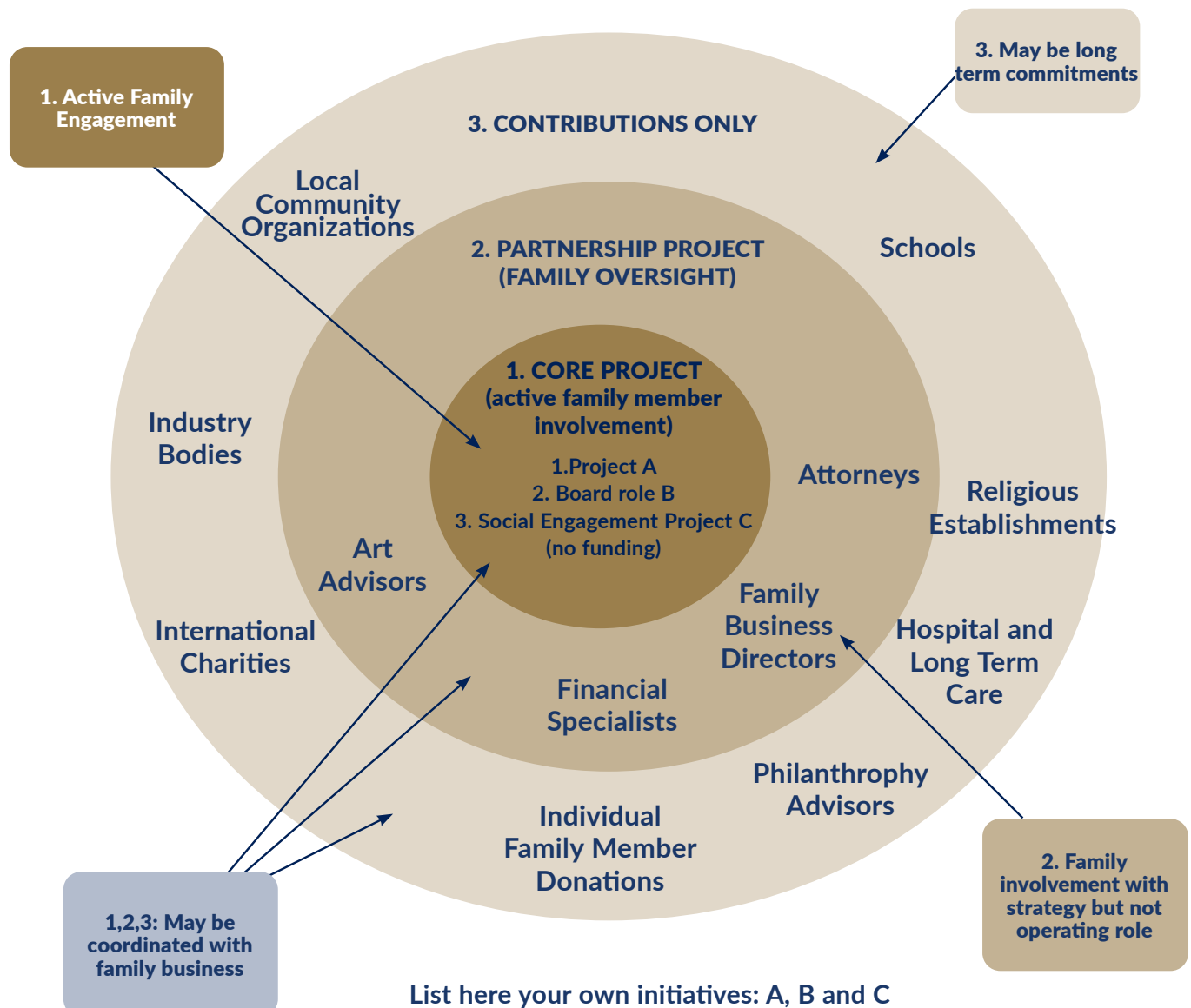


01 – Family Philanthropic Overview: ‘Target’ Display



Video Lesson Download
Introductory Video

CORE PROJECT - Each family should decide on its own philanthropic initiatives.



Key Document Download
01 – Family Philanthropic Overview: ‘Target’ Display
List here your own initiatives: A, B and C



02 — Philanthropic Elements of Success Scorecard

STAGES IN A PROCESS OF EFFECTIVE PHILANTHROPY	CURRENT STATUS (10 =High 1 = Low)
1. Clarifying role in the family legacy, assessing history and impact	7 / 10
2. Establishing your future family purpose, beliefs and values	8 / 10
3. Setting the overall goal and targeting specific results	4 / 10
4. Defining and honoring family responsibilities and commitments	7 / 10
5. Designing a practical action plan to achieve results	6 / 10
6. Working effectively with grantees	6 / 10
7. Measuring progress and maximizing impact	4 / 10
OVERALL SATISFACTION WITH PROCESS	6 / 10
OVERALL SATISFACTION WITH RESULTS	7 / 10
OVERALL SATISFACTION WITH FAMILY IMPACT AND ENGAGEMENT	5 / 10
TOTAL SCORE: SUM OF ALL SCORES ABOVE (OUT OF 100)	60 / 100



02 — Philanthropic Elements of Success Scorecard

(CONTINUED)

Priorities To Address:

1	Setting and agreeing metrics of success and hard targets for every project
2	Discussion of ways to maximize impact
3	Quarterly progress reports and detailed annual reviews with grantees to assess progress and identify areas for improvement in working relationship
4	Add opportunities for internships and greater presence at family meetings for reviews and activities related to philanthropy and social engagement



Key Document Download

02 — Philanthropic Elements of Success Scorecard



End of Module Checklist

Philanthropy and Social Engagement	Yes	No
Is philanthropic history understood?		
Are objectives and principles for philanthropy and social engagement agreed upon?		
Are roles and responsibilities clear?		
Is the target impact agreed upon?		
Is the impact on family (between and within generations) clear?		
Are outsource vs go-it-alone options analyzed?		
Are past lessons learned integrated into thinking?		



MODULE 06

The Family Office, Ecosystem and Risk Management



Video Lesson Download
Module 06 Introductory Video

Introduction and Overview	02
Key Questions	14
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E-Lessons	
01 – Introduction: The Family Office and Ecosystem	FOE1001 16
02 – Family Risk Management	ILS1102 17
03 – Predators in the Ecosystem	FOE1002 19
Key Documents	
01 – Scorecard for Head of the Family Office	20
02 – Ecosystem Chart	21
03 – Advisor Management Applied	22
04 – Risk Management Priorities	23
End of Module Checklist	25



01 — Introduction and Overview

No wealthy family operates in isolation

A legacy family and its members rely upon a host of advisors, trustees, institutions, industries, friends and like-minded families that create a vast and ever-changing 'ecosystem' which both supports and shapes the family's human and financial capital. A well-designed and properly managed ecosystem is a powerful partner in the pursuit of the family's long-term goals.

One of the most prominent aspects of a family's ecosystem is the Family Office, which may also carry with it the responsibility to manage the rest of the ecosystem as a principal task.

Every family has an important and sustaining ecosystem, but only a very few have the wealth and complexity of affairs that can justify the cost and effort required to establish and maintain a good Family Office.

Both need to be understood to create the best approach for your own family, as a consideration of the tasks of a Family Office may provide insights on tasks or services that could be added as an essential part of a more distributed ecosystem network.

We begin with the Family Office and then move into a description of a less expensive and more flexible approach to the family ecosystem.

The Family Office

One of the most unique features of legacy families at the higher end of the wealth scale, usually for those with personal or family assets exceeding US\$500 million, is the presence of a dedicated Family Office. If justified by the scale of wealth, magnitude of work and complexity of the issues facing them, legacy families may establish a Family Office to serve a number of purposes: expert tax advice and support for tax filings, asset structuring, wealth management, business, finance and transactional support, legal services, establishing or supporting family governance, risk management, communication and education of the missing generation.

Family Offices may also look after family properties, art collections, planes and yachts, security, travel and other personal arrangements often known as 'concierge services'; they can often serve as sources of conflict avoidance and dispute resolution if called upon to do so. By tradition addressing both hard and soft issues for most families, Family Offices also play an active role in preparing for and supporting Generational Transitions and Leadership Succession.

As the elite club of billionaires grows across the world, its members become more international, more diverse and arise from a broader set of cultures and economies than ever before. These families, with wealth both new and old, are all seeking to develop systems and models of support to help them to serve their short-term needs, achieve their long-term goals, and even, for the most far-sighted, to pursue their multi-generational aspirations.

In so doing, many are designing and relying on the support of a dedicated Family Office to serve the integrated family and financial needs of their own legacy family.



01 — Introduction and Overview

(CONTINUED)

*“No man is a island
entire of himself.”*

Purpose and Practice of a Family Office

Although the main purpose of a Family Office is usually seen to be the preservation and careful distribution of family wealth according to a family’s wishes, the actual tasks involved in the pursuit of these objectives are usually far more extensive than the pure management of financial wealth.

Most Family Offices serve both the financial and non-financial needs of a single family, and address the needs of individual members, branches and generations (including those not yet born) on an integrated basis.

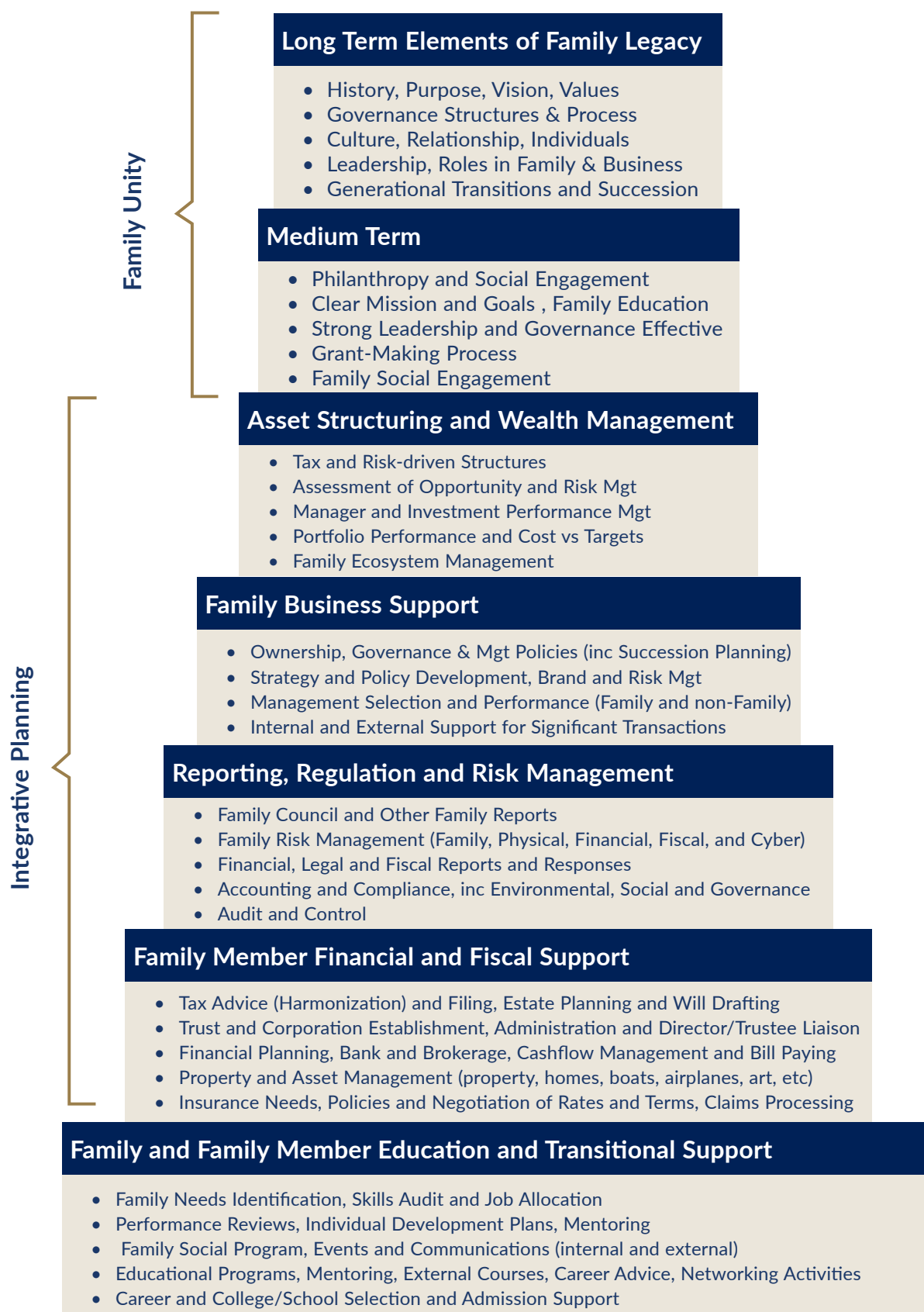
Wealth management is often the most visible and valued skill, but most Family Offices also address long term strategy, integrated reporting against internal objectives and external benchmarks, risk management, finance, tax requirements, trust structuring and operation, family business strategy, effective philanthropy, family education and engagement, the oversight of a family’s ‘ecosystem’ of advisors and influencers, and other elements of a complex and evolving mix of activities.

