


Deutsche Bank
Wealth Management



Family Dynamics & Intergenerational Conflict: Preserving Family Wealth and Harmony

Southern Arizona Estate Planning Council
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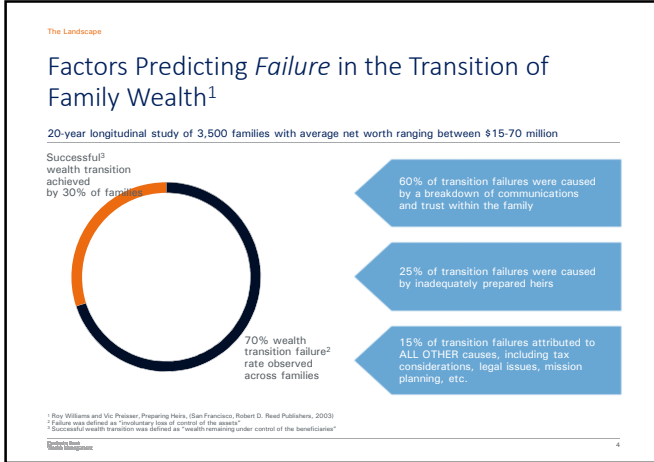


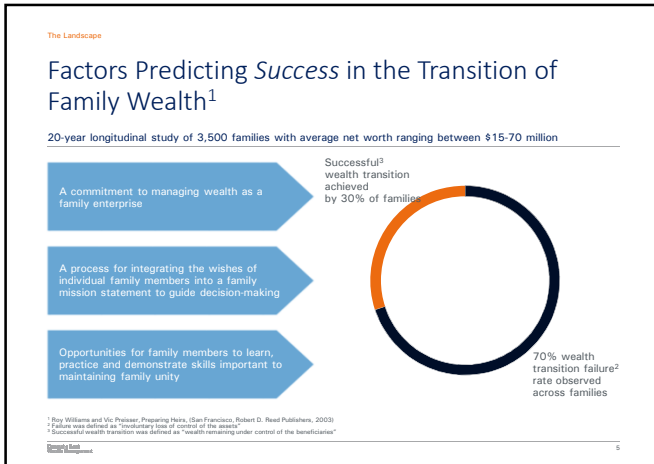
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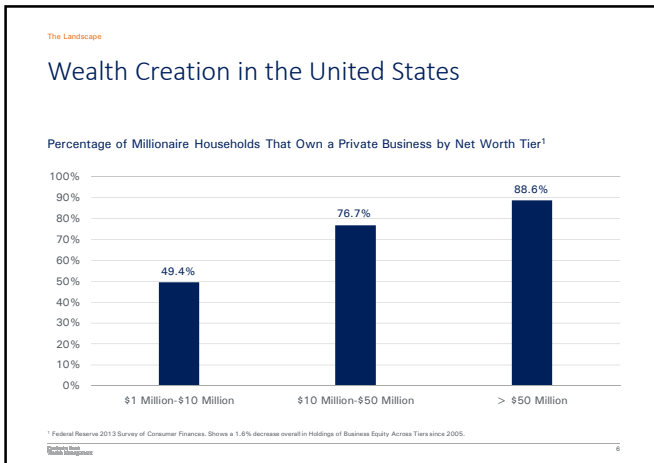
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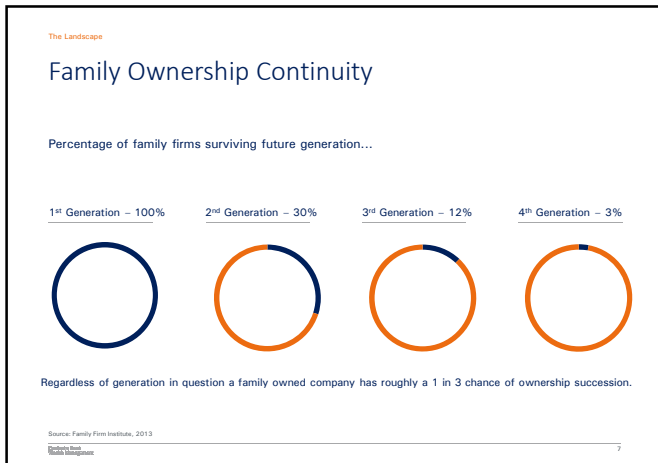
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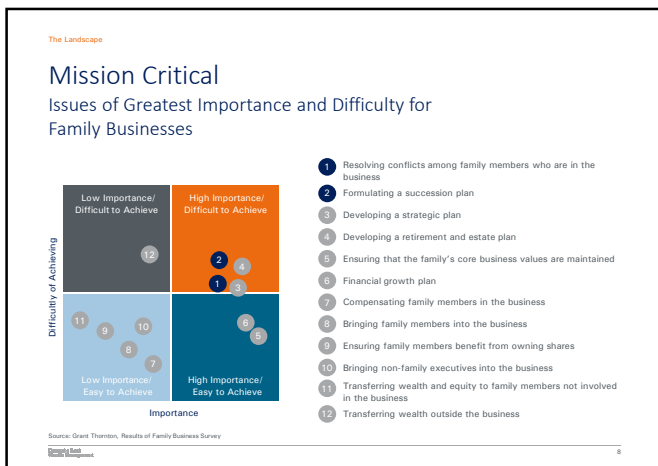
The Landscape

