

# Family Planning

with Carol Yip

Planning family business and wealth legacy that lasts for generations.

Family businesses and wealth are the cornerstones of the most modern economies. Research has shown that family businesses make up more than 80% of all businesses in the world and 37% of Fortune 500 companies. Family businesses also contribute almost 50% of the US GDP (gross domestic product) and more than 75% of GDP in most countries outside the US. In Asia, Chinese family firms contribute significantly to the market capitalization of companies in Thailand (90%), Singapore (81%), Indonesia (73%), Malaysia (60%) and the Philippines (50%).

Yet despite the large role family business play in these economies, contributions of family businesses and wealth can sometimes short-lived because of the vulnerability of family break-ups during inter-generational successions. There is a Chinese proverb that says, "Wealth never lasts for three generations: First Generation creates the wealth, Second Generation grows the wealth, Third Generation spends the wealth."

The fact of the matter is, regardless of financial, economic and businesses challenges, families are a universally human construct. While the emotional complexities that we face with each of our own family members may be

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'private' issues, we forget that the family nucleus and family owned-businesses are 'organizations' that have a defined structure and need an effective communication approach to function well.

**UNIQUE FAMILY STRUCTURE AND GENERATION GAP**

What makes family businesses and wealth unique is the fact that we juggle two larger collective entities and identities i.e. two "families" to think about: the immediate family and the business family. The two 'family' concepts are often founded upon very different mindsets - the private family being innately emotional and value-based and the business family traditionally defined by rationality and strategic thinking.

There is a need to focus on 'well-thought' planning and execution for the family business and wealth preservation, installing an effective family team that allows appropriate ownership and involvement, not forgetting that family business and wealth needs to continue

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with future generations and succession plans formulated.

As one generation makes way for another - grandparents, parents, children and grandchildren, there are always issues around leadership, management style, succession and continued generation and ownership of wealth - who will continue to carry on the growth of family businesses and wealth, preserving values, traditions and legacy?

Different communication stances, in spoken and unspoken words (behaviors and actions) about money among family members, can be misinterpreted, leading to tension in the family. And remember, money matters, due to their nature always are a sensitive and emotional subject in the family. Generation gap, education exposure, differing communication style and relationship dynamics with spouse, children, parents, siblings and grandparents can be very complex and even more so, when relatives, extended family members and in-laws are added to the family tree.

**FAMILY DYNAMICS AND CHALLENGES**

Each family nucleus is unique. And of course, each family member is different. If the founder is all about the business and does not concern himself with the family, business succession for the family won't work. There are personal and family issues, be it implicit or explicit, that need to be resolved before they become complicated and too difficult to resolve.

Heartbreaking and painful encounters can create great misfortune for the family because of different personalities and characters. If family members can work in harmony with a guided family blueprint, family values and traditions could be preserved and family wealth could be multiplied. For it to work, each family member has to look in-depth into the issues and understand the emotional distress because of the following:

- Inequitable division or transfer of wealth in the family can cause issues of power, greed, control and alliances among members - possibly leading to break-up or disowning family ties. When a family is able to communicate effectively with mutual understanding, with feelings openly

expressed in an unbiased and non-judgmental manner, and individual differences recognized and accepted without prejudice, family traditions and wealth has a higher probability of being preserved.

- Intimate relationships and complex money matters can lead to 'rigid boundaries' where disengagement between family members occurs or 'diffuse boundary' where everyone is following everyone else's affairs. Either boundary style creates difficulty in attaining optimal adaptation. Family structures that either lack flexibility (too rigid) or have too much flexibility (too diffuse) will not permit successful re-adjustment of all the family members. Only 'clear boundaries' around family

preventing the occurrence of family feuds. The business founder must consistently instill good values and beliefs with spouse, children and other family members who are involved in the businesses - building a strong foundation that strengthens family ties. Due to complexity of emotional attachments in family relationships, it is wise to have a team of specialized professionals with experience and knowledge to develop defined techniques, strategies and methodologies for family communication and planning, relationships and conflict resolution to strengthen the family foundation to achieve the desired outcome. They could be your family lawyer, accountant, tax advisor, private banker, business

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members is ideal because it creates firm yet flexible connections, and permits maximum adaptation to change.

- Difficulty in trusting immediate family members and 'outsiders' (including in-laws, extended family members and friends) to manage family business and wealth. Once the trust is broken because of lies, infidelity or disbelief, it is difficult to rebuild the trust and relationship unless there is forgiveness and letting go of the past.

**STRONG FOUNDATION TO STRENGTHEN FAMILY TIES**

Family businesses are essentially built on family ties. As family businesses become larger, family feuds can develop if family ties are weak. Hence, corporate governance and leadership become increasingly critical in managing businesses and wealth, especially in

advisor, wealth advisor and family therapist.

When this team of experts is successful in helping you to design and document out the family road map to strengthen family ties with right mindset and vision, appropriate roles and responsibility, sense of ownership, cohesiveness with standard practices and rules, your family legacy, businesses and wealth can be preserved for more than one generation, if not a few - unless you have decided join other world-renowned philanthropists to give away your wealth to do good for the society!

It is important to consult a professional before making decisions relating to your own financial investment. This column expresses the views of one individual and is based on the information available at the time and it is not to be taken as advice. iy1