



MOVING BEYOND THE NUMBERS TO PROLONG FAMILY WEALTH

HARRIS myCFO

BY DEBRA D. DORAN, MANAGING DIRECTOR, HARRIS myCFO, INC. AND
CLAUDIA B. SANGSTER, DIRECTOR – PHILANTHROPY AND TRUST & ESTATE SERVICES, HARRIS myCFO, INC.

Many affluent families spend enormous time, effort and expense working with professional advisors to design elaborate vehicles that will maintain and increase financial wealth across multiple generations. Yet despite all the applied expertise, the old maxim, “shirtsleeves to shirtsleeves in three generations” continues to be the norm. Often when the wealth creator dies and the estate plan takes effect, family members are suddenly in it for themselves. Their inherited wealth becomes almost a curse, destroying family relationships as well as individual initiative.

Why is that? The one missing ingredient in all these plans is preparedness: Many heirs have simply not been fully engaged or well equipped to handle their wealth.

Early involvement is key

Families that successfully sustain their wealth across generations typically involve the multiple generations in the early phases of estate planning — creating the family entity and developing the investment policy to fund it. These initial investment policy discussions, of course, involve assessing risk tolerance, expected returns, liquidity needs and investment time-horizons, but they also delve deeply into intangibles such as family values.

Successful estate plans map out strategies for wealth distribution that not only focus on enhancing the family’s financial capital, but also put in place mechanisms designed to educate members of upcoming generations, developing individuals as productive, capable members of their families and society as a whole. By focusing on shared goals and objectives that go far beyond the numbers, these estate plans, in essence, set the stage for greater family cohesion.

Continued involvement ensures success

Once the investment policy is adopted, multi-generational involvement becomes even more critical to the plan’s long-term success. In working together to review and approve investment recommendations from professional advisors, first- and second-

generation family members naturally foster a more in-depth understanding of estate details, while strengthening their skills at family communication.

Estate plans that allocate funds for charitable giving offer another excellent — and deeply significant — opportunity for generations to collaborate. Defining a mission statement for the family giving often involves reaching consensus on the group’s core values. The family’s mission statement is then used to drive philanthropic decisions. In the process, strategies are formed, funding recommendations are discussed, due diligence is conducted, and decisions are made. Each family member takes a role in the process, building cohesion and strengthening the cross-generational vision.

This process of exploring and coalescing a family’s goals regarding charitable giving can be intense, but well worth the effort. In fact, it is not uncommon for first-generation family members to remark, “These are the most meaningful discussions we have ever had with our children.” It is precisely these kinds of conversations that highly successful financial advisors encourage. Their intent, after all, is to see each painstakingly created estate plan succeed over time. Facilitating excellent communication among their clients’ family members is key to that success.

CONTINUED NEXT PAGE >



Gathering for the common good

While minimizing estate tax is a worthwhile goal, it should never be the sole purpose of an estate planning entity. The estate planning process can be the ideal platform for engaging entire families in a meaningful dialogue about core values, and for teaching younger generations the skills they will ultimately need to take the reins in managing the family wealth.

Estate planning aside, family meetings can foster these same benefits. Over time, carefully planned and regularly held meetings offer members of multiple generations a forum for handling financial issues, providing education, commemorating and celebrating milestones, and sharing family lore.

In his book, *How to Write a Family Mission Statement*, Steven Covey shared his brother's simple yet worthy goal for family meetings, "No empty chairs." Some families, however, may find this nearly impossible to achieve due to long-standing interpersonal issues or past conflicts. In those cases, outside facilitators may play a key role in guiding communication and reaching resolutions. Their underlying objective is to make each family meeting an open, safe place for dealing with issues that affect the group as a whole. And while the ideal of filling every chair may never be fully realized for some families, agreeing to minimize conflict and maximize education and engagement could represent a major step toward avoiding a "shirtsleeves to shirtsleeves..." fate for many generations to come.

United States Department of Treasury Regulation Circular 230 requires that we notify you that, with respect to any statements regarding tax matters made herein, including any attachments, (1) nothing herein was intended or written to be used, and cannot be used by you, to avoid tax penalties; and (2) nothing contained herein was intended or written to be used, and cannot be used, or referred to in any marketing or promotional materials. Further, to the extent any tax statement or tax advice is made herein, Harris myCFO and its affiliates do not and will not impose any limitation on disclosure of the tax treatment or tax structure of any transactions to which such tax statement or tax advice relates. Harris myCFO and its affiliates do not provide legal advice to clients. You should review your particular circumstances with your independent legal and tax advisors.

© 2010 Harris Bankcorp, Inc.

Harris myCFO™ is the brand used by Harris myCFO, Inc., providing family office services, Harris myCFO Investment Advisory Services LLC, an SEC-registered investment adviser, and certain divisions of Harris N.A. and its affiliates that are national banks with trust powers. Not all products and services are offered in every state and/or location.

The information and opinions expressed herein are obtained from sources believed to be reliable and up-to-date, however their accuracy and completeness cannot be guaranteed. Opinions expressed reflect judgment current as of this publication and are subject to change. Past performance is not indicative of future results.