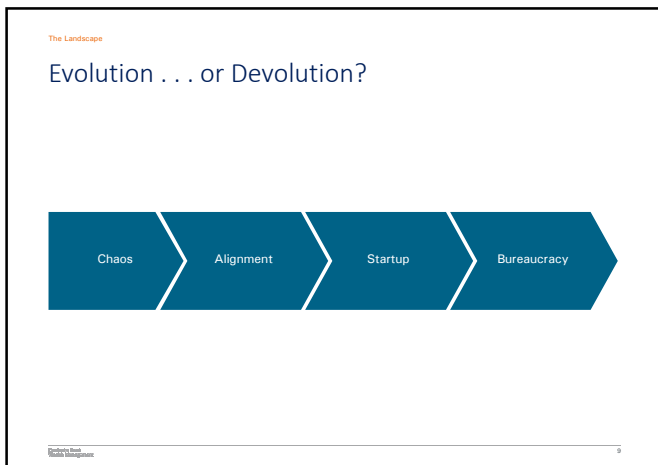


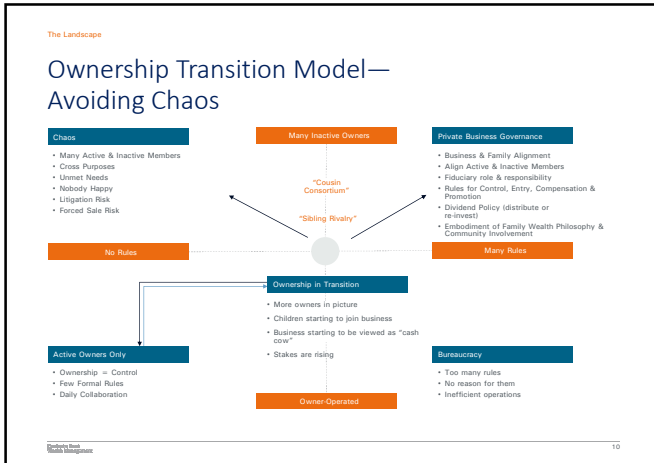












Know Your Numbers

Prevailing Factors	Amounts/Rates
Valuation Options	Strategic Financial Estate
Long-Term Capital Gain Rate	20%
Qualified Dividend Rate	20%
Top Income Tax Rate	37%
Annual Gift Exclusion	\$15,000 individual/\$30,000 married ("Use it or lose it")
Lifetime/Death/GST Exemption	\$11,580,000 individual/\$23,160,000 married (portable)
Top Transfer Tax Burden	40%
Additional Tax Burden	\$66,000/month (per \$20 million Taxable Estate @ 7.2%)
Applicable Federal Rate (AFR)	Low by historical standards
January 2020 Rates	AFR Short - 1.60%; Mid - 1.69%; Long - 2.07% & 7520 - 2.0%
Medicare Surcharge	3.8%


