

EISNERAMPER



Planning when emotions are high

**CFBE**  
CENTER FOR FAMILY  
BUSINESS EXCELLENCE

# Agenda

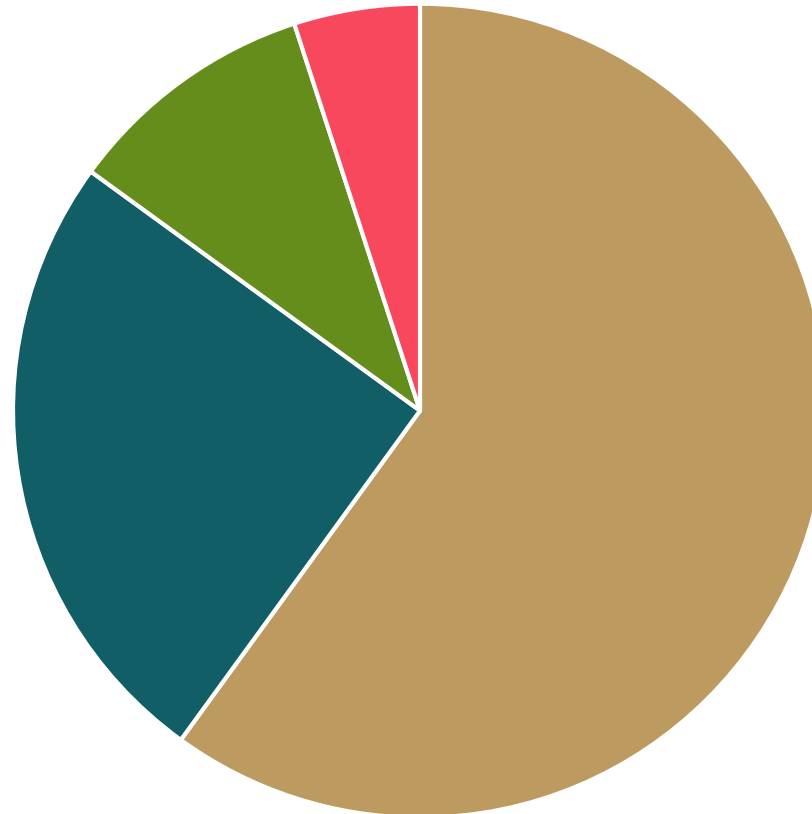
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- Families of Wealth - Family Enterprise
- Trusts as a vehicle for relationships
- Governance Primer



# 70% of Wealth Transitions Fail by the 3<sup>rd</sup> Generation

Reasons for failure



■ Communication and Trust   ■ Preparing Heirs   ■ Mission Statement   ■ Tax & Other

# Challenges to Communication in Families

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- Hurting Feelings
  - I do not want to upset or hurt \_\_\_\_\_
  - I do not want to displease or let \_\_\_\_\_ down
  - \_\_\_\_\_ might think this is about them
- Knowing family/history/precedent
  - I already know how they will respond
  - Last time we talked about this it was unpleasant
  - Talking about it will make it worse
- Boundaries
  - I do not want to burden my kids
  - I do not want to seem impertinent or entitled to my parents
- Distance
  - If they know everything, we might not gather anymore
  - Opening up might disincentive work



# Trust

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## Components of Trust

- **Sincerity** – you want to do what you say you will do (believable, earnestly)
  - i.e. “I really do want to help you move”
- **Reliability** – you will do what you say you will do (consistently, repeatable)
  - i.e. “I have shown up for you and others on the weekend before”
- **Competence** – you are capable of doing what you say you will do (knowledge, experience, capability)
  - i.e. “I have helped other friends move in the past and my shoulder injury is healed”

*\*Trust is relational, multidimensional, changes over time, easier to lose than to build, and is predicated on being 'we'.*



# Complexity in Natural Families

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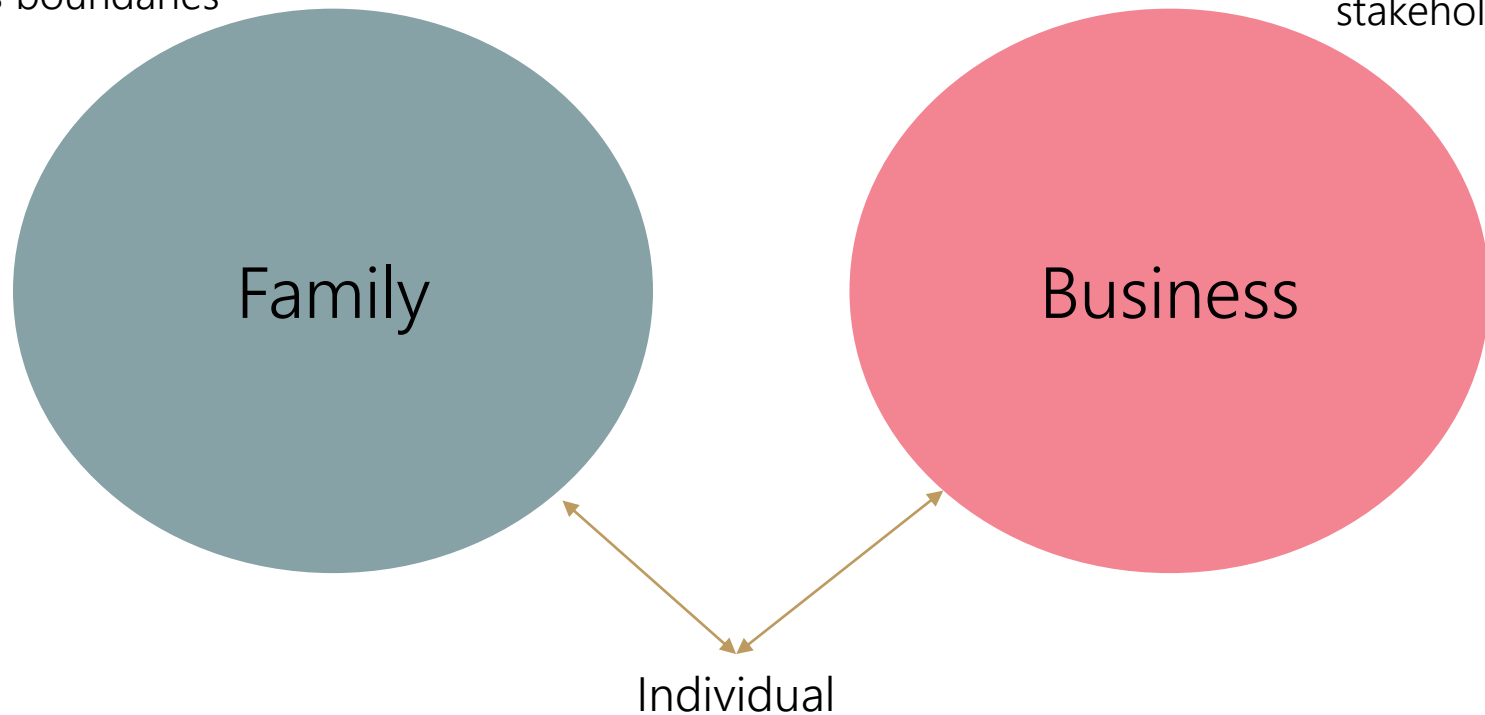
- Belonging
- Culture
- Birth order
- Stereotypes
- Individuation
- Triangulation
- Scapegoating
- Habit
- Sibling Rivalry
- Conflict Management
- Transactional analysis



