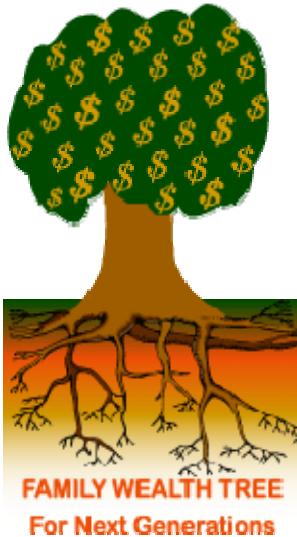




Creating Your Family Wealth Legacy

by Carol Yip

Will your family wealth last the next generation?



As one generation makes way for another in a family that is made-up of grandparents, parents and children, there are issues around leadership, family future and continuation of generation ownership — who will continue to carry-on the family values and legacy, especially with the younger generation who is living in this New Millennium Age.

Each family nucleus is unique. No one family member is the same, though may have the same family name. Because personality, character and experience differences, there are personal and family issues, be it implicit or explicit, that need to be resolved before they become complicated and difficult to resolve within the family.

Many heartbreaking and painful encounters will arise and cost great fortune for the family, losing family values that could have been preserved and family wealth that could have been multiplied, if family members can work in harmony with a guided family blueprint.

It is sad to hear from parents these days that they are not too concerned about their next generations, because they feel life is just too difficult to think of the future for their children. Their only hope is that their children will be able to take care of themselves financially will not ask them for financial help when they age.

I understand families have delicate and sensitive issues that need to be faced and yet are hard to discuss at times, due to differences in family members' mindset. Such complications may influence the process of inheritance, developing capable heirs and sustaining family connections.

In cases where the family owns a business or businesses, there is really an important need to focus on strategic planning for the family future, installing an effective family team that allows appropriate ownership and involvement, not forgetting that family business needs to continue to evolve with the younger generations.



What is required for Family Wealth Legacy Creation?

When I mean family wealth that lasts for the next generation, it can be just a simple house that you have bought and lived in with your family, which you would like to preserve for your grandchildren.

How can you assure that this house will not be sold once your children inherit it?

I am sure you have heard siblings fighting among themselves for the property left behind by their parents, simply because of greed. Or one of them could be in financial trouble and had to sell the property to pay off personal debts.

In such situation, how can you assure that the only house that you left behind will be preserved and that your grandchildren will appreciate this ancient family value that ancestors' property are meant to be preserved and kept for future generations?

If property is not your preference to be preserved, how about business or money that you have left behind? Wouldn't you like to know that business or money left behind will be multiplied by your children and your grandchildren?

To create better fairness and expectations between family generations, I believe that we need to teach our kids about good life values and good money practices when they are still young, so that you can work together with them on difficult financial issues and resolve them in a structured manner, to form family togetherness that create a vision of the future, work through differences, help each other in the family including your spouse by learning in grow family wealth, and pass the legacy to the next generation.

There are many strategic questions that you need to address such as:

- What are the assets your family would like to enhance or preserve?
- What are the family values you would also want to see preserved?
- What is the time period for your family to work together on wealth management issues?
- Which members in your family are interested in serving in a leadership capacity?
- What roles could individual members play in the process of creating family wealth?
- How will the 6-steps Direction of the Family Thinking Process be in making decisions concerning investments and other financial alternatives for the family?
- What governance structure will be appropriate for the family when there will be extended family members such as uncles, aunties, cousins, nephews and nieces, in-laws and other relatives other than grandparents?



With so many unanswered questions in your mind at this moment, I will share with you the areas that you can work before getting your family members to embark onto the journey of creating family wealth together:

1. Capture your family dynamics in a Family Tree to help you have an in-depth understanding of the family generations.
2. Find out what are the family challenges, culture, traditions and get a good understanding of what's getting in the way for family members to talk about money.

If you have the ability to acknowledge each family member's contribution to family issues, you will have an empathetic understanding of each family member and the interconnection between each member's belief, thoughts and emotions towards family unity.

3. Find out if there is any legacy that was left behind by the older generations of your family in order to help you to work together with your current family members to create the future family mission and values.
4. Discuss with your siblings and parents about the intention of creating family wealth in order to clarify money that may accentuate family issues.
5. Find out how much wealth your family is aiming for in order to get a consensus of a common acceptance of family wealth and at the same time, help you in planning for financial succession and security for your family and the next generations.
6. Understand personalities and characters of each family member in order to assign roles and responsibilities to continuously implement the Family Financial Blueprint.

It is important for you to know that "personality & emotional management" amongst the members of the family system is as important as financial wealth management of the family!

In a Family System, there are incidents where, not only immediate family members are involved, but there will be in-laws and relatives who may have great influence in the decision making of family wealth.

How can you make sure that all members of the family will work together harmoniously when money can be the root to all evils?

I believe that there is a need to create a proper and systematic structure to manage family wealth when the family system is made up of people with different beliefs and value systems, experiences, upbringing backgrounds, culture and generation gaps!



