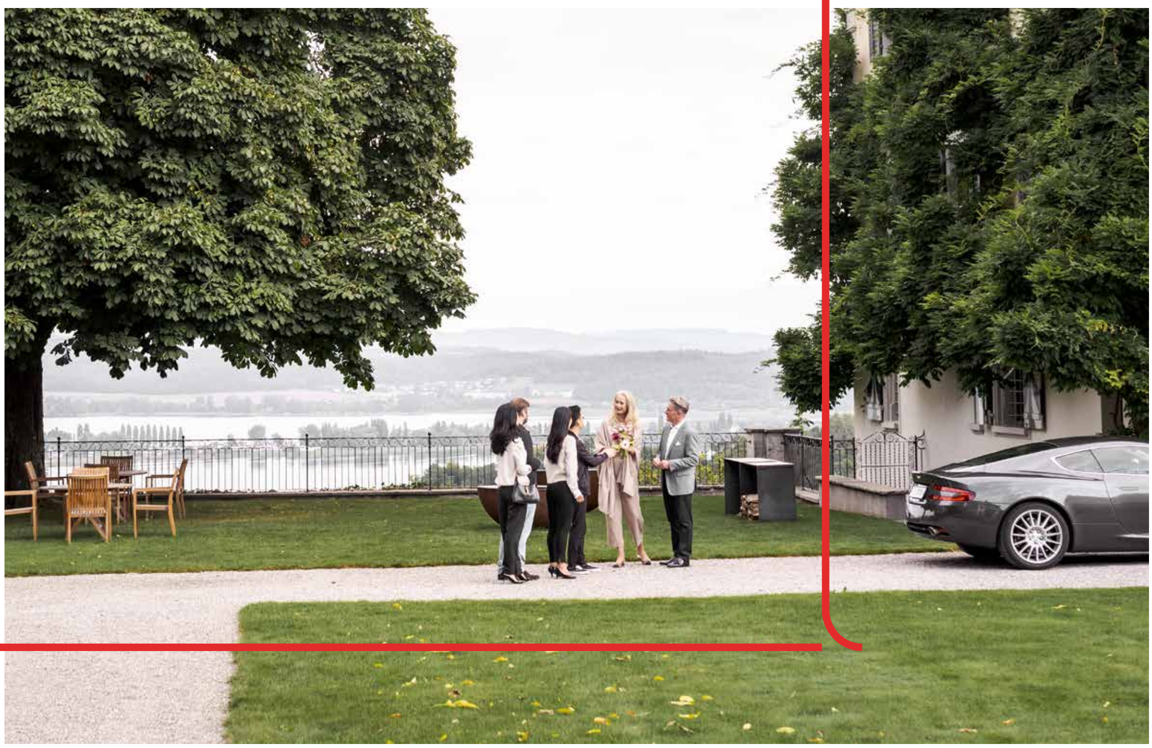
For educational purposes

Charting the way forward

Family strategy compass



Where to find what?

How to use this compass

Families are like trees. Over time, their branches grow and their roots deepen. Some grow tall and strong for hundreds of years, sending seeds to far-flung fields. Others stay small, stifled by shallow ground and a lack of sun. But even the sturdiest tree can fall prey to an unexpected storm.

Your family, like a tree, is precious. It needs nurturing and protecting. But how can you make sure your family stays strong for generations? Let's be clear. It's challenging – especially if your family has grown to take on many new family members, each with different views on its future. But it's possible to stack the odds in your favor.

How? By having a family strategy. Maybe you've heard about them and want to know more. Perhaps you've started setting up a family strategy but got stuck along the way. Or you might be wondering how you can keep your strategy alive for years to come.

Whatever your reasons for reading, you've come to the right place. This compass makes it easy to find the information you need across the following four chapters. And don't feel you need to read it cover to cover. Feel free to dive into the front, middle or back for the facts you're looking for:

1. Understand – getting to know your family and its wealth
2. Define – working out what your family stands for
3. Establish – setting up your family strategy and governance
4. Evolve – nurturing your family for generations

Of course, no two families are the same. There are too many unique and complex issues to possibly pack into these pages. So this compass also guides you on who to approach for help tackling situations unique to you. And remember, you're not alone. For support creating the right family strategy, please get in touch with UBS. We're here to help look after everything you love.

Part 1

Understand

Getting to know your family and its wealth

What is wealth anyway?

It's a question well worth asking. Because wealth means many different things to different people. But one thing is for sure: it's about much more than money.

That's especially true for families. Happiness, good communication, shared values and goals are more important than expensive jewels, cars and houses. Why? Because they're the glue that holds families together. And those families know that however much their finances might rise and fall, their family bonds will remain.

Or will they? The truth is, keeping families together – particularly big families with members scattered worldwide – takes time and effort. Making time to connect and talk about important family matters is like nurturing a flower that blooms for generations.

Families neglected often wither, linked by nothing more than a shared surname and treasured memories. But the fallout goes further than strained relationships. Discord can also tear apart a family's assets and businesses, destroying the very fabric that binds the family together.

