

Three Tools for Fostering Healthy, Wealthy, Wise Transitions

Bonnie B. Hartley, Ph.D.

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Your clients may feel stressed by transitioning wealth from one generation to the next. They may assume they are at the mercy of transitional forces that impact their human, social, and financial capital. But transitions don't have to be so nerve-wracking. With the right tools—as well as thoughtful planning, effective communication, and conscious, compassionate relationship management—you can earn your clients' gratitude for smoothing their transitions.

Three tools help advisers and their client families manage the transition of wealth from one generation to the next:

- Risk assessment and management that takes into account the individuals' and family's needs, expectations and goals. This includes the analysis of individual and family educational, career, retirement, and philanthropic options in the context of life cycle, life style, and the financial resources required to support them before, during, and after the transition of wealth. In addition to the requisite legal and financial processes for assessing and managing risk, the client family needs tools for determining the competencies, interests, and experience of the next generation for managing the financial, human, and social capital being transitioned.
- Decision-making protocols which are specific for the systems that support the client family, e.g. their businesses, family office and philanthropic organizations.

Advisers and their client families need to identify the types of decisions that will be necessary during the transition process in order to maintain a healthy flow of information and other resources to and from all stakeholders. This includes creating a timeline for key decisions, mechanisms for conflict management, and tools for assessing the impact of decisions before and after implementation.

A good example might be to develop specific protocols around trusts as a wealth transition tool. How will trusts impact both the beneficiaries and the family over multiple generations? What does each trust stakeholder need to know about the legal, financial, and human capital risks associated with trusts? What benefits will a specific trust provide to the individual beneficiary and to the family now and over the next several generations? Are there provisions for trust protectors and for changing trustees? What other options might serve the client family's needs for stewardship of its wealth?

- Well-tested ways to get unstuck. Every transition of wealth stirs the waters, causing anxiety, increasing levels of conflict and unexpected crises. A seasoned, trusted interdisciplinary team of advisers is the client family's best tool for getting unstuck. One key characteristic of such a team is the understanding that the legal and financial transactions associated with family wealth transitions need to fit within the larger context of the continuity of healthy family dynamics and the stewardship of its human, social, and financial capital.

Start early to educate your interdisciplinary team and your clients for family wealth transitions. This will help your client families will acquire the competencies they need to

plan, communicate, and manage family and adviser relationships effectively. In addition, your team will be able to

- Test assumptions about transition plans
- Establish trusting relationships among multiple generations and branches of the client family with its adviser team
- Clarify the values, vision, mission, and action plans that support not only the transition of wealth, but also the legacy of the family for generations to come.