# Fertile ground for conflict

- Long tenures and relationships across generations
- Porous boundaries

- Multi-dimensional relationships
- Heterogeneity of stakes and stakeholders



# A look at our brain

## Healthy Conversation

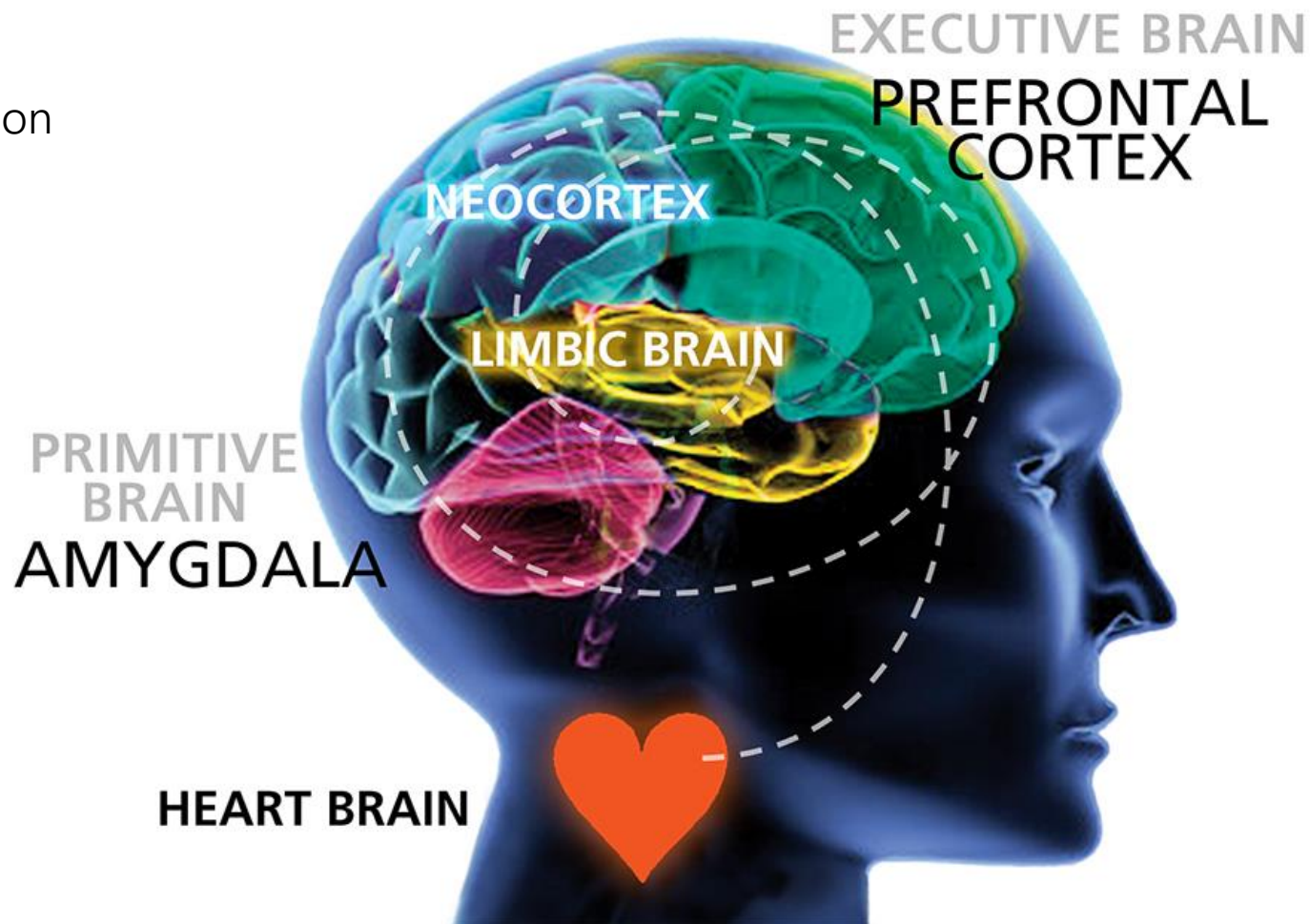
### -Executive:

