Are you ready to turn uncertainty into growth?

It may seem strange to be talking about growth in these uncertain times. In fact, now is the perfect time.

Amongst the havoc wreaked by COVID, it's been heartening to see some positives emerge from the pandemic: a strive for greater connection; a surge in community spirit and solidarity.

The crisis has given us cause to stop and reflect on how we live; to examine what really matters to us as individuals and families; to question whether we're living by our values. As we face increased uncertainty, now is the time to shift our focus to growth and building a confident future for ourselves and our families.

Are you ready to turn uncertainty into growth?

Read the article

The Rockefellers: A Model for Family Stewardship

"If the values weren't lived, the words wouldn't have had an impact," David Rockefeller Jr. said. "So I think the family has tried its best to live those values, to whom much is given, much is expected."

The Rockefeller family is one of the oldest and most prominent family dynasties in the US. It is also one of the most discreet. By many measures the family has been incredibly successful. The Rockefeller foundation has celebrated 100 years and the family has stewarded a fortune of over $11Billion.

Now entering into its seventh generation, the descendants from the original wealth creator, John Davison Rockefeller (JDR), come together at least twice a year. The family has stayed together and feels like a family. It has done so without the scars of family feuds or lawsuits.

The writings, anecdotes and stories of JDR's life provide many clues as to how such a strong legacy was built. Like all successful families, the legacy comes from clear purpose and a strong set of values. So, how might the purpose and values chapters of the Rockefeller Family Charter read?

Using many of JDR's original ideas, we've attempted to piece them together.

> ***'Singleness of purpose is essential for success in life'****, JDR*

For many successful individuals, philanthropy denotes a level of success, the culmination of a lifetimes work. The idea that once there is enough wealth to share around, it is time to consider how to contribution to something greater. For JDR, it was a core belief long before there was any wealth to speak of. When he started out at 18, earning $3.50 a week as a clerk in Cleveland, he gave around 6%, sometimes more, of his income to charity. By time he was 20, he was consistently giving over 10%. David Rockefeller Jnr recalled giving to charity with his very first allowance, aged 10.

Whilst he was driven to succeed, the purpose for JDR was not the accumulation wealth and he said so explicitly. 'The man who starts out simply with the idea of getting rich won't succeed; you must have a larger ambition.' This larger ambition remains central to the family today. The Rockefeller Foundation's mission, unchanged since 1913, is to promote the well-being of humanity throughout the world. This mission aligns JDR's essential belief that, 'having been endowed with the gift I possess, I believe it is my duty to make money and still more money, and to use the money I make for the good of my fellow man according to the dictates of my conscience.'

The mission drives many of the family's ventures and its decision making. The Rockefeller Brothers Fund is an example of pioneering impact investment. The strength of the family mission and the extraordinary family tradition of putting family wealth to work in service of improving the world, made the process of implementing a mission-aligned impact investing program that much easier. It is the same mission that has driven the divestment of all stocks related to oil and gas.

> ***'They have not only conveyed wealth in their family, but they have conveyed values, and that is a real achievement.'*** *Mort Zuckerman*

Purpose is clearly a key element to the success of the family. However, when you look at the challenges experienced by the Carnegies, the Vanderbilt's (dynasties born out of the same era as JDR) there must be more to the story than 'purpose' or 'mission'.

To understand this, we need to look at values. 'If the values weren't lived, the words wouldn't have had an impact. I think the family has tried its best to live those values, to whom much is given, much is expected.' David Rockefeller Jr.

Here is a guess at what values JDR may have espoused:

1. Practice discipline and ritual

JDR was a bookkeeper by trade and paid meticulous attention to the detail of his accounts throughout his life. JDR tracked all of his spending and saving. He kept a strict account of his finances in a small notebook he dubbed 'Ledger A.' Even as an old man, he kept it in a safety deposit vault like a sacred relic. Discipline and ritual mattered a lot to JDR and it is important to the family today.