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Fundamentals of Family Dynamics

Fundamentals of Family Dynamics


Fundamentals of Family Dynamics



Money Beliefs and Associations



Money Skills



Communication Skills

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Fundamentals of Family Dynamics

Money Beliefs and Associations

- Money is _____
- Wealth is _____
- Wealthy people are _____
- My greatest fears and concerns about money are _____
- The worst thing about money is _____
- The best thing about money is _____

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Fundamentals of Family Dynamics

Money Beliefs and Associations

Negative beliefs held by some may include:

- Money is the root of all evil
- They are filthy rich
- They are just wallowing in money
- Rich people did something bad or dishonest



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Fundamentals of Family Dynamics

Money Beliefs and Associations

Negative beliefs held by some may include:

- A lot of money will make me less spiritual
- I'm not "good enough" to be rich
- Taking care of money is full time job – no time for other things




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Fundamentals of Family Dynamics

Money Beliefs and Associations

Negative beliefs held by some may include:

- Money corrupts creative endeavors
- It's not right to be rich, some have nothing
- Rich people are not happy
- If wealth comes easily, it is not worthwhile
- I resent extremely wealthy people
- I am a good giver, but not a good receiver
- Money creates substance abusers
- If I take more, others will have less




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Fundamentals of Family Dynamics

Money Skills

- We carry unconscious beliefs about the role of money
- Money beliefs drive behavior
- Money beliefs are a major source of conflict




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Fundamentals of Family Dynamics

Money Skills

- Money beliefs are the foundation of money skills
- To manage a relationship, you need an accurate sense of a client's money beliefs and money skills



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Fundamentals of Family Dynamics

Top 10 Money Skills

- 1 How to save
- 2 How to keep track of money
- 3 How to get paid what you are worth
- 4 How to spend wisely
- 5 How to talk about money
- 6 How to live on a budget

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Fundamentals of Family Dynamics

Top 10 Money Skills

- 7 How to invest
- 8 How to be entrepreneurial
- 9 How to handle credit
- 10 How to use money to change the world

- Raising Financially Fit Kids, Joline Godfrey

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Beneficiary Communications

Beneficiary Communications

Communication Skills

Four Content Types in any Interaction

- 1 Technical Content
- 2 Client's Emotional Content
- 3 Advisor's Emotional Content
- 4 Emotional Content in the Relationship


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Beneficiary Communications

Communication Skills

Common advisor reactions

- Judging client's choices with money
- Judging the way clients made the money
- Feeling intimidated by the client
- Afraid to antagonize the client
- Advice affected by own career and salary
- Defensive if client criticizes work or fees
- Defining own success by clients' wealth



- Adapted from J. Bronfman


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Beneficiary Communications

Communication Skills

Good Communication

- Fosters problem solving
- Promotes client loyalty
- Keeps ownership of problem with client
- Defuses strong feelings
- Prevents lawsuits
- Promotes client trust
- Preserves relationship in stressful times



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Beneficiary Communications

What should we tell the children, Dear?

Settlor should decide what, when, and how much to tell

- Less—Concern that bennies will not be productive members of society
- More—Desire to bring next gen in early to “carry the torch”



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Beneficiary Communications

Beneficiary Communications

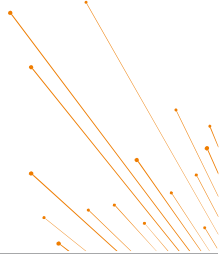
- If wealth is in trust, state law is default
- Intent of grantor can't be followed if document is unclear, or silent on a point
- A given state may require that more, rather than less, information be provided sooner, rather than later
- Settlor should establish a beneficiary communications model which dictates the who, the what, and the when