- Oxytocin
- Dopamine
- Serotonin

## Unhealthy Conversations -

### Primitive:

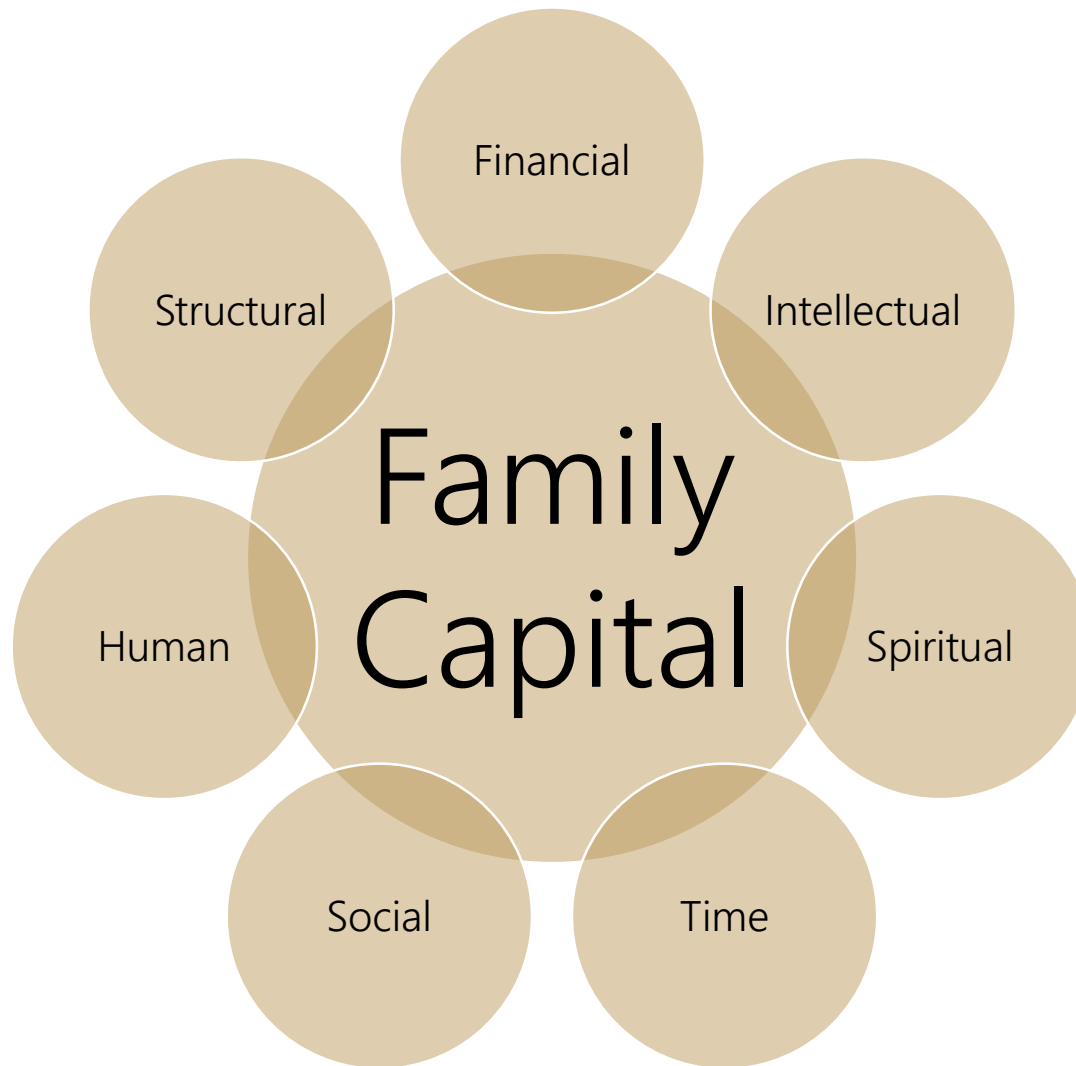
- Cortisol
- Testosterone
- Norepinephrine