They meet as a family twice a year for the family forum. In June, at the Playhouse on the grounds of the historic family estate in New York's Hudson Valley or in New York City over Christmas. At Christmas there are often more than 100 in the same room for a Christmas lunch. Ritual is built into the process as well. When you are 21, you get invited to the forum where you get tell a little about yourself and get welcomed in. The idea is to say you are part of the family.

Not having an operating business to either run or divest has helped to create a stable foundation for the family to work from. However, there are a number of informal arrangements to maintain harmony. The non-solicitation rule for example, that prohibits family members from tapping each other for their personal charities.

2. Live within your means

‘I have never known a playboy Rockefeller.’ Henry Kissinger.

Even after accumulated massive wealth JDR continued to live frugally relative to his peers. He bought and built large houses, but they were always modest compared to what he could have afforded.

The family never flaunted its wealth. JDR Jnr was squeamish about putting his name on Rockefeller Center as he thought it ‘flamboyant and distasteful’.

Today, the Rockefellers make a conscious effort to teach their children to preserve their money and use it to improve the world. The key lesson is that ‘touching capital is a cardinal sin and you should try to live on your income’.

3. Continue to learn and grow

JDR was passionate about learning through his everyday conversation and taking insights from those around him. As the head of Standard Oil ‘he conversed not only with those overseeing the operation, but with the rough wildcatters who were actually doing the drilling.’ He was famous for saying very little, preferring to listen to others than dominant the conversation. ‘It is very important to remember what other people tell you, not so much what you yourself already know.’ JDR

Education is synonymous with the Rockefeller’s. JDR founded University of Chicago and Rockefeller University. The Rockefeller Foundation continues to support education as a backer of the London School of Hygiene and Tropical Medicine, and the New School in New York. In 2008, David M. Rockefeller made the largest gift by an alumnus in the history of Harvard University, giving $100 Million.

In 1911 Standard Oil was divided into multiple publicly listed entities which allowed the financial assets to be easily passed on to future generations by way of a series of comprehensive trusts. In addition to the trusts, there are a series of committees and other structures that provide a means to connect and educate a family that spans a massive 242 descendants.

A close colleague who once sat in investment meetings with David and Laurence

Rockefeller recalls an important ritual where each trustee writes a letter to the family board outlining how they put their distributions to use. Using the principle ‘invest, save, spend, give’ helped each Rockefeller be an effective philanthropist and steward of their personal wealth.

Further reading

Despite their longevity and significant impact, there are limited resources or case studies on the governance and structure of the Rockefeller family. The resources below provide some further context on the family, the Rockefeller Brothers Fund, including several articles on the values and beliefs that shaped JDR.

https://www.ft.com/content/1abecaa8-1867-11dd-8c92-0000779fd2ac

http://theimpact.org/wp-content/uploads/2016/09/TheImPact_RBFCaseStudy_2016lowres.pdf

https://www.economist.com/business/2008/05/22/a-family-affair

https://www.artofmanliness.com/articles/john-rockefellers-keys-to-success/

https://www.cnbc.com/2018/03/26/david-rockefeller-jr-shares-4-secrets-to-wealth-and-family.html

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Interview with our client David Orford

David Orford talks with FS Private Wealth about the work we are doing to bring his family together and steward its assets.

Download the article

You can read the article online here

Tiffany Jones featured in the latest episode of “Inside the Rope”

Listen to Tiffany talk about family leadership with David Clark from Koda Capital, in the podcast series *‘Inside the Rope’*.

Tiffany discusses the challenges of managing wealth across generations with one of Australia’s fastest growing independent financial advice firms

Listen to the podcast

Podcast Episode 7 – With Jenny at the Family Assembly

This episode comes from the kitchen table at a country farm in NSW. It captures the reaction of a family coming together for their 1st family assembly.

Listen to the episode below:

Download the transcript

Podcast Episode 6 – At the kitchen table with Arun Abey

How much is enough?

In this episode I spoke with Arun Abey. Having authored the book 'How much is enough' and advised clients in relation to wealth for many years, Arun has deep insight into wealth, purpose and happiness He has a great perspective on how we need to educate and prepare our families to maximise wellbeing.