Shirtsleeves to shirtsleeves

Almost unimaginable amounts of wealth are currently transferring from older to younger generations. In the United States alone, heirs will inherit an incredible 68 trillion US dollars over the next 25 years.[1]

Meanwhile, according to studies, around 70% of wealthy families appear to lose control of their wealth when it transfers from the first to second generation. And only 10% of families keep their wealth by the third generation.[2] This corresponds with the old saying – "shirtsleeves to shirtsleeves in three generations" – which means a family will lose the wealth it gains in its first generation by the third.

A family business might not be the family's only source of wealth. Such companies can change, disappear or get replaced by other wealth-creating ventures. So this compass focuses on a family's overall wealth – not just wealth from its business.

Many factors can lead to families losing their wealth, including taxes, inflation, excessive spending, and poor business or investment decisions. Yet perhaps the biggest causes are issues within families. Knowing what they are can help you avoid them in your own family.

At UBS, we find that the main challenges are:

1 **Not having a plan for passing wealth to the next generation (succession planning).** This is one of the most important factors, especially when wealth transfers from the first generation to the second. According to a PwC global survey on family businesses, only 34% of family members who are transferring wealth have a will in place[3] – and that's just one piece of the succession planning puzzle. Many family leaders are reluctant to discuss the topic, or even to surrender control of the family business. Who will take the reins when they pass away?

2 **Not communicating properly.** Family members often avoid discussing important topics about the family's wealth. The result? Misunderstandings and conflict later down the road. A survey revealed that only 15% of families have processes for managing conflicts and encouraging better communication between family members.[3]

3 **Not sharing information about decisions.** Family members or groups making decisions without sharing information with the wider family can seriously harm trust and confidence. Family members can feel excluded and might even decide not to be part of the family business or even the wider family enterprise.

4 **Not having proper family governance in place.** Successful businesses have strong governance – processes and principles that make sure the company operates in the best-possible way. And so should families. However, many families lack the proper governance needed to make informed decisions, share information and unite the family around common goals. The answer? A "family constitution" (or "family charter"), which describes the family's values, principles for engagement, governance and communication process.

1 The Cerulli Report U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2018
2 Williams, Roy and Vic Preisser. Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values. Robert Reed Publishers, 2003
3 PWC Family Business Survey 2021

In addition, a survey conducted by UBS revealed the following challenges families have:

37% Discomfort discussing sensitive subjects

36% Next generation is too young to plan for their future roles

33% Head of family doesn’t want to give up control

31% Not having enough qualified next-generation family members to take on the business

17% Infighting between family members

13% Not knowing how to plan for transferring the business/wealth – lacking good advice

11% Other

Fig 1: Challenges families face with regards to succession planning, The UBS/Campden Wealth Global Family Office Survey 2019
Note: Figures may not sum to 100% because respondents can select multiple options

Keeping the family on track

Can families avoid falling apart over time? We believe so.
And this compass aims to help you do just that.

Of course, there's a lot to keeping your family and its wealth on track. But it all boils down to one simple thing: family members of all generations working together to develop and sign up to a successful family strategy.

"Strategy" is a word much used but often misunderstood. In a nutshell, it's a plan that aims to achieve a goal. So a family strategy is a plan that aims to nurture and secure the family and its wealth for generations. It includes definitions, structures, policies and agreements focused on achieving those goals. It also defines the family's members and their shared values, purpose, vision and mission – which then guide their roles in the family. And it covers all family assets like businesses, real estate, finances and collections – plus shared activities that aim to bring the family closer together.

The family strategy starts working long before it's signed and sealed. The very act of creating it can unite the family. Family members often emerge from the questions, discussions and emotions that arise better understanding their relatives, each other's goals, and their place in the family. From there, families can build on these foundations and work to preserve and grow everything they stand for.

Here are just some of the outcomes a good family strategy can deliver:

- Preserving and growing the family's finances and business interests
- Preventing or resolving conflict between family members
- Uniting the family
- Nurturing family members' talents
- Passing wealth and valuable social and influential networks on to the next generation

A family strategy is a plan that aims to nurture and secure the family and its wealth for generations.

UBS Family Advisory

How families work together

An operating business might be some families' main source of wealth. For others, the family business might be long gone. Whether or not your family has a company, over time, your family is likely to grow, change and become more complex. To keep it successful, happy and united, it's important to focus on "family dynamics" – the ways family members interact with each other.

But there's much more to nurturing family dynamics than talking about a family business. It embraces many factors, which is brought together in a model called the "family enterprise system". The model builds on the traditional family business system seen regularly in family governance literature, and includes all family members, assets, activities and ownership rights.

The enterprise family system

Here's what the three circles mean for family members.

Family membership

These are all members of the family. Some might find it easy to define who belongs to the family, and their rights and roles in the family enterprise. For others, it can be trickier. We look at this more closely in chapter two on page 28.

Enterprise ownership

This refers to family members' legal ownership of assets in the family enterprise. Such ownership gives them controlling power – or at least the power to influence decisions – within all or some parts of the family enterprise.

Enterprise engagement

This covers all the wealth a family owns where a family member might have a role. For example, families may or may not be involved in an operating business. But there are many more ways they might engage, such as in financial assets, real estate, collections or assets reserved for family philanthropy.