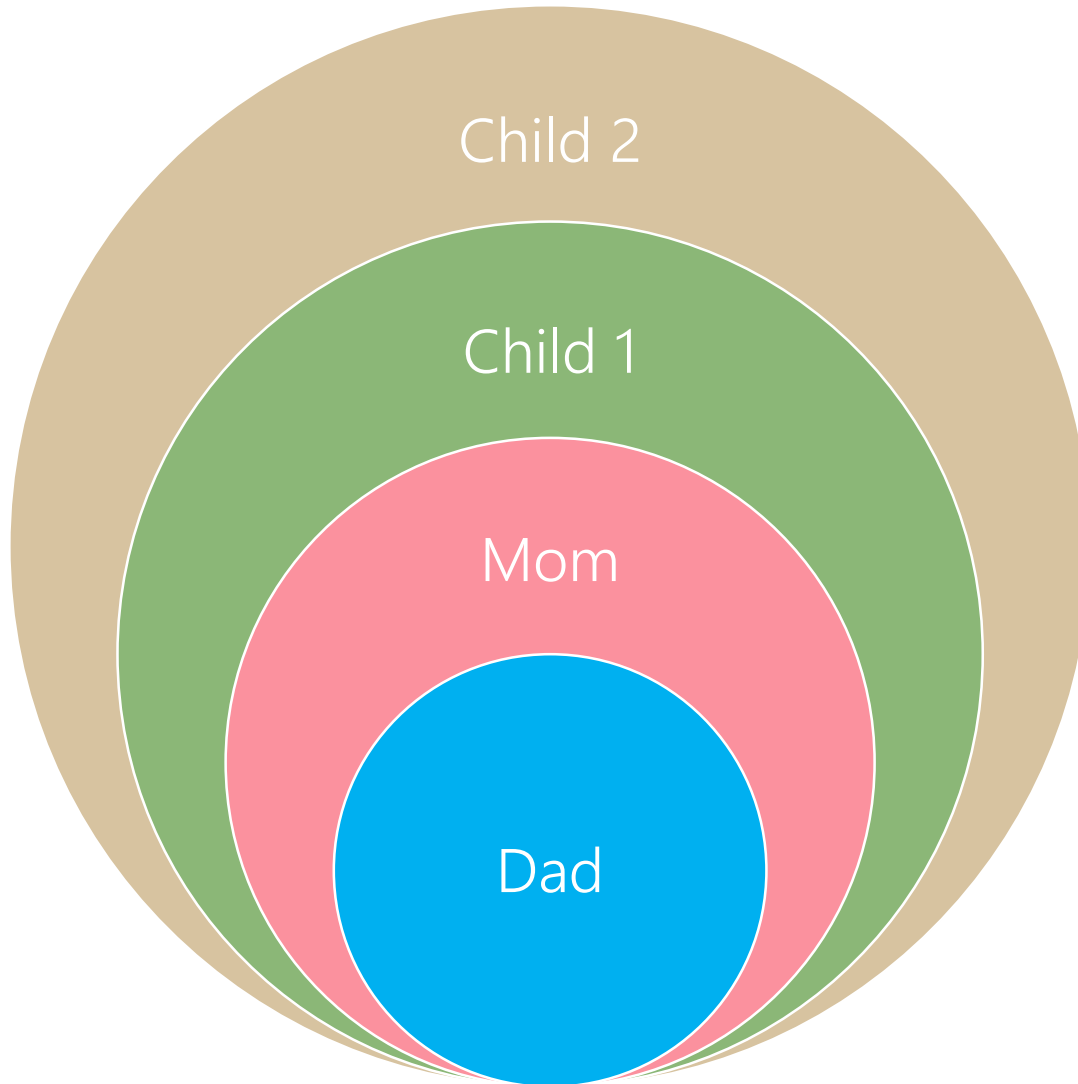
# Wealth as a tool

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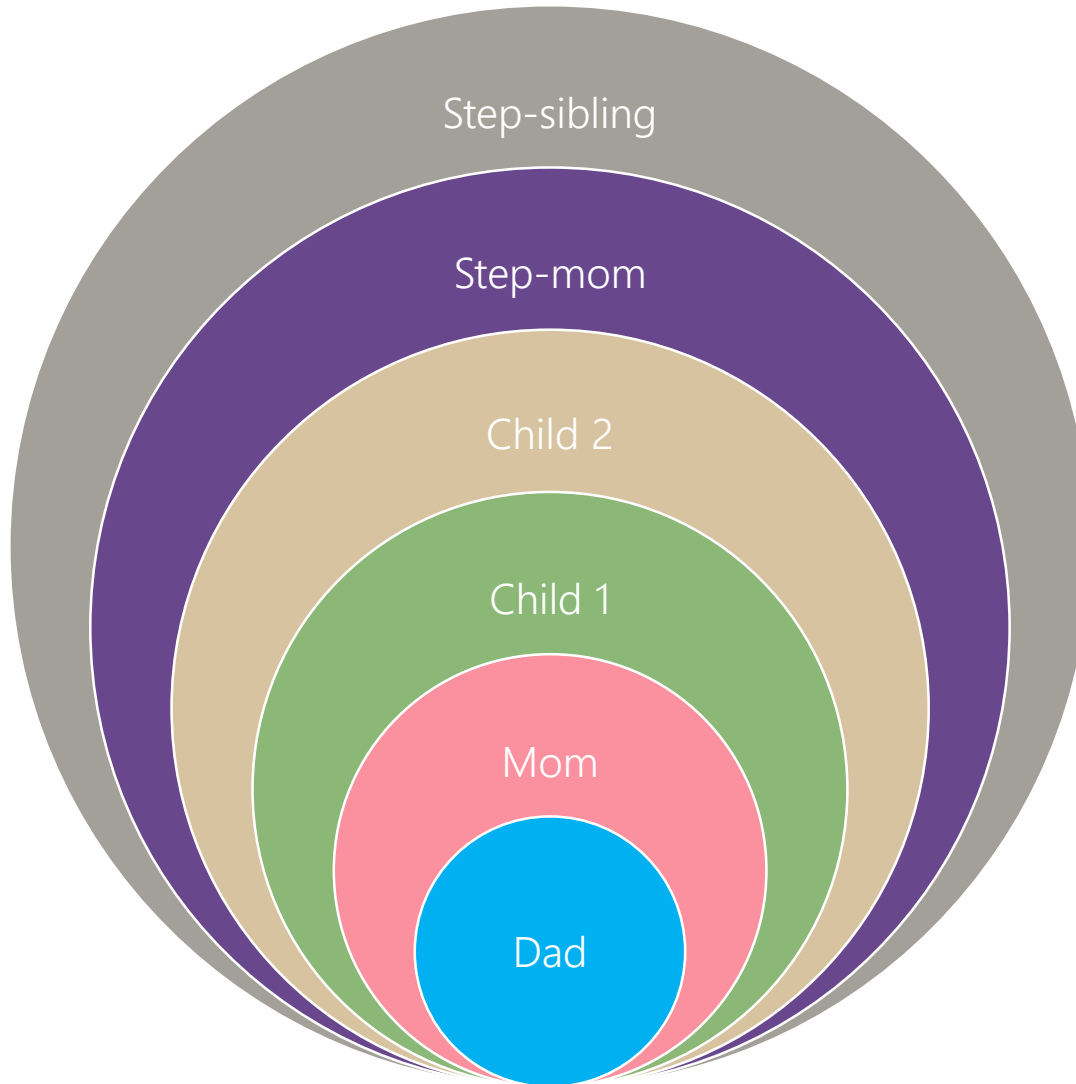


