

Puget Sound Business Journal (Seattle) - February 22, 2010
[/seattle/stories/2010/02/22/focus6.html](#)



Friday, February 19, 2010 | Modified: Wednesday, February 24, 2010

Move beyond the numbers to prolong family wealth

Puget Sound Business Journal (Seattle)

Many affluent families spend enormous time, effort and expense working with professional advisers 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.

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.

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 advisers, 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 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 is well worth the effort. In fact, it is not uncommon for first-generation family members to remark that these are the most meaningful discussions they have ever had with their children.

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 to handle financial issues, provide education, commemorate and celebrate milestones, and share family lore. Agreeing to minimize conflict and maximize education and engagement at these meetings can represent a major step toward avoiding a “shirtsleeves to shirtsleeves” fate for many generations to come.

DEBRA DORAN is managing director and CLAUDIA SANGSTER is director of Philanthropy and Trust & Estate Services with Harris myCFO Inc. Reach them at www.harrismycfo.com.

All contents of this site © American City Business Journals Inc. All rights reserved.