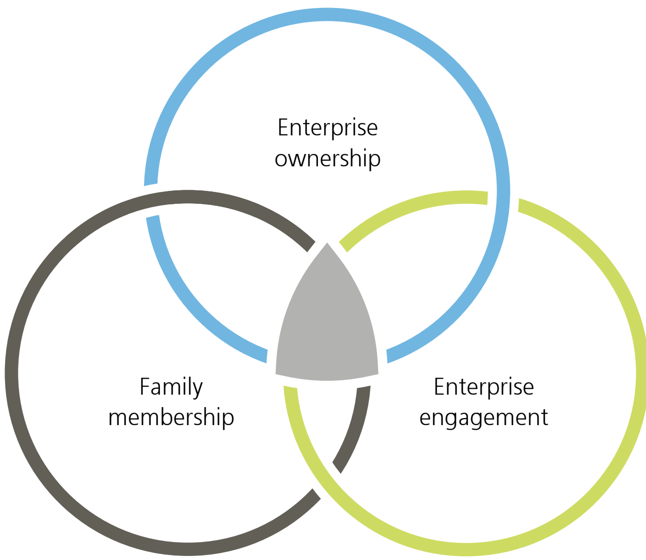
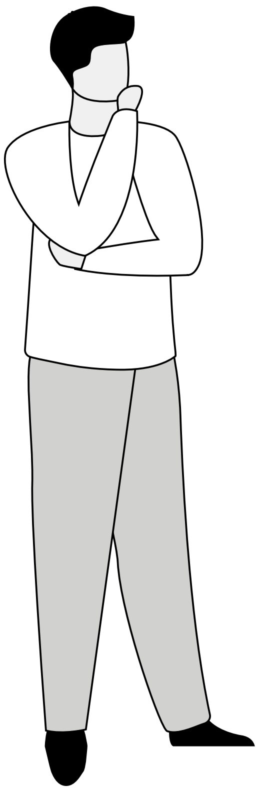
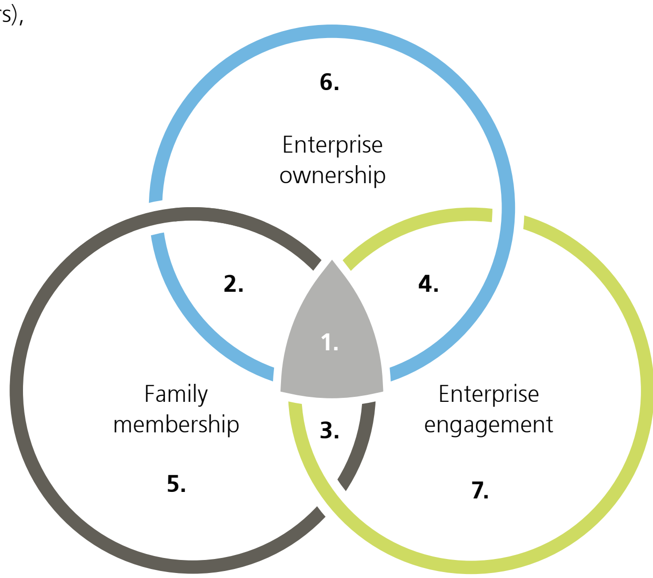


Fig 2: The family enterprise system, UBS Global Wealth Management – Family Advisory, 2021. Model adapted based on Tagiuri and Davis, 1982

Where do I fit in the family enterprise?

The family enterprise system model lets everyone know where they fit in the enterprise, and what that means for them – for example, how they can interact and influence the rest of the family. It also helps families balance everyone's interests and ambitions (such as young people who see themselves as future leaders), and avoid discontent.





1. The central position.
2. Family members and owners of family enterprise assets.
3. Family members who don't own any part of the family enterprise but are involved in running it.
4. People from outside the family who work for the family enterprise and have ownership.
5. Family members only.
6. Enterprise owners only.
7. Enterprise engagement only.

Fig 3: The family enterprise system; UBS Global Wealth Management – Family Advisory, 2021.
Model adapted based on Tagiuri and Davis, 1982

Let's look at each area:

1. **The central position.** A family member in this position will have control and influence over the whole family enterprise. For example, a family member, who founded the operating business, is a majority shareholder of the family business and has an executive role in it.

2. **Family members and owners of family enterprise assets.** These are family members who are owners of family enterprise assets. For example, someone who receives dividends from the business, but isn't involved in running the business.

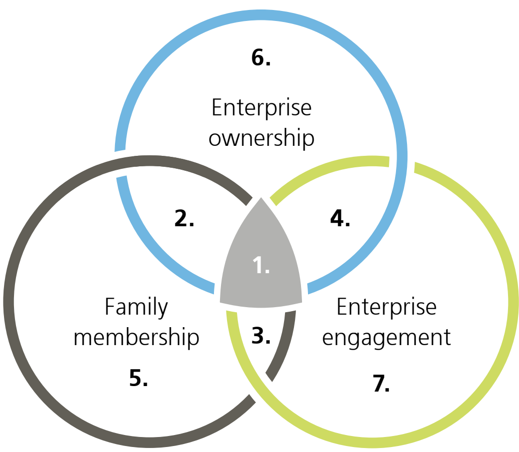
3. **Family members who don't own any part of the family enterprise but are involved in running it.** These family members work for the family enterprise but don't receive any dividends or profit shares. For example, a younger family member who's an employee of the family business but not yet a shareholder.

4. **People from outside the family who work for the family enterprise and have ownership.** These might be non-family shareholders and employees of a family business. For example, a senior executive from outside the family who holds shares in the family business.