# Complexity in Blended Families

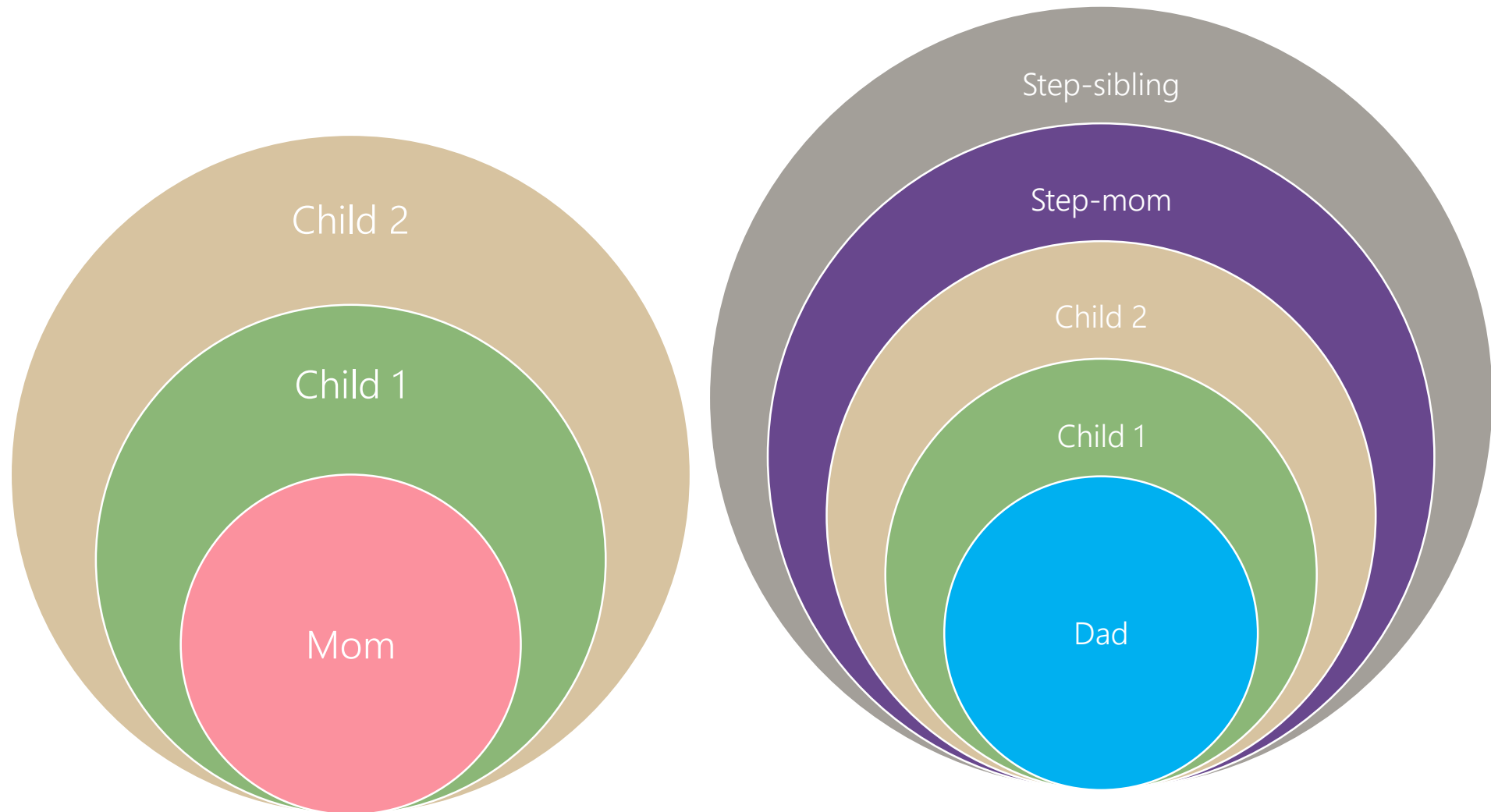
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# Complexity in Blended Families

