



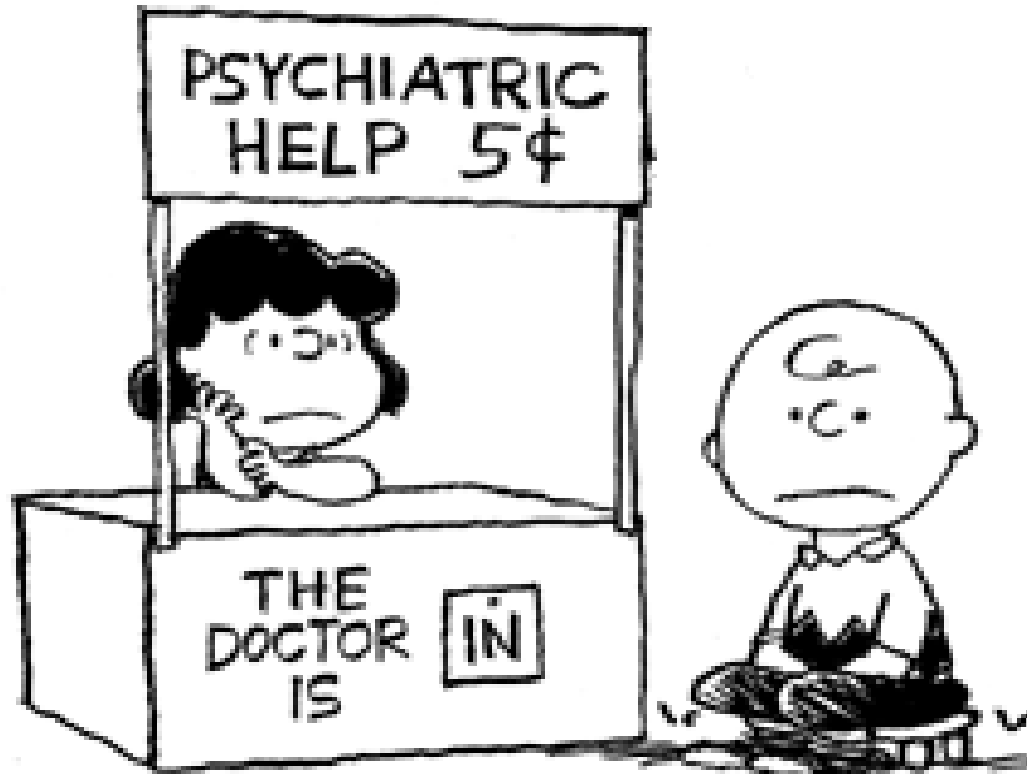
Breaking the Silence: Helping Clients Discuss Estate Plans with their Families

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“Who am I? Why am I here?”

Admiral James Stockdale, 1992



Overview

- Successful wealth transfer is a long-term process that does not end with crafting a technically effective plan - it begins there
- Benefits for clients
 - Help them understand their own underlying attitudes about wealth
 - Determine how wealth transfer intentions will affect their family while there is time to provide explanations or make changes, if appropriate
- Benefits for advisors
 - Broaden and deepen relationships with clients
 - Form multi-generational relationships
 - Help clients achieve their goals

Successfully passing wealth on is difficult

70% of families fail to sustain wealth across generations

- Universal proverb: “Shirtsleeves to shirtsleeves in three generations”

According to a study of 3,500 families...

- Less than 3% of the failures were attributed to errors in *financial planning or taxes*

Preparing Heirs, Roy Williams & Vic Preisser

Successfully passing wealth on is difficult

What is the explanation?

-60% of failures are caused by a lack of *communication & trust*

-25% of failures are due to *unprepared heirs*

Preparing Heirs, Roy Williams & Vic Preisser

A Unique Opportunity

As trusted advisors, we are all in
the unique position to help
clients see that a well-
engineered plan is not enough...

