TOM McCULLOUGH | KEITH WHITAKER

Minibook
Including nine sample chapters from the book

WEALTH OF WISDOM

THE TOP 50 QUESTIONS WEALTHY FAMILIES ASK

WILEY

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Minibook contents:

Contents

Introduction

How Did This Book Begin?

Managing significant family wealth is a complex affair, offering both opportunities and challenges. And those challenges have been on the rise with an unprecedented transfer of wealth across generations, shifting definitions of family, globalization, evolving family dynamics, increasing longevity as well as historically low interest rates, increasing tax demands, and massive wealth creation.

Many family leaders are not well prepared for management of wealth or family issues. It is often not their full-time vocation and they may not have had much training in the relevant disciplines. And even if they do have some of the required technical skills (investments, tax, legal, or business), they usually don't feel equipped to handle the vast number of nontechnical "soft" issues that seem to arise (values, family relationships, succession, and decision-making). The challenges are similar for advisors.

In our travels around the world, speaking with thousands of families of wealth and advisors to families, we have heard many questions about the issues that confront them every day. Often these questions are tinged with a sense of hopelessness and frustration, and these feelings reflect the number of times that the questioners have tried to find good solutions and have come up empty. Here are just a few of the common questions that originally sparked our interest in creating this book:

- How much money should we leave your children, and when?
- How do we raise responsible, independent, and productive children (versus entitled trust fund babies)?
- How can we manage conflict in our family?
- How can we ensure the success of our successors?
- What's the best way to think through the prenuptial process?
- What return should we actually expect from our investments?
- What does passing values to the next generation really look like?

Hearing such questions repeatedly led us to think about how we could bring answers to these families in a way that would be helpful, practical, and easily accessible to them. There is a lot of information already written on some of these topics (and very little on others), but it can be hard to find, is typically too general, and it is definitely not all in one place. We decided to pull it all together into one volume so a family leader, family member, or family advisor could sit down and review all the key questions at one time.

Who Are the Contributors?

But who would answer these 50 questions? We might have tried to write responses ourselves, but we wanted to offer a diversity of perspectives, tone, and experience. In our travels, we have also had the privilege of meeting and getting to know an amazing group of people who regularly work with wealthy families on these key issues. These thought leaders, practitioners, advisors, writers, and teachers are among the most thoughtful people in the world on the topics that are most important to families of wealth. They understand the issues and challenges, but also the nuances of how difficult it can be to uncover workable solutions.

So we set about finding one or two uniquely talented and experienced people to answer each of the 50 questions. The people we found are business advisors, professors, consultants, speakers, and/or family members themselves. They are all leaders in their respective fields, they have significant practical experience, and they have earned the respect of their peers and the appreciation of many families who have benefited from their wisdom over the years.

Over the space of about a year we researched, winnowed and ultimately selected the key questions common to most families of wealth. We then painstakingly matched questions with contributors and worked with the authors to hone their answers so they best addressed the practical needs of families on the particular topics they took on.

We also asked each author to include some questions for further reflection at the end of their essay so that readers could continue thinking about the particular question and make as many applications as possible to their own family. These essays and questions for reflection also are designed to make possible family-wide discussions. In addition, we asked the authors to include a list of books and articles on the topic so readers could go deeper on any particular issue if they so desired.

The result? A wonderful collection of responses to 50 of the most often-asked questions about wealth and family, written by some of the most thoughtful, practical, and insightful family wealth experts in the world.

What Are the Questions?

As we analyzed the 50 questions, we found that they fell nicely into nine categories.

1. *Thinking through what matters most.* The questions in this section address the basic existential issues of life and wealth, and we encourage readers to read the essays and make the application to their own families.

The questions deal with the definition of wealth, what it actually means to live well, what difference our family history makes, and how we pass on values and a legacy. We wanted to start with the things that define us as families and communities, believing that this understanding will act as a foundation and reference point for all questions to follow.

2. *Planning thoughtfully.* This section is about the issues that almost every family will face as they plan for and pass through the various stages of life – planning for good years and bad, seeing children married, transitioning farms and cottages, retirement, living into older ages (with all the good and bad that it entails), and finally death. Having wealth can add comfort, but also complication, to these life milestones, and many families wonder how best to plan for and deal with them as they come into view.
3. *Investing wisely.* In this section, we help wealthy families think through the most important questions about their investments and the risks they need to take. We start by looking at how to identify and calculate goals, what are reasonable market return expectations, and how that can all come together into a practical asset mix and investment portfolio. For some reason, many investment practitioners like complexity, but most clients don't, so we provide some perspectives on simpler approaches to investing. We also address questions that family investors have about risk in the context of investing. And we look at the issue of whether investors should invest through active investment managers or pursue index investing, with some articles on each side of the issue.
4. *Raising the rising generation.* One of the biggest areas of concern for families is in the area of children, wealth, and succession. There is much concern about raising responsible, independent, productive offspring versus entitled trust fund babies. Families worry about raising children in a culture that is so focused on success, about how much money to leave their kids and when they should do it, and what the actual impact of large gifts could be. We address all these issues, as well as questions about how to have good family conversations about financial inheritance, financial literacy, and helping children find the balance between independence and staying connected to the family.
5. *Making shared decisions.* Wealthy families, more than others, have shared decisions to make, due to common pools of wealth, shared business ownership, and communal assets. These can be significant challenges, both with and without the presence of the founder. In this section, we answer families' questions about how to make decisions as a group, how to improve family communication, and what practical steps they can take to build healthy families. We also look at the issues of governance, family meetings, and conflict management, and answer the question

of whether families should keep their assets together or go their separate ways.