5. **Family members only.** These are family members who don't work for or own assets in the family enterprise. For example, those who are too young to get involved in the family enterprise or in some families the spouses.

6. **Enterprise owners only.** These are non-family and non-employee shareholders of any family businesses. For example, a CEO of the company that still holds a small percentage of the shares.

7. **Enterprise engagement only.** These are non-family employees in the family enterprise who don't own any parts of it. For example, an employee from outside the family who works in the family office.



The challenges of change

Family enterprises are always changing – especially when wealth passes between generations, for example, when members become adults and, in turn, owners or employees of the family business. Communications and decisions also become increasingly complex when families grow and new members join.

At UBS, we see family enterprises drifting apart over time. To keep everything in balance, it's important to establish the right governance processes.

1	2	3
Founding owner-manager (First generation)	**Siblings / cousins** (Second / third generation)	**More or less engaged family members** (Later generations)

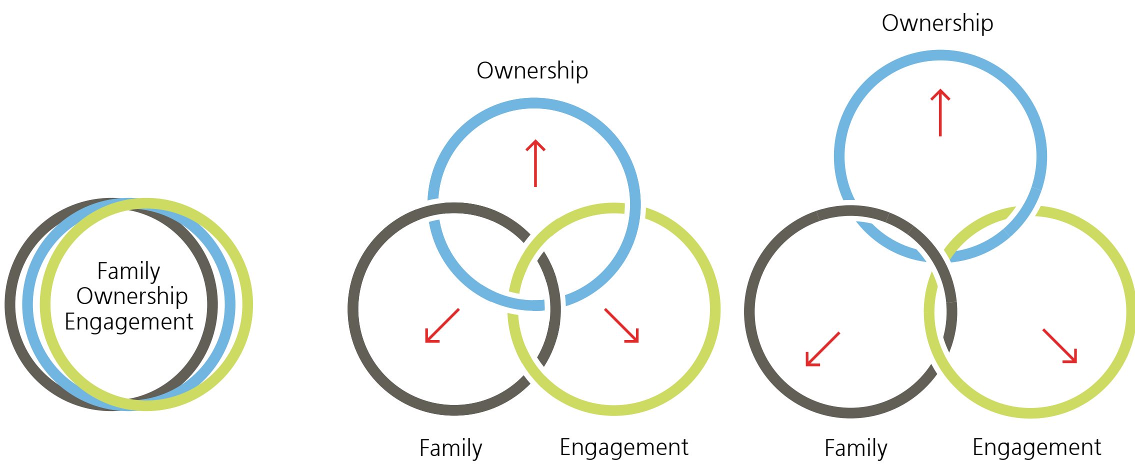


Fig 4: Family enterprise system: Gradual weakening or disruption of inter-family links over generation,
UBS Global Wealth Management – Family Advisory, 2021. Model adapted based on Tagiuri and Davis, 1982

Concentrated power
When family businesses start out, the first-generation founder often leads the company and family, and makes the big decisions. Family members also tend to be close, living in the same household or meeting regularly.

This can lead everyone to believe that they understand the family, its business and its goals. That may be true. But it's not always the case. Even in these early stages, to keep the peace, families often avoid tricky discussions on topics like:
– the roles family members assume or expect to have in the family business
– where the family business is headed
– how the family reinvests money into its business, or shares it among family members
– who will own the family business in the future.

The longer families avoid discussing topics like these, the bigger the threat to the entire family enterprise.

When the cracks start to show
As figure 5 shows, families diverge when wealth transfers between generations. This is often due to:

– **family members having different priorities and interests,** such as ambitions outside the family enterprise. For example, a son that the family expects to be a future CEO might prefer an academic career in a university. Or an entrepreneurial daughter might want to pursue her dreams elsewhere, beyond the family business.

– **poorly matched responsibilities,** causing discontent and resentment. For example, a family member might become an owner of the family business – and as such, gain new rights and powers to decide on the family enterprise's future. However, that person might lack the experience and qualifications necessary to wield that power wisely. Take the case of a 14-year-old who inherits the company shares of her recently deceased parents. Because she is so young, a legal guardian might need to fulfil her roles until she turns 18. Even then, other owners of the business might not agree or feel comfortable with this approach.

– **emotionally and geographically distant relatives,** with vastly different opinions, values, lifestyles and plans that are tricky to agree on. It can be hard enough for siblings to agree on such matters. But when the family gains even more family members – such as spouses and cousins in different countries – unifying the family can feel like an impossible task.

Knowing about these risks upfront can help you plan for them in your family strategy. For example, in the "first generation" phase of your family, major parts of your strategy might involve topics like:
– defining who collectively owns the family business
– setting up proper governance for the business, such as a board of directors in a privately owned company and formal processes for making decisions
– defining the future leaders of the family business.

In the "later generations" phase, your family strategy might focus on matters including:
– managing the family's investment portfolio
– family members selling or buying shares in the family business
– reviewing the family's values and communication channels.

Your family strategy can also prepare your family for another major risk that's often overlooked: losing a key person in part of the family enterprise. With training, a family member might be a perfect replacement. Or you might consider someone from outside the family to be a better fit.