The illustration on the next page shows both the breadth and depth of the activities of a well-managed Family Office.



01 — Introduction and Overview

(CONTINUED)





01 — Introduction and Overview

(CONTINUED)

Costs and benefits

The costs of these offices vary widely, depending upon the scale of family wealth and the range of services provided, but many end up costing around 1% of the family's investible assets on an annual basis.

These costs should, in a well-run office, be justified by a mix of 'hard' and 'soft' benefits:

- the quality of service offered to the family on a confidential basis
- improved performance from invested capital
- integrated strategy (in particular a thoughtful approach to asset allocation) and reporting
- cost savings in negotiating better terms from managers and other suppliers
- risk management in achieving a lower effective tax rate and reducing the full array of risks – both financial and family – that can destroy family wealth
- effective succession within the family and its businesses
- avoiding or resolving family disputes
- and the intangible (but very important) value created in preserving and reinforcing a family's history, heritage and values

Traditional model of Family Office leadership

In most cases, there is a senior family member who oversees the office on behalf of the family and provides leadership on all matters of family governance and those issues related to individual family members. Often a trusted full time professional runs the office and manages the financial wealth and other non-family matters on a daily basis and provides an objective expert view on the financial and family matters at hand.

The leaders of the most successful Family Offices, both family and professional, are thus often required to be modern Renaissance Men and Women, capable of mastering and integrating many disciplines at the same time.

Risks and rewards

Although attractive in many ways, and with obvious rewards if designed and managed properly, there are also many risks inherent in designing and running a Family Office.

Sub-par performance, excessive costs, an insular culture, over-reliance by family members on Family Offices for all services and lifestyle needs, poor quality staff and outdated systems, amongst other common issues, can all contribute to the creation of problems rather than solutions for some unfortunate families.

Variations on the theme

Although the basic elements of design and operation of Family Offices around the world have much in common, there are also many significant differences.



01 — Introduction and Overview

(CONTINUED)

In Asia, for example, and in other parts of the world where the accumulation of substantial family wealth is a relatively new phenomenon, the role of the Family Office may be served by a Chairman's Office (or its equivalent) of a large family business. Although there have been some sales or listings of large family enterprises, an existing central family enterprise – often banking, property or a conglomerate – may house what eventually can become a standalone operation following the sale or cessation of activity of the core operating business.

In the United States, over more than a century of evolution, some Family Offices now operate as private trust companies or Multi-Family Offices, taking in the wealth of other families to manage in addition to that of the founding family.

Getting it right

While challenging, the design and operation of a successful Family Office can bring great benefits to a family, preserving its wealth and stature through many economic cycles and family transitions, and, in the best case, across many generations of a united, harmonious and continually prosperous family.

Support for Family Governance

The role of the Family Office in support of an organized family governance process cannot be overemphasized. The Family Office manager is typically the sounding board for the owners who must find ways to work together in harmony and with respect for one another. The Family Office typically works closely with the governing board to develop the Family Statement of Purpose, Vision or Values, guiding principles and educational programs; plan Family Meetings; and establish regular communication that fosters family unity and helps preserve family unity, harmony, and legacy.

Support for Legacy Plans and Financial Strategies

The Family Office is a primary executor of the family's strategic and legacy plans. The work of the Family Office is directed by the long-term goals of the family identified in their legacy plan. Family Office staff, with the guidance of family leaders, executes and continually reviews and revises the family's plans to ensure that their legacy is preserved for future generations.

The role of the Office as advisor for the family-at-large allows all family members to benefit from the buying power of the group. The Office screens and monitors external advisors to ensure the family's interests are achieved. The family benefits from the team's ability to make investment recommendations, for example, with an understanding of the investment's potential impact on the current tax and estate plans and philanthropic goals.

Support for Individual Family Members

Every family member is a client of the Family Office in his or her own right. The Family Office often oversees the financial planning and budgeting process for each family member and his or her spouse, as well as coordinating bill payment, property management and insurance oversight.

Office staff often also serve as trusted advisors or mentors for younger family members who are learning what it means to be a responsible owner of wealth.

Integrator of the Financial Process

The Family Office is the central repository of all of the financial information about the family, individually and collectively.



01 — Introduction and Overview

(CONTINUED)

No other service provider has access to all of the pieces of a family's legacy – personal histories, values, preferences, financial details and long-term goals – the way a dedicated Family Office does.

Clients of the Office benefit from the work the Family Office does as integrator or coordinator of the process. This work involves managing relationships – with service providers, regulatory agencies, managers within the family business, etc. – and delivering services (from accounting to bill payment) with careful consideration of their impact on the big picture (taxes, estate plans, spending patterns, wealth transfer plans, philanthropic aspirations, etc.).

Educator and Mentor of Younger Generations

The role of the Family Office as educator varies from office to office. In some cases, the governing body drives the process of owner education and relies on the Family Office staff for assistance with the execution. In other cases, especially when a family member leads the Family Office, the Family Office may drive the owner education effort.

The extent of the Family Office's involvement in the process depends, like everything else, on the family's preferences and priorities. Most Family Offices have some kind of family member training program that is designed to prepare owners for the responsibilities of their wealth.

The age at which the process begins varies from family to family, but most (72 percent) begin the process when the owner is between 12 and 25 years old.

Transition Coordinator

A critical role for most Family Offices is to support the transitions that every family faces as family members evolve through their private and generational lifecycles. Most Family Offices are charged with preparing for these inevitable transitions which may involve members of the senior generations getting updated wills and properly executed estate plans. For the younger generation this may involve identifying and grooming future leaders of the family.

Repository of Family Values and Family Legacy

There are a number of ways in which a Family Office can support the clarification, communication and implementation of the family's values across generations. Those activities include:

- Working with the family to draft a statement of vision and values
- Developing an education program for the next generation
- Ensuring that family values are addressed at regular meetings of the Family Council or in discussions with senior family members
- Ensuring that any implications of family values are built into the family investment policy statement, e.g. no investment in tobacco, etc.
- Ensuring that an annual review of a family's progress addresses high priority values and issues related to those values

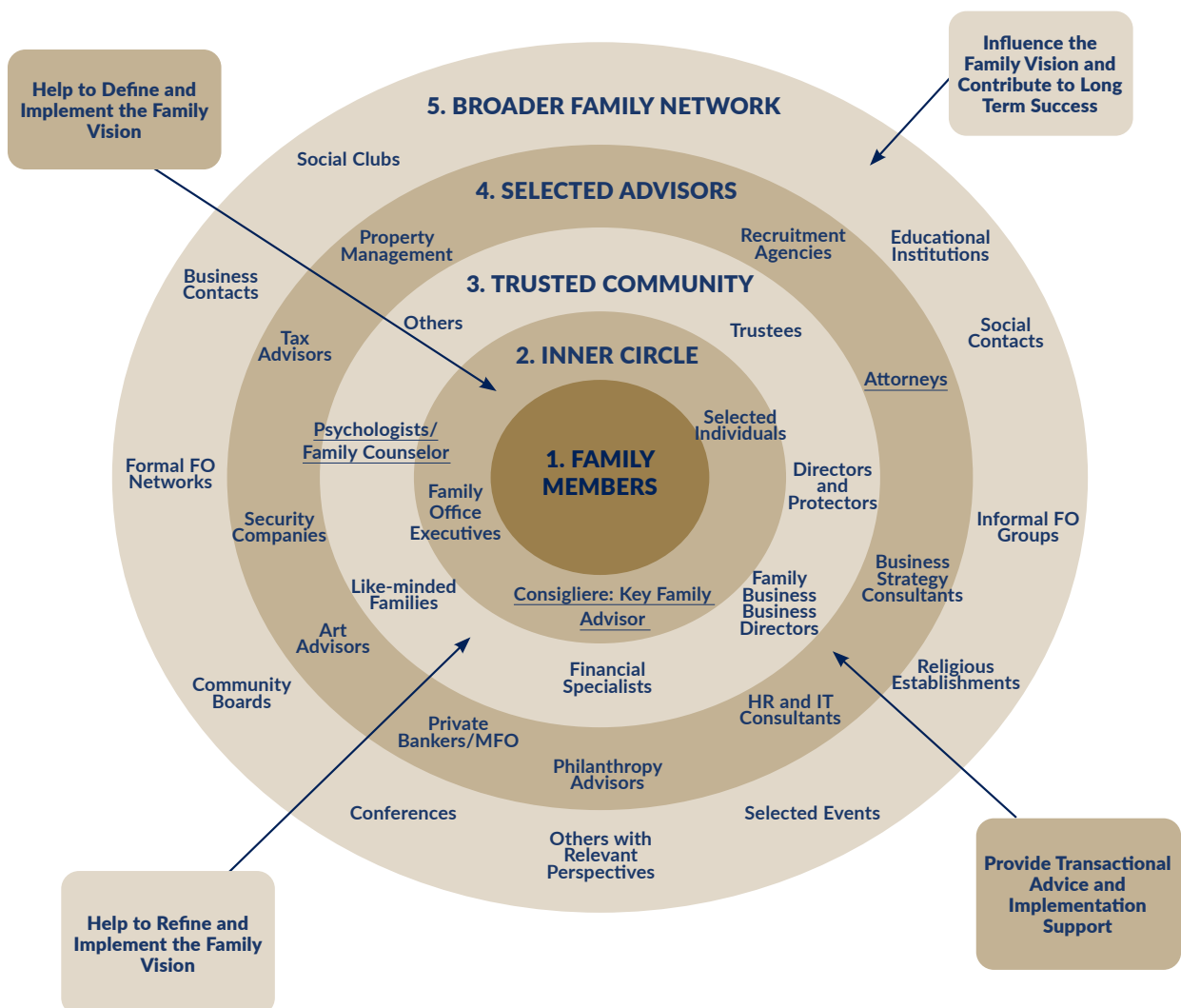


01 — Introduction and Overview

(CONTINUED)

The Supporting Family Ecosystem

Although the scale and role of an ecosystem vary depending on the size, mission and goals of the family, the common participants in a family-ecosystem are illustrated in the display below:



Each of these parties influences the family's ability to meet its goals and achieve its legacy plan.