6. *Combining family and business.* Many wealthy families have operating businesses, or have made most of their wealth from a business that has since been sold. It permeates family history, relationships, and decision-making. Many families still retain a family 'enterprise' of some sort, whether that is a company, a pool of investments, a trust, or a foundation. Understanding and integrating the roles of family, ownership, and management is an ongoing challenge, epitomized by the classic Three Circle Model[1]. In this section, we look at questions of how to engage children in the family enterprise, how to develop leaders and make successors successful, and the importance of business family unity. We also identify the signs that owners might be losing control of their business, and ask whether a family can stay together after the business is sold. Even if you don't have an operating business, these questions and answers contain rich veins of valuable insight.
7. *Giving well.* Philanthropy is a central part of the lives of most families of wealth. Charitable giving is a natural option for families with excess capital beyond their needs, but more than that it is an expression of their values, vision, and commitment to their communities. In this section we address some philosophical questions about how to decide on your charitable choices, and some practical questions about how charitable goals can be best achieved – giving, investing, or a combination. We also address the important questions about how to encourage generosity among succeeding generations, and how to engage children and grandchildren in philanthropy.
8. *Seeking sound advice.* Managing families and wealth is complicated and it is hard to be good at every aspect of it yourself. As such, most wealthy families will seek some advice, but good advisors can be hard to find. In this section, we look at questions about advisors, including what types of advisors you should consider, and how you can find qualified, trustworthy ones and avoid the bad ones. We also look at some specific questions about whether a family should choose a single-family office or a multifamily office, and how they might choose an excellent trustee.
9. *Facing the future.* Finally, we look at questions about how families of wealth will face the future. We know from experience that the future is uncertain and things that seem certain now may be completely (and surprisingly) different in just 5, 10, or 20 years' time. This could apply to the world, the market in which the family business operates, capital markets, global equality/inequality, or the family itself. It might also apply to the

[1]Renato Tagiuri and John Davis, "Bivalent Attributes of the Family Firm," *Family Business Review* 9, no. 2 (Summer 1996): 1999–208.

way in which you think about your own goals and desires. The practical (and eclectic) answers to these questions are not definitive (by design). Rather they are intended to provoke reflection and discussion within your own family, and to help you find the balance between family stability and resilience over the generations.

How Might You Use This Book?

The primary use of this book is to spark reflection, deepen your thinking, and educate your choices, whatever your role in your family is – patriarch, matriarch, Mom, Dad, son, daughter, brother, sister, cousin, shareholder, trustee, beneficiary, advisor, or trustee.

Don't feel the need to read through this book the way you would a novel. Each section, each essay, is meant to stand on its own. Take a moment to think about what your main concerns or questions are. Then look through the table of contents and identify the chapters that speak most to those thoughts. At the same time, don't hesitate to dip into essays that may seem further afield. If you feel knowledgeable already about investments or planning, try some of the chapters on raising the rising generation or making shared decisions. Our hope is that these chapters will hold unexpected discoveries for even the most experienced readers.

Beyond personal reflection, we have designed these chapters to spark family conversations. These can happen most readily in two ways. First, we encourage you to share chapters that you find meaningful with one or another family member (e.g. a spouse or a sibling or a cousin). Then set up a time to discuss what you learned, what new questions or thoughts your learning prompted, and how you want to apply your learning to your family.

Second, these essays – and particularly the questions for further reflection with which each one ends – are short enough to form the basis of a family discussion (for example, at a family meeting). So often, families hesitate to hold family meetings out of a fear that they lack a common vocabulary – that the meeting will be over some members' heads and beneath others.

If you are facing particular choices or challenges as a family – for example, around the management of a family business, or planning for a family vacation home, or evaluating investment managers – use one or more of these essays to provide a shared point of departure. Ask family members to read it before the meeting, provide a synopsis at the meeting, and then discuss each member's reaction. Even if you don't resolve the particular matter at hand, this process will educate family members in an important topic and, most importantly, about each other.

For the advisors among our readers, we encourage you to borrow liberally from the suggestions that our contributors make and apply the lessons they have learned to your own client families' situations. Further, we encourage you to use specific chapters to prompt conversations with your clients about these topics. Even if you disagree with an author's recommendation, or the conclusion does not fit your client's specific needs, talking over the chapter can deepen your understanding of your client and their appreciation for your care.

Finally, for both families and advisors, we have included at the end of each chapter a biography of the author or authors. Feel free to reach out to them for a conversation or consultation, if you find their thoughts speak to your situation. Likewise, as cultivators of this orchard, we are ready to share the fruits of this labor – the best practices, the lessons learned – with individual families or audiences of multiple families.