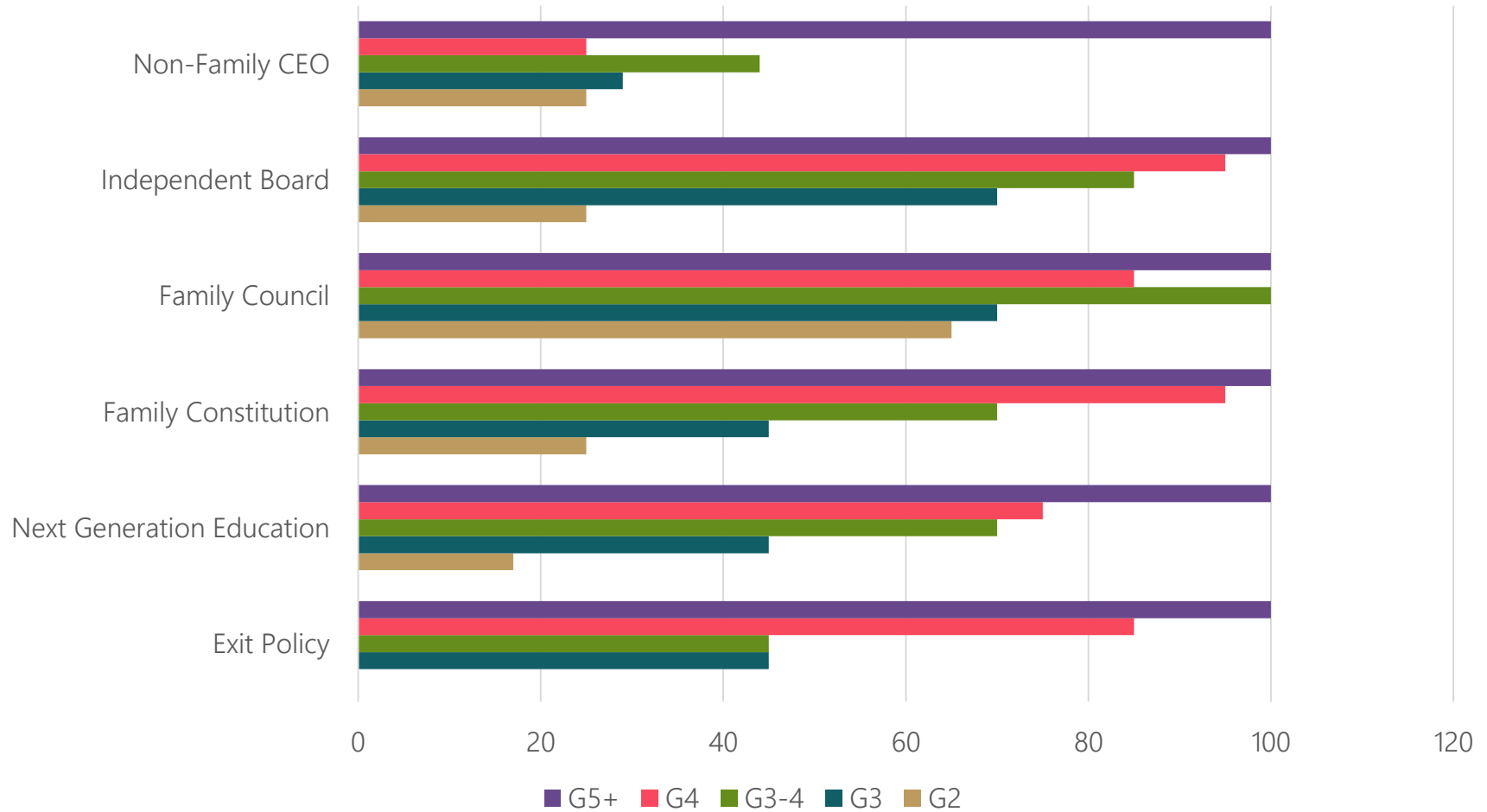


# Complexity in Blended Families



# 100 Year Study

100 families over 100 years



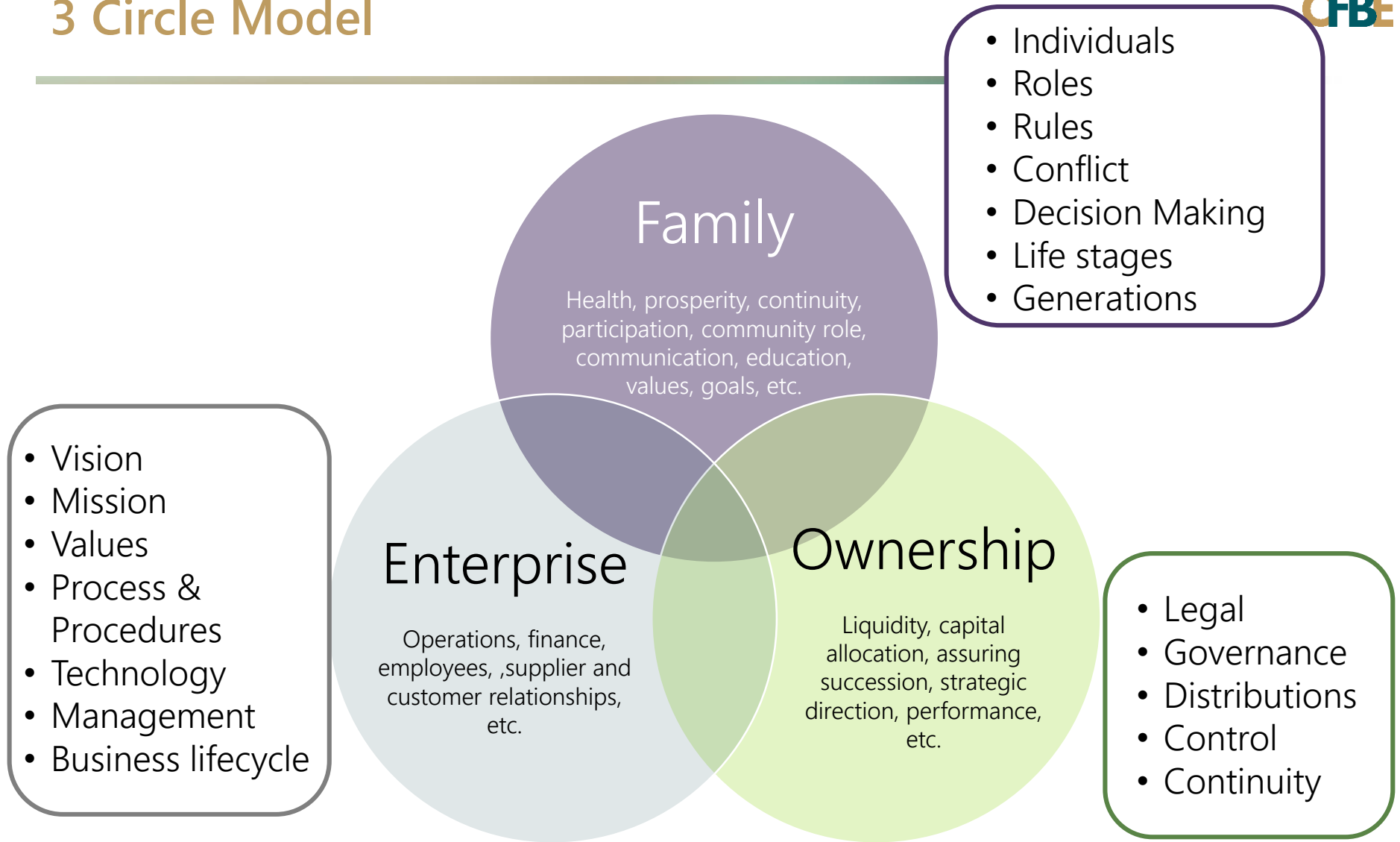
# Common Themes of Enduring Generational Transfer

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- Intentionality
- Balancing Multiple Goals
- Resilience
- Evolving Governance Practices
- Transparency
- Collaboration
- Responsibility
- Stewardship
- Professionalism
- Freedom
- Learning Families
- Developing Human Capital
- Philanthropy



