



Presented by:

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## **Family and Wealth Sustainability:**

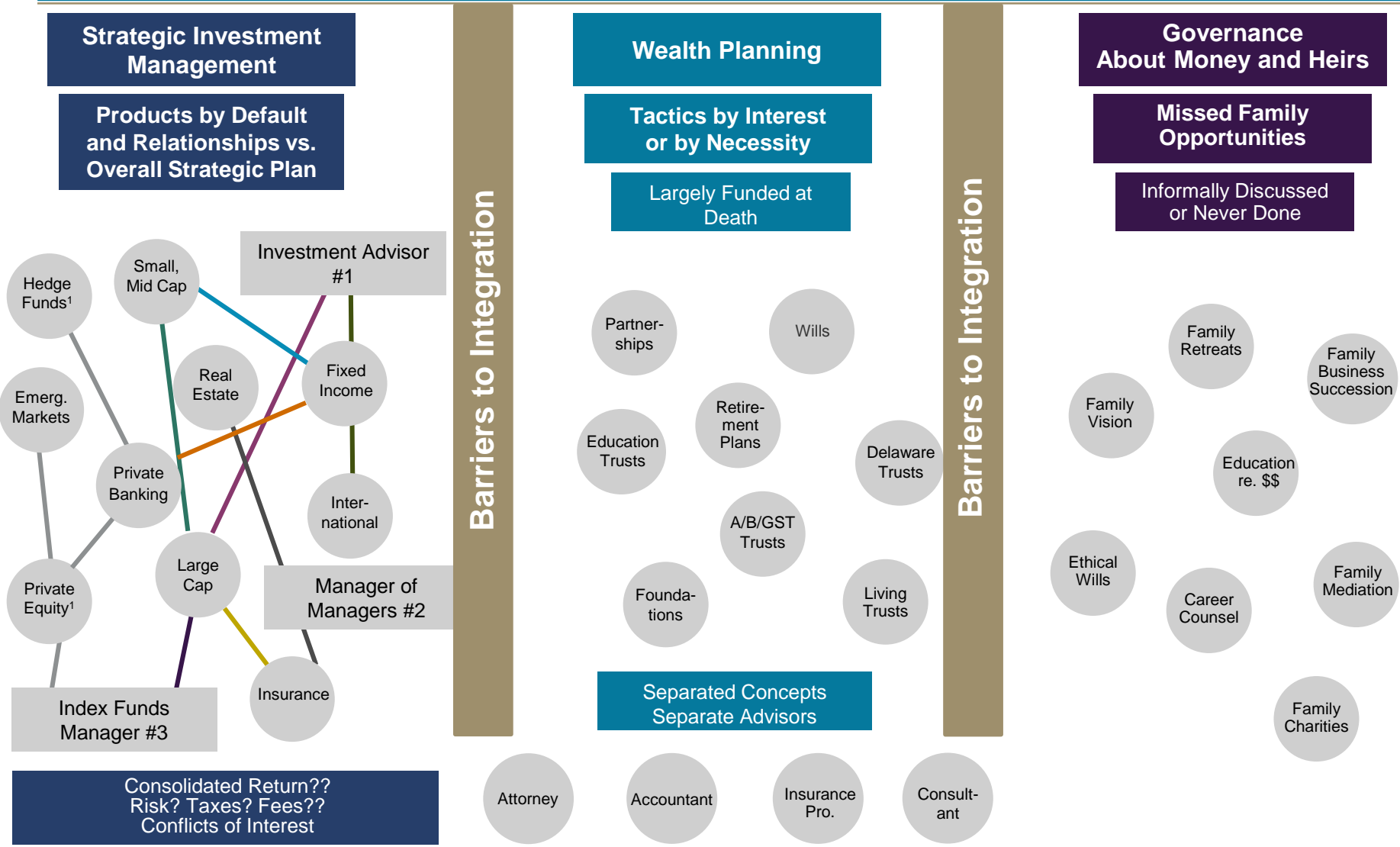
Integrating Family Values with Wealth Planning for a  
Lasting Legacy