Listen to the episode below:

Download the transcript

Family Self-Assessment

When we start working with families, we ask them to review the structures they have in place against the constructs that successful families adopt. We do this by means of the below list of questions.

An interesting way of approaching this review is to go through the list yourself, answer Yes or No to the 20 questions, and then get other members of your family do the same.

Seeing whether or not you all come up with the same answers will give you an insight into where you need to start the conversation and align the family.

1. We have a plan for the transfer of our family resources (wealth, homes, businesses, rituals)
2. The recipients in our family know what resources they will receive and when
3. Everyone in our family has a way to contribute to family affairs
4. There is a documented succession plan for the leadership of our family entities / businesses
5. We make space within our family for conversations about wealth, values and purpose
6. Our family actively encourages and supports entrepreneurship
7. There is a defined purpose that guides the use of the resources in our family
8. This purpose been shaped by and agreed across the family
9. Our family encourages philanthropy
10. Our philanthropic giving is aligned to the interests of the whole family
11. We have family council meetings and hold an annual family assembly
12. We discuss where potential conflict exists between members of our family
13. There is an agreed and structured approach for our family to resolve any differences
14. Our family has robust and effective practices / protocols
15. We have a family charter / guidebook
16. We have an agreed set of values
17. There is a strategy that determines how the family’s resources will be sustained into the future
18. Our family has an education plan to develop leadership and financial literacy
19. Our family seeks out formal and informal mentoring opportunities
20. The wisdom and stories of elder family members is preserved and shared

How many items could you answer Yes to?
Regardless of your score, there are always ways to initiate or enhance family conversations. Consider the recommendations below based on your results.

0-7 | High Risk

Mitigating the risk in your family is all about starting the conversation. Talk about the resources in the family and the interests and goals of all family members. Capture your family purpose and values in a family charter, along with some basic protocols that guide how you plan to come together as a family. When you are starting out in this way, it’s a lot to take on by yourself: the roles of leading the conversation and contributing to the conversation require a different focus. Get help to create an open, flowing dialogue that brings your whole family along with you.

8-15 | Medium Risk

You are well on your way and have established some important structures to safeguard the future of your family. To continue developing, have the tough conversations that tackle potential conflict, embed your family story and grow entrepreneurial and philanthropic endeavours. Ensure that everyone has a clear understanding of their role and a chance to contribute to the family strategy.

16-20 | Low Risk

Congratulations. You have initiated many of the activities that will set your family up for success. Focus on fine-tuning your family system and encouraging independent entrepreneurial ventures. Assess the extent to which your family demonstrates stewardship by giving members of future generations the chance to lead and fail.

Podcast Episode 5 – At the Kitchen Table with Paul Heath

This podcast is a way to share stories from families we support and our family advisor partners. These stories share a common theme – a critique of the idea that to be wealthy is not just about how much money you have but how you put your family's resources to use for future generations.

I partner with Koda Capital to deliver leadership and inter-generational wealth for families and have worked with the Koda CEO Paul Heath for over 10 years. In this episode I sat down with Paul to talk about the value of independent financial advice and how the industry will transform over the next 10 years. I particularly enjoyed hearing how families have created stewardship. The successes and the failures.

Paul has a significant amount of experience and the lessons he shares from these families are really insightful.

Listen to the episode below:

Download the transcript

Lead with Confidence

When I coach business leaders, I am often asked to inject some confidence into the person I am coaching. It is not uncommon for a new Executive to have a broad goal of 'confidence' as they transition and find their feet.

Of course, confidence is not limited to how you carry yourself in the workplace. Quite often our role guiding the conversation in a family is to give specific family members the space and room to voice their opinions when they otherwise lack the confidence to make their point of view heard. The philosophy that shapes our work with families is that we want to create confident stewards.

So, what does confidence look like and how can you be more confident in the interactions with your family? Here are three important places to start.