> "You will never truly understand your relatives until you have to share an inheritance."
>
> Mark Twain

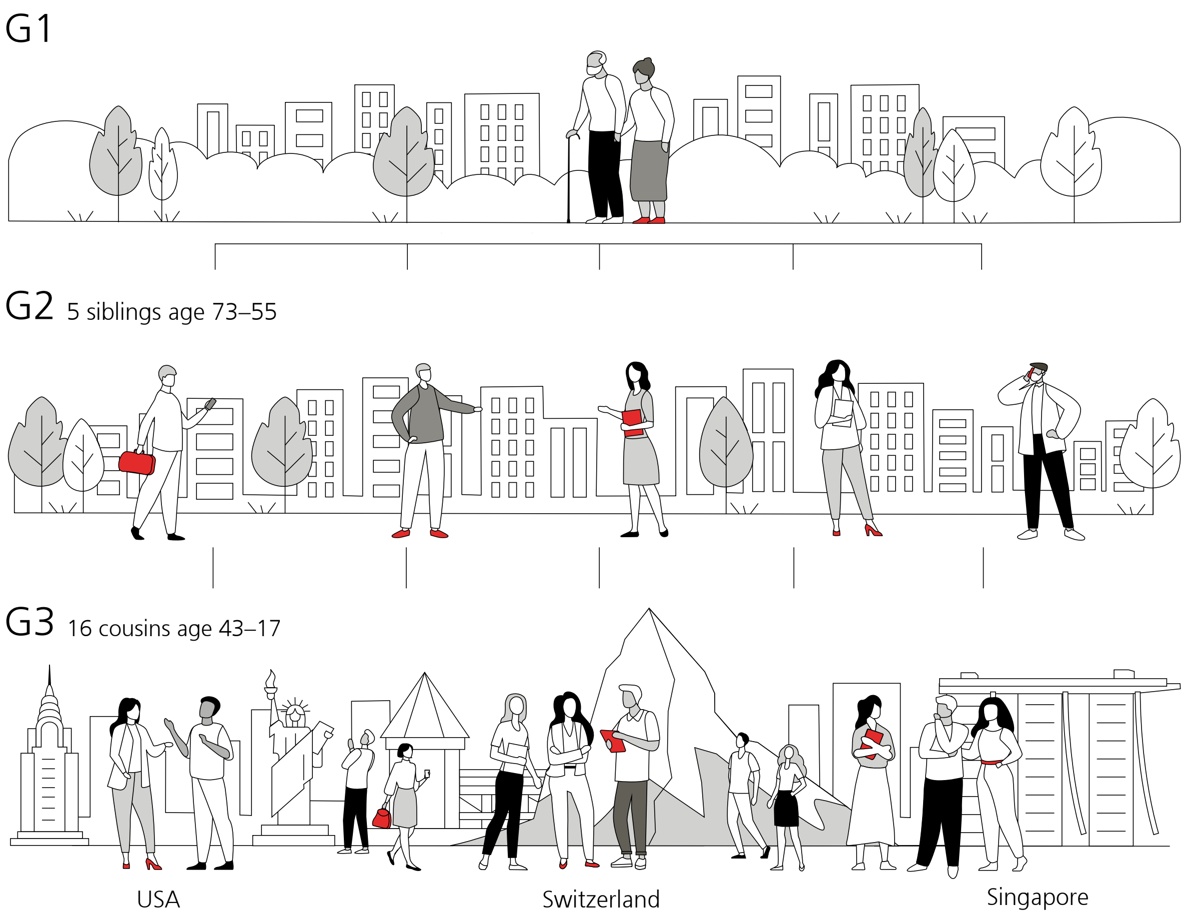


Fig 5: Example of a family tree: As the family grows, emotional, functional and geographical connections become weaker, UBS Global Wealth Management – Family Advisory, 2021

Taking the reins

At some point, every family needs to come together to discuss and agree on plans. Each generation needs to focus on certain areas:

First-generation founders establish the family's culture and values – the foundations of its success. As entrepreneurs, they must also develop the business and plan who will take over when the time is right. So they need to focus on future roles for family members – and who might be willing and able to fill them.

Second-generation siblings must find ways to work and decide on matters together, both as participants in the family's businesses and future owners of the family enterprise assets. The family's success depends on them working towards the same goals and deciding together.

The third generation and beyond need to preserve and grow the family's wealth, unite the family around a common purpose and nurture the talents of family members in ways that benefit everyone.

Case study

The perfect fit

The founder of the Swiss fashion label Chicoree decided to step back from running the business he'd built over 40 years. His two sons wanted to take over the company but felt they still lacked experience.

The solution? The founder and his sons decided to temporarily employ an experienced, long-standing member of the senior management as CEO from outside the family.

This gives the sons time to build their knowledge and experience before taking the reins. As joint future CEOs, the sons also benefit from the mentorship of an experienced executive.

Source: nzz.ch

The family enterprise

The family enterprise often emerges following years of the family business generating wealth. Over time, the family discovers new sources of income and realizes its wealth isn't just about the business. Now it embraces many different activities, interests and assets. And each shapes the family's wealth, identity and unity.

The illustration represents the family enterprise as petals of a flower. You might not recognize them all as being a part of your own family enterprise – and some petals might be more or less important.

For example, if your family owns a big operating business, that company might represent most of your family enterprise's assets. But if your family has sold its business, joint financial assets might be one of the main petals.

