Holistic Model for Stewardship

We are often asked how a focus on family and the non-financials integrates with traditional wealth advisory roles. Put simply, it is all about the human and intellectual capital. We see these elements as the essence of the family office and the basis for all the subsequent activities a family pursues.

For many people this still raises a series of questions, in particular what problems this family component is trying to solve and how it fits with the existing advisers supporting the family. As a way of clarifying the relationships with traditional wealth, legal and accounting roles, we developed the following model:

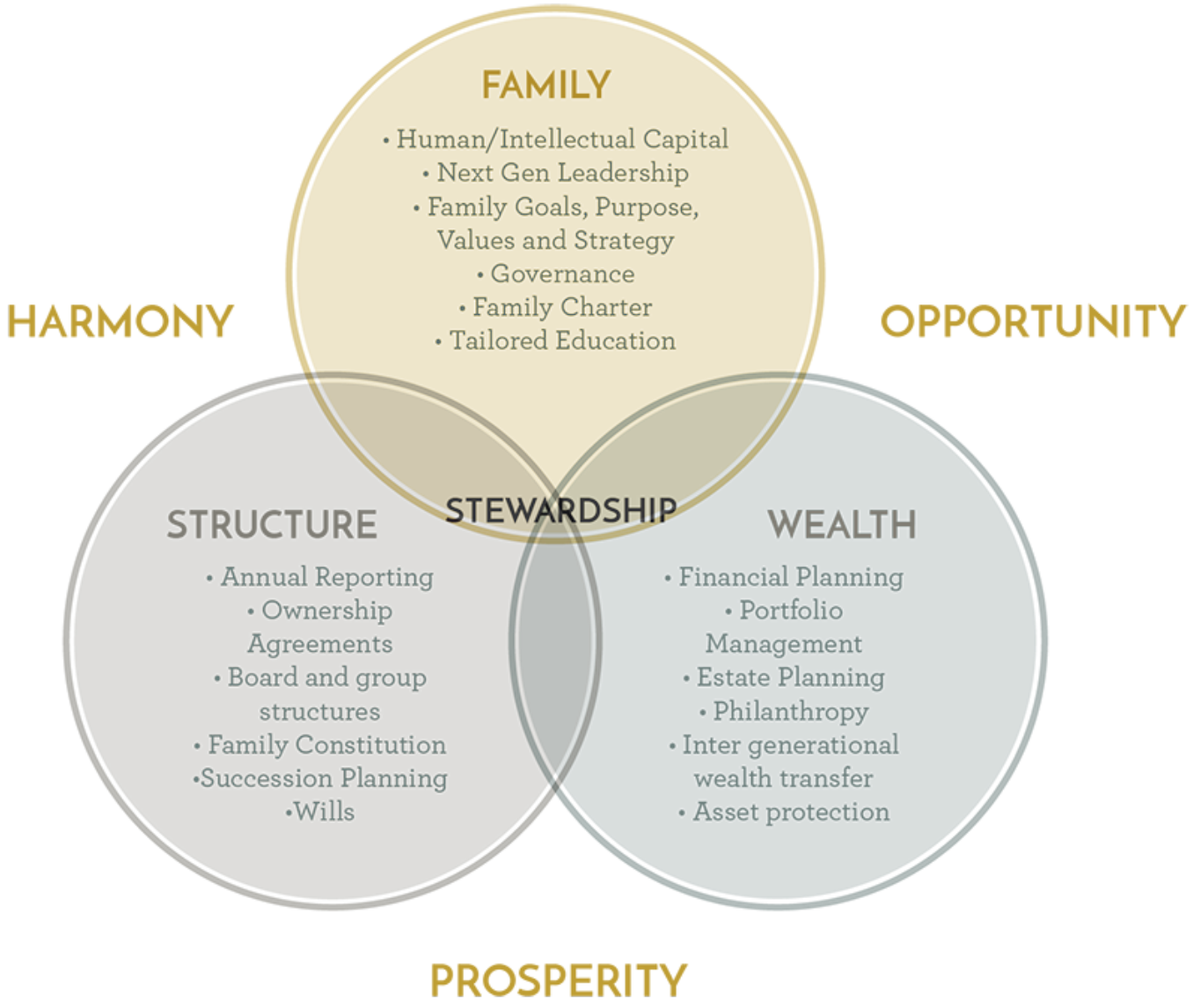


Figure 1: A holistic model for stewardship

In many respects, the process of engaging advisers would be smoother if a family started by defining its values, purpose and strategy, then focused on creating a foundation of strong governance and clear protocols with an empowered, harmonious, educated family unit. This of course assumes a level of organisation that most families may not know how to get started, even with a picture of the future in mind. Instead, let's consider the organic development of a family and how the support of advisers follows a natural cycle of challenges and priorities.

