



Welcome to the Legenis eNewsletter June 2010 edition

In this month's issue we feature an article by Dennis Jaffe about leaving the fullest value of wealth to heirs, as well as some interesting points from Gabi Hollows.

If you have any questions regarding the information in this month's newsletter please don't hesitate to call or email us.

I hope you enjoy this month's articles.

Warmest regards,
Dr Robb Musgrave
CEO, Legenis

Dr Robb Musgrave MBA, PhD is the CEO of Legenis. Legenis is committed to assisting individuals create living legacies. Dr Robb can be contacted on +61 7 3395 1213 or email: robb@legenis.com.

Legenis: Leaving a lasting legacy for families, foundations, corporations and non-profit communities by empowering them to do the right things, by doing things right.

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Article 1

For a family's wealth to offer its fullest value for the next generation of heirs, it must be accompanied by other family practices, capabilities and understandings. These also can be considered aspects of family wealth, in that each of them helps add value to the next generation. The following Article explores the first three of the six forms of wealth that families can pass on to their heirs: spiritual, financial, human. The other 3 forms, family, structural and societal capital will be discussed at a later date. It defines the practices that add value to each dimension and how advisers and planners can help family members add to their pool of family capital.



Six Dimensions of Wealth: Leaving the Fullest Value of Your Wealth to Your Heirs!

By Dennis Jaffe

Dennis T. Jaffe, Ph.D., is professor and founder of the Organizational Systems doctoral program for midcareer leaders at Saybrook Graduate School in San Francisco, California. His books include two on family wealth: "Working with the Ones You Love" and "Working with Family Businesses".

In the broadest sense, estate and financial planning involve helping families pass on their wealth so that the next generation uses it wisely and well.

Passing a pile of money to heirs is not a complete solution, as we see from the predominantly sad stories of lottery winners. Heirs must be prepared to receive their wealth and learn to use it according to the values of the family. To help them, they must inherit not only financial wealth, but many other capabilities, connections and resources that prepare them to achieve the highest and best purposes of their inheritances. Fruitful inheritance is more than a matter of avoiding taxes and drafting an unbreakable will. It involves personal, emotional and even spiritual matters. Families doing financial planning will voice concern over the future of their family, the development of their children and how these

lessons will pass to the third generation. They wonder about the effect of inheritance upon their children, and how their family and the things that they care about will fare in the hands of the next generation.

While advisers and planners are primarily concerned with optimizing the financial value of inheritance, they do get asked to help families with personal and relationship aspects of inheritance and wealth transfer. For example, families often ask planners to help them communicate the values and purposes behind their wealth, mediate conflicts, and support the heirs' development of skills and commitment. This article offers a model to help advisers and families understand the multiple sources of value that can be inherited. While the term "wealth" commonly refers to money, there are, in fact, several types of wealth that can be inherited. You can inherit social position, intelligence, qualities of character and a family network of friends, associations and access to resources. My model builds on the work of others, who have defined several potential sources of value, or "capital," that can be transmitted to future generations. For example, recently we have heard about emotional, intellectual, human and social capital.

I focus on six dimensions of wealth that a family can pass on to its heirs:

- (1) spiritual,
- (2) financial,
- (3) human,
- (4) family,
- (5) structural and
- (6) societal.

They are all interconnected and, in the end, they all develop into one package. By helping a family explore these six sources of capital, you can optimize the value of a family's financial resources for the future.

Spiritual Capital

Spiritual capital means defining and keeping in touch with the deepest values that express the nature of the family; coming to terms with the deepest and most important questions in life; creating congruence between family wealth and inner values. Spiritual capital is put in place when a family...

- Understands the deeper meaning and purpose of wealth in their lives
- Has a mission and values statement
- Tells the family story to the next generation
- Talks together about values and what is really important

It seems strange to use the words "spiritual" and "capital" in one phrase. Yet spiritual capital forms the roots of all the other forms of capital. Spiritual capital is about how the family defines and lives its values, core purpose and weaves together all of its activities to create a sense of meaning for individuals and the family. When planners ask a client family about their goals, they inquire about the family's spiritual capital. Wealth can't be inherited without some message

attached to it. Families need to be clear not just about what is being given to their heirs, but why and what is expected in return.

Yet too often, expectations are unclear, or far from explicit, leading to greatly different interpretations. Wealth is accompanied by a set of values toward which the whole family is expected to aspire, by the meaning and purposes to which the family's assets and wealth are to be put, and by the expectations of family members and their responsibility, and their role in the community and their relationships. The overriding "spiritual" question for a family is, "Why are we passing on our wealth to our heirs?" What do they want their resources to do for their children and heirs? A core concern is the balance between resources for consumption and stewardship of the wealth so that it can continue to grow and pass.

Some heirs regard their inheritance as a legacy that they must pass on to the next generation, others as a gift of fortune and others as what they are entitled to. These are value questions that the family should guide an heir in answering, not leave to chance.