Asset managers, brokers, bankers, trustees and risk managers have a fundamental impact on the growth or decline of financial wealth, while lawyers, tax advisors (and trustees again) play key roles in defining how a family structures and protects that wealth.



01 — Introduction and Overview

(CONTINUED)

Components of the Ecosystem

Family leaders must understand all of these varied and ever-changing sources of support and influence surrounding the family and work to direct them in a coordinated effort on behalf of the greater family.

Failure to manage the ecosystem well inevitably put the family at risk. Poor decisions can be made, bad influences perpetuated and even magnified, costs can be excessive, and benefits limited. Less benign members of the system can advance their own (usually economic) interests to the disadvantage of the family and sow the seeds of discord that can have a catastrophic impact on the family's wealth and wellbeing.

The impact and influences from relationships that no longer serve the family's best interests can be costly, time-consuming and have a lasting negative impact.

Family Members

The Family lies at the heart of the ecosystem. Each member, and leader in particular, plays a central role in the determination of the membership and functioning of the overall ecosystem.

The Inner Circle

Just as every chief executive has a "kitchen cabinet" of trusted friends and advisors outside the formal structures of power, family leaders benefit from the insights and advice of an Inner Circle of trusted advisors. Members of the Inner Circle are typically long-term advisors and/or family friends who understand the family, its business (if there is one), its history and its culture. Their knowledge of the family's strengths and weaknesses combined with their "non-family" (objective) perspective make them an invaluable resource, especially in times of major uncertainty or change.

The Role of the Lead Advisor

Lead Advisors are rare indeed and often fit the description of the true Renaissance men of the 15th century in Italy, who were capable of "mastering and

integrating the disciplines of their time". While the historic Renaissance Men mastered science, art and history, modern Lead Advisors need to master and integrate the disciplines of asset structuring, business strategy, wealth management and the all too human dynamics of the wealthy family.

Trusted Advisors and Staff

The employees of each of these entities play an important role in the family ecosystem. The family's level of reliance on and/or involvement in the Family Office, for example, determines its overall importance and influence within the ecosystem. In many cases, the manager of the Family Office is considered a member of the Inner Circle. For families where the family's philanthropy is its focus, the Foundation Director may play a similar role.

Trustees, Protectors and Private Trust Companies

Trustees and Protectors (or Enforcers) are associated with the establishment and functioning of a multi-generational family. The Trustees and Protectors are involved in ensuring that the family's assets are properly managed. There may also be a private trust company, usually incorporated in a friendly tax jurisdiction, which acts as a trustee for the legacy family.

In this model, professional directors of the private trust company exercise the duties of a trustee, but can be replaced at any time, typically by a majority of the nominated Protectors (or Enforcers) whose role is to protect the interests of the family enterprise.

Community of the Like-minded

In the wake of the ups and downs of recent decades, many wealthy families are increasingly seeking out other family peers who are facing similar issues. They gather at industry conferences or join peer networks to share investment ideas, co-investing opportunities, creative strategies for preparing their children to be responsible owners of wealth, and much more.



01 — Introduction and Overview

(CONTINUED)

Network of Professional Advisors

In addition to members of the Inner Circle, the network of professional advisors within the ecosystem provides the technical knowledge and experience needed to preserve the family's wealth and legacy. These advisors include lawyers, accountants, tax advisors, private bankers, asset managers, risk managers, brokers, and other professional advisors.

Broader Network

Surrounding all prior elements of the ecosystem is a broad network of institutions, influencers and individuals who provide a constant flow of interaction, influence and impact on the family. Reflecting an ever-greater global connectivity, this network will have a different role to play with each family member.

Assessing and managing the system

As with any other purchased set of services or products, the function, performance and pricing of each member of the ecosystem should be reviewed every year, and appropriate action taken to remove, replace, keep, renegotiate, add, or deepen relationships with each participant based upon a clear-eyed assessment.

The 2x2 matrix below can help you to manage your network of advisors by segmenting them into four boxes.

The two axes that can be used to categorize each part of your advisory ecosystem - and then suggest appropriate managerial responses - are, first, whether the relationship is one that is (or needs to be) short or long term in nature. Second, a determination needs to be made whether the relationship is working well or badly.

For short term relationships in which there is little need of deep and/or broad understanding over time, for example a tactical use of a design firm, if the service provider is not doing an acceptable job, it may be best to end the relationship and find another, more suitable, replacement. Short term relationships that are working well may best be preserved and, with open communication, even improved over time.

Long term relationships, for example an audit firm, IT service provider, HR consultant or board director, may require the same determination of acceptable performance, but may merit more effort to fix than does a dysfunctional short term advisory relationship. Long term relationships that are not working well may have a substantially negative impact on performance and value, and hence may merit more attention before severing the relationship and beginning the long process of familiarisation with a new service provider before becoming completely effective.

Advisors and Influencers Assessment and Action Matrix

Long-term Relationship	Imperative: Fix or change	Imperative: Protect and (perhaps) grow
Short-term Relationship	Imperative: Terminate	Imperative: Stay in contact and repeat purchase if services are needed again
	Negative performance	Positive performance



01 — Introduction and Overview

(CONTINUED)

Ensuring Continuity Across Generations

Too often, families can focus exclusively on the family issues related to generational transitions and other changes in the family system. It can also be useful to think through the importance of succession in the advisory ecosystem, reviewing and assessing longer term roles with the members of the family most affected by individuals or firms, for example trustees or family lawyers, making up parts of the ecosystem.

“Who is going to be left for us?”

One Next Generation heiress in the Acorn* family, one of the more outspoken members of her soon-to-be leadership generation, attended a full meeting of family trustees and key advisors for the first time. After listening intently, she met shortly after the session with the family patriarch and the family consigliere for a quick debrief over a cup of tea. After commenting on the complexity of the trust structure, she plaintively noted that everyone at the meeting was very capable and very experienced, but also very senior in age.

“They’re all very nice”, she said, “but who is going to be left for us?”

Her penetrating question led to her family initiating a review of future advisory needs and commencing a well-structured search to select a trustee successor, investment advisor and tax lawyers closer to her age and with whom she believed she and her many active siblings could develop a positive long-term working relationship.

Leadership of the Family Eco-system

It is clear that disciplined leadership and management are needed to manage the strengths and weaknesses of the ecosystem. The leadership team establishes criteria for participation, monitors the system, and makes the changes necessary to build and maintain an ecosystem that is capable of protecting a family from as many risks as possible, and which proves over time that it is worthy of trust.

A family's ecosystem must be developed in support of its long-term vision and legacy plan. All advisors in the system are governed by the family leadership, which is responsible for thorough due diligence prior to selection, continual oversight and periodic re-evaluation and feedback after selection.

Ensuring sufficient checks and balances and appropriate diversification (e.g., avoiding over-reliance on a particular firm or individual) within the system are also important considerations for the family leaders of the ecosystem.



01 — Introduction and Overview

(CONTINUED)

Management of the Ecosystem

Many families do not have a consistent process to assess their advisors' performance on a regular basis. Ironically, many advisors would actually prefer to have their performance assessed and to have a frank conversation to define where they are falling short, and where they might invest to reinforce the relationship and increase its value. Annual performance reviews with all advisors, along with regular and objective reporting on performance against benchmarks or established goals is a critical part of the management of a family ecosystem.

Sometimes, change is required to keep the system fresh and to keep advisors focused on delivering excellent service. Many families, however, fall prey to inertia or the "ten-year rule", whereby knowing and interacting with someone for at least a decade creates a sufficiently substantial base of shared experience and trust that it is difficult to remove him or her, even with clear evidence of underperformance.

Even if a family does not change the design or membership of its ecosystem, thoughtful consideration of each advisor's performance and role within the system may yield substantial insight and lead to improvement if well communicated.



01 — Introduction and Overview

(CONTINUED)

Family Risk Management

It is important to define risk and identify priority risks and the required response to them.

One definition of risk is the possibility of not being able to achieve the family's 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 	<ul style="list-style-type: none"> Plan of transition to Chairman by James V submitted to Board
<ul style="list-style-type: none"> Tax Exposure (current and future) 	<ul style="list-style-type: none"> Review options to diversify jurisdictions and structures
<ul style="list-style-type: none"> Asset and Market Diversification 	<ul style="list-style-type: none"> Move 25% of assets to USA
<ul style="list-style-type: none"> Marital Risk 	<ul style="list-style-type: none"> Revise pre-nups and G5 trusts
<ul style="list-style-type: none"> Personal Health and Wellness 	<ul style="list-style-type: none"> Covid-19 plans to include PPE and access to testing

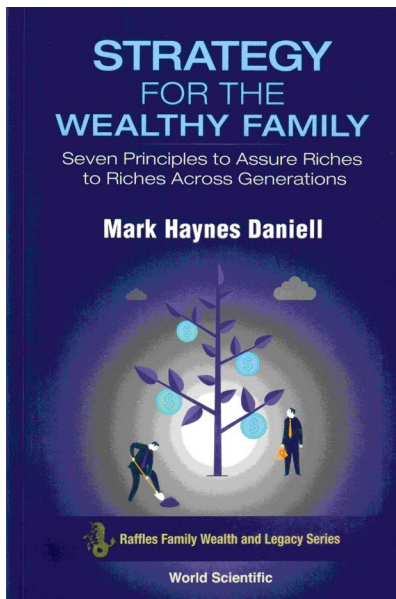


Key Questions to be Considered

1	How comfortable are you that you have the right set of advisors and influencers on your family in your 'ecosystem'?
2	What approach have you taken with regard to the criteria, selection and management of advisors? Do you have an annual review process vs expectation for the past year? Alignment for the coming year?
3	Are the costs of your system in line with the value you are receiving? How often do you rebid or reconsider alternative arrangements?
4	How well defined are the objectives and approaches taken by your Family Office? How well are your Family Office and eco-system fulfilling its objectives and working with the family?
5	Do you have the right leadership – from the family and with the non-family professional team on all aspects addressed by the Family Office and ecosystem?
6	Do you know what your priority risks to family wealth, business, legacy, unity and harmony are within and from outside your family?
7	Do you have a consolidated strategy and plan to manage risks and take advantage of opportunities) with the engagement of resources from within the Family Office and ecosystem?



Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Principle 2: Family Organization
and Leadership

Pages: 53 to 54

Reference B: Chapters 9 - 11

Pages: 97 to 146

Reference C: Principle 3: Family Wealth Preservation

Pages: 155 to 156

Reference D: Chapter 18

Pages: 211 to 220



01 – The Family Office and Ecosystem



Video Lesson Download

01 – FOE1001 – The Family Office and Ecosystem

Guidance

Modern Family Offices began around the mid-19th century.