An effective family wealth legacy creation is a lifelong process, that will last for generations, requiring an integrated and strategic approach to family wealth management, weaving together issues of family, with investment purpose, tax planning, estate planning and family philanthropy. This process must be designed to accommodate multigenerational wealth management with significant financial investments objectives.

What is the difference between a company and a family?

A company is made up of a group of people working together to make the business profit and create more money to be shared as salaries, bonuses, dividends and share of profits. But this group of people must work together to manage the business, ensuring that operating expenses are not more than the revenue that the company can earn.

How about a family? I see some similarities between a family and a company. A family is made up of individuals, with a leader who happens to be the Father or Mother, depending who is the "iron fist" in the family. In the family, both parents or one of the parents have to work to make money and the family has expenses to be paid monthly.

Maybe the difference is, the composite of the people making up of the parents and siblings cannot be changed like resigning from the family or sacking either the parents or siblings, because he or she is not performing effectively for the family. Nor can the family recruit outsiders to join the family unless there is adoption of children, marriages with in-laws, step children, step parent or birth of grandchildren or step-grandchildren.

If this is the case, why is it so difficult for family members to be united and work together to create more wealth and share among the family members in the form of dividend or profit sharing as a result of making money from wealth creation?

Is it because there is no proper organizing structure with roles and responsibilities for each member in the family, no family vision and objectives to be achieved for the family or because of parenting styles that create different personalities and characteristics of each child in the family?

It may sound rather awkward to have a family managed like a company, but if you think seriously enough about the consequences of a family not working together — fighting and arguing, create misunderstandings among the siblings and parents over financial issues that could easily be overcome with simple family management and communication structure, such as having regular Family Financial Meetings to talk about family financial affairs.



Family Financial Blueprint and Family Financial Meetings

There is really no standard structure for family financial meetings. It depends much on the uniqueness of the family structure.

You and your family members will be the best judges to decide who will be an effective chairperson of the meeting. Preferably, the chairperson is a family member who is a mature person with respected authority and who can bring harmony and fairness to the meetings. At the same time, the chairperson is able to facilitate the discussion among the family members to help the family to make effective financial decisions.

It is important for the family to appoint a trustworthy family member to be the family accountant to prepare family financial accounts like cash flow statements and balance sheet statement of family wealth.

I believe you know the power of multiplication of family wealth when siblings and parents work together to manage wealth.

It is important for the family to create the Family Financial Blueprint with stated financial philosophy, financial goals and objectives so that the family financial meetings will be guided by this Blueprint to make effective investment decisions to achieve family financial goals, and at the same time, solve financial disputes, if any.

The Family Financial Blueprint will help each member to understand the purpose of the investment being made and how to work together to avoid mismanagement of assets.

The Family Financial Blueprint is an important document for the family. It has to be safeguarded to avoid misappropriation of information by outsiders.

Family financial meetings can be challenging unless parents have been teaching their children since a young age about the importance of family togetherness and the importance of communicating with them about family finances.

I believe meetings become family gatherings that will bond family members with greater values in trusting each other, family togetherness, unity, sense of security and sense of belonging with one-voice representing the family generation.

At the same time, such gatherings can be enjoyable, rewarding and motivating when family members are being rewarded for the effort put in to create more wealth for the family.

Engaging professionals to build family wealth

If the family system becomes complicated with in-laws and relatives, it is advisable for the family to engage professionals like Family Financial Advisors and Legal Advisors who are specialists in family systems to be the mediators or facilitators for the family financial planning.



There is a need for a Family Financial Advisor who is an expert in understanding the dynamics of Family System to help the family create family wealth legacy that is acceptable to family members.

Why is this important?

This is because a Family Financial Advisor has a critical role to ensure assets are transferred to the next generation along with the family philosophy, values and skills to steward the family wealth wisely.

It is important for the Family Financial Advisor to adopt a humanistic approach in advising family members because of the uniqueness of a specific family system. An expert in this area will be able to help you and your family to handle the complexity of your family structure, which comprises of individuals with unique personalities and behaviors towards money.

Because of the family complexity, the Family Financial Advisor must be a specialist in family system to moderate and facilitate family members to define family financial objectives and use these objectives to design a wealth management strategy that is consistent with the family values and priorities. This expert will:

- Help define family values & wealth goals
- Create wealth investment structure and strategies that are realistic
- Select appropriate financial products and services that are realistic, prudent, tax efficient and acceptable to the family members
- Build good family financial reporting, responsibility & accountability
- Mediate issues in multi-generational estate planning and distribution
- Bridge communication among the family members of different personalities and generation gaps
- Integrate family philanthropy into wealth management strategy, if any
- Build good family governance to make effective decisions within the family system

Now that you understand the importance of family financial management, how would you like to cultivate such family values and financial legacy with your own children when they are still young, so that your children will grow up to be financially savvy and help you create more wealth for the family?