Successful families attribute their ability to sustain wealth to 25 “best practices”

➤ **Family Cohesiveness**

- Family History & Culture
- Shared Values
- Family Mission Statement
- Teamwork & Communication
- Family Member Well-being

➤ **Philanthropy**

- Support for Philanthropy
- Shared Philanthropy
- Strategic Philanthropy

➤ **Strategic Issues & Wealth Objectives**

- Understanding of Economics
- Wealth Objectives
- Planning for Major Life Events

➤ **Governance**

- Family Governance
- Family Meetings
- Family Policies
- Conflict Resolution
- Succession Planning

➤ **Mentoring**

- Financial Education
- Parenting Skills
- Support for Entrepreneurship
- Family Support Network
- Money Smarts

➤ **Trusts & Estates**

- Communicating Intentions
- Grantor & Beneficiary Mentoring
- Selection of Trustees & Advisors
- Trustee & Beneficiary Relationships

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Open communication is the key

- But clients are afraid... “what if”:

Open communication is the key

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 - Knowing makes my children
 - *spoiled*
 - *unmotivated*
 - *entitled*
 - *Isolated*
 - *unhappy*
 - *wasteful*
 - *depressed*
 - *Or worse...*

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 - My children tell others, who exploit the knowledge
 - My family doesn’t approve of the philanthropic portion of the plan
 - My plans change (e.g., new spouse, new charitable goals)
 - Conflict arises (e.g., sibling rivalry)
 - My children declare me incompetent or otherwise try to accelerate their inheritance

Not communicating creates worse results

But the point is not to share sensational horror stories

The larger issue is that in the more common, non-sensational cases the bias to under-communicate can create lasting problems

Not communicating creates worse results

- Children under-estimate inheritance
 - Lost potential, lost poets

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 - Lost potential, lost poets

“I must study politics and war, that our sons may have liberty to study . . . commerce and agriculture, in order to give their children a right to study . . . poetry . . .”

John Quincy Adams, 1780

But not communicating creates worse results

- Children under-estimate inheritance
 - Lost potential, lost poets

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John Quincy Adams, 1780

- Children over-estimate inheritance
 - “Waiting for the lottery”

But not communicating creates worse results

- Feelings of guilt & shame

Not communicating about money reinforces other negative messages children receive about wealth

- Societal (e.g., media)
- Peers
- Family
- Political

But not communicating creates worse results

- Feelings of guilt & shame

Without open communication about social and emotional implications of having wealth, inheritors may feel “ashamed of receiving handed-down wealth, guilt because they had so much, and inadequate when compared to the people in the family who made the fortune.”

J.H. O’Neill, *The Golden Ghetto: The Psychology of Affluence*

But not communicating creates worse results

A Litigator's Perspective –

- More communication, rather than less, would have helped in almost all cases that eventually end up in intra-family litigation
- Exception: the unforgivable (and unforgiving) “black sheep” who will be disinherited - - but, don't overlook the benefit of starting the statute of limitations

So Why Don't Clients Communicate?

- Often the client himself or herself is not clear about the underlying motivations for the estate planning
- Wealth is a very sensitive topic to most people and discussing it honestly is often difficult
- This means that
 - 1) All of us, as advisors, rarely get the full story
 - 2) So, the plan is not completely aligned with the client's true objectives
 - 3) And, the client is therefore ambivalent about discussing the plan with others, including advisors and the family

Not All Motives for Giving Are Comfortable to Discuss

What motivates us to give?

- Genuine generosity, making a difference
- Self or family cultivation
- Obligation, tradition
- Societal pressures, lifestyle expectations
- Control, legacy, self promotion
- Tax reduction