At the start, families are often faced with transactional safeguards and structural problems to solve, for example, to complete a complex tax return, draw up a Will or create an ownership agreement.

In response, families often engage an accountant or a lawyer. As resources grow they may seek wealth advice, which could include experts in philanthropy, financial planning or asset protection. As a result, alongside hard work and good fortune, the first phase in the cycle emerges – prosperity.

1. Prosperity

The wealth created within a family is typically structured with the goal of sustaining a level of prosperity. Often, this will be aligned to the needs of the existing family leaders; to the interests and ambitions of the original wealth creator. As a result, it is rare for existing advisers to have significant contact with the broader family or the next generation. Communication is focused on the family patriarch or matriarch.

Significant life or liquidity events often compel families to think more deeply about what it means to be wealthy and the impact of the prosperity they have created.

Life Events	Liquidity Events
Retirement	Wills
Marriage / Divorce	Estate Planning
Ageing / Mortality	Succession Planning
Lifestyle / Poor health	Sale of a Business
Birth / Death	IPO

Figure 2: Life and Liquidity Triggers

These triggers bring a focus on estate planning, portfolio management and asset protection through trusts and other vehicles. In turn, this can force a family to consider the dynamics and relationships, raising important questions:

- What can I do to help my family make well-informed decisions?
- How do I determine what is too much to inherit?
- How can I avoid entitlement?
- Am I confident that my children have the capability to sustain the family resources?

Answering these questions regularly shines a light on family dynamics, the readiness of the next generation and the risk of potential conflict in the family.

2. Harmony

The immediate goal in this phase is harmony. Supporting the family to re-balance and re-align to the new reality of additional wealth or transitional wealth between generations. This is where the family dynamics in the top circle emerge as a central theme.

Our role therefore starts by addressing a need for family harmony, something that can only be achieved through open, honest communication. Creating shared values, purpose and strategy helps families become more stable and aligned. Some families need to have the tough conversations about conflict, entitlement or successors.

Conversations back around the kitchen table provide an opportunity for family members to share their hopes, ambitions and goals, to impart wisdom and build a shared family story. These discussions can be used to help build a respectful and productive governance model; a guidebook that shapes interactions and protocols for the future.

Deeper conversations about wealth, what it means and how the resources can be utilised move the family towards an additional goal: new opportunities.

3. Opportunity

Once the intent of family leaders to put existing family resources to use for future generations becomes clear, the conversation shifts towards what can be achieved. This is an exciting, hopeful conversation. What are the driving goals and ambitions of future generations, and how can the resources within the family be used to support these goals? How can future leaders impact business and society?

To deliver these opportunities, family members have to address their individual education needs and gaps. This is where traditional family advisers can play an important role; for example, educating and guiding the broader family in the structure of the family assets and decision-making processes.

4. Stewardship

The final challenge is for family members to look beyond themselves and focus on stewarding resources for future generations. To do this successfully, all three parts of the model need to work together. The family needs to grow and sustain its wealth and resources. It needs to be structured appropriately with the growth and development of human and intellectual capital.

To facilitate stewardship, advisers need to work together, to share information and bring that transparency to the family. Communication models change in this regard. Strategy is driven by the family and owned by future generations. Advisers are brought in to solve specific technical challenges, individually and in an open forum.

5. Family Patterns

Not every family will follow a path in the order described here, nor will they need every element within the three circles. Each family will have different objectives and timelines. Generally though, it is hard to achieve stewardship without a combination of the three circles and without advisers across these three areas working together. The model also assumes the family has a progressive view of wealth. And it is dependent on a desire to maximise the human and intellectual capital in the family. You can read more about this shift in the article From Ownership to Stewardship

We believe in using specialist advisers for specialist activities, targeting advice to specific problems. Our advice around the non-financials integrates with traditional wealth advisory roles. It is a complement to the existing advisers that may be supporting a family.