The modern Family Office was born as these trusted advisors began hiring their own employees.

As the number of legacy families has grown, so have Family Offices. Multiple living generations and substantial non-business wealth have caused family businesses and family affairs to become more complex.

As a result, families hire trusted advisors to help manage investments, trusts, tax plans, education, wealth transition and family administration.

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

The Family Office may also assist entrepreneurs as they make the transition from wealth creators and business owners to wealth owners and stewards.

The number of Family Offices has grown as legacy families become more comfortable with the concept of having their wealth and a broad range of services managed externally.

Key Takeaways



The modern Family Office began in the 19th century as families expanded and appointed advisors to assist with business operations, who in turn hired their own employees.

The number of Family Offices has increased as more families entrust operations to professionals hired from outside the family.

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration.



02 – Family Risk Management



Video Lesson Download 02 – ILS1102 – Family Risk Management

Guidance

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

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

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:

- Family Risk:
 - Conflict
 - Generational Transition
 - Family Education
- Fiscal Risk
- Business Risk:
 - Counterparty risk
 - Management quality
 - Violation of privacy
 - Ethical issues

- 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, risky behavior, digital risk and data security
- Individual Family Member Risk:
 - Marital problems
 - Negative family dynamics
 - Predators (some of the major causes of financial loss) and dangerous associations
 - Risk of alienation
 - Mental health
 - Addiction, and other issues

Risks change over time. For example, after a financial crisis, many families became more concerned with financial risk. Having an active risk monitor that constantly examines both internal and external risks helps identify and prioritize changing risk profiles, sources and solutions.

Prioritizing and planning for responses to risk events 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.



02 — Family Risk Management

(CONTINUED)

Key Takeaways



Successful long term family legacy strategy comprises a holistic view of the risk involved in each individual strategic element

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 potential high impact risks

Potential risks include

- Financial risk
 - Investment risk
 - Business risk
 - Physical risk
 - Marital risk
 - Family risk
 - Individual Family member 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 ready on a current basis



03 – Predators in the Ecosystem



Video Lesson Download
03 – FOE1002 –
Predators in the Ecosystem

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 and trustworthy 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 of the family.

One of the most common reasons for family wealth loss is a predator in the ecosystem. Bad investment decisions, gambling, theft and other nefarious behaviors can severely harm families, their wealth and their businesses.

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

Key Takeaways



A healthy family ecosystem is vital to both the current and long-term success of the family and its business and financial interests.

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

Any possible adverse effects of underperformers or predators in the ecosystem can be mitigated by careful monitoring of activities, avoiding over-reliance on any one advisor, and maintaining a diverse portfolio of valuable advisors and influences.

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration.



01 – Scorecard for Head of the Family Office

	Critical Function	Score 1-10 (Max 10)	Comment
1	Strategy		
2	Governance		
3	Wealth Structuring and Preservation		
4	Wealth Management <ul style="list-style-type: none"> • asset allocation • investments • reporting and risk management 		
5	Ecosystem and reporting / control		
6	Family Business Support		
7	Philanthropy		
8	Family Services and Individual Support		
9	NextGen Education		
10	Risk Management		
	TOTAL	/100	



Key Document Download
01 – Scorecard for Head of the Family Office



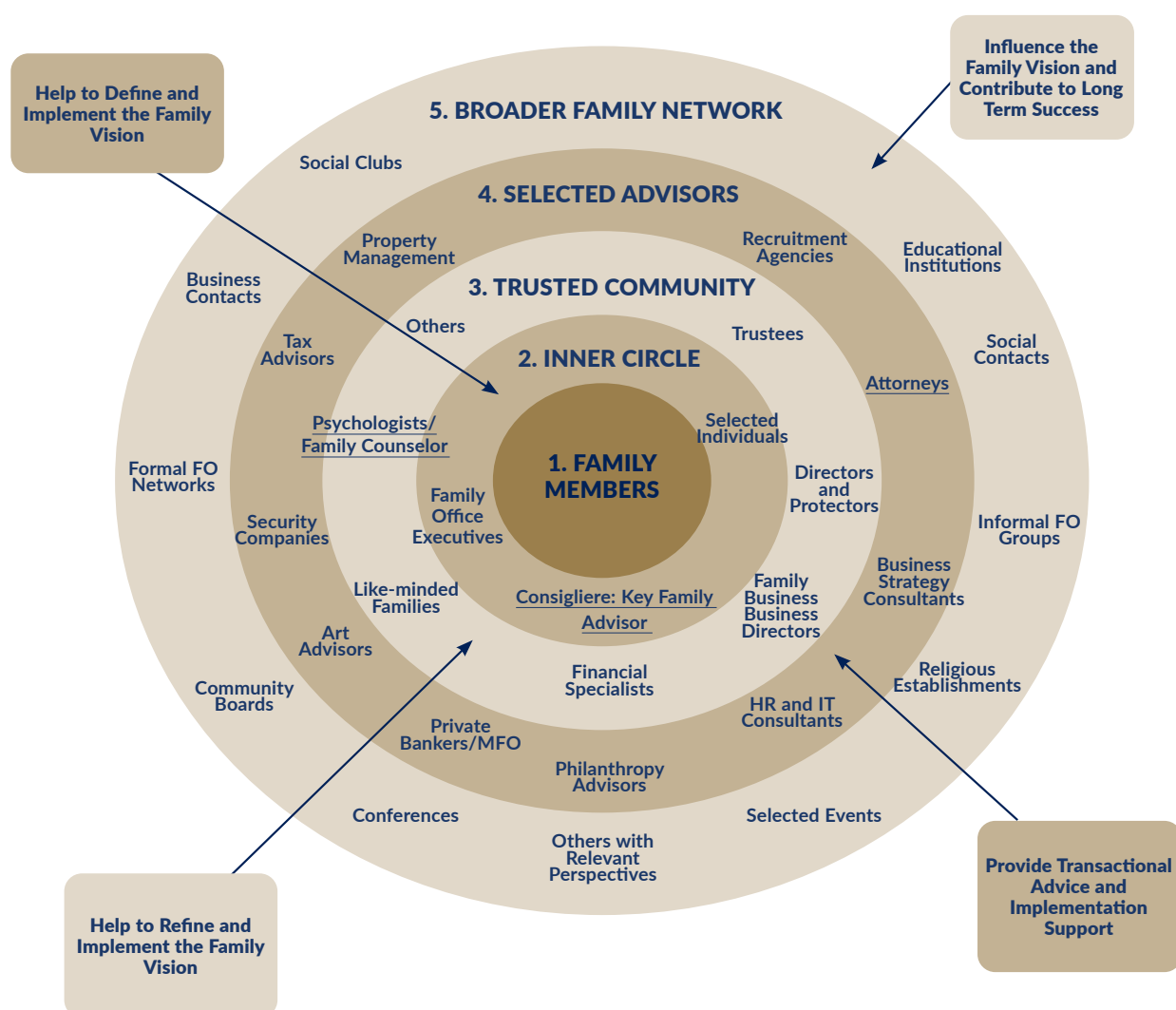
02 – Ecosystem Chart

Ecosystem Chart

Step 1 – Complete the diagram below with the actual names of the participants in your own family ecosystem

Step 2 – Apply the Advisor Management Matrix

Step 3 – Take the necessary actions to improve the participants and performance of system to an acceptable level



Key Document Download
02 – Ecosystem Chart



03 – Adviser Management Matrix Applied

Advisors and Influencers Matrix		
Long-term Relationship	Imperative: Fix or change Firm or individuals: A, B, C	Imperative: Protect and (perhaps) grow Firm or individuals: A, B, C
Short-term Relationship	Imperative: Terminate Firm or individuals: A, B, C	Imperative: Stay in contact and repeat purchase Firm or individuals: A, B, C
	Negative performance	Positive performance



Key Document Download

03 – Adviser Management Matrix Applied



04 – Risk Management Priorities



Key Document Download
 04 – Risk Management Priorities



Key Document Overview

This page includes all of the Key Documents available to download.

These are editable templates, provided in different formats (PDF, JPG, PPT and/or Word) which are to be completed with your own Family Wealth and Legacy Planning content.



Key Document Download

01 – *Scorecard for Head of the Family Office*



Key Document Download

02 – *Ecosystem Chart*



Key Document Download

03 – *Adviser Management Matrix Applied*



Key Document Download

04 – *Risk Management Priorities*



End of Module Checklist

The Family Office, Ecosystem and Risk Management	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? Is an effective selection and renewal process set?		
Do you review performance vs pre-set standards every year?		
Is the alignment of interest confirmed between family and advisors, and any misalignment surfaced and addressed?		
Are costs and benefits monitored vs benchmark?		
How well is your Family Office ranking - and what are the priority opportunities for improvement?		



MODULE 07

Family Culture, Relationships and Individual Issues



Video Lesson Download
Module 07 Introductory Video

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01 — Introduction and Overview

Addressing Family Culture, Dynamics And Individual Issues

It is not easy to make or protect a family fortune. The term ‘riches to rags in three generations’ resounds around the world in virtually every culture in some form. Very few families are able to make a fortune. Even fewer are able to create one and preserve it over time.

What makes the difference?

Surprisingly, the answer lies not in a proprietary asset allocation model nor, in most cases, the dominance of a business sector or asset class over time. The most important element for many families in preserving their wealth is family culture: the strong and flexible social fabric of the family which has woven into it the elements of history and sharing that can bind a family together; culture also includes a philosophy of wealth, enduring common family values, guiding principles that give those values real meaning, a model of governance and rules for interaction which will establish a way to work together.

These cultural attributes will carry with them methods of organization, accepted styles of communication and rules and approaches to transition from one generation to another in a seamless fashion.

In essence, the culture will capture fundamental beliefs, attitudes and accepted behaviors that will all have a profound influence on the future of both the financial wealth and ‘family capital’, defined as all of those elements of true family wealth that extend beyond money in many dimensions: including the human, social and spiritual.

Those families that pay attention to the ‘soft issues’ of family vision, values, guiding principles, and underlying culture have been far more successful in preserving wealth than those that have not. The Rothschilds, for

example, have long focused on both family values and financial value, and have been able to maintain a rare position at the top of the economic world for centuries.

The Vanderbilts, on the other hand, once one of the wealthiest and most respected American legacy families, have disappeared from the world of the super-rich. Their family history was captured by a family member in a book with the sad title *Fortune’s Children: The Fall of the House of Vanderbilt*.