Consider how you prepare and carry yourself

- Be mindful. Take time out before an important family meeting or engagement to create a positive state of mind. It can be hard to rush between our different mental modes – between work and family. What are your triggers to transition yourself from your current focus to the time you are going to spend with your family?
- Focus your attention on what you can learn from the upcoming interaction and bring that focus with you. If you are genuinely open to learning something new from your family, it dissipates a feeling of being tested or judged.
- Consider your posture and how you hold yourself.
- Fake it till you make it. Everyone holds a certain level of imposter syndrome as mother, father, successor or family leader.
- Be light. Don't bring a heavy focus on the setbacks you will invariably suffer. Every journey has ups and downs. Focus on the long term gains (an essential mindset within a family).

Harness your strengths and unique experience

- What is the unique strength or perspective that you bring to your family? There are many different roles within a family. You may not be the wealth creator or a financial investor, but you may excel in building governance or guiding the values in the family.
- Build from your strengths and grow your area of expertise incrementally. Don't stretch yourself by trying to be across everything at once. For example, you may not be an expert in the family finances but you have the social skills to keep people engaged.
- Harness momentum. If you've experienced a win, use that positive energy to initiate a tough conversation you've been putting off.

Be open and lean on your family

- Ask questions and ask for help. Don't put pressure on yourself with an expectation that you should know everything.
- Get other family members on side by asking them to share their expertise. While at times it may not seem this way, your family wants to see you succeed.
- Look for mentors across your extended family or outside the family with the specific goal of building your confidence in a particular topic or area within the family business or family entities.
- Be specific on what you want to achieve. Articulating your goals and making your family aware of them makes it more likely you will achieve them. Your family can help you with their time or resources to make your goals a reality. See our article on goal setting for consideration when shaping your goals.

Confident people do these three things instinctively. They know their unique strengths, but rather than trying to prove them, they enter conversations to see what more they can learn. This is the single most important tactic for confidence.

Last Will and Testament

If you have a Will, your family is still not immune to conflict, and the outcome that transpires with your estate may actually be the opposite of your wishes.

The 62% rise in the number of contested Wills in Australia over the last 10 years prompted us to investigate the implications for parents looking to leave their resources to future generations. Disturbingly, not only is the number of cases increasing, the success rate is 75%.[1]

There are many legal complexities here. Australia's inheritance laws differ widely from state to state, which in itself creates confusion, especially if someone dies in one state with assets or family residing in another. Different family provision laws create different trends by state:

- 52% increase in NSW ('05 to '15)
- 73% increase in VIC ('05 to '15)
- the most rapidly growing form of litigation in WA

At first glance, this is an alarming data set that validates many of the risks we see first-hand, namely, that wealth has the potential to become a burden and cause conflict amongst family members.
It probably doesn't take long to identify where the potential conflict exists within your own family. Certain relationships, at various times, are always going to be strained. Unsurprisingly, the distribution of family resources after death is one of those times. It places significant pressure on any small cracks in the family system. This intensifies where significant wealth is involved, and where beneficiaries have not had the opportunity to practise working together.

The cause for this unrest comes down to the fact that it is not simply a financial or legal exercise (although it is often set up as one). The transition of resources between generations can cause emotional challenges, from a slight shift in family dynamics to very public realignments of relationships and hierarchies. This of course plays out while the family comes to terms with the loss of a family member.

When we ask families whether the wealth in the family has the potential to cause conflict amongst future generations, they often retreat to their formal structures. It is common to hear, 'we have a very clear Will, with explicit intentions to guide the executors and recipients within the family.'

This is an important first step, one that has served the wishes of the deceased since the Ancient Greeks. It is true that the easiest way to trigger a contest around your estate (potentially with the State) is to fail to draw up a Will. However, when we analysed the contested Will cases in more detail, it became clear that having a Will is not enough to protect your family from conflict.