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Beneficiary Communications

Beneficiary Communications

- Currently a huge variation among states and trust law is often “thin”
- Uniform Trust Code drafted as remedy
- Trend towards providing more information

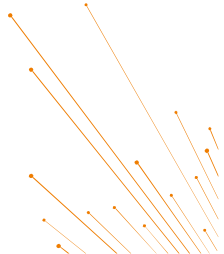


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Beneficiary Communications

Beneficiary Communications

- UTC requires trustee to furnish entire trust doc
- Contrast Uniform Probate Code—only terms of trust affecting the beneficiary's interest



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Beneficiary Communications

Beneficiary Communications

UTC ADOPTED in 33 STATES:
 Alabama, Arizona, Arkansas, District of Columbia, Connecticut, Florida, Illinois, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, South Carolina, Tennessee, Utah, Vermont, Virginia, West Virginia, Wisconsin, and Wyoming.



- 2019 introductions include Illinois and Connecticut
- <http://www.uniformlaws.org/>
- As default rule trends toward requiring more info, trustees may automatically send out all info required in a “worst case” scenario

Benjamin N. Cardozo School of Law, Yeshiva University

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Family Governance

Family Governance

Benefits of Family Governance

- Families become more diverse and increase in number
- Forum to address difficult issues
- Accountability and professionalism
- Candid communication
- Important structure during crisis times
- Reduce propensity for destructive disagreement

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Family Governance

Specific Issues to Address

- Family and/or family business succession.
- Set limits on control of family
- Establish operating agreements for partnerships
- Selecting board members or trustees
- Legacy goals
- Philanthropic and Private Foundation issues
- Current and future liabilities
- Skill sets of family members
- Review/alter investment policy
- Selling family business and non-business assets

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Family Governance

Components of Family Governance

- >> Clearly defined roles, responsibilities, goals & accountability
- >> May include an independent board, a group of trustees, financial planner and other advisors.
- >> Responsibilities vary based upon activities undertaken
- >> One vs. several structures based on need
- >> Match the complexity of the family

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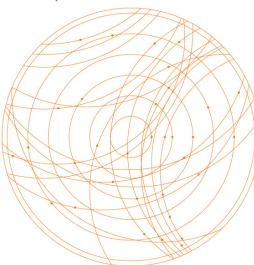
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Art and Architecture of the Family Meeting

Art and Architecture of the Family Meeting

What Is a Family Meeting?

- Formal multi-generational gathering
- Business meeting to discuss issues affecting or concerning the family
 - Finances
 - Relationships
 - Legacy
- Not a family reunion



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How Can I Help My Clients With This?

- Assist the family in developing strategic direction
- Design meetings so family members will:
 - Establish and understand family lore
 - Identify shared values
 - Develop a common vision
 - Establish family governance
 - Understand each individual's role
 - Feel safe to discuss difficult issues
 - Instill good financial stewardship in next gen

Why Should We Do This?

- Important tool to preserve and perpetuate a healthy legacy
- Method by which the family can develop, grow and maintain itself across time

Why Should We Do This?

- Basic objectives for the family:**
- Identify as unique and united entity
 - Share significant information
 - Plan for the future
 - Assign family duties to members

Art and Architecture of the Family Meeting

Why Should We Do This?

- Understand Family wealth
- Management and distribution of wealth
- Family business and succession
- Family history, traditions, vision
- Family governance
- Charitable legacy
- Learn about and from each other

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Art and Architecture of the Family Meeting

The Family Meeting as an Event

- A turning point in a family's development
- Include a social component
- Include downtime
- Guard the privacy of the family
- Select neutral location
- Provide Childcare

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Art and Architecture of the Family Meeting

Who Gets a Seat at the Table?

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Who Gets a Seat at the Table?