Creating a Nourishing Family

Successful families are aware of and address the most important elements of family culture:

- Understanding and managing elements of culture, relationships and individual issues
- From the past: beliefs, attitudes, behaviors
- For the future: purpose, vision, values and guiding principles
- For all members: clear rights, responsibilities, and effective communication
- Education: technical, emotional and personal
- Who can help: leaders, change agents, third parties, elements of the ecosystem
- The Goal: a family culture that provides love, harmony, unity, discipline, opportunity, fun, personal growth, individual and family meaning, and a more positive life for all of its members



01 — Introduction and Overview

(CONTINUED)

Addressing Family Culture, Dynamics And Individual Issues

In understanding these 'even harder' family issues, which can indeed make or break a family's legacy, it is helpful to think of family dynamics as influenced by a number of factors:

- a. culture which is based on history and a set of beliefs, attitudes and behaviors common to a broad group of individuals, across numerous generations
- b. relationships which can be between generations, branches, and informal or formal groups, as well as between individuals
- c. individual issues involving the issues related to one or more family members, requiring intervention at an individual level to bring about change

Issues to Address

- Family history and identity ("who we are...")
- Beliefs (multi-generational) and values (often defined by nationality, religion, residence, friends, eco-system)
- Relationships (within families, between branches and generations) and personal issues (individual)
- Communication within and about the family
- Conflict avoidance and dispute resolution
- Leadership and succession
- Education and a common orientation
- Common engagement despite individual differences

Helping individuals to find answers to their own big questions

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



01 — Introduction and Overview

(CONTINUED)

The approach to family dynamics taken here addresses the family at different levels: the greater family, which would include in-laws and others extending across multiple generations, (and possibly even centuries), the current living generation(s), and the nuclear family, which has been described as ‘the family I take with me on a Sunday drive in the country’.

Checklist of Topics to be addressed include:

1. The human side of the legacy family: examples and challenges
2. Complexity and evolution of the modern family and the family system
3. Addressing family culture and its discontents
4. Reinforcing relationships, avoiding conflicts and resolving disputes
5. Understanding individual issues
6. Applying the insights of positive psychology: making good things better
7. Addressing your own greatest risk: educational and emotional readiness of the Next Generation

The Key Role of Family Culture in Preserving Family Wealth

What is family culture? Why is it so important in preserving family wealth? What can we do to understand, define and shape our own family culture to allow us to achieve our own long-term aspirations as a family and as investors?

These are questions that arise when any intelligent patriarch, matriarch or family member thinks deeply about the creation of a long-term family legacy or the preservation of family financial wealth.

Taking into account every major variable in the search for a successful equation is important. The history of family fortunes is replete with those whose wealth – and its attendant social status and political power – has come and gone.

Given this observation, what can we learn from the world’s wealthiest families in preserving our own, even if far more modest, wealth?

Some research was completed by Professor Heinrich Liechtenstein of the IESE Business School in Barcelona for a private forum gathering of a group of family members of families benefitting from substantial multi-generational wealth. His research, *inter alia*, demonstrated that, among the three most important elements in achieving family success, family culture was more important than either formal governance – or even leadership – along many dimensions.

This conclusion, even if derived from a relatively small sample, was fascinating since we know so little about what family culture is and how to manage it well.

It is becoming far better known that ‘culture trumps strategy’ in many businesses, but what about family culture and its impact on broader family visions and specific objectives?

And then the logical issues highlighted above emerge: if culture matters, how can we best understand and shape it going forward to increase the likelihood of long-term family success – in wealth management and other aspects of family beyond money and business?



01 — Introduction and Overview

(CONTINUED)

Definitions and Descriptions

There are many definitions of culture, but one of the most useful may be that culture is simply *'the patterns of behaviors and beliefs characteristic of a particular group'*.

Within a family, culture can manifest itself in many ways: how we communicate, compensate, celebrate, contemplate, relate, retaliate, and can embrace other terms that capture the essence of what we do – together and separately – and how we do it.

The fabric of a family culture is based on DNA, a shared history and common memory, aspects of the present, relationships, national or ethnic identity, language, religion, values, and established beliefs, attitudes and behaviors. It can be linked to a particular source or place and will, in any case, be in constant evolution as each passing generation makes its mark on the family.

A family culture, as a result of many factors and experiences, can be conservative or risk-taking by nature, predominantly commercial, spiritual, familial, physical, national, critical, supportive, inclusive or exclusive, kind or harsh, demanding or permissive. It can value inputs at different stages in different ways and respond as and when change is brought into the existing family approach to business, investment, and family matters.

In many countries, the dominant value system is that which represents the values of the first group to have accumulated a substantial amount of capital. Think industrial barons in America, landed gentry in the United Kingdom, and the royal families of the petroleum-driven economies of the Middle East.

In families it is somewhat the same, with the initial wealth-creating patriarch more than anyone else having an influence on the future.

How to Keep Large and Increasingly Disparate Families Together?

A list of successful practices from longstanding legacy families may be helpful:

1. Commit to keeping the (defined) family together, defining and measuring success (non-financial metrics)
2. Regular (Annual or up to every 5 years) Family Reunions inviting every family member, spouse/ established partner and children
3. Structured approach to communications, about family culture and values
4. Social programmes across generations and geographies
5. Education on business and wealth management skills, educational and career (insights, exposure to broader issues and lifelong learning for the larger family and its members
6. Family history, values and culture captured: 'collecting and displaying iconic assets, archives, and artifacts'
7. Philanthropy and community engagement through fun projects and experiences!
8. Inclusive Family Council membership and support of the specific goal of preserving family unity, harmony and common interests

"Our definition of success is to keep what we have, which will not be easy".



01 — Introduction and Overview

(CONTINUED)

Living Up to the Family Legacy: Mastering Challenges

These may include:

- Collaborating with cousins over distances
- Developing a new vision for staying together
- Balancing nuclear family and legacy family engagements
- Finding meaning in a privileged life
- Developing long term multi-generational thinking
- Ownership, board, management engagement and control
- Diversity and flexibility
- Consensus on family and business matters
- Agreeing on a family philosophy of wealth and how to adapt it to differing individuals and personal priorities
- Refining representative governance
- Finding a proper role/ being a good owner and director
- Sharing ownership and/or control with siblings
- Inheriting/living with financial complexity
- Simplifying operating structures
- Finding meaning in philanthropy and other family endeavors

Changing Culture

Once understood with clarity (and a solid dose of humility and reality...) it is possible to begin to understand the long-term demands and focus effort to bring about positive change.

Psychologists will tell us that there is a three-stage hierarchy of elements which determine our behavior. Our specific **behaviors** are a product of our **attitudes**,

which are in turn a product of our deeper **beliefs**.

In an unfortunately badly managed situation, one child of wealth may be rude to others and lack respect, exhibiting these behaviors that reflect an attitude of 'I can do whatever I want' based on a belief that money is the sole measure of a man or woman, as those at the top of the economic heap are, in some way, better than others.

Changing behaviors at an atomistic level is relatively easy: the application of sanctions or rewards can create incentives and disincentives as needed to influence behavior.

However, for long-lasting change to be created, an approach must be taken to address the basic beliefs, which in turn can influence attitudes which in turn naturally guide behaviors.

Although far more complex and requiring a far longer period of (non-financial) investment in changing beliefs and balancing attitudes, education can have the biggest impact – and be the most important investment a family can make in preserving the financial wealth developed with so much effort and acumen.

Such educational programs require a defined framework with family-specific content for analysis (honestly assessed, sometimes with the assistance of a third-party advisor), this approach may include understanding, courage, leadership, combining individual experience and development, and the willingness to design and implement a comprehensive program of education and response addressing the beliefs, attitudes and behaviors one would like to change.



01 — Introduction and Overview

(CONTINUED)

The 'Even Harder' Stuff

Such programs, it must be said, are difficult to design and may take many years to implement.

It is often a long-term journey, not a nearby destination easily reached.

Success is not guaranteed. A family's – and its members' – willingness to change will be essential.

That willingness must be based on a shared view that the effort is worth the cost, and that the new family 'point of arrival' will be better than their current state of affairs.

In the end, preserving a family's wealth, stature, harmony and happiness can all benefit from a healthy review of its culture, and the understanding of the implications of changing that culture for the better.

One wise man once said about the 'soft' issues in a family and family business: *'I don't know why they call these people issues the 'soft' issues, they should call them the 'even harder' issues!'*

Successful Cultural Practices Often Contain the Same Elements in the Approach:

- Identifying and addressing **both 'hard' and 'soft' issues**
- Separating and addressing both **the immediate (urgent) and fundamental (important) issues**
- **Formal and/or informal approaches** need to be considered
- **Family members or mutually respected third parties** can be the source of useful solutions
- **Timing:** almost always the sooner, the better, but not to be rushed. It is important to manage the quality of the outcome, not the speed of the journey
- **Structured and fair** approach to understanding and resolution
- **Creativity:** Think out of the box: *'...many solutions to problems are not found at the level of the problem itself'*
- **Realism:** Understand and take into account what is really possible given the history, personalities and issues involved

Surfacing, understanding and acting on the insights obtained in this 'even harder' area may well be the best investment a family leader can make in preserving and enhancing the family's wealth and legacy in its fullest dimension.



01 — Introduction and Overview

(CONTINUED)

Seven Elements: An Approach to Avoid Conflict and Resolve Disputes Would Include:

1. Make investments in family unity and harmony including a risk management review and individual feedback system
2. Establish effective governance: draft a Family Constitution before you need it with a pre-established process for dispute resolution, a respected Family Council and, possibly, a Family Board of Advisors who can act as informed mediators if needed
3. Identify and address emerging (and even potential) risks and potential conflicts early through an annual 360-degree risk review led by the head of the Family Council, surfacing all issues, setting priorities and defining actions to manage high priority internal (family) and external (e.g. market) risks
4. Draw on family and non-family resources as necessary to identify and address risks in a timely fashion - it is always better to avoid conflict than attempt to resolve disputes
5. Create options for non-conflictual exit of shareholding in the family business:
'...the strongest grip is an open hand'
6. Resolve disputes fairly, considering both process and content
7. Manage the fallout from disputes, resolution and departures

Understanding and managing the elements of family culture, relationships, and the personal issues associated with individual family members may be the most complex - but also the most valuable - task facing family leaders.

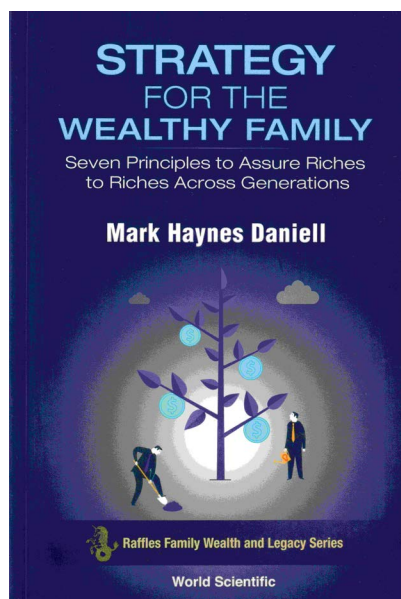


Key Questions to be Considered

1	Overall definition of success: what does it mean to be 'successfully wealthy' and what does it take to be a 'flourishing family'?
2	What is your Family Culture and how can it be addressed to support the long-term objectives of the family? How can you avoid 'the dark side of wealth'?
3	How can the family best avoid conflict and resolve disputes?
4	How can family relationships – between individuals, branches, generations and other groups – best fostered and reinforced?
5	What are the most important individual issues – positive and negative – that would benefit from the family's intervention and support?
6	What are the key factors in establishing family harmony and individual happiness?
7	What would be the best approach to family communications in pursuing the overall goals in this area?



Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Principle 2: Family Organization
and Leadership

Pages: 53 to 54

Reference B: Chapter 12

Pages: 147 to 154

Reference C: Principle 7: Living a Truly Wealthy Life

Pages: 347 to 348

Reference D: Chapter 32

Pages: 349 to 360



01 – Introduction



Video Lesson Download 01 – CRI1001 – Introduction

Guidance

Issues to be considered in your own family wealth and legacy plans include:

- The human side of the legacy family: examples and challenges
- Evolution of the family and the family system
- Addressing family dynamics and fundamental culture
- Reinforcing relationships, avoiding conflicts and resolving disputes
- Understanding individual issues
- Positive psychology: Making good things better
- Assuring the 'Educational and Emotional Readiness' of the Rising Generation

Key Takeaways

One key quote captures the essence of the issues here: "I don't know why they call these people the 'soft issues'. They are not at all soft or easy. They should call them the 'even harder issues'."

We all aspire to create and perpetuate a flourishing family. Yet managing family dynamics, relationships and complex personal issues faced by individual family members may be the most complicated, but also the most important, task facing family leaders:

Families need to address these 'harder' issues to stay together, work together and achieve results that are greater than the sum of its parts

We need to take a holistic look at all of the 'even harder' human issues of the legacy family, understanding the issues, managing risks and addressing opportunities to:

- Shape culture for the future
- Foster positive relationships
- Identify potential risks and challenges within and across the entire family system
- Avoid conflict and resolve family disputes
- Provide support to individual family members
- Capitalize on all 'hard' and 'soft' opportunities to build a better future for the family



02 – Conflict and Dispute Resolution



Video Lesson Download
02 – CRI1002 – *Conflict and Dispute Resolution*

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.

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. External expertise from counsellors, advisors, and psychologists can help resolve some of the fundamental issues.

Sometimes, a conflict can be avoided altogether through early intervention, informal communication and active management systems cultivating family unity and harmony. Family dynamics and individual relationships are potential sources of both positive bonding and negative conflict, so a deliberate approach to these matters needs to be designed and implemented.

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

It can be very helpful for family harmony if family members are 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 can be put in place to manage departures from the family business.

Just as having an exit option can be important, nurturing familial bonds can also strengthen the company and stabilize its ownership.

Remember to:

- Avoid conflicts when and where possible
- Address critical, urgent or fundamental issues immediately and with sufficient time and resources
- Seek objective guidance from outside experts and intermediaries as needed
- Separate and protect 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 perhaps buy back into) the family business



02 – Conflict and Dispute Resolution

(CONTINUED)

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, roles, rights and responsibilities, risk appetite, public profile, etc.

Define an approach to resolve immediate and fundamental issues – define and assess the range of options, and assess 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

Remember to consider in each area, that there are both ‘hard’ (technical) and ‘soft’ (culture and people) issues to take into consideration



03 — Building Trust, Harmony and Unity



Video Lesson Download
03 — CRI1003 — *Building Trust, Harmony and Unity*

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.

Guidance

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 (leadership, communication, human resource management, etc.) both contribute to building family unity. It can help to discuss your strategy, activities and institutions, involving the family and promoting unity.

Addressing the soft issues — commitment, motivation, enthusiasm, and engagement — will help build unity and harmony as well. People tend to be drawn together when they have mutual goals and the potential for shared achievements. Think long term; find ways to bring young family members into the family enterprise.

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 reinforcing ties from the past and present — and then decide where you would 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
- Consider creating a 'Family Museum' to display and remind the family of its shared history and past accomplishments

The Present

- Gather through family holidays, annual meetings or other coordinated events whenever possible.
- Use technology to stay in touch
- Celebrate significant family events or dates (possibly communicated through a regular 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 a '100 questions' initiative

The Future

- Understand the roles that governance and philanthropy will play
- Network the family and choose effective family ambassadors
- Create a NextGen group to pass down the family philosophies and practices, promoting harmony and trust



03 — Building Trust, Harmony and Unity

(CONTINUED)

Key Takeaways



Family unity and harmony are common objectives listed in many family statements of purpose, vision and values: What does it mean to you and your family? How do you accomplish it?

Think long-term when establishing practices, institutions, belief systems, traditions and rituals to create a sense of identity for the family

Realize that a family's shared perspective on its 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

Remember to consider in each area, that there are both 'hard' (technical) and 'soft' (culture and people) issues to take into consideration



04 – Family Culture



Video Lesson Download 04 – CRI1202 – Family Culture

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

Business-oriented families are keen to have the right culture and spirit of entrepreneurship in the family.

In order to have this culture, an approach that fosters entrepreneurship as an aspiration must be supported by specific activities such as:

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

How people understand their approach to risk is often developed in adolescence, and it is important for future family business members to have intellectual and structured views of risk — and understand that there is no reward without certain amounts of risk.

Using examples and sharing experience is part of building an entrepreneurial culture.

It is also important to encourage experimentation and external experience, as broader experience outside the family translates to heightened confidence in filling family roles and running family businesses.

Being hard working is possibly the most important quality a person can have when maintaining family wealth. Without a good work ethic and appreciation of hard work for yourself and other people, you will most probably not be an entrepreneurial success.

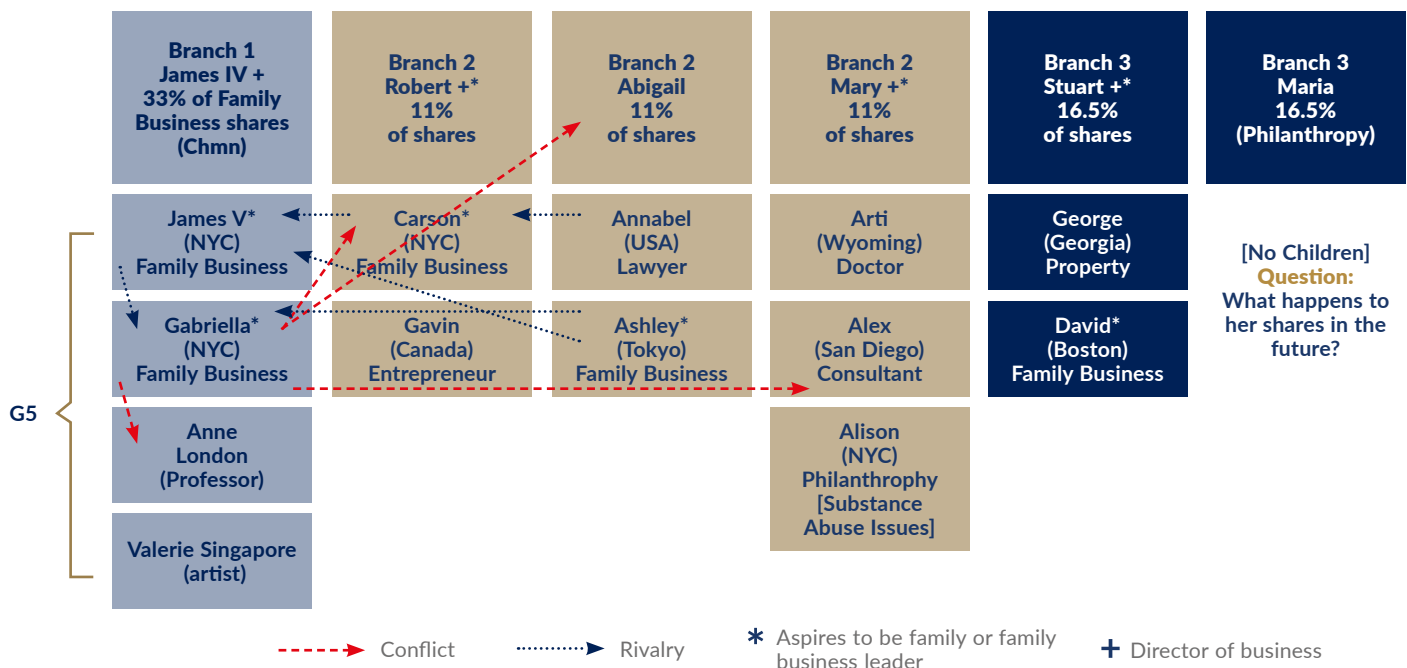
A combination of hard work and accounting, marketing, distribution, and technology skills will allow the family member to maximize his or her chances to be a successful entrepreneur.

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



01 – Relationships ‘Heat Map’

Analyzing the status of family relationships can be a first step toward improvement. One such effort looks as follows:



Key Document Download

01 – Family Relationship ‘Heat Map’



02 — Family Culture Summary

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**



Key Document Download
02 — Family Culture Summary



03 – Stop / Start / Continue Matrix

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

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 Family Meetings
Limiting information	More active communication	Family events
Unclear policy and knowledge needs	Family educational programs	Funding university degrees
Ambiguous retirement age	Planning for transitions	Setting age and term limits
Lack of clarity on performance	Formal reviews and professional development programs	Informal mentoring



Key Document Download
03 – Stop / Start / Continue Matrix



Key Documents Overview

This page includes all of the Key Documents available to download.

These are editable templates, provided in different formats (PDF, JPG, PPT and/or Word) which are to be completed with your own Family Wealth and Legacy Planning content.



Key Document Download

01 – *Family Relationship 'Heat Map'*



Key Document Download

02 – *Family Culture Summary*



Key Document Download

03 – *Stop / Start / Continue Matrix*



End of Module Checklist

Family Culture, Relationships and Individual Issues	Yes	No
Are the perspectives of the family members gathered on the greater family and their roles within it?		
Is each individual aware of the family dynamics and priority family risk issues?		
Are all individual issues identified and addressed and appropriate within each generation, especially the NextGen?		
Are individual aspirations, priorities and realistic expectations set and feedback provided?		
Are the 'dark side of wealth' risks fully understood and addressed?		
Are the individual eco-systems of advisors and influencers understood?		
Are NextGen educational programs defined and in place and plans for coming Generational Transitions?		



MODULE 08

NextGen Education and Generational Transition



Video Lesson Download
Module 08 Introductory Video

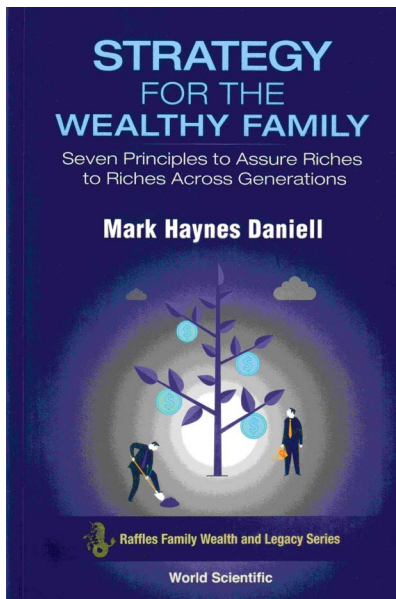
Key Questions		02
Selected Reading		03
E-Lessons		
01 – Introduction: Generational Transition and Succession	GLS1201	04
02 – Legacy Strategy for the Future: Multi-Generational and Multi-Dimensional Framework	ILS1005	06
03 – NextGen Education and Engagement	NXG1002	08
Key Documents		
01 – NextGen Educational Priorities		10
02 – Generational Transfer Plans and Phasing		11
03 – Executive Summary of Family Wealth and Legacy Plan		13
End of Module Checklist		21



Key Questions to be Considered

1	What do all members of the Next Generation need to know to be responsible owners of wealth, contributing members of the family and good members of society?
2	What are the priority gaps in their knowledge and experience today and how can they best be filled? How can members ensure they are technically, practically, socially and emotionally ready to fulfil their roles?
3	What is the right balance of 'hard' and 'soft' knowledge and experience to be pursued, ensuring that the right values and culture are instilled within all members of the family and shared across generations?
4	Generational Transitions: What are the phases and priority actions by phase required for a successful transition of wealth, leadership and responsibility to a new generation of the family?
5	How can individual succession plans best be developed and their effective implementation assured?
6	What lessons and approaches have 'successfully wealthy' families applied in the past to ensure successful 'passing of the torch from one generation to another'? How will this change in the future?
7	How can the Next Generation best step up with appropriate gratitude, and the current generation of family leaders (and shareholders) step down with grace?

