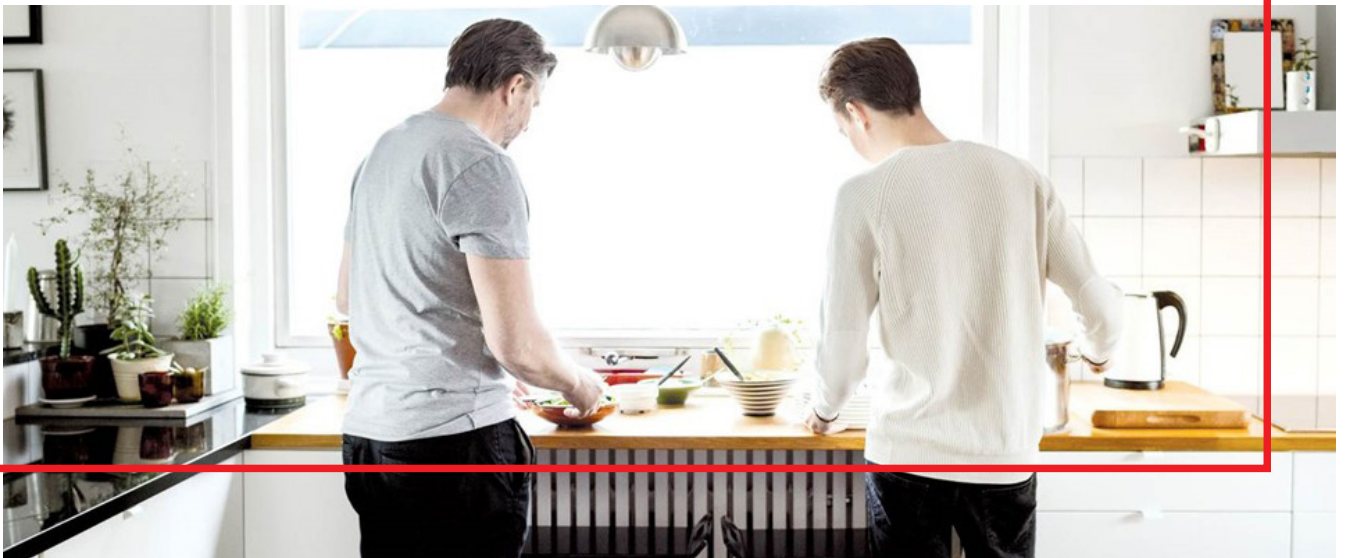


# Family meetings



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Imagine an organization worth tens of millions of dollars where the co-chief executive officers (CEOs) refuse to share financial information and guidance with the employees who would eventually take over management. Most would not expect the business to continue its success once the CEOs step down as eventually they must. Should we expect anything different if that organization is a family?

Succession planning (for a business or a family) increases the opportunities for multigenerational success. So often in the world of finance we focus on the earning, investment, saving and spending of money. UBS clients are now expressing a far greater interest in learning more about expanding the succession planning process to include how best to prepare heirs and pass down family values. Their definitions of “success” and “inheritance” are expanding to include individual happiness and family cohesiveness.

## Why have family meetings?

A study by the San Clemente, California-based Williams Group revealed that high taxes and poor investment advice were not the reasons for intergenerational dissipation of wealth. The study found that 60 percent of the time it was a trust and communication breakdown among family members that plays the biggest role.<sup>1</sup>

Some families have achieved successful succession planning with an informal, unstructured process. For most, however, a more formal process is preferable (or even necessary). Family meetings can provide a safe, structured context for discussing these issues with descendants.

“Family meeting” is a commonly used phrase that defies formal definition. Family may include one or more generations and may or may not include in-laws and domestic partners. A meeting can be in person or through an electronic gathering. Although definition is difficult, the phrase “family meeting” can be best described by the expectations and goals of each family member. Therefore, to succeed, disparate expectations and goals must be understood, unified, and addressed.