**BNY MELLON**  
WEALTH MANAGEMENT

# Typical Family Wealth Situation

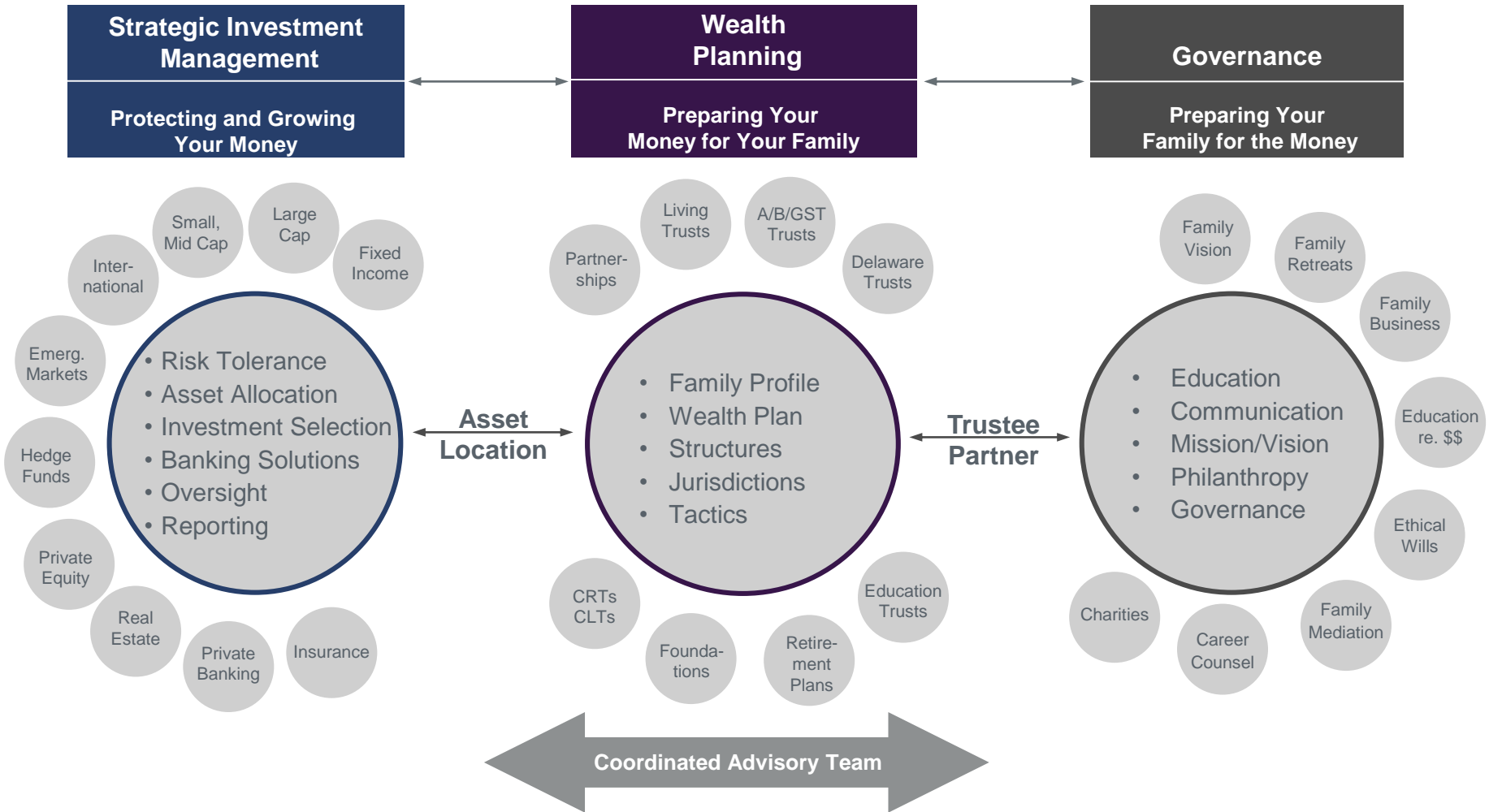
## A WEALTHY FAMILY'S DILEMMA



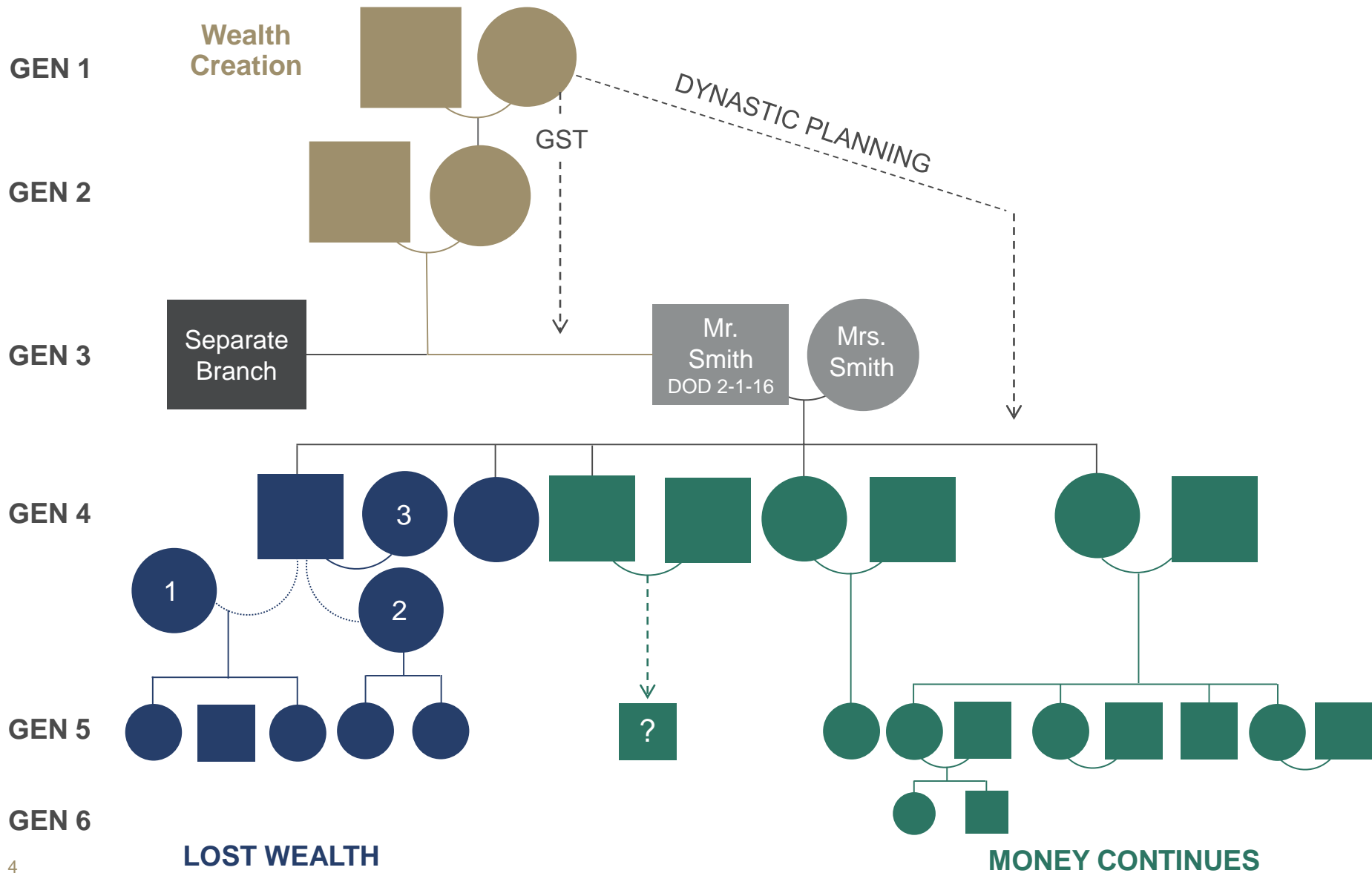
<sup>1</sup>Limited to qualified investors only and where appropriate.

# Integrated Family Wealth Solution

A WEALTHY FAMILY'S OPPORTUNITY



# Complexity of Family Wealth Transfer



# The Three Big Questions

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① How much is enough?