Selected Reading



Book: Strategy for the Wealthy Family

Reference A: Introduction: Mastering the Challenge of Family Wealth

Pages: 1 to 10

Reference B: Principle 1: A Framework for Family Strategy

Pages: 11 to 12

Reference C: Chapter 1 – 5

Pages: 13 to 52



01 — Introduction to Generational Transition and Leadership Succession



Video Lesson Download
01 — GLS1201 —
Introduction

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.

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 often face challenges associated with simplifying asset structures, finding suitable roles within the family and its greater enterprise, being active wealth owners, sharing ownership and control with siblings, inheriting or living with financial complexity, and personalizing their predecessor's approaches to be better suited for themselves.

Third generation members can see a vast influx of outside influence into a family business.

While siblings run second generation businesses, third generation companies are often run, after the retirement of the second generation, by consortiums of cousins.

Third generation family members can be challenged by living up to two generations of family legacy, collaborating over long distances, developing long-term visions, finding systems and approaches to promote 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 then developing a coherent family wealth and legacy plan is the key to success.



01 — Introduction to Generational Transition and Leadership Succession

(CONTINUED)

Key Takeaways



'If we want things to stay the same, things will have to change'

The family is at the center of any family wealth and legacy plan

Start by defining the family and establishing how its past will carry into the future

Answer the question: 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



02 — Legacy Strategy for the Future: Multi-Generational and Multi-Dimensional Framework

(CONTINUED)



Video Lesson Download

02 — ILS1005 — *Legacy Strategy for the Future*

Introduction

Creating a family legacy requires thinking across multiple generations and is very different from strategies for business and investment. Family and family business failure can be avoided through high quality 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 family and its business

Effective legacy strategy:

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

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, improving 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 most business strategies. Long term family wealth strategies require cooperation from and mastery of many disciplines across the family.



02 — Legacy Strategy for the Future: Multi-Generational and Multi-Dimensional Framework

(CONTINUED)

Reasons for family legacy failure:

- Poor succession
- Lack of good advisers and weak ecosystem
- 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
- Not respecting the fundamental principles of strategic planning

An effective family wealth and legacy plan can avoid many of these issues.

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 or investment portfolio.

Balance hard and soft skills across disciplines for an effective family business strategy.

Strategic Family Wealth Planning elements include:

- Family history, 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 strategic 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

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 need to be considered



03 – NextGen Education and Engagement



Video Lesson Download

03 – NXG1002 – NextGen Education and Engagement

Introduction

Wealthy families should understand the importance of educating and engaging the Next Generation to preserve wealth and carry on the family legacy across future generations. Educating and engaging the NextGen presents unique challenges, especially as the cultural and contextual generation gap widens and new risks emerge.

Central to the theme of NextGen education is the subject of responsible ownership and positive family dynamics (both individual and as a unit). Learning about the responsibilities of family business ownership is a continuous process, not a series of singular events. Meeting owners once or twice per year without a regular schedule or agenda, lacking a coherent educational vision, learning goals or target outcomes is not sufficient.

Educational opportunities need to be consciously exploited throughout family activities as a persistent, cumulative learning process.

Creating an educational strategy must be a partnership between owners (current leaders who define vision and values), NextGen leaders, all NextGen family members and their advisors.

Education is the responsibility of all family stakeholders, not just the current generation of family leaders.

Guidance

Families around the world are discovering that engaging the Next Generation is challenging. Because of a global economy and attractive international opportunity for the wealthy, future generations of legacy are more likely to be globally dispersed and more culturally diverse.

Creating deep familial bonds in families, in this context is a constant challenge.

What can be done to bring people together?

Key Takeaways



Owners who take responsibility for their own family's 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

Learning should be a lifelong goal and set of activities



03 – NextGen Education and Engagement

(CONTINUED)

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

Reinforce a sense of identity and affiliation	Enhance individual benefit and life / career opportunities
<ul style="list-style-type: none"> • History and culture • Shared activities • Education (together) • Digital community • Communications • Roles in governance • Generational transition programs • Activities to build relationships, reinforce common bonds and develop trust 	<ul style="list-style-type: none"> • Employment policies • 'Strategic career pathing' • Family support (mentoring) • Assessment and reviews • Education and development • Internships and externships • Career advice and placement • FO services and resources • Philanthropy and other activities
Demonstrate attractive leadership characteristics	Avoid alienation and reduce conflict
<ul style="list-style-type: none"> • Style • Addressing evolving generational issues • Eligibility and exposure • Inclusiveness • Trust (number one issue) • Humor and fun in the family 	<ul style="list-style-type: none"> • Clarify rights, roles and family responsibilities • Formalize governance • Understand NextGen perspectives and dynamics • Identify and manage priority risks • Address individual, relationship and key cultural issues • Reduce differences where possible • Manage the full set of soft issues

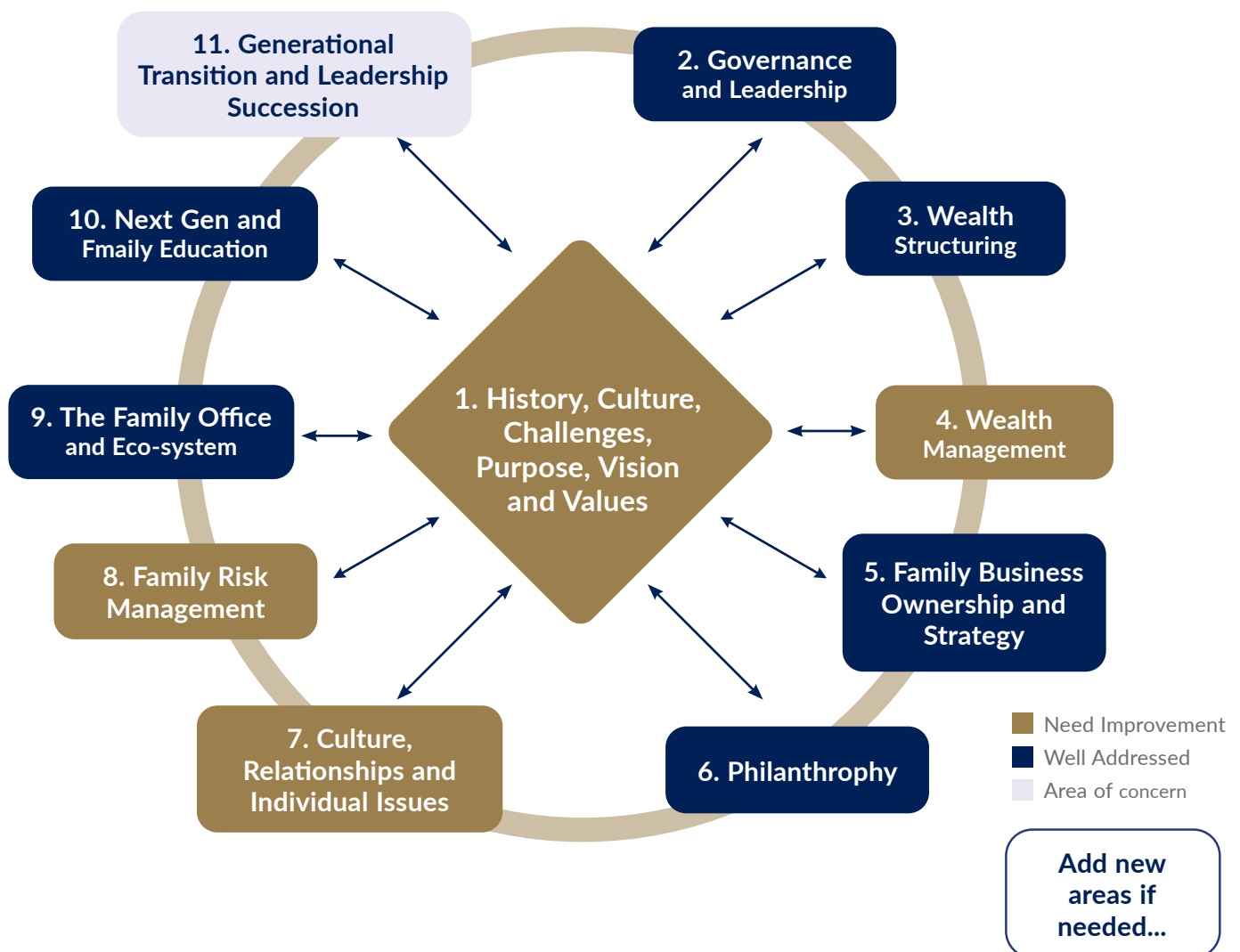


01 – NextGen Educational Priorities



Key Document Download

01 – NextGen Educational Priorities Diagram





02 – Generational Transition Plan and Phasing



Key Document Download

02 – Generational Transition Plan and Phasing

- Create a Steering Committee and set responsibilities for a Generational Transition, with an important role for all NextGen family members
- Identify and address existing gaps in business, family and philanthropic governance, policies and organization – and design 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
- 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, timetable and allocate resources and responsibilities for the "GT" plan

*We cannot make the
future for our children,
but we can make our
children for the future*



02 – Generational Transfer Plan and Phasing

(CONTINUED)

Generational Transition: Phases	Key Actions
<p>Phase I</p> <p>Current leadership generation still fully active and engaged on all matters within the family enterprise: the family and family governance, business, wealth management, philanthropy and others</p>	<ul style="list-style-type: none"> • Clarify Family Purpose, Vision, Values and Philosophy of Wealth • Put in place an Integrated Family Wealth and Legacy Plan addressing all elements - and the consolidated whole - of priority matters within the full family enterprise • Draft a Family Constitution to guide multiple generations of the family • Put in place an educational and development program for all members of the NextGen, with special attention to those who wish to join the family business or other aspects of the enterprise • Identify and address all 'soft' issues and ensure a family culture is being fostered consistent with the long term aspirations and goals of the family • Prepare a forward plan to specify roles, rights and responsibilities relevant to the NextGen and expected leadership and ownership transitions over time
<p>Phase II</p> <p>Current leadership generation still present, but not active and engaged full time, and only on selected matters; NextGen taking on ownership and leadership roles in all aspects of the family enterprise</p>	<ul style="list-style-type: none"> • Clarify roles, rights and responsibilities and timing of any changes, for both the NextGen as they step up, and the retiring generation as they step down • List reserved rights to older members of the family and specify when these will be transferred to the NextGen (e.g. voting rights on shareholdings in a family business) • Put in place clear principles of selection: eligibility (inc both family and non-family members), educational, development and capability requirements, and required performance for continuity in key roles open to the NextGen • Specify succession plan timing and approach to key roles • Clarify transfer of ownership in key assets and wealth/asset structures for the future
<p>Phase III</p> <p>Current leadership generation no longer present or active in any matters; NextGen in all leadership and decision-making roles and owners of wealth, business shares and other assets</p>	<ul style="list-style-type: none"> • Refresh Family Constitution and Family Wealth and Legacy Plan • Determine how best to work together in all aspects of the family enterprise • Review risk and opportunity priorities facing the new leadership generation, including preparing their own NextGen • Put in place all aspects as in Phases I, II and III for the Next Generational Transition



03 – Executive Summary of Family Wealth and Legacy Plan



Key Document Download

03 – Executive Summary of Family Wealth and Legacy Plan

Context

In the wake of recent macro economic turbulence, and the future uncertainties it brings, the Cuscaden Family faces a number of unprecedented family and business challenges.

