

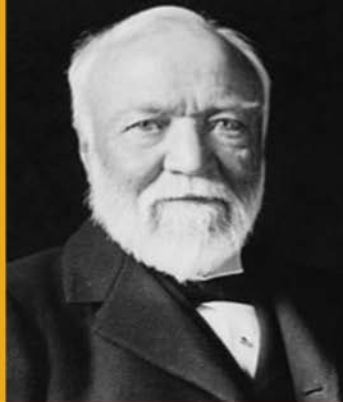


Hidden Land Mines:

The case for integrating family dynamics into the planning process

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Three generations from shirtsleeves to
shirtsleeves.

(Andrew Carnegie)



Turning Point



ESTATE & FAMILY HARMONY EXPLOSIONS

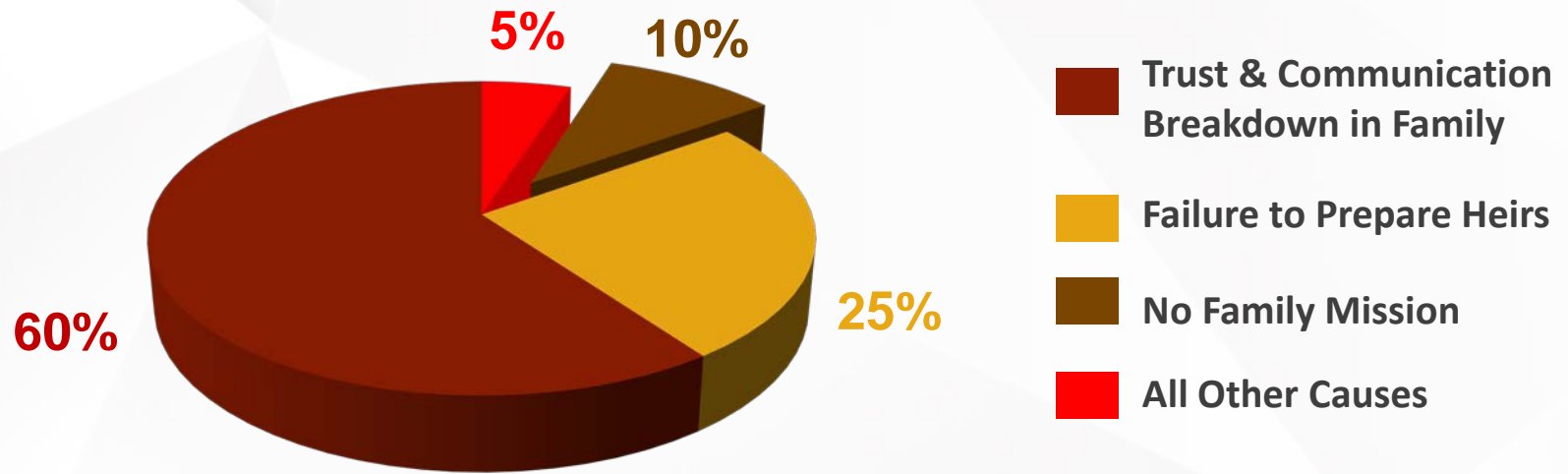
- **30%** of families successfully retain their wealth for **TWO** generations
- **10%** of families successfully retain their wealth for **THREE** generations



90% of estates will fail within three generations!



DETONATORS



** Source: Allianz study of 3250 affluent families*



FAMILIES ARE BREAKING APART

TRUST & COMMUNICATION

Attributed to **60%** of failures

SOLUTIONS:

- Identify and resolve problems quickly.
- Create framework for resolving future disputes with family agreement to use.
- Learning own and family members' communication, leadership, and learning styles.
- Discovering own and family members' individual values and family values that can guide the family's decision making.



PREPARE HEIRS

Attributed to **25%** of failures

SOLUTIONS:

- Provide opportunities to work together cooperatively as a family.
- Hold family meetings.
- Mentor them – use annual gifts, succession planning in family businesses.
- Provide financial/legal education.





FAMILY MISSION & VISION

Attributed to **10%** of failures

SOLUTIONS:

- To be successful, family must focus on the long run.
- Whose values should drive the family's vision?
- Family is constantly fighting entropy, the natural progression of all organized systems to decay.
- What is our vision for the family that lights us up and causes us to want to keep working toward making that vision reality?
- How can we use our wealth as a force for good (as we define it)?



FAMILY DECISION MAKING STYLES

1. Autocratic
2. Consult
3. Recommend
4. Majority
5. Consensus
6. Delegation





DEADLOCK

1. Martha's Rule
2. The Amulet
3. The Wise Swiss Gentleman
4. The Auction
5. Negotiate/Mediate/Arbitrate





WHAT IS FAIR?



Vs.





WHAT IS FAIR PROCESS?

Stage 1: Framing and Engaging

Stage 2: Exploring and Eliminating

Stage 3: Deciding and Explaining

Stage 4: Implementing and Executing

Stage 5: Evaluating and Learning



TYPICAL CHARACTERISTICS OF SUCCESSION PLANNING?

- Checklist approach
- Business and asset focused
- An event or short term process with concrete outcomes
- Transaction based with legal/accounting underpinning with product sales (wills, trusts)
- Defined by advisors
- Done with one or two family members

MOST IMPORTANT CHALLENGES NOT ADDRESSED

- Lack of common vision between interested parties
- Lack of communication framework for all parties involved
- Difficulty of dealing with conflict, particularly around sensitive issues
- Unwillingness for all involved parties to support the succession
- Owners are ambivalent about planning for transition and/or reluctant successors
- Managing business profitability through change



WHAT FAMILIES SAY THEY NEED

- Greatest challenges are non-technical, people based issues
- Skills beyond professional qualifications are required in order to be effective
- Team playing will deliver better value for clients



CONTINUITY CHECKLIST FOR ADVISORS

1. Become “system” savvy
2. Get comfortable with ambiguity
3. Know your boundaries – do work you are qualified to do
4. Use the consulting process to continue to open dialogue.
Re-contracting is key to navigating through continuity.
5. **COLLABORATE!** Know who to call for just about any issue. Create your team, either formally or informally.



RECOGNIZE THE TRIP WIRES

1. When clients voice their *dissatisfaction* or concerns about family members.
2. You see *emotional suffering* occurring, even if they do not discuss their concerns.
3. You become aware of *conflicts and disputes* within the family.
4. You notice chaos, a *lack of leadership*, or a *lack of purpose* for the family's wealth.





RECOGNIZE THE TRIP WIRES

5. Clients begin *making gifts* to children or grandchildren.
6. Clients refuse to be in the same room *together*.
7. Clients or heirs *refuse* to sign documents.
8. You find yourself in the middle of family *squabbles*.





HOW TO BRING IT UP THE “STAIRSTEP QUESTIONS”

1. If you could develop your family in any way whatsoever, what would it be?
2. When you say____, what do you mean?
3. So what’s not working now? How do you know you need to change?
4. How do you know you need to have help to do this?





THE “STAIRSTEP” QUESTIONS CONTINUED...

5. When is the last time something like this happened? What happened?
6. What happens if you don't get improvement on this? What's the impact?
7. Let's say you get this fixed/working right. What would that do for you?

Then, make a suggestion for creating the outcome they said they want.





THANK YOU