Summary

This book is intended to be a practical, on-the-ground, how-to guide that will answer the key questions that every family of wealth wrestles with on a regular basis and provide common lessons and practical steps that families can take away and employ today. It brings together the most creative ideas and insightful thinking from the best minds in the world on topics of wealth and family. It also provides additional resources that families can access if they want more information and depth on a particular topic.

We hope your enjoy this book as much as we enjoyed creating it.

SECTION 1

Thinking Through What Matters Most

While he was Dean of Religious Studies at Stanford University, one of our contributors (Scotty McLennan) would invite guests to lecture to the university community on the topic, "What matters most to you and why?" His invitees, who were all well-spoken and accomplished leaders in their fields, regularly reported that this lecture was one of the most difficult – and most rewarding – that they had ever been asked to give.

It is in a similar spirit that we begin this collection: with a focus not on the experts or the answers but on you, the reader, and your questions. Business, wealth, family, and life itself all have a way of drawing our attention away from what matters most to what matters now, from the important to the urgent. The essays in this first section are meant to help correct that natural tendency.

Patricia Angus begins that process with the question, "Are you wealthy?" This question may seem at first blush easy to answer, just a quantitative matter. But of course it all depends on what you mean by "wealth." She invites readers to think through that question in ways far beyond money, including the impact that each of us has on the world around us.

Scotty McLennan then offers a different way to think through these large matters: engagement with serious literature. He shares several examples that touch upon the relationships between parents and children, meaningful work, and death. He closes with several lessons that he has drawn from decades of such reading as concerns that enormous question, "How can I live well?"

The next two essays then focus more closely on thinking through what matters most within the context of significant wealth. Thayer Willis takes on the large topic of legacy: What is it? She offers a path to answering that question for yourself that begins with identifying and clarifying your values and moves to specific ways to speak about your values with your heirs. Building upon this approach, Ellen Perry then offers five lessons for passing on values to children and grandchildren, lessons that concern modeling desired behaviors, telling stories, and attending to the growth of human capital.

In the fifth essay in this section, Paul Schervish introduces readers to the Ignatian practice of "spiritual discernment," which provides a framework for thinking through – and "feeling through" – the questions facing someone who has resources that exceed his or her personal needs, such as questions about how much to give to charity and how much to leave to children or other heirs.

Finally, for most people, the answer to the question "What matters most?" depends not only on where we are going but also where we have come from. This is particularly true when the context is family. Heidi Druckemiller explores how important stories are – even or especially stories of adversity and loss – when it comes to building a legacy and connecting families across generations. Indeed, such stories might be one of the largest "asset classes" of our true wealth.

SECTION 2

Planning Thoughtfully

In principle, nobody is ever really against planning, but few of us do it. And fewer of us do it well. In a famous study, Roy Williams and Vic Preisser suggest that almost 70% of family wealth transference and business succession plans fail.[1] Reasons include lack of planning, poor follow-through, and insufficient communication. It's a common problem, but it is preventable.

Planning can mean many things to many people, but there are likely three core benefits to consider.

1. *Thoughtful decisions.* Planning can help you think through and express what you really want and how you might get there. A few well-crafted questions from an experienced guide (like some of the ones in this book) can help you make better, more thoughtful decisions, and think through the consequences of your choices. Founders, in particular, tend to be more doers than planners (given their past entrepreneurial successes) and may have to work a little harder at stepping back to think about what is most important, but you may see it as worthwhile with all that is now at stake.
2. *A roadmap.* Planning can also help you create a set of key priorities and a to-do list of the critical things that need to happen to ensure success (whatever the definition is). There is a very high correlation between writing down what you want to do and doing it (or delegating it!). Vague wishes, hopes, and intentions won't do the trick.
3. *Conversations with others.* A good plan also includes conservations with and involvement of other people in your world – spouse, children, partners, co-workers, and advisors. They can't read your mind. A good plan helps bring clarity, communication, and hopefully even buy-in to the family plan.

[1] Williams and Preisser, *Preparing Heirs* (San Francisco: Robert D. Reed Publishers, 2011).

Scott Hayman writes the opening article, asking “Is it worth having a financial plan?” In it he lays out the reasons to have a plan, including a higher probability of meeting goals, improved confidence in decision-making, and lower stress, not to mention better outcomes. He also provides suggestions on how to make the plan realistic and valuable. As usual, the inputs and assumptions make all the difference.

Meir Statman takes on the question “What is the right balance between spending and saving in retirement?” He comes at it from the perspective of behavioral finance – a field that combines finance and human behavior. In his research interviews with couples in retirement age, he finds that many have more than enough money to pay for whatever they need, without risk of running out of money before running out of life. Yet they resist, insisting that they cannot afford these services. Why do people behave this way? Can they change? Should they change?

When your children tell you they’re getting married, it is usually good news. But for families of wealth, there are often other issues and complications that come up as well, including concerns about protecting family assets in a world of marriage break down. Charlie Collier answers the question “What is the best way to think through the prenuptial process?” and shares his many years of wisdom and experience. In fact, he turns the question on its head and suggests a conversation about how you can help the couple in their lives together.

