

Engaging the next generation



Are they prepared? Children and grandchildren need to get ready for their roles as inheritors.

For many high net worth families, amassing wealth may be the easier part. Passing down the knowledge and tools necessary for a successful wealth transition, that is where things get difficult. Wealth creators can be busy with their businesses and community obligations and neglect this important step or, more commonly, simply don't know where to start.

As an inheritor, this can leave you in an awkward position. You may not know what is expected of you, what role you should play and how you should prepare for your inheritance. It's an all-too-common situation. According to *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*, by Williams & Preisser, a quarter of heirs feel unprepared for their roles.

Empower yourself with knowledge and skills to help yourself and the wealth creator make the best decisions for themselves and your family's legacy.

An inheritance is a challenge

Do your parents like your taste in music? Do they have the same views on community involvement?

Parents and children have different opinions on many things and how you use your inheritance may be one of them. When we work with families, we see four main challenges:

1 Sense of entitlement

Your parents may worry that wealth will undermine your ambition or financial responsibility. Wishing to ensure that you will be a good steward of their wealth, they may want to stagger your inheritance according to milestones such as a college graduation or achieving a certain income threshold. You, on the other hand, may feel that an inheritance should come with no strings attached.

2 Heirs' differing needs

Parents generally hope to treat their children equally or fairly, according to their differing needs and abilities. For example, you might have a sibling with a chronic illness, or earning a smaller salary because they chose to be an artist or teacher or work for a not-for-profit organization. Your parents may consider providing a larger inheritance to your sibling, but you may not agree with the fairness of this decision.

3 Grandchildren

Your parents might struggle with how to divide their estate equitably if you and your siblings have a different number of children. Often grandparents seek to treat all grandchildren equally, but this could mean one sibling's family receives a larger share if they have more children. Again, it is important to understand the philosophy here to avoid strife.



4 Lump sums or extended distribution

Parents may worry about leaving lump sum payments if their children haven't achieved a certain level of maturity. They can also be concerned about protecting an inheritance from creditors or ex-spouses. For this reason, parents often consider using trusts to protect your inheritance for your benefit.

The key to tackling these challenges is open communication, giving parents an opportunity to explain their intentions and allowing you to understand them, and giving you the time to learn the skills you need to become a prepared and responsible inheritor.

Storytelling helps others to understand your values, vision and mission for the family wealth

Everyone loves to talk about themselves, especially people who've lived exciting lives and built successful businesses and careers. While your parents may be reluctant to open up about their estate plans, their net worth and what they intend you to inherit, chances are they will relish the chance to tell their story.

Storytelling sessions aren't about dollars and cents – that part comes later. Instead, it's a chance to learn about your family's unique journey so that you can appreciate the values, vision and mission that led to the creation of the family wealth, as well as where you fit in.

Remember that each generation and each person has their own communication style. To glean as much as possible from your parents' storytelling, make sure you're communicating in the way they feel most comfortable. Skip the texts if your parents place a premium on face-to-face



communication. They might even prefer to write you a letter or a short memoir detailing their life.

Also, recall that different personality types approach storytelling in different ways. For example, some family members may be very detail-oriented whereas others may be more about the big picture and the punchline. Taking personality preferences into consideration can also help to facilitate open communication.

As you talk, keep these things in mind:

- Be empathetic and respectful;
- Ask how your parents created their wealth;
- Ask about the challenges they encountered and how they overcame them;
- Find out what they consider to be their greatest accomplishment (the answer may surprise you);
- Ask if they have any regrets;

- Listen more than you talk; and
- Consider the similarities and differences to your own values, vision and mission and how to bridge the difference.

The key to engaging in family storytelling is the understanding that the family story contains the values and strategies that were deployed to garner your family's wealth.

The family blueprint

Once you understand the family story, you can move to the next phase. This means starting to document the vision, mission and values for the family as part of an overall blueprint. Your parents may already have started on this themselves; if not, work with your parents to help them more clearly articulate and document their views.

A family blueprint can include a family tree, a mission statement (family goals and objectives), a family entity diagram, the family balance sheet, income tax projections, cash flow projections and an outline of the estate disposition. It can be a guiding document, not only for the values your family holds dear, but also how assets, cash flow and estate disposition serve that purpose. It can also help you to see your roles and responsibilities within this family construct.

For example, if running a successful business is central to your family's values, the family blueprint helps to lay out the roles that family members can play.

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The family blueprint can articulate your parents' philanthropic intent, if that is the direction they wish to follow. This can help to instill a sense of generosity and gratitude in younger family members and counter the sense of entitlement your parents may worry about. It allows the younger generation to learn about money management and due diligence in a supportive environment, under the watchful eye of a matriarch or patriarch.

A family blueprint is an evolving document reflecting market conditions, changing family dynamics, life events and philanthropic focus. It will be revised time and again as things change

but can serve as a benchmark for the family's goals and objectives, an outline of the strategy for achieving them, and a way to educate family members about the family wealth.

The business at hand – the family meeting

With an understanding of your family's story, you are ready to delve deeper into conversations about wealth transfer. Use the structure of a family meeting to provide the space for that to happen. Family meetings can be an opportunity for information gathering and working together to resolve potential problems.

Some families have well-established, open lines of communication. Their family meetings can be as simple as a hike in the woods or a Sunday brunch – pretty much any time they gather together. Other families prefer a more formal approach. They might prefer to set aside several times throughout the year to discuss family business.

Regardless of how your family conducts its meetings, make sure there's an agenda so nothing falls through the cracks, and assign action items for each member to tackle before the next meeting. If your family is finding it difficult to get started, consider using a neutral third party to facilitate a family meeting.

As your family moves forward with the wealth transfer process, your parents can start assigning roles to different members based on their interests and skillsets. In general, there are four roles within a family's wealth transfer that can be filled by members of the next generation: beneficiary, trustee, steward and shareholder. Oftentimes, family members play one or more of these roles and should understand the different hats they might wear in playing each of these roles.

Final thoughts

In a perfect world, parents would have a well-thought-out plan for wealth transfer, explain their intentions and help their heirs learn their roles and responsibilities. But life doesn't always unfold in an orderly way or provide such a roadmap. Sometimes, inheritors may need to step in to play a more active role so they can empower themselves to be educated, responsible and prepared. ●