

A FAMILY AFFAIR: STRENGTHENING THE TIES THAT BIND

Family Legacy Planning in Difficult Times

The tendency may be to wax philosophical: “I’ve lived through other economic downturns; this, too, shall pass.” But wealthy families have their own set of unique concerns during a severe recession—and not just about money.

Every family is a living, breathing entity with continually changing dynamics. And every family is presented with both challenges and opportunities during periods of economic uncertainty and stress. The most important opportunity is for clients to use a period of dramatic change to learn more about themselves.

“Some clients have learned how resilient they really are during a downturn,” says Daryl Allen, managing director. “Others have learned that they don’t have as big an appetite for financial risk as they thought. Still others have used the events of 2008 and 2009 for an intense focus on and re-examination of what’s important to them as a family and, in particular, to answer one question: Fifty years from now, how do we want people to think of our family?”

Strengthening Family Communication

As the Atlantic Trust wealth strategies team met with clients during 2009, a focus on strong communication among family members was an oft-mentioned topic as a way for them to deal with the challenges the year brought an erosion of wealth, a new way of looking at risk, revisiting what were believed to be bedrock principles of economics, intra-family leadership transitions. Judy Barber, a marriage and family therapist who works with Atlantic Trust, says that the first hurdle a wealthy family may have to overcome is the uncomfortable feeling that our society believes the wealthy are not “entitled” to ordinary human emotions such as anxiety and fear over their financial losses. “Because of that, families often retreat into silence among themselves, which can make things worse,” she says. “Where the advisor can really add value is in helping the family talk about how ‘Yes, our situation is different and uncertain; here’s how we feel about it and here’s how we’re going to make smart decisions together.’”

Courtney Pullen, a psychotherapist, family wealth counselor and business advisor who works with wealthy families and their advisors, reminds us that about 80% of wealthy families “fail” by the end of the third generation. “It’s rarely because of poor estate planning,” says Pullen. “It’s usually because of ingrained behavioral and communication issues. A successful family can break the pattern that leads to the failure statistic. It’s important to remember that when under stress, we regress. The recent financial environment has exaggerated pre-existing fault lines for many families. Now is a great time to explore issues and strengthen family communication.”

Some of those “fault lines” precede the economic downturn by decades, even generations. A family’s wealth may have been made through previous boom-and-bust cycles, a situation that could be far more disconcerting

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for younger family members than for the first generation. Even within the same generation, siblings may have dramatically different views on each others' spending habits. One may have taken on more responsibility for running a family business and feel unfairly criticized for the business's current fiscal health. The first-generation wealth builders may feel that the youngest family members have not been well prepared for the "new" experience of wealth as something to be preserved, not consumed. Whatever the emotions under the surface, honest and direct communication facilitated by the wealth advisor and an outside expert can result in stronger family bonds.

"Once the family is centered around talking about their purpose, it's easier to proceed with the strategic plan for managing the wealth for the future," says Allen. "As advisors, we are much better positioned for wealth management implementation when we know how the family's philosophy affects potential investments in assets, community and the family itself."

The "Other" Types of Capital

As families come together to do their own post-mortem on the economic and financial crisis, they may see their weaknesses or "failures" as worse than they really are—and fail to acknowledge their strengths and successes. They may also forget to focus on what makes them a family: each other. Judy Barber worked with one multi-generation family in which the unspoken, but strong, assumption was that "everybody stays together in the family's endeavors because that's the way it's done." But the children in the second generation weren't sure they could be good partners. The parents finally realized that it was more important for the children to be happy siblings than unhappy business partners. "Sometimes the family soul-searching involves giving up on a long-held, but arbitrary, notion of what a family 'should' be like," says Barber.

For some families, the focus on achievement and financial gains during the prosperous years has sometimes crowded out other goals of personal growth, strong communication and deeper family relationships. The silver lining of the economic crisis and recession is that families can break down barriers and confront issues that may have been ignored for years. "Times that test families," says Pullen, "push the strong ones back to their core values, reinforcing all the other kinds of capital in a family—emotional, intellectual, spiritual, social and wellness." ■

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