An increasingly common phenomenon in today’s era is extended human longevity. Living longer seems like a good thing but it can have negative and even surprising implications. Patricia Annino answers the question “How can you prepare for longevity and mental incapacity among family members?” She tackles the tricky issues of assessing mental competence, but also the other side of that coin when patriarchs and matriarchs are still so sharp in their later years that they don’t step aside from family and business leadership and frustrate the next generation.

And finally, Kathy Wiseman looks at the issue of “How can you plan for a good goodbye?” In many families and cultures, people don’t like to talk about death. It’s not comfortable. In addition, many hard-driving entrepreneurs want to believe they’re never going to die. But in families of wealth, it is critical to plan for your goodbye and prepare for it – financially, emotionally, and relationally.

Planning is worthwhile exercise for all families, particular those with significant wealth and complexity. In any planning, remember to use good inputs and conservative assumptions, frequent communication with key stakeholders, and lots of flexibility to accommodate the inevitable surprises!

SECTION 3

Investing Wisely

Investments and Risk

It is not surprising that families have questions on investments. They are notoriously difficult to forecast and are often complex, there are many self-proclaimed experts on the topic with contradictory opinions, and they are rife with misinformation and conflicts of interest.

Yet it is extremely important for families to understand their investments, because they are engine that powers the family's financial ship and funds the family goals. When thinking about investments, the focus is frequently on expected returns. The articles in this section try to shine the light in a different way – paying special attention to the goals, the risks, and the choices implicit in the investment returns.

We start with an essay by Ashvin Chhabra that answers the question "How can you make sure your portfolio lines up with your actual goals?" Many investors set out into capital markets without understanding what they are trying to achieve. Ashvin explains why a clear path makes for happier outcomes.

Chris Brightman proposes a thoughtful response to the question "What return should you expect from your investments?" Although it is fair to say that no one can predict investment results (particularly in the short run), Chris lays out a fact-based and time-tested formula for capital market expectations that investors and their advisors can use.

Jean Brunel address the very practical challenge of "What should your asset allocation be?" He marries the ideas of quantifying family goals and constraints, creating specific portfolios to meet specific goals, and aggregating the portfolios into an overall investment policy. The result is an investment program that improves the probability of meeting investor goals.

We then offer three essays on the topic of financial risk. Howard Marks and Jim Garland respond to the question: "What is the most useful definition of 'risk' for private investors?" Each of them brings their own experience and expertise to this important topic. One issue they agree on is that the most common definition of investment risk – volatility – can be deceptive and even dangerous and may lead investors astray, and that there are better ways to quantify and apply risk.

Finally, we tackle how to determine the best approach to selecting suitable investment strategies and vehicles. Charley Ellis answers the question "Is active management still worthwhile?" with a resounding no. He argues that, given the substantial changes in the investment industry, performance-seeking investment managers can, on average, no longer outperform their benchmarks net of the fees they charge and that index investing is the way of the future. Tim Armour answers the "How do you choose investment managers?" question, recognizing that, in the right context, there are still successful active managers to be found, as hard as it may be.

Investing is a challenge for all families. For some, the investments are a counterweight to their operating company assets, and for others they are the main store of wealth. Some choose to make decisions themselves, whereas others opt for advisors and investment managers. And some invest in public, liquid assets, and others seek out unique private investments. Whatever the approach a family takes, solid answers to the key questions – the goals they want to fund, the returns that are realistically achievable, the risks the family can bear, and the strategies they choose to employ – will substantially improve the likelihood of success and the comfort of the journey.

SECTION 4

Raising the Rising Generation

Most people believe that their children are among the greatest goods in life, and they would do anything for them. This love for our children sets up one of the greatest paradoxes of family wealth: Many parents work day in and day out to amass wealth for their families, and at the same time they fear that their financial success will ruin their children or grandchildren.

In the light of this paradox, it is not surprising that some of the wealthiest people at present are pledging to leave their descendants only a relatively small percentage of their financial assets. We have generations of evidence that a financial inheritance can inflict great harm on its recipients, including a poor sense of self-worth, difficulty establishing healthy relationships with others, substance abuse or addiction, or a general sense of airy insubstantiality.

Yet, as real as these dangers are, “giving it all away” is not the only solution.

The chapters in this section take on some of the thorniest questions on how to make sure that money benefits rather than harms those we love most.

Dr. Suniya Luthar points out some of the troubling behaviors that an environment of success can encourage in young people, as well as specific practices parents can adopt to address those dangers.

Beyond not falling prey to dysfunction, independence is what all parents want for their children. Although children from poor or even middle-class families are forced by necessity to make their own ways in life, wealth can easily encourage dependency. Jill Shipley offers concrete practices parents can use to promote independence. Coventry Edwards-Pitt shares key considerations in promoting financial literacy, which importantly begins with personal values, not the knowledge of financial terms.

Financial literacy is a theme that runs through several of these essays. Dr. Lee Hausner raises it along with very practical considerations around when to share money with children or grandchildren, how to manage the use of trusts in making such gifts, and what to do when your recipients themselves are unequal in their abilities to make (or keep) money. Peter Evans takes on similar questions, with a focus on ways that family members can learn about how they learn – to make this exercise of helping children integrate wealth into their lives all the more productive.