- Multi-generational members
- Spouses and in-laws
- Trustees
- Financial planner
- Investment advisor
- Attorney, CPA
- Family business executives
- Family foundation executives
- Family business consultant
- Psychologist and other advisors

Rules of the Road

- Ground rules are critical
- Once established, they must be upheld
- Skillful Management of the Process

Rules of the Road

- Ground rules to incorporate:**
- Elected leaders should treat all as equals
 - Safe forum for all to speak
 - Meeting agenda
 - System of record keeping
 - Consider a family historian
 - Point person to handle calls from childcare providers
 - Subcommittees for selected issues

Art and Architecture of the Family Meeting

How Much Time Will This Take?

- The family's current needs and state of development dictate frequency
- Timing within the meeting
 - Time limits
 - Rest breaks
 - Check on children

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Art and Architecture of the Family Meeting

What Should We Talk About?

- Provide a road map for course of meeting
- Relevant topics
 - Family Wealth
 - Family Business
 - Family History
 - Family Legacy
 - Family Inheritance Plans
 - Family Educational Plans
 - Family Career Development
 - Difficult Issues

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Art and Architecture of the Family Meeting

What Should We Talk About?

- ① **Balance Sheet**
 - Assets
 - Liabilities
- ② **Risk Management Tools**
 - Insurance
 - Legal Matters
- ③ **Philanthropic Update**
 - Lifetime charitable contributions
 - Testamentary charitable bequests
- ④ **Wealth Transfer and Legacy**
 - Distribution plans
 - Desired outcome of the estate plan
 - Other issues

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How Do You Spell Success?

- Goals should match the family's needs at the time
- Meeting preparation—pinpointing the relevant issues

How Do You Spell Success?

- Major challenges faced this past year?
- Successes this past year?
- What did you learn?
- What are you passionate about?

How Do You Spell Success?

- How do you differ from other members?
- How are you the same as other members?
- What is the single most important issue family will face this year, in 10 years, 20?

Art and Architecture of the Family Meeting

How Do You Spell Success?

- Reports, materials and research
- Format
- Subcommittees

Executive Book Family Meetings 52

Art and Architecture of the Family Meeting

Summing Up

- Expect to synchronize soft and hard issues
- Be ready to:
 - Meet family members beforehand
 - Identify a reasonable outcome
 - Surface challenges and conflicts
 - ID any difficulties with locale
 - Assist with topics and alternatives
 - Manage complex discussions
 - Pinpoint privacy issues

Executive Book Family Meetings 53

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The Family Mission Statement

The Family Mission Statement

Family Mission Statement

A mission statement should make the family stronger, more cohesive and enduring, so that the successes of one generation can pass to the next generation.

- Provides the foundation for a sound legacy plan
- Inspire and motivate
- Achievable but believable
- Realistic but still visionary

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The Family Mission Statement

Family Mission Statement

Effective mission statements encompass several themes:

- Values: The values and system of beliefs the family shares
- Communication and information: How the family shares financial and other information among its own members
- Action: How family members will manage the family's wealth, its business interests, and its charitable activities
- Legacy: Hopes for the future of the family and family legacy




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The Family Mission Statement

Family Mission Statement

- Does not have to conform to any set of rules
- Can be prose or even poetry
- A phrase, a sentence, a page, or multiple pages
- May incorporate a picture, symbol, or motto
- Treat as a living document—adapt as time passes and circumstances change



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Identify Common Values

This is the most important part of the document and can be organized around themes.

"history, family unity, trust, love, respect, harmony, education and personal development, tradition, charitable commitment, personal empowerment"

- **Wealth values:** To what end will the family manage and build its wealth? What is the meaning and purpose of the family wealth?
- **Business values:** how should the family business operate? In what industries? For what purpose(s)?
- **Philanthropic values:** does the family as a whole desire to play a role in the community?
- **Interpersonal values:** how should family members behave toward each other? How should disputes among family members be resolved?

Communication and Information

• Communication is critical to family unity

• How will the family share financial and other information among its members?

- **Governance:** how will the family "govern" itself? Will there be a designated leader, or will family interests be managed by consensus?
- **Meetings:** does the family need to meet on a regular basis? If so, what should the structure of such meetings be?
- **Discussion:** what subjects should the family discuss at these meetings?
- **Membership:** will these meetings include advisors?