The underlying purpose of family meetings is communication. Reasons and goals for the communication include:

- The transmission of purpose and values
- Education regarding financial matters
- The strengthening of family bonds
- Accountability for actions of family members
- Sharing news, concerns, opportunities, and challenges
- Sharing information and making collective decisions
- Model family leadership behaviors to younger family members

As with all new endeavors, there can be a fear of the unknown and the issues that may arise. It is important for families to determine what goals they wish to achieve and keep the focus there.

## Why not have family meetings?

Experience shows that, just as there are some frequently cited reasons for having family meetings, there are some common (mostly unspoken) reasons to avoid one.

- “I don’t want my children to know about my financial wealth. It will ruin them.”
- “I’ve sacrificed and worked hard for my wealth and I want to enjoy it. I don’t want to be judged and told by my children to ‘practice what I preach.’”
- “I have trouble balancing my desire for discretion and privacy with the need to teach my heirs about money.”
- “I don’t want to raise issues between my children and my new spouse.”
- “It’s too much work.”

Some are unable to get past these obstacles and for them, family meetings are not a genuine option. Those that choose to proceed understand that the possible benefits of such meetings justify the perceived risks.

## The family meeting process

Once the determination has been made that the positive potential from a family meeting outweighs the negative, meeting planning can proceed. There is no typical process for family meetings. Each family’s meetings are unique and as complex as the families themselves.

Experience shows, however, that the greatest success is achieved by following this general format:

The heads of the family meet to *develop and formalize the values and goals* they wish to convey.

<sup>1</sup> Roy Williams and Vic Preisser, *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values* (Robert Reed Publishers, 2010).

- A large family meeting is called to *communicate* and refine those values and goals. The family then develops a *governance* model incorporating those values and goals to organize and manage ongoing meetings and future decision-making.
- Ongoing meetings (possibly including spouses and young family members) are held to *educate* and put in action the values and goals.

This general structure greatly increases the chance of developing financially savvy heirs with a ready source of information and community. It may help to build strong family ties and create a sense of support and system of accountability.

### First meeting: develop and formalize values

Effective communication is not possible without first determining what to communicate. A strong grasp of the values that one finds most important is essential. Outside expertise (family meeting consultant, wealth psychologist, etc.) is particularly beneficial when first starting the family meeting process. Let's face it, even Olympic athletes—the best in the world at their sport—still have coaches. A good family meeting consultant can help refine attitudes and beliefs about money, family, and philanthropy and put them in a form that can then be successfully passed along to successors. They can also help craft the best way to convey the message. After all, how it is said is as important as what is said!

Values are principles or standards that we use to determine right and wrong. Values are dynamic ideals we develop over our lives through education, observation, and experience and are applied to all facets of our lives. We strive to behave in a way that is consistent with these values.

In the financial context, we use values to address those issues that concern us. The following are some commonly expressed concerns:

- My children put too much emphasis on material things.
- My children spend beyond their means.
- My wealth and notoriety may undermine my heirs' development of self-esteem.
- My success may ruin their initiative.
- My children have difficulty taking responsibility for finances.

- My children are inexperienced and a bit naive about money.
- I want to reserve enough for myself.

A family meeting consultant might help to develop values statements that address these concerns:

- We value establishing and abiding by budgets to manage spending, saving, and sharing.
- We value transparency and will strive to make available information and instruction to promote a clear understanding of our financial position among age-appropriate family members.
- We value distribution schemes which do not interfere with the beneficiary's ability to succeed on their own.
- We want to help family as long as they want to help themselves.
- We will provide for children's needs, we value encouraging children to take responsibility for providing for their wants.
- We value formal education as a foundation for emotional and educational maturity.
- We value understanding as well as awareness and will strive to provide a curriculum for financial education geared to the needs of each generation.
- We value philanthropic endeavors: financial support as well as active participation.

Create a written list of values and the issues they address and then put them in the order to be addressed. With issues and values determined and chronicled, it is a good point in the process to begin or review estate planning documents. Coordinating the amount you desire to pass along with the life insurance, long-term care insurance, and a disciplined distributions scheme is the next step in a natural progression.