# 3 Circle Model



# Succession

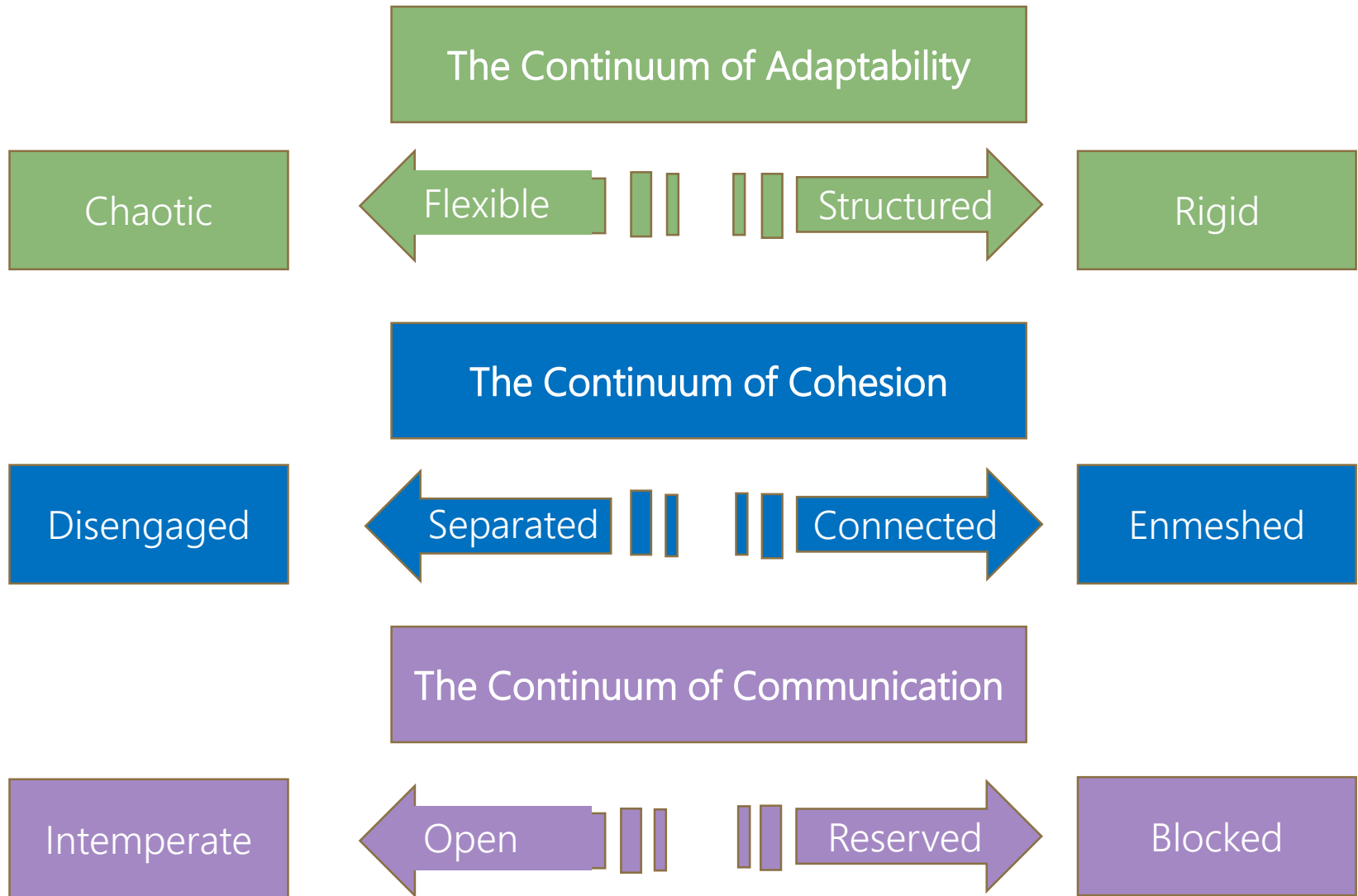
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- This is a multifaceted transitions and not a one point in time event
  - Family Succession
  - Relationship Succession
  - Values Succession
  - Management Succession
  - Leadership Succession
  - Authority Succession
  - Ownership Succession
  - Governance Succession

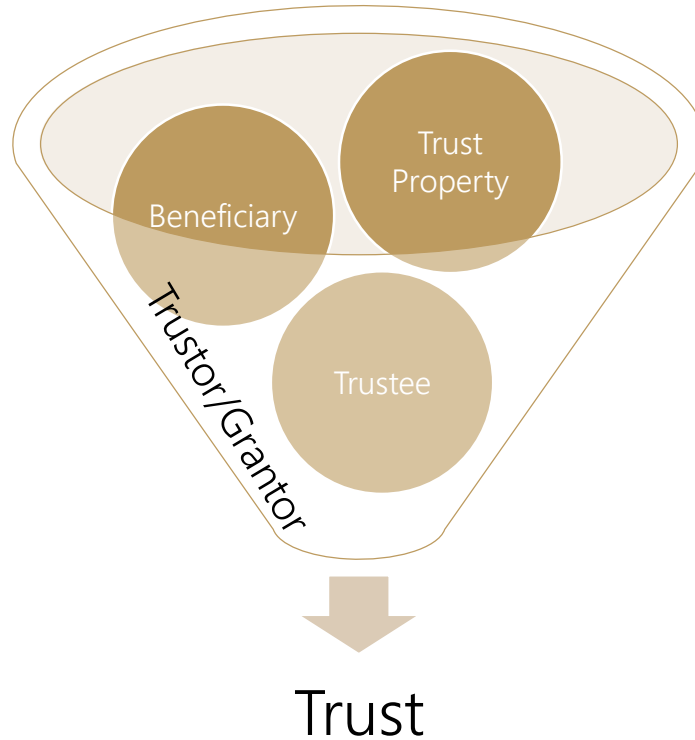




# Continuum for Families of Wealth



# What is the trust landscape?



## Family Dynamics Lens on Trusts

- A trust is properly viewed as a relationship among trust creators, trustees, and beneficiaries
- A trustee manages the property on behalf of the beneficiary
- The relationship between trustee and beneficiary is a fiduciary relationships i.e. one that imposes on the trustee the duties of undivided loyalty and prudence

## What are trustee Duties?

- The trustee has some enumerated duties
  - Administration
  - Distributive
  - Investment
  - Duty to account
  - Duty of care
  - Duty of impartiality

