

A Closer Look

Family Meetings – An Important Strategy for Preserving Wealth



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- Bessemer Trust wants to help our clients create positive legacies that persist across generations.
- Family meetings are an important tool to help families share values and wealth plan information.
- We help our clients plan, design, and conduct family meetings. We work hand-in-hand with them to craft thoughtful meeting objectives and agendas that enhance multi-generational planning.

Why Have a Family Meeting?

Successfully preserving wealth across generations is not easy. Transferring values is even harder. Many wealth creators have suffered the heartbreak of seeing their money and family cohesiveness diluted after only one or two generations. Other families have created positive, enduring legacies that persist into the third, fourth, and fifth generations.

What have the successful families done so differently? In our experience, these families have prepared wealth for the next generations not only through thoughtful planning, but also through timely communication and education. For many families, a multigenerational family meeting offers a perfect opportunity to start this preparation.

In this *Closer Look* we discuss how a well-designed family meeting may help to create an atmosphere of trust, strengthen relationships, and instill a value system that will persist across generations. We also explain how Bessemer Trust helps its clients plan and facilitate a family meeting to promote mutual understanding and refine expectations for the future.

Create an Atmosphere of Trust

In our experience, gradually sharing a wealth plan with the next generation creates an atmosphere of trust. Family members who hear the same

message welcome the transparency and reduced uncertainty. Additionally, when younger family members feel they are trusted, they are more likely to understand and respect the responsibilities that accompany an inheritance. If the wealth creator augments this trust with a solid financial education and communication of the family's history and values, next generation members have a better chance of adopting a stewardship mindset — a sense that the family shares something greater than financial assets.

Stewardship: The responsible oversight and protection of something worth caring for and preserving.

What Is a Family Meeting?

A family meeting offers a safe, structured environment for communication and education as well as disclosure about the wealth plan, either in part or in full. Family meetings come in all shapes and sizes. Each is unique and dependent on the family's objective. Meetings may be in-person or virtual, span an afternoon or a weekend, and include a single generation or multiple generations. In all cases, however, great care is taken to prepare participants for the meeting. Everyone should be given the opportunity to weigh in on the agenda, and know what to expect and what is expected of them.

A Closer Look: Family Meetings – An Important Strategy for Preserving Wealth

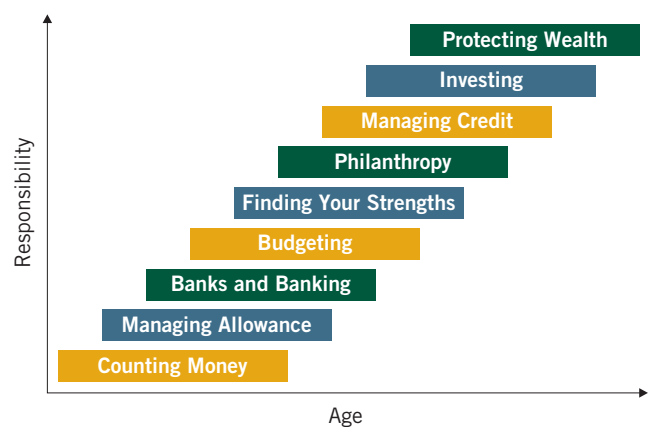
While each family meeting is customized to meet its objectives, some topics are common to meetings. Common topics of a family meeting range from financial and wealth literacy concepts to an exploration of how to communicate more effectively with one another.

When Do I Start?

The timing to start a family meeting depends on several factors, including participants' ages and the meeting objectives. Ideally, family meetings start when the next generation members are in their teens and early twenties, and focus on providing a basic financial education. If members of the next generation are trust beneficiaries, we recommend starting this process well before any required disclosure date, typically at 18-years old. For these meetings, we suggest crafting age-appropriate lessons on personal finance and investments that layer in the family's values and history to the extent possible. If the family owns a business, we typically encourage them to start formalizing their decision-making process, also known as governance, before the third generation is of employment age.

However, families do not need to wait until the next generation members are teenagers. Many families benefit from regular meetings that begin when the children are young. Family meetings for younger children may focus on the importance of developing savings plans from allowances or finding worthwhile charitable causes to support. These types of early meetings help children develop skills they will use to integrate family values with wealth stewardship plans (Exhibit 1).

Exhibit 1: Strategies for Raising Grounded Children



Determining What Money Means to the Younger Generation

A family asked us when it should share its wealth plan with the children and grandchildren. Rather than start with that objective, we suggested they learn more about what was important to each generation regarding money.

We proposed using an interactive exercise called *Money Messages*¹, popular among our younger clients, in which each person identifies the message he or she grew up with and the message he or she would like to live by. Sometimes the messages are the same, but most often they are different and reflect how far along the family is in integrating wealth into their lives. In these and other meetings, family members get to know each other on a slightly different level and learn how to work together. Interactive exercises also allow elders to observe the younger generations' family dynamics and maturity levels in order to decide, carefully, how much of their wealth plan to share and when to share it.

In this case, the grandparents elected to share two parts of the plan — funding the grandchildren's educations and establishing a private foundation — that dovetailed with the discussion about what money could and could not do for the family.

¹ *Money Messages* is a product designed by 21/64.

Establish the Ultimate Objective

A successful family meeting starts with a clear objective that participants understand and to which they have consented.

While there is often an individual or event that acts as the catalyst for the meeting, we recommend interviewing all participants in advance to collect information on potential hot-button issues or additional interests. A third party — often the meeting facilitator — typically will either conduct the interviews or gather feedback through an anonymous survey. The survey input helps inform other meeting aspects including design, participants, location, and length. In fact, it is not uncommon for the interviews to help shift the objective of the meeting in a way that is more meaningful to all family members.