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② When do we tell them?

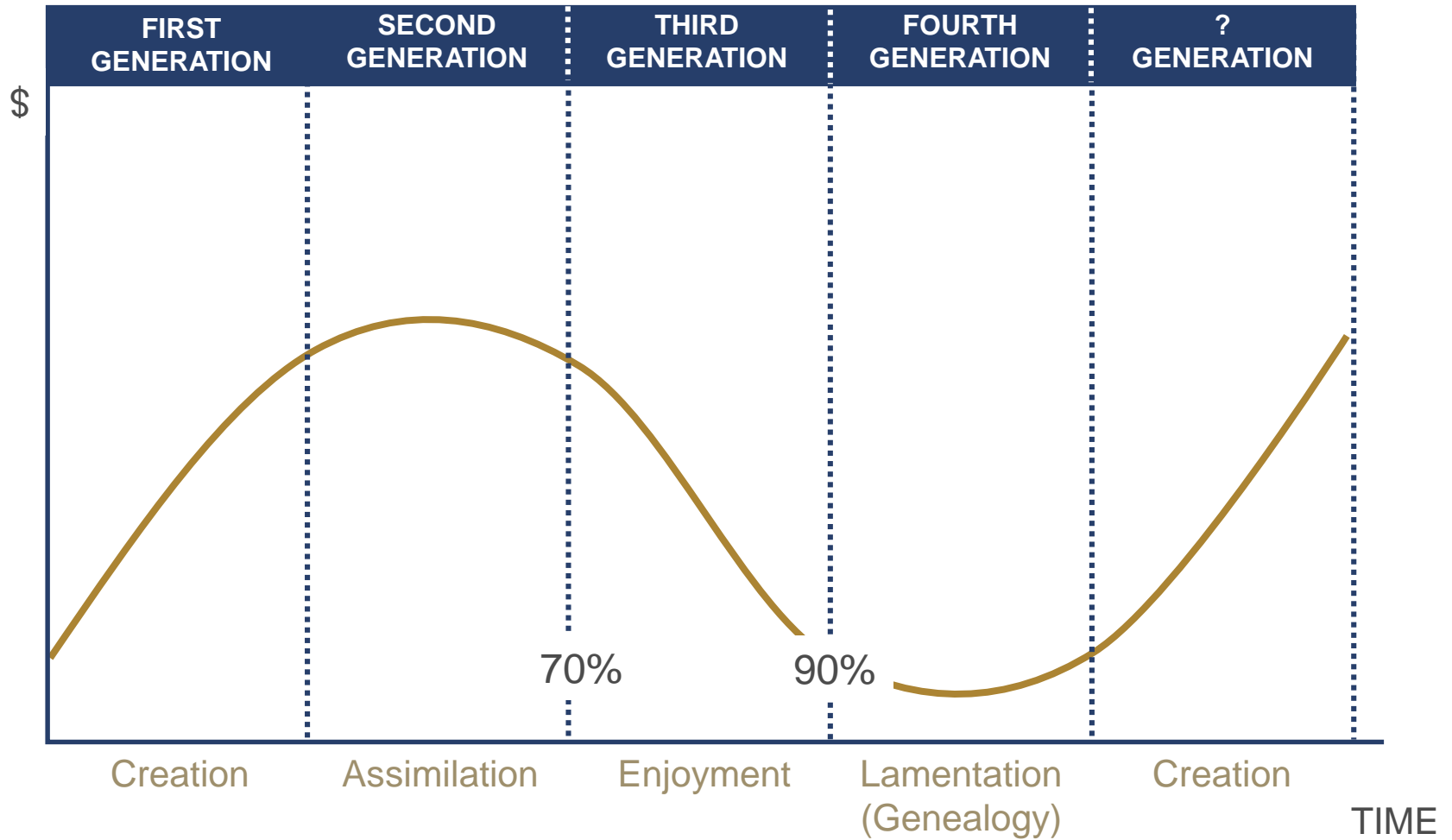
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③ How do we break the paradigm?

“Shirtsleeves to shirtsleeves in three generations?”