Not All Motives for Giving Are Comfortable to Discuss

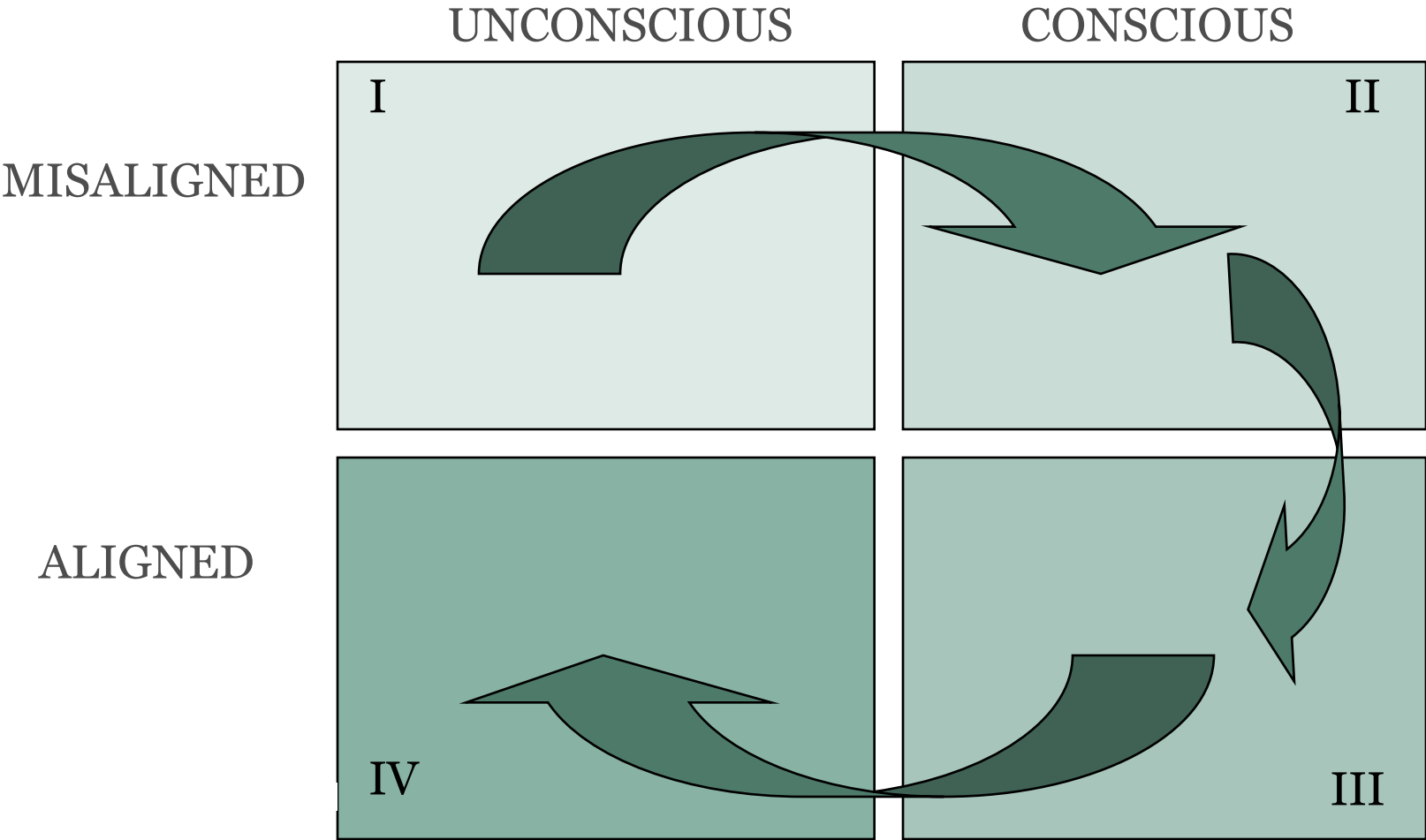
What are our objections to giving?

- Negative impact on recipient
- Impact unknown, unascertainable
- Not enough money, time or information
- Confronting mortality
- Financial insecurity
- “I don’t want to”

The Advisor's Role

- Explore the client's underlying motives for giving – and not giving
- Don't judge
- Assist the client with a “giving inventory” to better align giving behavior with authentic motives

Values and Behavior





How Advisors Can Help

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Learn about client's “money history”

The way one thinks and feels about money influences their actions related to wealth and can have a tremendous impact on their children's feelings and attitudes about money

Have your clients consider:

- 1) Influences from the past
- 2) Attitude about money
- 3) The way money is used
- 4) Belief about how money impacts relationships
- 5) What they want to communicate about money to their heirs

Examining Your “Money History”

The way you think and feel about money influences your actions related to wealth and can have a tremendous impact on how you approach your clients.

To examine your “money history” - please take a moment to review and answer the questionnaire that has been distributed

Consider:

1. Influences from the past
2. Attitude about money
3. The way money is used
4. Beliefs about how money impacts relationships
5. What you want to communicate about money to your clients

Examining Your “Money History”

“I must study politics and war, that our sons may have liberty to study...commerce and agriculture, in order to give their children a right to study...poetry...”