Although independence is perhaps the highest goal of parenting, parents also hope that their children find strength and joy in being interdependent with the rest of their family. Two other essays explore this delicate balance. Kelin Gersick takes it up in the context of family governance, explaining how the family landscape often looks so different to parents and to children and how to bridge that gap. Dr. Dennis Jaffe shares ways that parents can engage their adult children in the family enterprise, specifically through the use of well-designed family meetings. (Several of the essays in our section "Making Shared Decisions" also contain insights on designing effective family meetings.)

Finally, a word on the title of this section: within the world of family wealth, many advisors use the term *next generation* to identify the children or grandchildren of their clients. We and our contributors have tried to nudge gently against this term, in favor of the "rising" generation. We have heard from many family members that the word "next" makes them feel less important, compared with the impressive wealth-creators who, presumably, came "first." In contrast, "rising" honors the opportunity that every generation has to grow, define itself, and flourish. That is a hope that all parents share.

SECTION 5

Making Shared Decisions

There is a reason that families with wealth or family businesses sometimes speak about *family governance* but never about *family government.* Government implies an authority: a group that rules and another group that is ruled; it implies laws, that is, rules that are backed up by force. At least in Western families, which place great importance on individualism, family "government" would never fly.[1]

As a result, *family governance* can become something of a squishy term; what does it really mean? Is every family a democracy? Hardly. Nor does every family have to be.

Rather than talking about governance, we prefer focusing on the question, "How do we make shared decisions?" Who shares in what decisions may change from time to time, decision to decision. But of course the first and most fundamental decision is, "How do we decide?"

That fundamental decision is the one that all the essays in this section approach, in one way or another.

Barbara Hauser begins by highlighting principles and practices from the Organisation of Economic Co-operation and Development. These include transparency and the sharing of financial information, principles often captured in the form of a Family Constitution.

But how can you get to the point of designing and agreeing on a family constitution? The next two essays take up this challenge. Jennifer East offers practical, concrete steps for improving family communication, which come down to good planning, structure, and the courage to take action. Christian Stewart then offers an actual curriculum that families can implement – focused

[1] Other cultures may accept a more "governmental" approach to family decision-making. For this reason, we have included authors in this section with broad geographic experience outside the United States: Barbara Hauser in Europe and the Middle East, Jennifer East in Canada and the Middle East, Christian Stewart in the far East and Australia, Katherine Grady and Ivan Lansberg in Europe and South America, and Mary Duke in Asia and Europe.

on strengths, stories, difficult conversations, and trust – to build healthy relationships. These are the foundation for the very ability to make shared decisions that last.

For many families, the process of making shared decisions intersects with the structures that organize their material assets, such as business entities or trusts. In the next essay, Katherine Grady and Ivan Lansberg describe the proper use of a business board of directors and a family owners council – and, very importantly, their points of intersection. They also include advice on how to prepare family members to contribute effectively to these deliberative bodies.

A fundamental tool for making decisions amid family wealth or business is the family meeting. These come in all sorts of shapes and sizes, and families who succeed over time use family meetings regularly. Mary Duke offers practical guidance in the what, where, who, and how of family meetings.

Finally, conflict is a natural part of family life, because different members have different interests and, sometimes, different values. Blaire Trippe outlines ways that families can better define and manage their natural conflicts, with a particular attention to development – of the family as a structure and the individuals within it – as a means to manage and resolve conflict. Doug Baumoel then considers the crucial question, “Are we still a family without shared assets?” Though it is deeply challenging to consider going your separate ways, the family that faces this question and then decides to continue together has made the most fundamental shared decision.

SECTION 6

Combining Family and Business

In a unique study of families that have managed, against the odds, to preserve a major family enterprise into or beyond at least the third generation of family control, Wise Counsel Research found that 77% of the families in the study continue to own or manage operating businesses together – on average 114 years after the founding of the original enterprise! By itself, this result suggests that the presence of an operating business – with its sense of identity, commitment, collaboration, and impact – may play a large part in long-term family success.[1]

Of course, combining family and business is also fraught with financial, managerial, and emotional pitfalls. There are strong forces against family business continuity. The essays in this section take on those challenges and offer ways to increase the probability of continuing an operating family enterprise.

No family enterprise lasts unless future generations want it to continue. So every enterprise must find ways to engage the rising generation, ways that Dennis Jaffe takes up in the first essay in this section. He particularly focuses on increasing connection, transparency, capability, and commitment. Because the use of family meetings is so crucial to family businesses, he also emphasizes some of the best practices around designing and holding effective family meetings.

The next two essays then consider the question of how to turn engaged rising generation family members into leaders in the family enterprise. Greg McCann considers the different types of leadership needed in different situations, and then offers a model of "vertical leadership" development that focuses on potential family leaders' ability to be aware of themselves, empathize, effectively frame issues, and inspire others to create change. Dean Fowler then offers seven habits that families and their members can engage in to ensure that their successors succeed, not just in business but in life: all the way from achieving

[1]See Dennis Jaffe, *Resilience of 100-Year Family Enterprises* (Milton, MA: Wise Counsel Research, 2018).

psychological and financial independence to committing their own funds to the family enterprise.