# Client Study: Family Prosperity

“SHIRTSLEEVES TO SHIRTSLEEVES?”



# Risk Perception

## WHERE AM I MOST VULNERABLE

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### **37%** Investment-specific Risks

- Portfolio risk, manager risk, timing risk, style risk, business risk...

### **26%** Economic and Financial Market Risks

- Economic downturn, inflation, deflation, energy costs...

### **16%** Political and Tax Risks

- Higher personal income taxes and estate taxes, legal liability risks, government intervention...

### **Only 7%** of Perceived Risk is Family Dynamics, Communication and Relationship Problems

- Poor family communication and relationships, governance issues, next-generation education issues

# Risk Reality

## WHY DO WEALTH TRANSFER EFFORTS FALL SHORT?

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**60%** of Failure is Due to a Lack of Communication and Trust

**25%** of Failure is Due to Unprepared Heirs

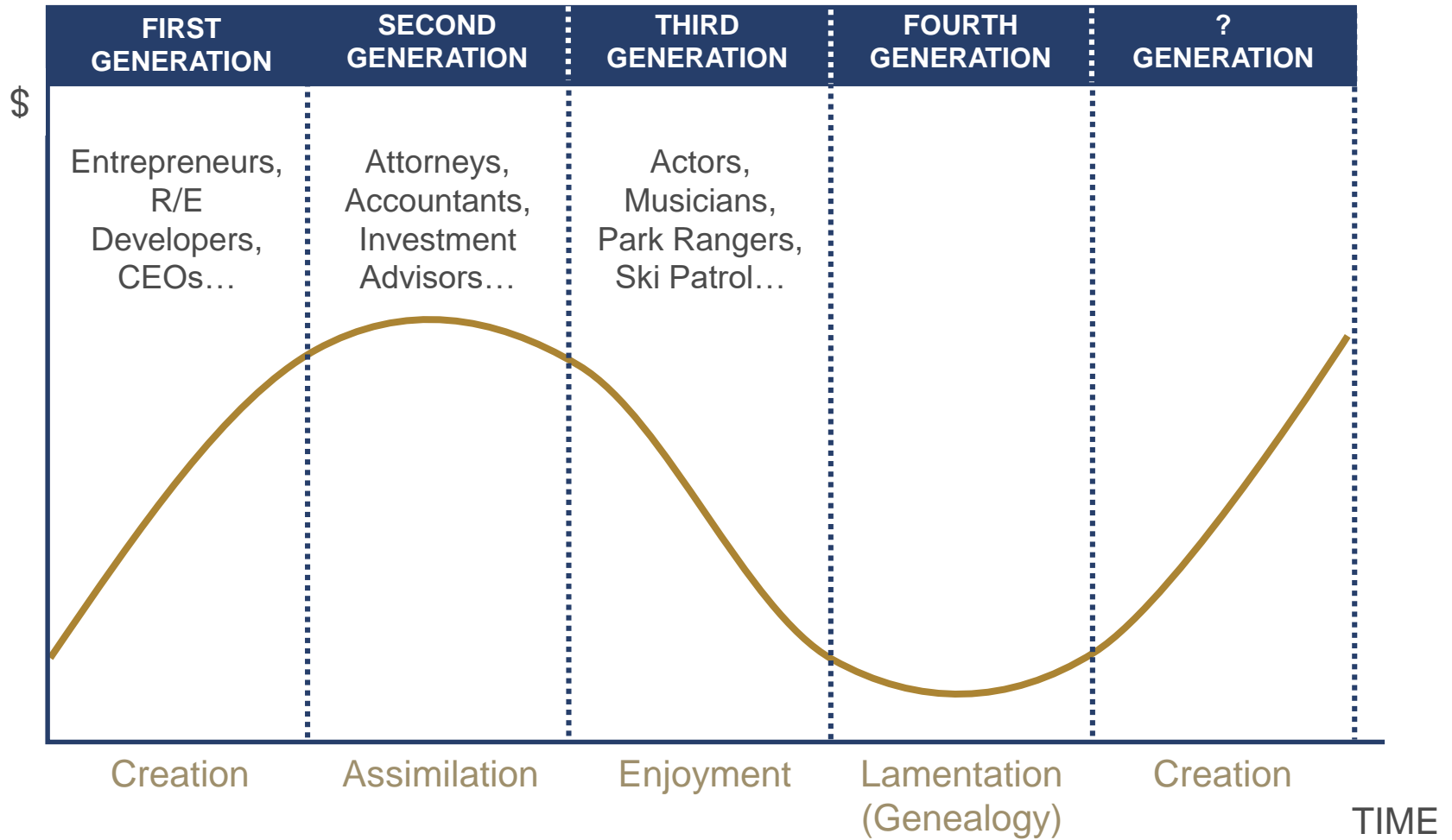
Only **3%** of Failure is Due to Failures in:

- Financial planning
- Taxes
- Investments



# Client Study: Family Prosperity

“SHIRTSLEEVES TO SHIRTSLEEVES?”



# Wealth in Families

## DIVERSE SOURCES OF CAPITAL

Human Capital	Self: personal strengths and talents
Intellectual Capital	Learning: formal and informal
Social Capital	Others: the community and the world
Spiritual Capital	Belief in a power beyond ourselves
Financial Capital	Wealth creation and wisdom

**The Purpose of Financial Capital is to Enhance Human, Intellectual, Social and Spiritual Capital**

# Wealth in Families

## GUIDING PRINCIPLES: THE BASIC BASICS

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- You are going to die
- Succession and wealth transfer will take place with or without you
- Successful wealth transfer is a lifetime endeavor
- Your spouse and heirs are different from you and from each other
- Whatever you leave your heirs, even if in trusts, will eventually be “controlled” by them
- Estate and gift taxes should be considered in wealth transfer planning, not drive it
- A wealth and business succession plan can significantly promote family harmony

**Wealth without Responsibility or Authority  
is a Formula for Resentment and Failed Self Worth**

# Preserving Wealth Families

## ACTIVITY AND COMMUNICATION AROUND WEALTH

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### **Governance Procedures**

- Family bank, family office, good dysfunction?

### **Horizontal vs. Vertical Structures**

- Rothschild vs. Vanderbilt

### **Family Philanthropy**

- Philanthropy day?

### **Caring: Motivational vs. Caretaking**

- “Invest in you” vs. “Distribute to you”

# Five steps to Healthy Family Governance

PUTTING IT INTO PRACTICE: BNY MELLON

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## 5. Putting it into Action, Horizontal Thinking

- Healthy family governance

## 4. A Test Drive with Someone Else's Money but Your Values

- Family philanthropy

## 3. Mission/Vision—History and Future

- Family values and experiences

## 2. Evaluation and Discussion in a Safe Family Setting

- Communication

## 1. Giving the Family an Understanding of Possible Problems and Solutions— Context

# Governance Questions to Answer

## THE HARD QUESTIONS

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### Preparing the Family for the Money

- When does a person become a member of the family?
  - Prenuptial agreements: “a gate in,” or a “roadblock out?”
- What does equal mean?
- What is an appropriate lifestyle and when should it start?
  - Should trusts pay for lifestyle OR invest into the beneficiaries?
- Should we sell or keep the family business?
- What do we do with the vacation house?
- What consequences should family members be subject to?
- What types of beneficiaries might we create?
- Who should apologize; who’s right or who’s wronged?
- How do we create independence AND interdependence?

# What Seems to Work

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## **Family Meetings**

- Setting a pattern–“it’s important”