John Quincy Adams, 1780

When I see this quote, I think...

1. “That’s ridiculous. Parents don’t work hard all their lives so their kids can goof off.”
2. “That’s an interesting perspective – maybe I should try to better understand if children feel pressured to replicate success rather than chart their own course.”
3. “I’ve always wanted my children to find their own happiness.”
4. None of the above.

Examining Your “Money History”

Influences from the past

When it comes to my values and attitude toward wealth, I am more like:

1. My mother
2. My father
3. Combination of my parents
4. Neither my mother nor my father

Examining Your “Money History”

Influences from the past

I consider myself to be a:

1. **SAVER:** “A penny saved is a penny earned. It is important to save for a rainy day.”
2. **SPENDER:** “Wealth is meant to be spent. I enjoy spending on myself and others.”
3. **GIVER:** “I would rather give wealth away to others before spending it on myself.”
4. **None of the Above**

Examining Your “Money History”

Attitude about money

With whom are you most comfortable discussing your wealth?

Please rank the following:

- Immediate Family
- Extended Family
- Friends
- Social and Business Acquaintances
- Advisors

Examining Your “Money History”

Attitude about money

What do you think is the greatest advantage to having money?

1. Freedom
2. Power
3. Comfort
4. Security
5. Respect
6. Other

Examining Your “Money History”

The way money is used

Do you feel you are a prudent spender?

1. Yes
2. No
3. Sometimes

Examining Your “Money History”

The way money is used

Do you feel you are a more prudent spender than your spouse?

1. Yes
2. No
3. Sometimes

Examining Your “Money History”

The way money is used

Do you feel you are a more prudent spender than **your parents were/are?**

1. Yes
2. No
3. Sometimes

Examining Your “Money History”

The way money is used

Do you feel you are a more prudent spender than **your children are/will be?**

1. Yes
2. No
3. Sometimes

Examining Your “Money History”

Beliefs about how money impacts relationships

To what degree do you feel money impacts your interpersonal relationships? **With your spouse...**

1. Highly Positive Impact
2. Somewhat Positive Impact
3. No Impact
4. Somewhat Negative Impact
5. Highly Negative Impact
6. I’m conflicted – Both Positive and Negative Impact

Examining Your “Money History”

Beliefs about how money impacts relationships

To what degree do you feel money impacts your interpersonal relationships? **With your extended family...**

1. Highly Positive Impact
2. Somewhat Positive Impact
3. No Impact
4. Somewhat Negative Impact
5. Highly Negative Impact
6. I’m conflicted – Both Positive and Negative Impact

Examining Your “Money History”

Beliefs about how money impacts relationships

To what degree do you feel money impacts your interpersonal relationships? **With your children...**

1. Highly Positive Impact
2. Somewhat Positive Impact
3. No Impact
4. Somewhat Negative Impact
5. Highly Negative Impact
6. I’m conflicted – Both Positive and Negative Impact

Examining Your “Money History”

Beliefs about how money impacts relationships

To what degree do you feel money impacts your interpersonal relationships? **With your friends...**

1. Highly Positive Impact
2. Somewhat Positive Impact
3. No Impact
4. Somewhat Negative Impact
5. Highly Negative Impact
6. I’m conflicted – Both Positive and Negative Impact

Examining Your “Money History”

Beliefs about how money impacts relationships

To what degree do you believe that wealth is connected to one’s image?

1. Highly Connected
2. Somewhat Connected
3. No Connection

Examining Your “Money History”

Communication to heirs

Are your clients’ heirs prepared to manage their wealth.

1. Strongly Agree
2. Agree
3. Somewhat Agree
4. Neutral
5. Somewhat Disagree
6. Disagree
7. Strongly Disagree

Examining Your “Money History”

Communication to heirs

In general, to what degree have most of your clients communicated with their heirs about the estate plan?

1. All heirs are completely knowledgeable about the estate plan
2. The heirs have some knowledge about the estate plan
3. The heirs know there is a plan, but don't know the details
4. The heirs don't know anything about the estate plan
5. None of these statements apply

Examining Your “Money History”

Communication to heirs

At what age should heirs be informed about their inheritance?