The next two essays in this section step back to consider the relation between family unity and family business. Andrew Hier and John Davis frame the issue by highlighting the dangers of disunity and then offering specific practices for building family unity, ranging from organizational changes to changes in ownership of shared assets. Josh Baron and Rob Lachenauer then describe specific warning signs to look for that indicate that you may be losing control of your family business; many of these problems arise merely from habit or a mistaken sense of efficiency, making it all the more important to watch out for them.

Finally, Alex Scott, a descendant of the founder of the Provincial Insurance Company (UK), considers the crucial question, "Can a family stay together after the operating business has been sold?" His answer is a resounding, "Yes" – but of course that result does not come about without considerable intentionality and effort. He describes some of the practices that worked for his family, concluding with the importance of cultivating an attitude of stewardship and the desire to be valuable citizens. With this conclusion, he takes us full-circle to some of the first essays in this book, hinting that family success may depend not only on commitment to shared business (which involves doing good for customers and workers) but also and perhaps most importantly on citizenship, a sense of contribution to the nations that provide our families a home.

SECTION 7

Giving Well

Philanthropy – the love (*philo*) of humanity (*anthropos*) – has been a part of the lives of wealthy families for millennia. With their dollars and time, they have helped the poor, built libraries and hospitals, become patrons of the arts, and advocated for human and political causes. Societies, locally and around the world, have benefited from these gifts.

But wealthy families themselves have also benefited from philanthropy. They have experienced the joy of giving to others and seeing progress. Through giving, they have helped to cultivate a spirit of generosity among their family members. And they have seen how a common external cause can knit their clan together and build powerful enduring cross-generation values, counteracting the natural entropy families face over time.

In some ways, we are now in a golden age of philanthropy as mega-wealthy donors – Bill Gates and Warren Buffett come to mind – commit large portions of their wealth to charitable endeavors. At all levels of wealth, families are wrestling with many of the same philanthropic questions and issues. How much of our wealth should go to our heirs and how much to charity? What is a good investment of time and money? What are the right vehicles? How do we make wise decisions? How do we involve others?

Our contributing authors will shed some light on some of these issues and give you some food for thought along the journey of family philanthropy.

There is a whole vocabulary about philanthropy these days, which can be confusing. Ellen Remmer answers those questions directly: 'What is the difference between charity, philanthropy, strategic philanthropy and impact investing?' She also provides many examples and tips to help families decide how they want to approach their giving and charitable investing.

When we think of our wishes for our children, most of us would include among them an attitude of authentic generosity, which often displays itself as gratitude, kindness, and a sense of community. Al Halliday and Anne McClintock answer the question "How can you encourage generosity in your family?" and show how philanthropy can be an important tool in developing that spirit among all members of the family.

The problem is that it is often difficult to interest and involve younger generations in family philanthropy. Sometimes, based on their stage of development, they may have other interests and priorities; in other cases, philanthropy been built into the culture and practice of the family. Lisa Parker's essay answers the question "How do you engage your children and grandchildren in philanthropy?" with some highly practical advice and suggestions that are sure to encourage engagement.

Good philanthropy requires planning and forethought, but it also has a strong emotional side, often driven by passion, vision, and calling. Barnaby Marsh knits these threads together and looks at how you can wisely develop a long-term strategy for your philanthropy. He helps us think about why we give, how our giving might shift in the future as the world changes, and how we stay focused yet flexible on our philanthropic mission.

Those families who embrace and nurture their philanthropic urgings will give gifts, but are likely to receive significant gifts as well. Philanthropy allows families to face *outward* together. It encourages them to reach beyond the immediate and dream big. It provides purpose and meaning to life. And it encourages humanity and character in its members. Enjoy the journey.

SECTION 8

Seeking Sound Advice

Life is complicated. And it gets more so as wealth increases – particularly when assets are owned in common, structures become more complex, the number of family members increases, and founders plan to pass on operating businesses and financial or real assets. At the same time, the world in which we operate is also becoming more complicated with investments, taxes, regulations, and geopolitical events spinning faster every day.

You can't be good at everything, so it is probably inevitable that you will have to rely on advisors with key technical skill and practical experience. Also, since you will often have only one shot at making key decisions (such as a business sale), you might want to talk to someone has significant and familiarity with this particular issue.

But it can be hard to find the right advisor – with integrity, a good demeanor, the right fit with you, the best set of skills, and the appropriate incentives and motivations. In this section, our authors help you think through the fundamental questions of working with advisors – how do you choose them, which ones are right for your family, how do you use them well, how do you evaluate them and when do you change them?

We start with an essay by Susan Massenzio responding to the question "What types of advisors should you have in place?" Even that is not a simple question because the menu can include generalists, specialists, technicians, mentors, coaches, facilitators, counselors, and even family members, all with varying degrees of appropriateness for those roles. Susan looks at all the different sorts of people who can advise families, what specific benefits they can bring, and what you should (and should not) expect from them. She also offers a series of questions that can help families separate the wheat from the chaff and find advisors that will be a positive force in the life of a family, with a particular focus on advisors competence, experience, and good will.