Once values have been determined, clarified, and refined, and a wealth transfer plan is in place, chances increase that values can be successfully communicated to younger generations.

### Second meeting: communication and governance

A wealthy client knew that sharing information about their financial situation with their children was something the client needed to do, but the client didn't want to do it right away. "I'd like to wait a bit. I don't think they are ready yet." The client was 80 at the time; the children were in their late 50s.

Ready or not, the client's children would face a transition of that wealth in the not too distant future. Would they be ready for it? Probably not. The client had spent a lifetime being a good shepherd of money: the client budgeted well, invested prudently, and spent wisely. The client had prepared the money for their children.

Sadly, the client had not prepared their children for the money. A family meeting can be a vehicle for helping children and their descendants understand the benefits and burdens of wealth.

Organizing the meeting can be a difficult, daunting process. Here are some of the basics:

- *When*: Select a date and time that provides the greatest likelihood that all invitees can attend. Invite everyone but don't require them to be present. The consequence of not being present is that their views will be missing as the family makes decisions that may affect the family as a whole.
- *Who*: Consider including immediate family, such as children, and additional members such as grandchildren, spouses, domestic partners, and individuals who have special needs. The attendee list can change depending on the nature of the relationship, the subjects to be covered, and the potential for conflict. The list may change from meeting to meeting and may also change from session to session within one family meeting. Plan to make alternative arrangements for family members who may find it difficult to sit through a lengthy family meeting. Childcare arrangements are also very important. Events planned for young children can add to the enjoyment of the family meeting experience.

Non-family member attendance may also be desired or required. Technical issues may necessitate the presence of lawyers, accountants, and investment advisors. Good meetings also provide education on non-technical issues that still may require a presenter with non-technical expertise. Currently, a popular topic for family meetings has been personal and electronic security. From a larger perspective, a consultant with expertise in planning, running, and managing family meetings can be a very positive addition. A good consultant can greatly increase the chances for a well-run meeting.

- *Where*: Neutral locations are generally ideal for a family retreat. If possible, avoid having the meeting in a family member's home or business as unavoidable distractions and subconscious (or conscious) feelings of disadvantage may arise if one family member is on

familiar ground. Turn off mobile phones and other communication devices to heighten focus.

- *How*: Family meetings are a bit like painting a room: to do them well, it's the preparation that takes the most time. Successful family meetings are preceded by weeks of information gathering and planning.
  - Ask family members about current issues.
  - Strategize regarding how to address these issues in a group setting.
  - Identify educational needs and goals.
  - Prepare an agenda.
  - Prepare the written materials that will be available at the meeting.

If it sounds like family meetings take a great deal of time and effort to schedule, prepare for, and run, it is because they do! Consider the time and effort spent as an investment that will pay off for generations. Family meeting consultants can help immensely in this process.

The second meeting is often dedicated to the introduction of the family to the concept of family meetings, to communicate values, and develop some degree of buy-in from attendees. In this context, communicate does not mean dictate. An explanation of the origin of the values helps attendees understand and better appreciate the values discussed. The entire family then can use these values to create an over-arching set of principles or "mission statement" and build a governance model to organize and manage ongoing meetings and future decision-making. Some position this as a family constitution.

### Examples of mission statements

#### *Example 1*

Our family mission is to prepare and uphold the values of our ancestors while encouraging independent thoughts and ideals in future generations to enhance the core values of our family. Our core values shall be grounded on the following:

- Being vigilant and faithful in protecting the well-being of family members, both emotionally and physically, including family members of different generations and those who join our family by marriage and adoption.
- Contributing to the well-being of our community through deliberate actions and financial support.
- Maintaining high standards of fair and ethical behavior in all philanthropic and business endeavors.

### Example 2

The mission of our family is to create a nurturing place of order, truth, love, happiness, and relaxation and to provide opportunities for each person to become responsibly independent and effectively interdependent in order to achieve a worthwhile purpose.

### Example 3

To realize our dreams, goals, and aspirations as a family and as individuals in a way that stretches our intellect, enriches our faith, strengthens our character, and enriches our family life so that we are fulfilled, happy, confident, and always close.