## **Family Teamwork, Trust and Communication Exercises**

- Building experiences

## **“Family” Philanthropy**

- Not just “individual” philanthropy

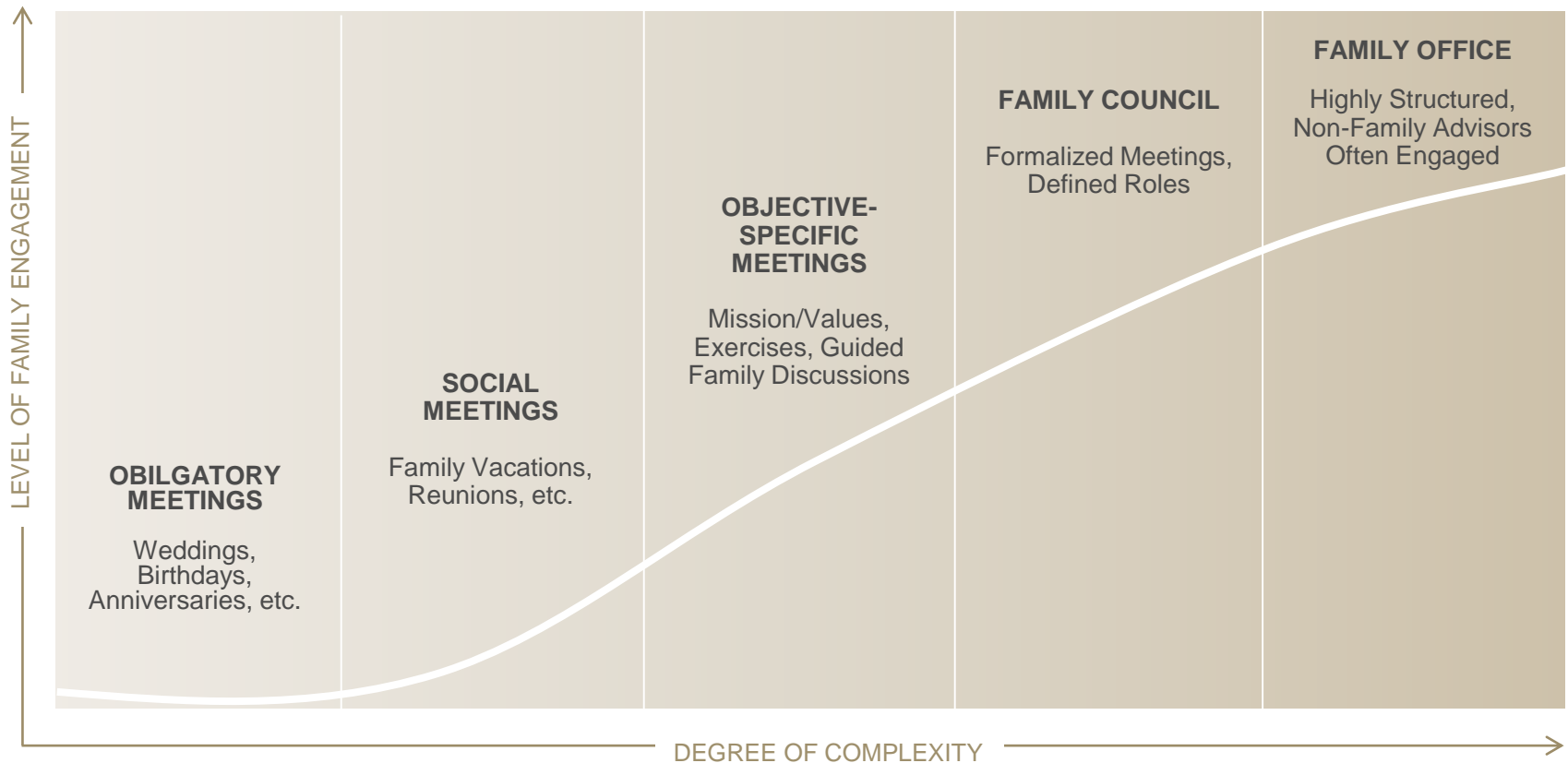
## **Investment Management, Financial Planning and Tax Education**

- Family mentoring opportunities

# What Seems to Work

## THE EVOLUTION OF FAMILY MEETINGS

### Correlation between Level of Family Engagement and Complexity of Meetings





# The Three Big Questions

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- 1** How much is enough?
  - The amount you prepare them for. Preparing them for nothing is as hard as preparing them for millions.