In his typical no nonsense, no-holds-barred approach, Philip Marcovici provides guidance on the question "How can you find trustworthy advisors?"

His many years of experience as a lawyer to families of wealth have made him suspect of many advisor motivations, incentives, and desire for control. He provides great input on reducing conflicts of interest and improving alignment between advisors and clients for the benefit of families.

What do you do when you think you found a good advisor but you're not sure? Perhaps there are some red flags and maybe just some yellow ones. Stephen Horan and Bob Dannhauser tackle the topic, "How can you avoid the next Bernie Madoff?" Unscrupulous advisors and inappropriate investment products will never disappear, but in a complex investment arena where advisors are often required, Stephen and Bob provide guidance on how to, in the words of Ronald Reagan, "Trust, but verify."

Some families have determined that they could benefit from the integrated objective approach offered by a family office, which then leads to another set of questions such as "Should you choose a single-family office or a multifamily office?" There are a multiplicity of decision factors that should be taken into account, and Kirby Rosplock walks us through a thoughtful, reasoned, yet personally relevant way to make this decision. She also offers some handy evaluation tools to understand the choices.

Finally, Hartley Goldstone answers the question, "How do you choose a good trustee?" A trustee makes decisions in the place of others, for the benefit of others. They need to be skilled, trustworthy, experienced, and have good emotional intelligence. Harley provides guidance on finding, evaluating, and engaging good trustees who will not only execute the technical components of the trust but will also fulfill the original intent of the settlors and care about the beneficiaries as unique individuals.

At the end of the day, a good advisor is trustworthy. And what kind of person is trustworthy? They are *credible* (you can count on them to know what they are talking about), they are *reliable* (they do what they say they are going to do), they are *safe* (you know they will listen and keep confidences), and they are *not self-oriented* (you can be sure they will be focused on your best interests, not their own).[1]

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[1] David H. Maister, Charles H. Green, and Robert M. Galford, *The Trusted Advisor,* (New York: Simon & Schuster, 2000).

SECTION 9

Facing the Future

Baseball's philosopher-king, Yogi Berra, said it best: "It's tough to make predictions, especially about the future."

The world is moving fast and change is inevitable. Some changes will be good for us and some won't. Families rightly wonder how they will fare, what they should embrace, how they should adapt, and how they should prepare themselves.

There are no silver-bullet answers to questions like these. A good place to start when considering the future is the core values of the family. It might be worthwhile to skip back to the questions raised in Section 1 of this book – Thinking Through What Matters Most – to remind yourself about the fundamental beliefs and principles that could be a source of stability and constancy through whatever is to come.

But it is also important for families of wealth to consider the global trends that may affect them, as well as the potential shifts within their own families and communities. The authors in this section offer some interesting food for thought on these topics.

Jay Hughes looks at the question "What does the future hold for families of wealth?" from his long experience and unique perspective. He sees many changes on the horizon, including the definition of family itself, new types of family leadership that will be required, and the increasing importance of female leadership and wealth ownership. He also considers the impact of China on everything and everyone, and the implications of having most family assets in a trust structure.

Fernando Del Pino writes a thoughtful personal answer to the question "How can you tell yourself the truth and choose your own path?" from the standpoint of an inheritor and a wealth owner. He addresses many tricky subjects – including parental favoritism, the danger of advisors, the fading notion of owners, and the burdens and responsibilities of wealth – and provides wise counsel for founders and heirs alike as they look to the future.

Jim Grubman also weighs in with his advice on how wealthy families should face the many challenges of the future, both within and across generations, and ultimately how they can maintain both stability and resilience in the face of a rapidly evolving world. Navigating the challenges with a resilient, adaptive attitude is one of the strongest contributors to long-term family harmony and prosperity.

Finally, we conclude this section by reprinting a condensed version of a 2015 speech entitled "Lifting the Small Boats" by International Monetary Fund (IMF) Managing Director Christine Lagarde, with her permission. In her remarks, she comments on one of the key issues in today's (and tomorrow's) world – global economic inequality – and the related instability and disequilibrium it can bring. This has been an enormously prosperous period for global families of wealth. Other global (and local) citizens have felt left out of the prosperity wave and feel the system is rigged and unfair. From her unique vantage point, Ms. Lagarde raises issues and ideas for policymakers and families of wealth and power to consider about how we might make sure the "small boats" – the livelihoods and economic aspirations of the poor and middle class – are lifted too, for the benefit of all. Food for thought.

No doubt one of the most dangerous sentences in the world of business and investments is "It's different this time." Facing the future means being clear-sighted about the present and the past. That said, conditions do change, and changed conditions require changed strategies – even if the goal is to maintain what was. In this respect, families with long-term vision may even resemble small nations, of which the medieval political philosopher Al-Farabi wrote, "The second lawgiver must legislate differently than the first lawgiver – if he is to do the same thing." Tradition itself springs from and relies upon innovation.

Conclusion

We hope you have found the questions and answers in this volume valuable. They were intended to provoke thought and discussion, to stretch your mind, and perhaps even challenge long-held beliefs. We also wanted the ideas to be practical enough to resolve thorny questions and to offer hope that resolution is within reach.