As a result, both our immediate tactics and long-term strategies and short term tactics need to be reconsidered, and changes made, to manage the risks, and take advantage of the opportunities, in front of us.

A Testing Time

Family leaders, capabilities and values are tested, great families are forged in times of crisis and adversity. We are no exception to this rule. The strategies that we develop, and the actions we take now, will have a profound influence on the future we create, and the family legacies we leave.

If we respond well, we can navigate successfully through these turbulent times and also take advantage of the opportunities to reinforce and build on our family foundations, strengthening our family and emerging even stronger to face the inevitable crises of the future.

Our approach to the present and future challenges will need to be conscious of the fact that some 'best practices' from the past will need to be supplemented by a set of new 'next practices' which are better adapted to allow your family's wealth and legacy to survive and prosper in the future.

Rising to the short- and long-term challenges of this phase will also be as much about addressing the 'soft' people issues such as leadership, unity and motivation

as well as the 'hard' issues such as wealth structuring, investment, business strategy and philanthropic impact.

Elements of Strategy

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

1. Purpose, Vision and Values

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

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

03 — Executive Summary of Family Wealth and Legacy Plan

(CONTINUED)



Revising our Vision

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

Living our Values

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

In the current environment we are putting these values into action by reinforcing **unity** through increased communication, and open sessions with all G4s and G5s, **generosity** by increasing our philanthropic spending by 50% to fund local food banks for unemployed individuals and their families; **responsibility** by addressing our new CSR policy goals, and **integrity** by taking tough decisions to honor our commitments – or work together to find new agreed win/win solutions - even if it is not always easy to do.

2. Leadership and Governance

We have taken a major step forward in formalizing our governance and broadening the number of leadership roles in the family. By drafting and ratifying our first Family Constitution, we have created an approach which is balanced, fair and transparent, and operates in line with the achievement of our broader purpose and our four principal values.

In creating roles which are a balance of both meritocratic positions (ensuring the best person is in place for the job) and rotating between branches and generations (ensuring balance and stability within the family), the approach taken will provide a structured approach which, can operate successfully for many years no matter who is taking up the available positions.

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

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

03 — Executive Summary of Family Wealth and Legacy Plan

(CONTINUED)

**3. Wealth Structuring and Value Protection**

In addition to continuing the longer-term initiatives over the past three years with regard to the diversification of trust jurisdictions and increased use of our own Private Trust Companies, we need to add a review of the possible value of a long term HEW Trust for the future members of the family whose parents may have lost a substantial portion of their inherited family wealth.

The level of distributions of trust income and capital to family and philanthropic beneficiaries, also needs to be examined with a long term forward view in mind.

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

In addition, as a result of increased long term tax risk in our home country, a review of domicile issues, on and offshore living options for family members and roles and responsibilities related thereto should be addressed.

We are also strengthening the role of our offshore functions through the establishment of a high-quality Investment Committee, which also constitutes the board of the Swiss wealth management (holding company) entity, to review proposals and make formal investment recommendations to the trustee for decision-making.

4. Wealth Management

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

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

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



03 — Executive Summary of Family Wealth and Legacy Plan

(CONTINUED)

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

Sustainable and Impact Investing: We will be investigating the possibilities to reallocate a visible portion of our liquid wealth to this sector, headed by a joint team of G4 and G5 family members.

5. Family Business Ownership and Strategy

The economic impact of the COVID-19 pandemic a few years ago led to a thorough review of the way we were doing business and increased the importance of cash collection, reduction in HQ and operating costs, and restructuring financial arrangements with the banks. Decisions were taken to defer some growth initiatives in the emerging markets and to limit credit line availability, even to established clients.

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

Innovation and Entrepreneurship: Within the family and our businesses we have restructured our 'I&E' program to focus on innovative ways to protect and improve operations in existing operations, including the application of new technologies.

The Family Entrepreneurial Fund remains available to younger family members who see business creation opportunities despite (or maybe because of) the challenges experienced during the recent crisis.

03 — Executive Summary of Family Wealth and Legacy Plan

(CONTINUED)

**6. Philanthropy and Social Engagement**

We have increased our financial commitments to philanthropic activities, and added a new branch of activity, providing ICU equipment to local hospitals as well as continuing our commitment to our existing philanthropic vision and initiatives.

7. Family Culture, Relationships and Individual Issues:

Family relations have been generally harmonious for many years, but the bonds between younger generation members appears to be declining as people move abroad and follow different life paths in different places.

A cross-generational social program was put in place and an improved approach to communications was set up by Anna Cuscaden under the direction of the Family Council.

8. Family Risk and Crisis Management

We are moving into an era of enormous national debt levels, increased interest rates, tax revenue shortfalls and a likely targeting of wealthy families by tax policies and increased compliance resources. In this environment, nothing but 100% correct, compliant and tested fiscal approaches regarding offshore structures, reporting lines, processes and policy-setting are likely to hold up in the coming years.

Action consistent with this observation could include bolstering of resource in Geneva, protection of the integrity of the trustee's role, simplification where possible, and a strict separation of on and offshore employees, reporting lines, advisors, meetings, archives, activities and structures.

03 — Executive Summary of Family Wealth and Legacy Plan

(CONTINUED)

**9. Family Office and Ecosystem**

Following a full review of the Family Office and ecosystem needs, a number of changes were made.

The creation of a Geneva office with seven key functions:

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

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

10. Generational Transitions and Leadership Succession

Although not due for more than 5 years, all G4 members will be stepping down from all of their leadership roles. Effectively, this means that each major role in the Family Enterprise will need to be filled: Chairman of the Business, Chairman of the Foundation, Chairman and Vice Chairman of the Family Council, a representative on the national President's Business Board, Trustee of the Church Body of Elders, Chairman of the Family Office Oversight Board and Investment Committee.

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

Increasing the engagement in education and preparation of all NexGen members is an important and urgent priority .



03 — Executive Summary of Family Wealth and Legacy Plan

(CONTINUED)

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

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

11. NextGen and Family Education

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

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

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

12. Oversight and Implementation Planning

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

The Annual Family Implementation Master Plan will be reviewed quarterly by this Committee and progress reported to the Family Council at their regular meetings.



Key Documents Overview

This page includes all of the Key Documents available to download.

These are editable templates, provided in different formats (PDF, JPG, PPT and/or Word) which are to be completed with your own Family Wealth and Legacy Planning content.



Key Document Download

01 – *Download NextGen Educational Priorities Diagram*



Key Document Download

02 – *Download Generational Transition Plan and Phasing*



Key Document Download

03 – *Executive Summary of Family Wealth and Legacy Plan*



End of Module Checklist

NextGen Education and Generational Transition	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?		
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 NextGen Leadership Development Place in place, including emotional readiness?		



Appendices

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Course Completion Checklist

Content	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 structuring and management and reporting, including sustainable and impact		
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, communication, relationships and individual issues, including conflict avoidance and dispute		
Are your family risk management priorities identified and well addressed?		
Do you have strong Generational Transition, Family Education and NxG Leadership Development Plans in place, including emotional readiness?		



Document Architecture: Progress Checklist

FULL DOCUMENT ARCHITECTURE (check if complete)		
Short Term (current year)	Medium Term (3-5 year perspective)	Long Term (more than 5 years) and Multi-generational
<ul style="list-style-type: none"> • Annual Plan Strategic and financial targets for all elements of strategy, inc Family Council, Business Board, FO and Advisory Board meeting dates • Investment Policy Statement Full version of Annual IPS • Review of FO and Ecosystem Performance and remedial action required • Annual Performance Enhancement Reviews and Development Plans for family members and staff • Family Meeting Agenda • Communication Schedule • NextGen Education and Leadership Development Initiatives • Current actions on Family Culture, Dynamics, Relationships and Individual Issues • Immediate Risk Management Priorities 	<ul style="list-style-type: none"> • Integrated Legacy Strategy • Total Family Wealth Plan Value, Asset Allocation, Distributions, Risk Profile, Diversifications, Sustainable investing, etc • Family Business Strategy • Philanthropic Plans and Activities • Family Eco-system Review • Social Programs for the Family • Implementation Plans for Generational Transitions and Leadership Succession • NextGen Education and Leadership Development Programs • Medium Term Plans for Positive Evolution of Family Culture inc PERMA principles • Risk Priorities and Response 	<ul style="list-style-type: none"> • Family History and Challenges (inc both risks and opportunities) • Statement of Purpose, Vision, Values • Family Constitution with Family Organization and Leadership, etc • Philosophy of Wealth, Asset Structures and Documentation e.g. Trust Deeds, Letters of Wishes • Business Ownership and Leadership Policies and Principles • Traditional Wills and Estate Plans • Ethical Will and Living Will • Philanthropic Policies • Generational Transition Plan • Long Term Succession and Development Plans for family, FO staff and key advisors, trustees • Longer Term Approach to Culture, Relationship and Individual issues



Full List of Courses for Further Exploration

FOUNDATION COURSES

FOUNDATIONS OF LEGACY

Family History, Purpose, Vision and Values

THE RENAISSANCE LEADERSHIP IMPERATIVE

Mastering and Integrating the Disciplines of Our Time

FAMILY BUSINESS

Achieving Excellence in Ownership, Governance, Leadership and Strategy

GETTING STARTED

An Introductory Primer on Family Finances and Investment

CORE COURSES

FAMILY WEALTH AND LEGACY PLANNING

Turning a Financial Fortune into an Enduring Family Legacy

THE FAMILY OFFICE AND ECOSYSTEM

A GUIDE TO GOOD GOVERNANCE

Addressing Board Structure, Leadership and Performance

WEALTH STRUCTURING AND THE PRINCIPLES OF VALUE PRESERVATION

FAMILY DYNAMICS: CULTURE, CONFLICTS, RELATIONSHIPS AND INDIVIDUAL ISSUES

GENERATIONAL TRANSITIONS

RESPONSIBLE BUSINESS

CSR, ESG and New Measures of Success

SUSTAINABLE AND IMPACT INVESTING

LIVING A TRULY WEALTHY LIFE

Essential Knowledge for the Next Generation

EFFECTIVE PHILANTHROPY AND SOCIAL ENGAGEMENT

PREPARING THE RISING GENERATION TO MASTER THE CHALLENGES OF THE FUTURE

FAMILY RISK AND CRISIS MANAGEMENT

MASTERCLASS COURSES

INTEGRATED LEGACY STRATEGY

FAMILY GOVERNANCE, LEADERSHIP AND SUCCESSION

BUSINESS STRATEGY: IMPROVING RESULTS AND INCREASING VALUE

FAMILY WEALTH MANAGEMENT