

# INTRODUCTION

**BUSINESS FAMILIES LEAD** complicated lives. Their major sources of wealth are often illiquid, yet must meet family expectations for support and income. Business families also frequently suffer from an acute lack of diversification, and their wealth is often at the mercy of economic events beyond their control. Family businesses can become all-consuming endeavors for family members, both those intimately involved with the business and those on the periphery. The family business can become the stage on which the family acts out its emotional life, at times recreating the very same patterns of behavior generation after generation. It is challenging enough to manage a family business on a day-to-day basis. When a family seeks to transfer this wealth to the next generation, the complexity of the task can be overwhelming.

If you are or aspire to be an adviser to a business family in transition, this book will help you guide clients toward a successful plan.

As business families begin the process of transferring their wealth, they most often turn first to their trusted advisers, who are the accountants, lawyers, financial advisers, bankers, and business advisers closest to the family. This is not surprising, as these trusted advisers know the family and its history and have often helped family members through difficult situations. A trusted adviser has the opportunity to build an interdisciplinary team that will discover information about the family and its goals, and to guide the family and team through the wealth transition process. This process is called family wealth transition planning (FWTP).

In our work with families and professionals over the years, we became aware of an alarming fact: There is no generally accepted definition of *success* in family wealth transition planning. If we have no definition of success, how will we be able to judge the quality of family

wealth transition plans? And how can we guide business families, which are often made up of deeply practical individuals who need to know the purpose of their hard work and their progression toward that purpose? Each profession has its own signposts of progress: Lawyers point to executed estate planning documents, and financial advisers breathe a sigh of relief when families are able to agree on the proper investment strategy for a trust. But these are merely signposts, not destinations. They do not define the desired outcome of FWTP. We offer a definition of success: *family wealth continuity*. Simply put, this is the ability and willingness of a family to make capital available to family members over generations in the right way, at the right time, and in the right amounts. This is easier said than done, of course, for who can predict what *right* means for any particular family over generations? To accomplish family wealth continuity, families and their advisers can focus on three beacons of family wealth continuity: healthy family relationships, responsible stewardship of wealth in all its forms, and the ongoing creation of a family legacy.

In our work with business families and in our own firms, we found ourselves wondering whether there is a clear methodology to family wealth transition planning that can be described and mastered. We concluded that there *is* such a methodology, and much of this book is devoted to illustrating it. Fundamental to this methodology is the premise that every family is part of a complex family wealth system that can and does adapt to changing circumstances. The family wealth system of a business family is particularly complicated, which makes transition planning for business families difficult. The job of an adviser to a business family, then, is to help the family adapt its system to achieve better family wealth continuity. The adviser is an agent of change, charged with creating adaptations that will support healthy relationships, stewardship of wealth, and the family legacy. The methodology for advisers that we suggest in this book is designed to help an adviser by first explaining how to gain a deep understanding of a client's family wealth system, and then describing how to design and implement specific components of a wealth transition plan that will adapt that system toward family wealth continuity.

To illustrate this methodology and the tools that accompany it, this book tells the stories of three business families: the Hernández family of Fresno, California; the Marshall family of Irion County, Texas; and

the Williams family of New York City. These families are fictitious, but to create them we drew from families with whom we have had the privilege of working over the past decades. The three families in this book reflect the dreams, fears, and even obsessions of these real families, and are characteristic of business families everywhere. These families helped us understand why some family wealth transition plans succeed, while others fail. They helped us identify the characteristics that give some families a leg up in planning, and how other families can overcome enormous obstacles in their quest for family wealth continuity.

Because advisers to business families don't have the luxury of an omniscient view into the innermost motivations of family members, we have chosen to present the families' stories through their own voices. In each family, you will hear from family members (as well as a few outsiders) who are working, with various degrees of enthusiasm, on transition plans. Some of these individuals are struggling to keep their family together, while others are wondering if they are a part of a family at all. Some are consumed by stewardship worries. Some can glimpse a possible family legacy, and hope to convince others to share their dream. As in all families, these individuals offer their own perspectives rather than some verifiable truth. We hope that hearing their stories in the first person will help train your ear to listen for information critical to family wealth transition planning, and help you see how what is not said can be just as important as what is said.

Any adviser to a business family in transition can use the methodology described in this book. Less-experienced estate planners may want to follow the process in a linear fashion, while those who have worked with various families may want to choose among the methodology's wide range of tools to address specific problems. Families come to their advisers in all stages of planning, and the FWTP methodology is as useful for helping families with fully formed plans survive the rough patches as it is for guiding a family that has no plan in place at all.