Action

In order to effectively implement the family's values, there must be a system for managing its various interests.

- **decisions:** how decisions will be made regarding family wealth.
- **responsibilities:** who is in charge of what when it comes to managing family wealth, family business, and family charitable efforts.
- **accountability:** how family members report back to the group with findings, results, or other information.

The Family Mission Statement

Legacy

At the age of 105, what would you tell immediate family members about the most important influence in your life?

- What are your hopes for the future of the family?
- What legacy do you want to leave?
- What top three values are the most important to the family's long-term success?
- What values do you want to pass on to future generations?

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The Family Mission Statement

Sample Mission Statement

Our family mission is providing the means to support and enhance family values; to provide freedom to pursue one's dreams and pursue what will make one happy; to provide independence to each generation through independent wealth; to educate each family member to the utmost; to serve as competitive capitalists, because this is the mechanism to sustain wealth; to serve as active stewards for the wealth of future generations; and for philanthropic purposes, to contribute some amount of time, talent and wealth to improving society.

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North Management 62

The Family Mission Statement

Sample Mission Statement

From *Preparing Heirs*, Williams and Preisser, V. (2003)

- "To use our resources to strengthen our family and to support causes in which we believe.
- To strengthen our family and use its assets wisely; to enable our family and others to realize their fullest potential; to value and encourage love, work, self-sufficiency, and cooperation within the family and in the larger community.
- To maximize the equitable transfer of my assets in a way that will enable and encourage my heirs to work for the benefit of humanity."

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North Management 63

The Family Mission Statement

Sample Mission Statement

From: Tom Chappell, Co-founder and CEO of Tom's of Maine

"We believe that responsible human beings and societies are

- Structured around the following commonly held values:
- Respect and appreciation for the natural world
- Service and stewardship
- The necessity for work and productivity
- An intentional commitment to goodness
- Family and community responsibility"

Bella's Book
Bella Management 64

The Family Mission Statement

Sample Mission Statement

The Halls of Hallmark ("You care enough to send the very best.")

- "Enriching people's lives and enhancing their relationships. Creativity and quality in products. Distinguished financial performance is a must, not as an end in itself, but as a means to accomplish our broader mission."

Bella's Book
Bella Management 65

The Family Mission Statement

Sample Family Mission Statement

The Bella Family Council was established to recognize that we have a stewardship responsibility for our business, our family and charity. The main goal of the Council is to have the family unit work together to carry on the tradition, values, goals and establish a clear path for the family's future on all objectives.

We are proud of our growth and accomplishments. We will continue to provide for the long-term success of the Bella family by demonstrating viable, honest communications, love, respect, trust and responsibility to both the business and the family. We will foster these values in our children and ourselves. We will always look for the best leadership for the family and the business, and they may be mutually exclusive.

We undertake the commitment to provide for the perpetuation and growth of Bella as a family owned business by:

- 1 Providing for a highly professional board of directors that is committed to the growth and improved financial strength of the diverse assets. We will expect the board to insure that Bella has a responsible strategic plan directly related to the mission, value and purpose of the family.
- 2 Committing ourselves to continued personal and professional growth.
- 3 Living the values of our family. Our actions will reflect these values and be evident to the employees, family members, customers and the community at large.
- 4 Taking the necessary steps to provide for the transfer of the business from generation to generation in a financially sound manner.

We believe that the family is important and we will support one another. All members of our family are encouraged to develop their abilities, intelligence, and talent as far as they are able through hard work, study and application.

We seek to provide all family members with the opportunity to fulfill their interests and capabilities, but not at the hurtful expense of the business.