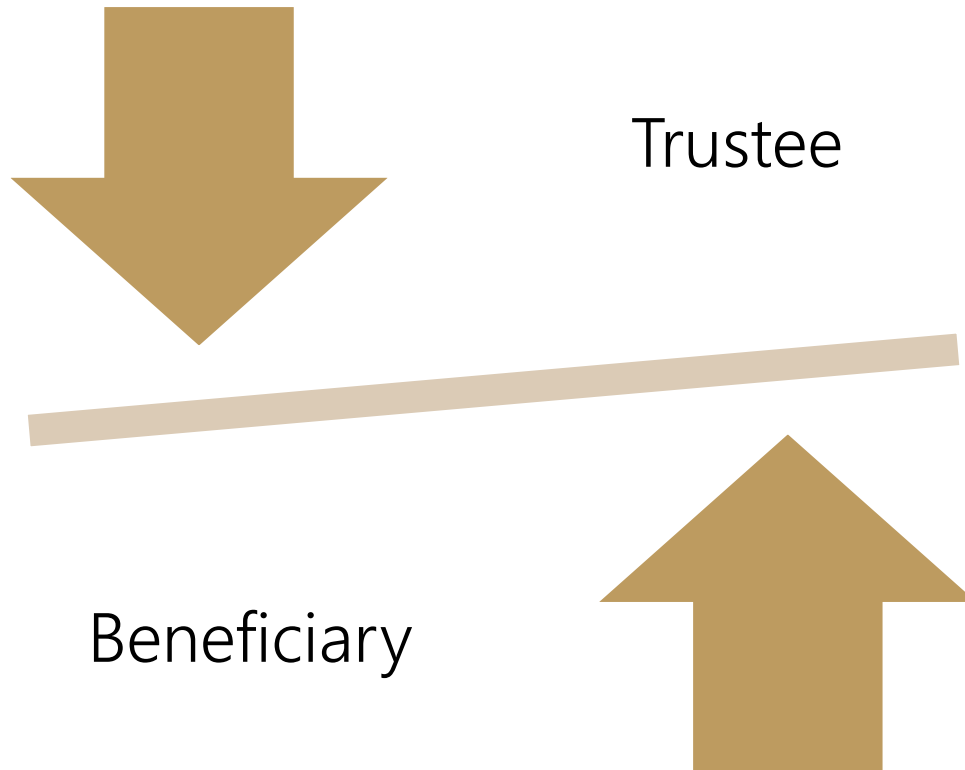


## Common client choices about trustees

	Individual	Institution
Connection		
Knowledge		
Process		
Liability		
Cost		



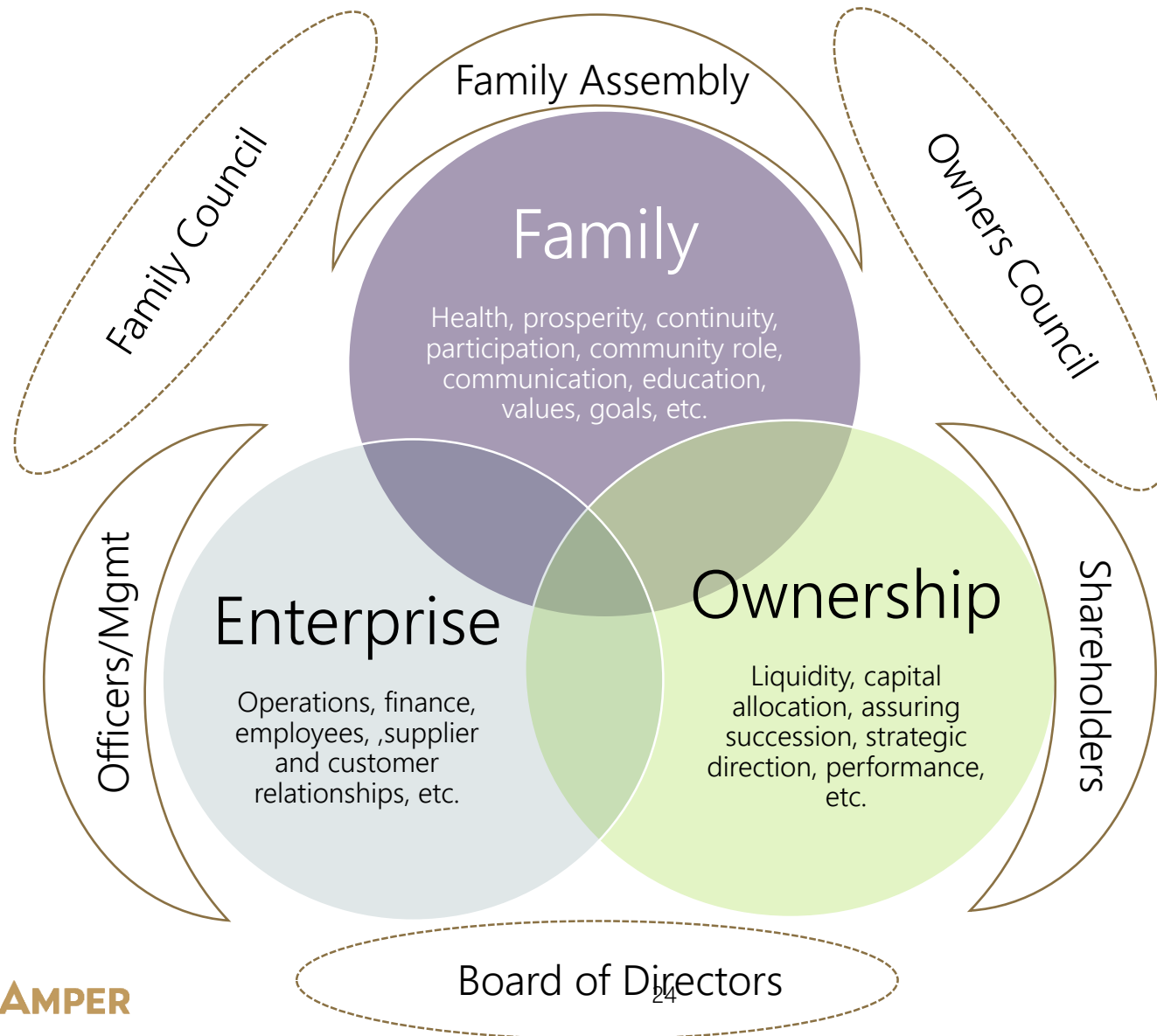
# Relationship



## What Does a Prepared heir look like?

- Holistic and about more than financial wealth
  - Purpose
  - Competence
  - Confidence
  - Reciprocity in Relationships
  - Understand and identify own gifts, talents and passions

# Governance Bodies and the 3 Circle Model





# Governance Agreements

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- Governance agreements facilitate making the implicit explicit
- There is an ability to balance the desires of the organization (interdependence) with the desires of the individuals (independence) enabling adaptability
- Governance agreements are meant to be living, breathing and actionable – not aspirational
- These agreements work, only if you are willing to work them!
- One of the main aspects of governance is accountability



# Common Governance Agreements

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- Code of Conduct (Family/Siblings)
- Social Media Agreement
- Family Employment Policy
- Shared Use Agreement (House/Cabin/Plane)
- Communication Agreement
- Conflict Resolution Agreement
- Family Mission
- Family Vision
- Family Values
- Family Education Plan/Matrix
- Family Constitution
- Shareholders Agreement
- Distribution Policy
- Reinvestment Policy
- Investment Guiding Principles/Risk Tolerances
- Board of Advisors/Directors Charter
- Family Council Charter
- Owner's Council Charter
- Family Bank
- Philanthropic Guiding Principles & V, M, V
- Enterprise V, M, V (sometimes)



# Q&A

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