Everyone is familiar with the Rhinehart story, which perhaps blinds us to the fact that small estates are not immune. 60% of contested estates were valued below $1 million and just over half of those estates were worth less than $500,000.[2]

It is also important to note the court process does not simply deliver small adjustments. 'There are at least eight instances from last year in the NSW Supreme Court where judges rewrote Wills and, in some of them, made provision for people who had been specifically excluded by the deceased.'[3]

We must acknowledge that there have been some underlying legal revisions in the past two decades that have facilitated the growth in contested Wills, in particular:

- The definition of eligible persons to challenge a Will has been widened in many States (note that 86% of claims were still brought by immediate family[4]).
- The Estate pays the legal costs of a challenge, whether successful or not.

It is natural to see how allocating costs to the estate promotes wasteful litigation. The average cost to take a matter to court is $20,000 to $40,000,[5] so it is likely that the number of contested Wills is just the tip of the iceberg, with many families simply saving the cost (and potential embarrassment) to pay whoever raised the objection.

Digging into the stories, it's easy to see why families would prefer to resolve the cases quietly. There are many accounts of very public emotional drama in the courtroom. You can read about Louis Kennedy who decided to leave each of his children $50k from his $5.5 million estate, as a result of 'their disgusting behaviour towards me'. A wish that was overturned to provide $850k and $440k for his daughter and son respectively.

Or follow the story of Franks v Franks, where the deceased claimed her son had 'abused and harmed her' and so left the vast bulk of her estate to her other son. Nonetheless, the court awarded a property, valued at $400,000, to her husband from whom she was separated, and thereafter equal shares to her two sons. Legal costs in this instance were just shy of $100,000.[6]

These stories quickly paint a picture of dysfunction and conflict, which of course makes for a good news story, and perhaps again gives us a false sense of security. It's true that if you haven't experienced divorce (63% of claims are current Partner vs. Child of another relationship) and have a strong relationship with your children, the risk of a protracted legal battle is slim.

While your family dynamics may be much healthier than the cases we've touched upon, there is still an emotional risk to your family. Once opened, divisions can run through generations, and tear families apart. 'Brothers and sisters stop talking to each other, so their kids don't engage or socialise and the family just fractures. All because of some perceived slight.'[7]

In all of these cases, it is easy to focus on the financial cost of failure, which can quickly squander a life's hard work. The emotional cost though can be far more significant and long lasting than the financial settlement.

Minimise the Risk

Regardless of how strongly you assess the risk to your family, taking action will only strengthen your likelihood of a successful legacy. Here are five recommendations for mitigating the risk in your family:

1. Carry out a number of legal safeguards, update your Will regularly, make adequate provision for family members and take the time to document

your decisions clearly.

2. We know there is a tendency to avoid talking about the money, but it is the single most effective way to ensure your Will is upheld.
3. Use your family conversations to work through potential issues. The fewer unresolved issues there are, the less likely a legal challenge.
4. For beneficiaries who have to transition or work together in a business context, focus on dynamics and governance structures. When the Akubra family were managing the inheritance of the family business, the successor Stephen Keir focused squarely on the relationship with his siblings. He noted that ‘we’re making sure that everyone’s open and honest and we all know what’s going on so we’re all on the same page – because once you lose any trust, you’re struggling from then on’[8]
5. Bring the process forward. Give gifts while you are alive and share in the experience with your family.

In short, productive communication in a safe, well-governed environment is the greatest antidote to conflict within a family. This applies to almost all facets of family life but is a particularly valuable means to protect your Last Will and Testament. Take action today, to avoid adding to the growing list of fractured families, especially those that end up in the courtroom.

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[1] Estate Contestation In Australia: An Empirical Study Of A Year Of Case Law, UNSW Law Journal, Volume 38

[2] Ibid.

[3] Where there’s a will, there’s a chance for wasteful litigation, Sydney Morning Herald, 2012

[4] Estate Contestation In Australia: An Empirical Study Of A Year Of Case Law, UNSW Law Journal, Volume 38

[5] A test of wills, Sydney Morning Herald, September, 2011

[6] Where there’s a will, there’s a chance for wasteful litigation, Sydney Morning Herald, 2012

[7] It’s a battle of wills when estates are contested, The Australian, March 2016

[8] Family Business, Qantas, The Australian Way, July 2013