Defining the Family Mission

Keeping a family together through generations is quite a feat. If a family has a statement of principles that can be referred to, or its family mission, then succeeding generations have a core of basic principles to which they can adhere. One of the options of a wealth creator is to set guidelines and principles for the future of the wealth. These can be binding, or a matter of aspiration and honour.

A second or third-generation family may have a set of informal or unarticulated values and ways of doing things; it may be helpful to define these clearly and write them down. A planner begins to look at inheritance by guiding a family to create a mission and values statement, which tells what their wealth and business are "for" in a deep sense. It may include the reasons behind that purpose and perhaps parts of the founder's story. It is a living document that can be amended and added to by each generation. It should be a source of pride and direction to each heir as they grow up—not just an empty statement on the wall.

Tell of the Family Spirit

One of the most powerful activities that a planner can lead a family to do is sharing the family story across generations. The founders of a family often have a dream and a set of guiding principles. If they carefully set them down, they can form the foundation for the sharing of wealth through generations. Using a video, for example, the family founders can present their dreams, values, and ideals, and preserve them for future generations. The story may be influenced heavily by a founder, but it is not one person's story; it is a tapestry woven by everyone.

The family history gives life to their values and aspirations. If a family has

overcome adversity, or struggled, its current fortune can be accompanied by memory of dedication to something more. By telling the story to each generation in turn and adding to it, the memory can be sustained and the commitments of the past can be honoured.

Financial Capital

Financial capital involves sustaining and watching over resources to invest and support a comfortable lifestyle, and the ability to manage and sustain investments productively.

What the family must do to sustain its financial capital:

- Create clear and realistic expectations among the heirs
- Teach all heirs values and responsibility about managing wealth
- Generate a sense of responsibility and capability to support the long-term strategy

An heir does not just get a pile of money. He or she also gains a mechanism for investing, values and expectations about what to do with it, and resources and support structures to manage it. Along with the financial resources comes a responsibility to manage them capably, sustain them for the future, and develop or support a financial strategy and structure for investments.

Clear and Realistic Expectations

Families have begun to ask the question of how much they want to pass down to their heirs. Some very wealthy people have decided that they want to pass only enough to their children to make them comfortable and able to do what they want in their lives, but want the bulk of their fortunes to serve some other purpose. Others pass wealth with no strings, or with expectations that are far from clear.

One frequent aspect of financial inheritance is secrecy. Many families feel they should not let their heirs know how much they will inherit. Growing up, there are reasons for limiting information, but if they expect their heirs to do well with their wealth, they must be prepared. Preparation begins by piercing the veil of secrecy and schooling heirs in what they will receive.

Heirs, in turn, want to respect their parents by never bringing the subject up. Their avoidance of the subject means that their expectations and those of their parents remain implicit and unspoken. A planner must help the family open up and share information and prepare their heirs for financial literacy.

Responsibility Financial Literacy and Stewardship

Financial capital is sustained by those who inherit it through training about responsibility for the gift. Fortunes can be lost much more quickly than they can be amassed, as many sad stories demonstrate.

Heirs today must be prepared to manage wealth not by having parental figures

and unbreakable trusts to manage it for them, but by proper teaching of how to handle investments and make decisions and by schooling in responsible use of it. They must learn basic financial oversight and management, so that they can exercise knowledgeable and prudent oversight of their investments.

A generation ago, there was a paternalistic approach to inheritance. Trustees and advisors were expected to “take care” of the next generation (especially women) and their wealth. This created a sense of dependency in the heirs.

Today, inheritors want to administer their wealth actively, even if it lies in trusts and funds with clear limitations on what can be done. They need to be prepared for this responsibility by increasing education, involvement and participation. Some large family dynasties have a financial education course that they offer to family heirs when they reach a certain age.

Human Capital

Human capital is the heir’s development of skills, capability and character to understand how to manage wealth, to find important work and to live in a complex, difficult and demanding global environment.

A family develops human capital when it...

- Initiates age-appropriate discussions about money with heirs
- Builds self-esteem and identity independent of having money
- Helps heirs develop a sense of purpose for their lives
- Develops skills and capability to make their way independently

Human capital is the development of responsible people whose values, skills and motivation enable them to use inheritance wisely and productively. This form of capital cannot arrive in a lump sum, but is developed over many years, starting early.

It takes personal investment, time and more than good intentions. An advisor often observes patterns and ways that families relate to their children and is in a position, if not to act as a therapist, then to make suggestions or ask questions that will cause the children to reflect on the outcome of their behaviour.

Age Appropriate Conversations About Money

Developing human capital begins around the house, in the early years. Children learn about money and about the family’s status through messages not only from family, but from friends, school and acquaintances. A planner might ask the family focus questions like, how is money viewed around the house?

- Is it a source of nurturing, a substitute for being together?
- Is it given out of guilt when parents are not fulfilling their roles?