Each petal can survive from one generation to the next. But to truly thrive, the family must:
– create a family vision and mission that embraces every activity within the family enterprise
– properly manage and govern each area of the family enterprise
– identify and clarify roles for activities related to each petal.

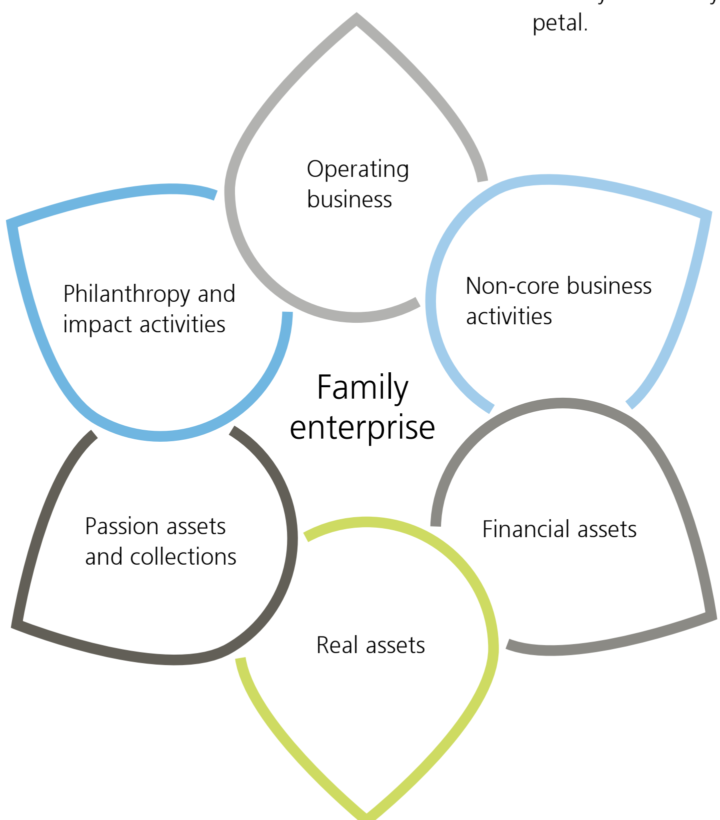


Fig 6: The family enterprise flower – elements of family wealth, UBS Global Wealth Management – Family Advisory, 2021. Model adapted based on John A. Davis 2013.

Examining every petal
To create a family enterprise strategy, it's vital to consider every aspect of the family's activities – including how they started, how they fit together, and how you should manage and govern them. You might find this process brings your family closer, enabling you to work more successfully together.

Here's a closer look at each petal:

Operating business
This is your family-owned and controlled business. It's likely to be the main – or at least the original – source of your family's financial wealth. Families are often linked to their businesses for decades and even centuries. So family members have strong emotional connections to their businesses, which also typically shape the family's identity.

Non-core business activities
Your family may have started or invested in other businesses over the years. They may not be the biggest sources of your family's wealth. However, they still play an important role in shaping your family's identity. There might also be strategic investments that contribute to the family's finances and require the family's involvement (for example, a stake in a private equity investment where the family sits on the board).

Financial assets
These are typically your family's liquid assets (assets that are readily available as cash or easily converted into it) and investment portfolios. To look after these assets, families sometimes set up a family office. Younger family members involved in the family office can get prepared as future leaders in the family office or the wider family enterprise.

Real assets
These are typically valuable assets like family houses, cars, yachts and jewelry. They sometimes have real and perceived rights for family members to access and use them.

Passion assets and collections
As families become wealthier, they often acquire objects of affection. These may grow into collections in areas such as art, vintage cars and wine.

Philanthropy and impact activities
Families often get involved in work that gives back to the community and the planet. This enables families to use their finances to do good. And relatives from different generations collaborating on philanthropic projects helps unite family members around shared values. It's also a great way to introduce the next generation to leadership skills in areas such as project management and decision making.

Shutting up shop?

Sometimes, families sell the businesses that first led to their financial success. There are many reasons for this. For example, it may be the best way to end years of family fighting, emotional turmoil and legal battles. Such issues can make family businesses uncompetitive, devalued or bankrupt. Even worse, they can destroy the family's relationships.

But there can be positive reasons for selling the family business. For example, the family might be close-knit and harmonious – and want to keep it that way. Selling the business might maintain the family's wealth and make sure everyone gets a fair share of the money. Or exploring new ventures might be an attractive option for growing the family's wealth. We'll look more closely at some of these reasons later.

> “Businesses come and go, but business families can last for generations.”
>
> Dr John A. Davis
> Family Enterprise Advisor

Steps to setting up your family strategy

So we've looked at what wealth is, how families evolve and why family strategies are so important. What goes into the mix of a great family strategy? This guide gives you the facts. But first, here's a quick overview of what's involved.

Find answers to your family's questions
Ask your family members questions about areas like the family's structure, and their goals and roles within it. You'll typically get the answers you need through conversations, interviews and moderated workshops. A good way to start is to use the toolkit that comes with this compass and reflect on your own situation.

Involve a family advisor
An experienced family advisor will understand all the important aspects of setting up a family strategy and governance. They're independent from your family's situation but will have worked with many other families. They can share valuable insights, help you avoid pitfalls and guide you at every step.