Refine the Objective

After the family establishes the primary meeting objective, our team works with them to refine it. For example, while clients might know that they wish to use a family meeting to share all or part of a wealth plan, they might have an ancillary objective such as addressing a current family concern.

As an example of how to refine the objective, consider the case of clients who were grandparents who sought our help to resolve a conflict over their adult children's use of a vacation home. The clients were afraid that the family's increased wealth and resources were causing family ties to unravel. In addition, they thought it was time to share their wealth plan with their children and grandchildren. To address their concerns and to allow for communication of their intentions, we suggested that they hold a family meeting.

Because we knew there was existing tension in the family, we asked permission to interview the participants in advance, to better understand the cross currents at work. From there, we would create the most relevant agenda for the meeting. During our interviews we realized that there was an

“elephant in the room” in addition to the familial tension about vacation home use. Members of the second generation were grappling with the larger issue of their new wealth. They were struggling to raise their own children as grounded individuals and were judging their own siblings' spending and parenting habits harshly.

We used the results from these interviews to refine the meeting objectives apart from settling a dispute over use of a vacation home. The clients decided that they wanted to encourage a sense of intellectual curiosity and shared learning among family members. Second, they wanted to foster a sense of stewardship *and* entrepreneurship in the future generations — especially among their grandchildren. Third, they wanted the money to be used to help keep the family together.

In this case, the family meeting was very successful. The carefully crafted agenda, in conjunction with our facilitation of the discussion the clients wanted, softened the sibling dynamics. They communicated with each other and admitted that they never wanted their own children to experience similar tensions. They also expressed their admiration and gratitude for their parents' decision to use their family wealth to further the education and business ventures of the grandchildren. And, as our clients had hoped, the siblings developed a policy about how the vacation home would be used. They quickly solved the problem that sparked the need for the meeting. We attribute this positive outcome, in part, to our ability to refine the clients' objectives and design an appropriate agenda.

Hear All Voices

When the family has established a clear objective and the meeting agenda, an outside facilitator or co-facilitator may be helpful. A good facilitator will help ensure that everyone is engaged and contributes to the conversation, will keep track of timing, and will assist in handling areas of potential conflict. We often find that younger generations

have important insights to share, but may feel their opinions are secondary. A good facilitator will make sure that the younger generation contributes to the conversation. To establish an inclusive tone, some families start the meeting with an exercise to help identify the different communication styles in the room and review the principles behind active listening. Others develop a code of conduct to keep conversations constructive.

Sample Code of Conduct for Family Meeting

- Be punctual and prepared
- Don't interrupt
- Treat disagreement as an opportunity for learning
- Address issues with the people involved before involving others
- Honor the statute of limitations on all specified issues

When we act as facilitator, we often introduce compelling, low-risk activities to spark fresh insights among family members and enhance communication from one generation to the next. For example, at one family meeting, we asked each person to say something admirable about the person seated on the right. A younger brother turned to his adult sister and told her he had admired her courage as she worked her way through a painful divorce. The brother's important vote of confidence was surprising and touching — and might not have been shared unless prompted. As a family member said during a break, "These meetings are so important...because we change and we forget to tell each other."

Difficult Conversations

If a difficult conversation such as revealing a sensitive part of a wealth transfer plan or introducing a new family policy is on the agenda, we can design a way to structure the discussion in advance. Our facilitators will even role-play with the presenting family members to anticipate how to handle differing points of view.

Facilitating a Difficult Conversation

Parents of young adult children wanted to have a family meeting to discuss whether to require prenuptial arrangements if their children were to marry. One of the daughters was in a serious relationship, and the parents knew the information had to be delivered carefully. In our experience, the person who introduces a topic and guides how it will be discussed is often as important as the topic itself. To establish the right tone and context, we suggested that a younger Bessemer team member meet with the daughter and her siblings to explain what a prenup was and why it was useful. In the meetings, the younger team member cited recent examples of young celebrities who had benefited from prenuptial protections. The siblings immediately related to the discussion, shared other examples, and asked questions.

The Bessemer advisor also offered strategies for when and how to handle the conversation with a potential spouse, easing the daughter's immediate concerns. At that point, the parents and other Bessemer team members joined the meeting to offer information on the technical aspects of the prenup and discuss confidentiality. This two-step meeting format allowed the next generation time to digest the information and freely ask questions of someone to whom they related more easily, making the experience more productive.

Regular Family Meetings

For business-owning families, having regular family meetings is often vital to the healthy functioning of the business and family. Even if the first few meetings feel a bit awkward, over time, the process becomes more ingrained and valuable. Family members typically develop new talents to work with one another. These new skills may include better communication techniques, a deeper appreciation for healthy conflict, and a greater sense of engagement and contribution to the family as a whole.

We often suggest families establish a feedback loop at the first meeting. After the first family meeting we facilitated for one client, we sent an anonymous survey to the participants seeking feedback. Comments such as “More bonding time!” and “The financial discussion was way over my head” helped the family design the next meeting. Soliciting feedback helps galvanize the family meeting process by prompting improvements and eliciting fresh ideas and suggestions. Eventually, the family meeting becomes an anticipated ritual. As a client who had been attending family meetings for over two decades said, “They aren’t always easy, but there would be a mutiny if we ever considered cancelling the family meeting.”

How We Can Help

Each family is in a different starting place with regard to establishing a family meeting. Bessemer Trust partners with families for each step of the process. We work hand-in-hand to shape agendas, secure the appropriate subject matter experts, and help set the family’s expectations. We alert the family to potential conflicts and help everyone understand what options are available to resolve them. Whatever the family’s goal, we can help craft a thoughtful strategy for enhanced, multigenerational communication through the family meeting. In our experience, families who have prepared the next generation for wealth by creating a stewardship mindset view the family meeting as critical. They consider the investment of time and effort well worth it.

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