1. As soon as they're able to understand
2. At adulthood – age 18
3. Sometime between 18-25
4. After age 25
5. Upon wealth transfer

Examining Your “Money History”

Communication to heirs

Which trust distribution scheme is most broadly appropriate?

1. Completely discretionary at any age
2. All at age 30
3. 1/3 at 30/35/45
4. 1/3 at 40/45/50
5. All at age 50

Now help your clients consider...

- What messages they are passing on to their children
- Are these the messages they want to pass along?

The key is to learn from the past what worked and what the client wants to do differently

Breaking the Silence . . .

When
What
How

WHEN to Break the Silence

Telling is a process, not a one-time event

WHAT to Communicate

Starts and ends with **values...**

WHAT to Communicate

Values: Clarity around shared values

“To successfully preserve its wealth, a family must form a social compact among its members reflecting its shared values, and each successive generation must reaffirm and readopt that social compact”

James Hughes

WHAT to Communicate

Values: Clarity around shared values

- Encourage clients to share with their family
 - The meaning behind the money
 - Stories about the family's history & culture
 - Express where the wealth came from
 - Emphasize hard work and accomplishments

WHAT to Communicate

Values: Communicating values-based intentions

“Intergenerational estate planning works best where frank and free discussion takes place between the givers and the receivers”

Gerald Le Van

HOW to Break the Silence

- Start with flow of plan
- Express details when children are mature and have proven responsibility
- Make the conversation formal
- Express that plans can (and likely will) change
- Be open and honest (especially about values)
- Encourage tough questions and authentic reactions
- Introduce advisors and allow children to build relationships with them

HOW to Break the Silence

Caveat:

Attorney-client privilege and conflict issues are raised by participating in conversations with the parents and children but not necessarily by encouraging the parents to raise these issues with the children separately.

HOW to Break the Silence

Tough Questions

- How much do we have?
- How much will I get?
- When will I get it?
- Will I get control?
- Can I give it to friends / spouse / children?
- Will my siblings get more?
- How much and to whom are you giving the rest?
- Do we have more than our cousins? Do we have to share with them?
- What do you expect of me?
- Is it a secret? Who, when and what can I tell other people?

An Important Example . . .

Prenuptial Agreements – the Problem

The Dilemma:

- Many parents feel strongly that children should have a prenuptial agreement before getting married
- The earlier the agreement is signed, the greater the possibility that it will be negotiated harmoniously (and be enforceable!)
- But, parents are reluctant to discuss the topic with children and often wait until the last minute
- Result:
 - Child undermines the process or
 - Child feels pressured and complies but remains resentful

Prenuptial Agreements – An Alternative

- Parents discuss wealth with children throughout their lives
- Prenuptial agreement discussion is a logical extension of the family's well-established wealth philosophy

Prenuptial Agreements – An Alternative

- Questions parents should ask themselves first:
 - 1) What messages did we give our child about money? (Are there any unresolved tensions that need to be addressed?)
 - 2) Do we feel the child has been appropriately grateful?
 - 3) Does the child feel any guilt or shame about the family's wealth?
 - 4) Does the child resent any explicit or implicit “strings”?
 - 5) Are there any gaps in the child's financial education that need to be addressed?

Prenuptial Agreements – An Alternative

Questions the child and spouse may be prompted to ask:

- How will we define equality and fairness in this marriage – how are they the same and how are they different?
- What implications will money have on control issues between us?
- How have our past experiences affected our thinking about the best agreement to reach?

Summary

- Successful wealth transfer is a long-term process that does not end with crafting a technically effective plan - it begins there
- Benefits for clients
 - Help them understand their own underlying attitudes about wealth
 - Determine how wealth transfer intentions will affect their family while there is time to provide explanations or make changes, if appropriate
- Benefits for advisors
 - Broaden and deepen relationships with clients
 - Form multi-generational relationships
 - Help clients achieve their goals