Document your strategy in a "family constitution"
(or "family charter")
This is a morally binding written document that sets out your family's strategy and governance. Its topics typically include:

– What the shared family values are – and what the family stands for
– How the family defines its enterprise
– Who owns the family assets – and the principles that govern ownership
– How family members should engage with the family enterprise (for example, the principles of working in the family business, family office or charitable foundation)
– Who decides on business, wealth or family-related matters and how these decisions are taken
– How the family nurtures its members' talents
– Which joint activities could enhance communication and harmony across generations.

Set up governing bodies
To bring your family strategy to life, you'll need to set up one or more decision-making governing bodies, such as a family assembly, family council and other advisory boards. You'll find out which bodies your family needs as you set up your family strategy.

Establish contracts and agreements
To ensure your family constitution's provisions are effective, you may need to add some of them to existing or new legally binding arrangements, contracts and agreements – such as letters of wishes, trusts, wills and shareholder legal arrangements.

Review everything regularly
Families change. New family members arrive, others depart, and younger generations soon become old enough to lead areas of the family enterprise. So you'll need to regularly review every aspect of your family strategy, constitution and legal arrangements.

How often? When your family enterprise is relatively stable, reviewing every five to ten years might be enough. But if your family is going through a major change, like transferring its wealth, it's wise to review more regularly.

Bear in mind that every new generation approaches family matters from a fresh perspective. That means when they come on board, you effectively will need to set up a new strategy. This will ensure they can forge ahead, free from the constraints of the family's past.

Now you understand more about your family, its wealth and what goes into creating a family strategy, it's time to set everything up. There's a lot to it. But don't let the task overwhelm you. You can do it when you break everything into bitesize chunks.

This guide does the same, splitting the work into these three steps:

1. Define. Defining your family and its values, purpose, vision, mission, goals and roles.

2. Establish. Establishing the governance to make sure your family strategy succeeds.

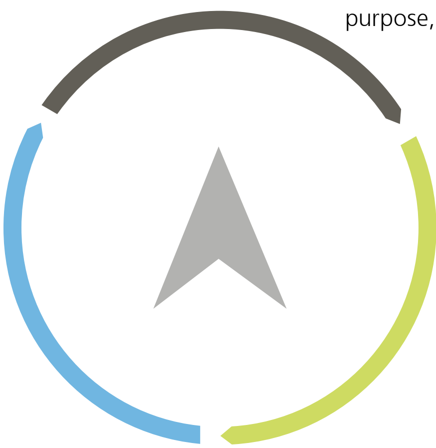
3. Evolve. Reviewing and refining your strategy as your family changes over time.

Ready? Let's get started …

Family strategy steps

1. Define

Answering questions about your family's purpose, values, goals and roles.



3. Evolve

Keeping everything on track by refining your strategy as your family evolves.

2. Establish

Putting everything in place to make sure your family strategy succeeds.

Fig 7: Family strategy steps, UBS Global Wealth Management – Family Advisory, 2021

Part 2

Define

Working out what your family stands for

Defining family

The first step in creating any strategy is to work out exactly what you're dealing with. You'll need to get back to basics, defining who your family is and what it stands for.

Who belongs to the "family"?

What does the family stand for?

How do individual members' goals fit with the overall family goals?

Does the family have a common path into the future?

The first step in creating any strategy is to work out exactly what you're dealing with. You'll need to get back to basics, defining who your family is and what it stands for.

So who is "family" (sometimes referred to as the "inner circle")? This question is one of the biggest, and potentially most sensitive, to ask. Those considered to be family – including their roles, responsibilities and privileges – varies hugely across cultures and families.

Some families only include their direct bloodline relatives. Others include spouses, adopted children and partners. Your family will need to agree on what "family" means within the family enterprise. Because how you define it affects people's rights, privileges and responsibilities:

Rights of a family member can include owning shares in the family business or a stake in the private wealth; making strategic decisions for the enterprise; joining a decision-making governing body.

Privileges can include dividends; opportunities to work in the family business; access to educational support; access to funding for new businesses outside the family business.

Responsibilities include looking after the family's wealth; supporting and strengthening the family as a member of governing bodies, such as the family council.

There are pros and cons to every definition of "family". For example, defining your family broadly lets you bring more valuable talent into your inner circle. But it can also mean more people making decisions and expressing opinions – and in turn, more opportunities for disagreements.

So take your time to explore, discuss and agree:
– who belongs to your family
– the rights, privileges and responsibilities of each family member
– the advantages and disadvantages of having a more inclusive or bloodline-only definition for your family.

Case study

Blood isn't always thicker than water

The head of a leading Japanese business made his son-in-law CEO after seeing his determination to join the company and take it into the future. That was a shrewd move. Because under the son-in-law's 30-year leadership, the company's net assets grew 20 times – while the family's assets grew 300 times.

Today, the son-in-law says he didn't have a grand vision or strategy in mind when starting out. But in these early stages, his father-in-law said something that drove him to succeed: "Do what you think is good. However, you should take all responsibility for it!"

Hearing these words, and knowing he'd earned his father-in-law's trust, gave the son-in-law the confidence he needed to take the business to new heights. The father-in-law also legally adopted him into the family, something very special to do.

The family's values, purpose, vision and mission

Your family's values, purpose, vision and mission are the four statements on which you'll build your family strategy. They define your family's identity; past, present and future; everything it stands for; and everything it aims to achieve. So you'll need to include them in every petal of your family enterprise "flower".