The creation of a family mission statement is an excellent first exercise in seeing how family members work together as a group. Some common ground rules of family meeting interaction:

- Give full attention.
- Be respectful.
- Listen.
- Own your views as your own.
- Be honest and open but also diplomatic.

Another project for the second family meeting is to create a governance structure. A governance structure provides the format and guide for group decision-making whether the decision involves allocation of power, performance monitoring, meeting procedures, or leadership succession. It is a voluntary agreement used by the family to work together to implement shared values and goals.

There is no required format for family governance structure. The size and complexity of the family and the wealth they must manage combine to determine the optimal configuration. Common governance structures include a family council, family assembly, and family committees.

The family council acts as the executive body of the family. Initially headed by the wealth creator, the management and control can be progressively shared with family members. The family assembly is typically the larger family body. The family assembly is invited to attend the family meetings. Family committees are appointed or elected to focus on specific family interests, such as wealth management, education, philanthropy, and the family

business. These committees often are charged with investigation and reporting back to the council or the assembly.

These structures may seem strict and formal in a family context, but their employment increases the opportunity for family cohesiveness and harmony through multiple generations.

## Ongoing meetings: education and values in action

Once family organizations have been created, an ongoing schedule of meetings can be instituted. Regular family meetings can result in a disciplined approach to stewarding family wealth, educating successive generations, and providing a foundation for expressing family values in each endeavor. It also creates a family tradition. These meetings quickly become known to all family members as the place and time to deal with important issues as well as enjoy time with family members they do not interact with regularly.

Meeting preparation still requires a substantial commitment of time and effort. Responsibility for preparation typically lies with the family council or its delegate. Although location and logistics may be easier for ongoing meetings, content determination, and preparation can be more of a challenge. Financial matters will require time at every meeting, but other subjects can also be addressed.

Topics for ongoing meetings range from regular, recurring issues, such as wealth management, financial product education, and estate planning, to family matters (historical and current), to one-time educational presentations. Consider including some of the following:

- Imparting responsibility of wealth
- How to support the development of individual family member's capacities
- Issues facing the family
- How and when to make wealth available to children
- Distribution issues, such as fair versus equal
- Family governance: when and how to involve the next generation
- Multigenerational estate planning
- Philanthropy
- Politics
- Public relations
- Home ownership
- Family history

- Security and safety
- Technology
- Wise use of debt
- Proper etiquette

The subject matter of meeting presentations is limited only by the time permitted and the availability of presenters. What is presented and discussed and how it is done is regulated by one overriding principle: respect for one another and respect for the meeting process.

### Family meeting wrap-up

Remember that business? The one whose co-CEOs refused to share financial information and guidance with the employees who would eventually take over management? It was broken up and sold following the departure of the CEOs. CEOs, individuals, and couples who control major financial assets must focus on management of those assets. However, to make finances the sole focus allows conflict to build in the background and can eventually break up the unit. Proper succession planning, including open communication and education, goes a long way to preserve a successful entity (business or family).

All families govern themselves and reach decisions; the key difference for families whose wealth lasts for generations is that they do it by design. Regular, well-planned, and well-run family meetings incorporating clear values, historical connectivity, and non-family advisors and educators help open multigenerational communication channels. They also encourage familial and financial accountability among successors. At its essence, the family meeting is a learning opportunity for every generation attending. Participants learn not simply by listening but also by watching the activities and behaviors of family leadership through organizing, running, and appreciating the benefits of the family meeting.

*For a more information about family meetings, see A Road Map: Designing an Effective Family Meeting (a publication of UBS Family Advisory and Philanthropy Services), UBS Family Meeting Compass, and Planning Your Family Meeting (a publication of UBS Family Advisory and Philanthropy Services).*



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The Advanced Planning Group provides comprehensive planning and sophisticated advice and education to ultra high net worth (UHNW) clients of the firm. The Advanced Planning Group also serves as a think tank for the firm, providing thought leadership and creating a robust intellectual capital library on estate planning, tax and related topics of interest to UHNW families.

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