Bella's Book
Bella Management 66

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Resources and
Best Practices

Resources and Best Practices

Suggested Reading List

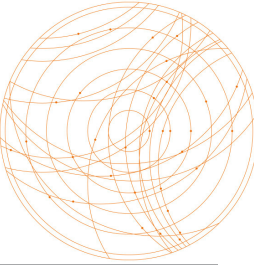
- *Beyond the Grave: The Right Way and Wrong Way to Leave Money*, Condon
- *Wealth in Families*, Collier
- *Family Wealth: Keeping it in the Family*, Hughes
- *Silver Spoon Kids*, Gallo
- *Preparing Heirs: Five Steps to Successful Transitioning of Family Wealth and Values*, Williams
- *Navigating the Dark Side of Wealth*, Willis
- *Children of Paradise*, Hausner
- *The Ultimate Gift*, book and video, Stovall
- *Perpetuating the Family Business: 50 Lessons Learned from Long-Lasting, Successful Families in Business*, Ward

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Resources and Best Practices

Best Practices

- Center around active listening
- You have to care
- Listen to the client
- Pay attention to body language

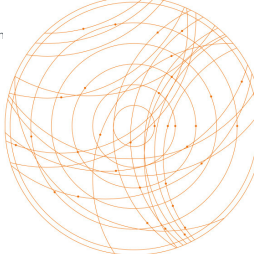


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Resources and Best Practices

Best Practices

- Understand family dynamic first
- Find out what "gets 'em juiced"
- Don't let other advisors run away with the plan
- Watch for different behavior and professed goals at different

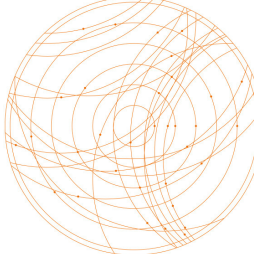


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Resources and Best Practices

Best Practices

- Be sure everyone is on the same page
- Ask questions
- Listen to the answers
- Watch for this mindset: "I'll tell you what we want to do – you figure out what it costs – and we'll figure out how to pay."

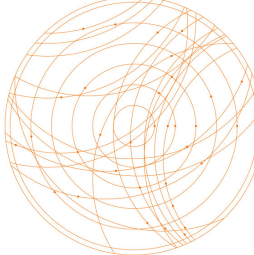


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Resources and Best Practices

Best Practices

- Meet 'em where they are
- Establish plan for family communication and dialogue
- Family Meeting, Family Mission Statement as tools
- **Passing GO**



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Wealth planning Team profile



Susan P. Rounds
Director,
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Susan P. Rounds is a Director in the Wealth Planning Group of Deutsche Bank Wealth Management - Americas.

Based in San Francisco and Los Angeles, Susan specializes in providing services and solutions to elite clientele in the areas of tax and estate planning, business succession, risk management, philanthropy, family governance, intergenerational wealth transfer and legacy planning. In a career spanning 25 years, Susan has advised ultra-high-net-worth individuals, families, and privately-held business owner clients of Big Eight Accounting, global financial institutions and private legal practice.

Susan taught *Federal Estate and Gift Tax* at the University of Georgia School of Law, both *Federal Income Tax and Principles of Accounting* at the University of Georgia Terry College of Business, and all sections for the National CPA Examination, including *Financial Reporting, Income Tax and Regulatory Reporting, Business Law and Audit*. She also served as a faculty member for the NYU Summer Institute on Taxation.

As a noted national speaker, author and commentator, her articles have been featured in leading publications such as *Trusts and Estates Magazine, The Journal of Practical Estate Planning, and The Journal of Private Wealth Management*. From Atlanta to Alaska, Susan makes frequent presentations to individuals, attorneys, CPAs and Estate Planning Councils across the country on the topics of business succession planning, estate planning, philanthropy, and family dynamics. She also serves as Editor for the *W&EPC Journal of Estate and Tax Planning*.

Susan holds a BBA in Accounting, cum laude, from UT El Paso, a Juris Doctor from the University of Georgia, and an LL.M. in Taxation from Emory University School of Law. She passed the comprehensive CPA exam on the first sitting, holds the coveted AEP® (Accredited Estate Planner) designation and was recently registered as a TEP (Trusts and Estates Practitioner). Susan sits on the Board of Directors for the National Association of Estate Planners and Councils.

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02/19/2020

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