We are grateful to the families who have been brave enough to express their questions aloud, to the advisors who have identified the critical issues families face, and, of course, to the contributing authors who have shared new ways of thinking and meaningful advice from their wealth of experience. We see this book as a sort of community project where people pool resources and exchange ideas. No single person has all the solutions. No single family has yet faced all the issues. But together we can find answers to the key questions that challenge us all.

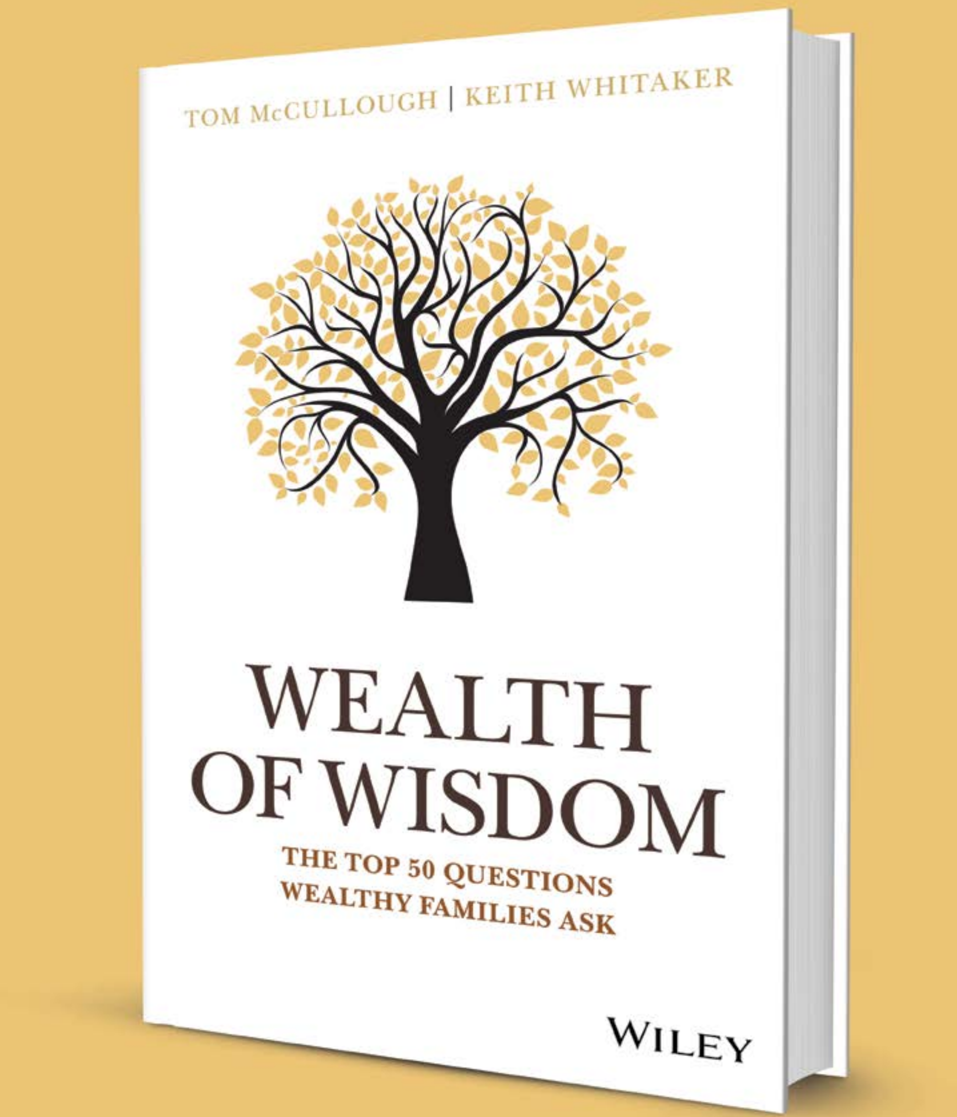
Most of all, our aim has been to give you ways to think about these questions for yourself, because the answers that you come to today may, appropriately, be very different 10 years from now.

For these reasons, we encourage you to return to this book from time to time as your family changes, as your business evolves, as the world around you shifts. Scan the table of contents to see which questions speak most to you. Review essays for the questions that have been of importance to you and remain so – and see how your own thinking has changed. Think of yourself in dialogue with these authors – not as experts speaking to you in monologue but as other intelligent people trying to think through these difficult matters with clarity.

As you make this review, ask yourself these simple questions to crystallize your thinking and your learning: In the areas of family and wealth,

- What is going well that you want to continue doing?
- What actions or decisions are no longer serving you well that you want to stop?
- What ideas or practices appear to hold promise that you would consider starting?

Finally, here at the end, we want to emphasize one more question, which is, in a way, the question that hangs over the entire book and indeed over the entire endeavor of managing family and wealth – the question whose answer makes all the rest worthwhile: ‘What is your true wealth?’ Give yourself a moment to think about your answer to that question. Let that answer be as tangible or as intangible as seems right to you, for it will guide how you apply everything you learn from these pages.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