Resources to Help Clients Break the Silence

- Collier, C. W. (2002). *Wealth in Families*. Cambridge, Massachusetts: Harvard University.
- Condon, Gerald, Esq. and Jeffrey Condon, Esq. (1996). *Beyond the Grave: The Right Way and the Wrong Way of Leaving Money to Your Children (and Others)*. New York, New York: Harper Business.
- Covey, S.R. (1997). *The 7 Habits of Highly Effective Families*. New York, New York: Golden Books.
- Fithian, S. (2000). *Values-Based Estate Planning: A Step-by-Step Approach to Wealth Transfer for Professional Advisors*. New York, New York: John Wiley & Sons, Inc.
- Godfrey, J. (2003). *Raising Financially Fit Kids*. Berkeley, CA: Ten Speed Press.
- Hausner, L. (1990). *Children of Paradise: Successful Parenting for Prosperous Families*. Los Angeles: Jeremy P. Tarcher, Inc. 1990
- Hughes Jr., J.E. (1997) . *Family Wealth: Keeping It in the Family*. Princeton Junction, NJ: NetWrx.
- Hughes Jr., J.E. (2007). *Family: The Compact Among Generations*. New York, New York: Bloomberg.
- Martel, J. (2004). *The Dilemmas of Family Wealth*. Princeton: Bloomberg Press.
- O'Neill, Jessie H. (1997). *Golden Ghetto: The Psychology of Affluence*. Milwaukee, Wisconsin: The Affluenza Project.
- Williams, R. O. (1992). *Preparing Your Family to Manage Wealth: As Comprehensive Guide to Estate and Succession Planning, and to Building a Family Team*. Marina, CA: Monterey Pacific Institute.
- Williams, R. O. (1997). *For Love & Money: A Comprehensive Guide to the Successful Generational Transfer of Wealth*. San Francisco: Monterey Pacific Publishing.
- Williams, R. O. & Preisser V. (2003). *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*. San Francisco, CA: Robert D. Reed Publishers.

Resources Recommended for Children

Books

Money Sense for Kids by Hollis Page Harman

This book identifies all aspects of money, from how to invest it and make it grow, to how to open a bank account, to how to write checks and keep track of your money. Money games and puzzles are also included so children can apply the skills they have learned.

The Kids Guide to Money: Earning It, Saving It, Spending It, Growing It, Sharing It by Steve Otfinoski

Children's guide to all aspects of money written in a fun and informative way. Additionally, the book has success stories from other children sharing personal ways that they have made their money grow.

The Little Book That Beats the Market by Joel Greenblatt

Greenblatt shows how any age investor can be successful. He shares his "magic formula" for finding good companies to invest in at bargain prices.

Websites

<http://www.orangekids.com/>

This website is designed as an interactive game that children can explore in order to learn the basic concepts of money such as setting a budget, understanding credit, and building savings goals for the future.

<http://www.kidsbank.com/>

Gives brief history of money and teaches the principles of banking.

Board Games

The Game of Life (Milton Bradley): As you travel around the board in your car, you will earn a salary and learn about the unexpected (and expected) challenges life has to offer.

PAYDAY (Parker Brothers): Playing PAYDAY, you will gain knowledge of budgeting and the expenses that come up when you are in charge of your own finances.

Books Recommended for Parents

Mommy Are We Rich? Talking to Children about Family Money by Barbara Hauser and Susan Peterfriend
A book that helps parents navigate the questions regarding money and affluence that are broached by young children.

Children of Paradise: Successful Parenting for Prosperous Children by Lee Hausner, Ph.D.
This book offers a clear 9 step program for affluent parents to improve their skills and inspire healthy values in their children.

Silver Spoon Kids: How Successful Parents Raise Responsible Children by Eileen Gallo, Ph.D. and Jon Gallo, J.D.
This book is geared toward affluent parents and discusses a multitude of issues surrounding how to ensure a financial well being of children.

Raising Financially Fit Kids by Joline Godfrey
This book aims to help parents send their children into the world as financially savvy adults by identifying 10 specific skills that can be mastered by children ages 5 through 18. These include saving, keeping track of money, spending wisely, living on a budget, investing, handling credit responsibly, and using money to help others.

Money Skills: 101 Activities to Teach Your Child about Money by Bonnie Drew
Money Skills is a book that describes 101 activities to guide children in developing a foundation for their financial future. The chapters are broken down by age group and there is an additional chapter on tips for how to handle topics such as allowance, saving, spending, overcoming begging, and many more.