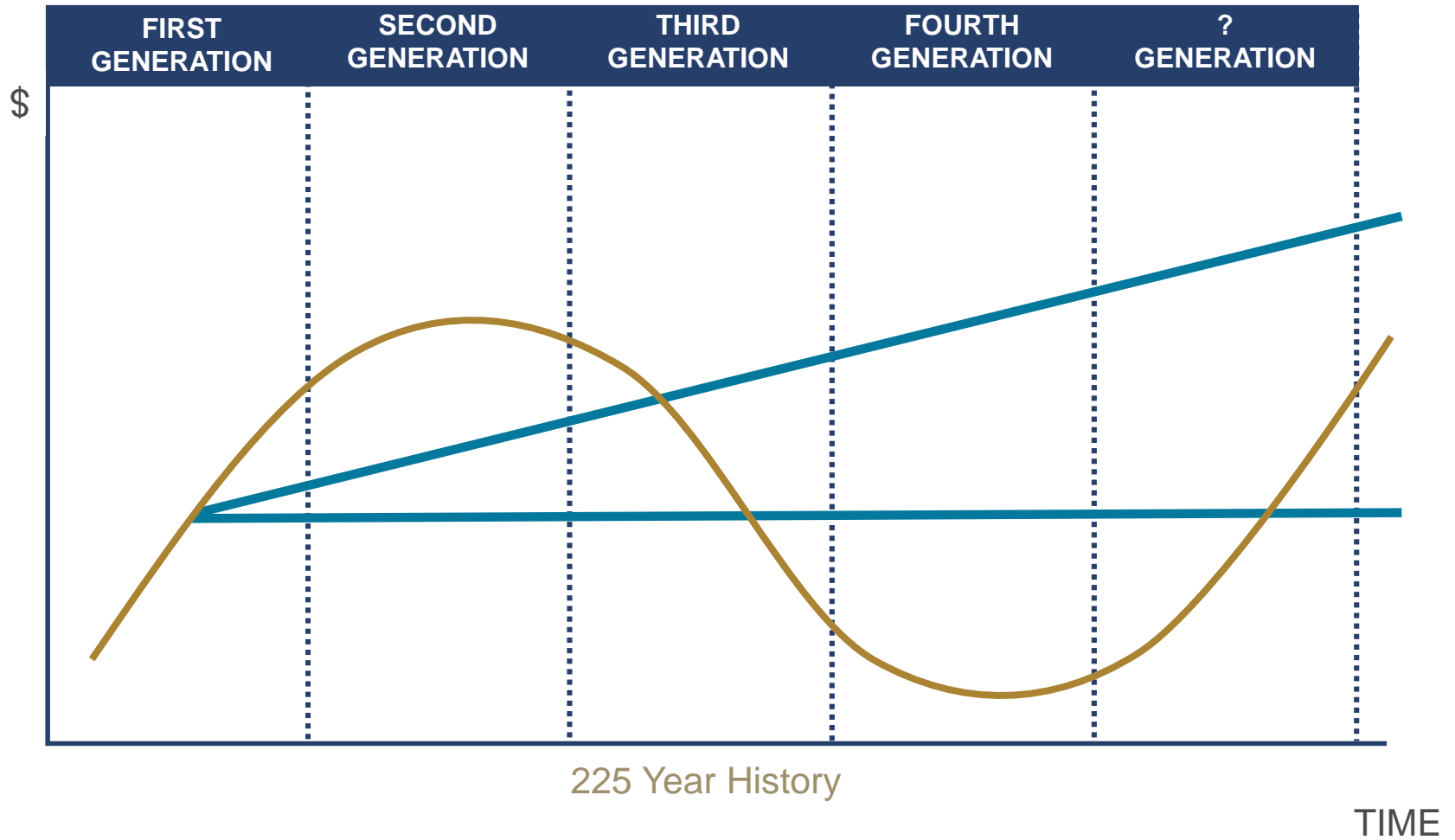
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- 2** When do we tell them?
  - When they are ready to hear it.

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- 3** How do we break the paradigm, “Shirtsleeves to Shirtsleeves in three generations”
  - Build flexible family teams and empower them

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# Client Study: Family Prosperity

“SHIRTSLEEVES TO SHIRTSLEEVES?”



# QUESTIONS?

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**THANK YOU!**

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# Disclosure Appendix

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