



Our success is your succession

An innovative approach to a 'next generation' seminar

'Never have the old had so much to learn from the young', was the theme of a 'next generation' seminar put on jointly by accountants Dixon Wilson, bankers C.Hoare & Co., lawyers New Quadrant Partners and multi family office, Stonehage.

As family fortunes transfer from one generation to the next, it is no longer a question of passing the baton, but a collaboration between two generations working together to reposition the legacy in a new environment.

Equally, the hosts felt that a 'next generation' seminar is no longer about showing the young how we have done it in the past, but encouraging them to define their own priorities and their vision for their future.

The response was remarkable, in that nearly every participant commented it was the first time they had EVER had the opportunity to discuss such matters freely and easily, with others in similar situations, and with access to experienced professionals who were on tap when required, rather than delivering formal presentations.

The success of the event owed much to the participants themselves, who clicked together as a group from the outset, and to the very experienced and skilled facilitator, Jonathan Berry of Camrose Communications, who is himself from a family which owned a well known business through several generations.

Each participant went away with clear action steps and obviously each had their own priorities, but a number of themes were common to most.

Balance between career and responsibility for family wealth

Perhaps at the top of the list was the need to find the right balance between the individual's responsibilities towards the family and the management of family wealth, with the pursuit of their own career, calling or other interests. Many inheritors of wealth have failed to achieve this balance and some have found it difficult to escape from the shadow of their legacy to achieve real fulfilment in their own right. Managing expectations in the family is critical.

Family communication and teamwork

Most participants also recognised a need to communicate far more openly on this and other matters and to promote teamwork and clear understanding within the family, without which it is impossible to achieve agreement on clear objectives and responsibilities. Communication in families sounds easy, but is often notoriously lacking, such that open and frank conversations on sensitive issues can be extremely difficult. For some participants, their attendance at the seminar may have been an appropriate trigger to begin the process.

Fire Drill

All were very conscious of the fact that an accident or other adverse circumstances could cause them prematurely to inherit responsibilities for which they were quite unprepared. A 'fire drill' is a way to make preparations more realistic by walking through the reaction to an accident, step by step together.

Some even felt they lacked essential knowledge of the family financial affairs and could be excessively and uncomfortably reliant on external advisors, unless they were better briefed for such eventualities (such a briefing would perhaps also trigger wider conversations).

Choosing the right advisors

Participants were concerned that it is extremely difficult to assess the competence and trustworthiness of specialist advisors on subjects of which they have limited knowledge. They needed to develop the skill of judging whom they could really trust in such circumstances, including how to conduct the interviews and how to design a selection process which meets their needs.

In particular, it was felt advisors inherited from the previous generation often want to carry on as before, rather than adapting to the vision and new ideas of the inheritors.

Time management

In the modern environment, the complexities of managing family wealth have become so great that there is real concern about the time demands on family leaders. Developing the skills of delegation and time management were thought to be essential, coupled with effective use of professional advisors.

Pre nuptial agreements

Whilst the need for such agreements was acknowledged, to protect family wealth against divorce laws, there was strong sensitivity to the practicalities. Conversations seeking pre-nups are among the hardest of any communications and there were lively exchanges about how these should be approached and what role advisors can play in reducing the pressure on relationships.

Achieving the right balance

All participants left with a list of specific action steps and the host firms also learnt a great deal from the experience. In particular, they learnt the need to engage with the next generation at an early stage, so that an inheritor is not suddenly faced with a team of advisors whom he or she hardly knows, trying to run the family affairs in the same way as before. A new generation often requires a fresh approach and sometimes fresh faces, difficult though this may sometimes be for the incumbent advisors.

But whilst advisors must learn to adapt, they must not forget their wider responsibilities, both legal and moral, their obligations as trustees to family members and the professional obligation to give frank and sound advice, based on their own experience and their assessment of the risks.

Achieving the right balance between buying into a new vision, while continuing to offer sound advice, is a communication challenge to the advisors and the pre-requisite of a successful, ongoing relationship.

It is well known that most family fortunes fail to survive three generations and the reason for this is more down to poor communication within families and poor succession planning, than it is to poor management of investment portfolios or property holdings.

Good succession planning is thus an important tool of long term risk management, though rarely simple. Ensuring the next generation is equipped to understand and deal with the issues and risks they will encounter is an essential part of any succession plan. Communication and open conversation are often key to equipping all family members with the tools to facilitate the understanding and processes.