- Is it a sign of how important a person is?
- Is it connected with service to the family, as in doing chores and fulfilling one's responsibility to the family?

To develop human capital, a family must deal with money and its meaning at every stage in raising children. A parent will be asked several times as their children are growing up, "Are we wealthy?" This is not a yes or no question, but a request for parents to talk to their children about what it means to have money, what opportunities it presents and how the family uses its gift. At this point, planners can suggest that the parents begin to share their core family values about money—spending, saving, and sharing.

For example, a lesson for a person growing up amid wealth might be to develop compassion for those who have less and an understanding that privilege is a gift rather than something that makes them better than others. This simple lesson is endlessly complex to teach because it is not taught by declaration, but by thousands of small actions that either reinforce or undermine the basic message.

Wealth and Identity

Inheriting money can have a "curse," a dark side—it can disable people, isolating them, causing shame about what they have, arrogance, or a sense of unworthiness. The discovery of personal identity in heirs has been likened to a journey, where they must go out in the world and find out who they are on their own, away from family and their names.

The major challenge in development of heirs is to balance a sense of responsibility for their wealth with their sense of entitlement. If an heir feels that they deserve what they get and that there are no corresponding values or responsibilities placed upon their inheritance, they eventually experience a deep sense of emptiness, even resentment, inside.

Personal Development

You can help the family explore and define clearly what levels of achievement are expected and skills and knowledge should be developed. Young people need to know and to receive guidance and sometimes "tough love" to direct them. As a young person grows, offering unconditional love and support is no longer a way to develop self-esteem. A person has to demonstrate their capability and meet standards.

Money and Work

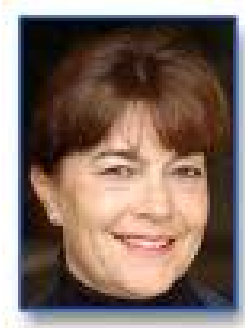
Human capital is expressed when heirs become mature, responsible, satisfied and productive adults. Young people of wealth may have difficulty developing a firm sense of who they are:

- Are they more than their money?
- What can they do to be productive if they do not have to work?

Helping a family develop its human capital has to do with helping each heir learn to do something worthwhile, develop skills and capability, and use them to make a difference somewhere. Getting a pay cheque on one's own, starting a small business or a community project, or just graduating with honours, are achievements that build personal identity. The young heir has to find some way to do something important. The financial planner can help an heir find resources to develop his or her personal career plan.

In this paper we have addressed 3 of the different capitals developed by Dr Dennis Jaffee. If you are interested in receiving more of this important and well researched paper, please contact us at info@legenis.com

Article 2



What I've Learnt (An extract from the Weekend Australian Magazine, June 5&6 2010)

By Gabi Hollows

Gabi Hollows is the Founding Director of the Fred Hollows Foundation.

People around the world are so different, but if there is one constant it is their right to sight. Over 37million people are blind and in 7% of cases it is treatable.

It's vital for Australians to experience the bush and Outback, because they are an essential part of being Australian.

Fred always said that when it comes to eye surgery, there should always be a patient, a surgeon and an apprentice. I think this is a nice way to view life – surround yourself with good people, teach others the things you learn and be happy to receive help when it's needed.

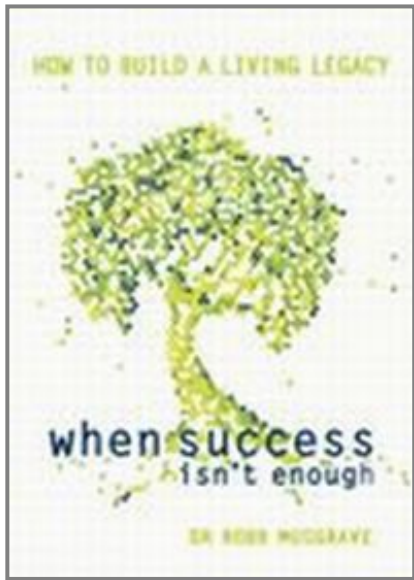
When Fred passed away it was a very difficult time. But creating a

Foundation to continue Fred's work has kept the dream alive. Last year we were able to look into the eyes of 1.7 million people and perform over 195,000 sight-restoring operations here and overseas.

The thing I loved most about Fred was his enthusiasm and his ability to be interested in everyone, no matter what their walk of life. Fred was the most determined person I have ever met.

The quality I value most in people is their innate goodness.

"How to Build a Living Legacy? – When success isn't enough".



by Dr Robb Musgrave. – **BUY IT**

This book will take readers on a journey of personal discovery for “when success isn't enough”.

Most of us think of legacies in purely financial terms – a monetary gift or a family home. *When Success Isn't Enough!* overturns that assumption and shows that it's our values, not our money, that make us unique, but which also ultimately shape our legacy. Few are remembered for the

money alone!

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