Discussing these topics with your family will be exciting and revealing. Families often enjoy rediscovering their histories, for example, by drawing timelines of important family events. However, as conversations uncover previously unspoken feelings and views, the process can be challenging too. But it's worth the effort. Everyone understanding and agreeing on the principles will be your family's winning ticket to lasting success, wealth and unity.

Let's look at each in turn.

Values

– What's important to us?
– What do we stand for?
– How do we want others to feel about us?

Values are the principles that guide every member of the family. They can age like a fine wine, contributing to a priceless family legacy over time. Family members can also apply their values in other parts of the family enterprise, such as strategies for a family office, investments, philanthropy, and even when deciding which art to buy.

But first, you'll need to understand the different values family members hold and why. This will help you appreciate why family members interact in certain ways. From there, everyone in the family should discuss and agree on a set of shared values. These values will then dictate how you define your family's purpose, vision and mission. A good way to start defining and agreeing values is to use "value cards", which you'll find in the accompanying toolkit. The cards list a range of values, which family members can pick from. You can then narrow down the values to the most-chosen cards, and create a list for your family to discuss and agree on.

Once everything's agreed, you should document your values in a "family values statement". This will typically sit at the start of your family constitution document.

Here's an example extract from a family values statement:

Our family bases its actions on strong and collectively shared family values. Our family is our most important asset. We encourage each other to contribute in whatever way they can to support the family's values. Each of us is responsible for passing on our values and traditions to future generations.

We're honest and grounded We are proud of what we have achieved but will never take for granted that we are economically blessed. By being humble, we will stay alert, find the right opportunities, and have the right attitude towards our customers and other business or community partners.

We work hard Our forebears could not have laid the foundations for our current prosperity without dedicating themselves to and prioritizing their work duties. Hard work is a cornerstone to continually growing and developing ourselves and our business. We expect all family members to be responsible and economically self-sustaining.

Your family should discuss how it will react if family members don't honor the values. Families often only realize how important their values are when they learn the consequences of not adhering to them.

Bringing values to life

Family values can take on a life of their own. In fact, families often find that the values of the founding generation still guide their activities and decisions today. For example, a value like "hard work" might also mean "putting the company first". So it could dictate everything the family does, from when people go on holiday to where they choose to work and live. For such families, the family business is everything.

Everyone should understand and agree with the agreed-upon values and commit to them in every aspect of their lives. All too often we see value statements full of good intentions – but family members failing to put them into practice, for example, in their actions, decisions, business practices and social engagements.

Purpose

- Why are we engaged in our business, or seeking to stay engaged in it?
- What do we want to achieve with our wealth?
- What do we want our activities to achieve for the family?
- What important goals do we want to pursue? (For example, social or environmental)

Your family's purpose comes from its values. It's the spark than ignites the fire in your family to do what it does – and inspires everyone to be the best they can be.

To make your purpose useful and meaningful, write it as a full and honest statement, not a catchy slogan. And don't be surprised if your family wrestles over the words for a while. That's good. Because it means everyone's involved, engaged and passionate about getting it right.

Here are some examples of a family purpose:

Holding the family together
Investing in everything the family holds dear in ways that benefit everyone and unite the family.

Keeping the family wealth
Ensuring younger family members enjoy opportunities to live comfortably, while preserving enough wealth to sustain the family far into the future.

Funding new entrepreneurs
Family wealth and activities can kickstart the entrepreneurial ventures of the next generation – giving them opportunities to learn, add to the family's finances and benefit wider society.

Making the world a better place
Using the family's wealth, talents and influence to make life better for people and the planet.

Vision

- Where do we want our family enterprise to be in five years?
- How should our wealth support the world around us?
- How should partners, employees and the public perceive our family?

Your vision is your family's view of where it wants to be in, say, five or ten-years' time. Your vision should cover your family's:

- **goals** – what goals do you want to reach together, and what's your timeline for achieving them?
- **impact** – how does your family wish to use its wealth, and what goals does it hope to accomplish with the wealth?
- **priorities** – will your family prioritize business needs or family needs, or will it balance both?
- **legacy** – what legacy does your family wish to leave to future family generations, employees and the community?

Answering these questions will help you write your family's "vision statement". For example:

We aim to be:

- a strong and united family that encourages respect and togetherness, strives for excellence in business, develops its talents, and is seen as a positive role model in society
- a dynamic, enduring and successful family-controlled holding company, compared to our three biggest national competitors. The company will add value to our subsidiaries and develop management excellence in the working members of the family and others it employs. As such, it will create a stable and growing platform for providing family members with sufficient financial security.

Once you know your family's vision, you can then create a strategy for achieving it. Again, you'll need to discuss and agree your vision with family members. This may take time because different generations will probably have different perspectives. But it's worth doing, especially for the next generation, as they will be the ones taking the family into the future.

Mission

- What key steps or milestones do we need to reach to achieve our vision?
- What resources do we need to deploy to achieve our mission?
- How will family members set priorities for achieving our mission?

Your family's mission captures what your family must do to achieve its vision. You'll express it as three to five sentences within a "mission statement".

For example:

> We work together to grow the family's wealth so that future generations of the family can continue enjoying the same privileges as we do.
>
> We value strong family relationships and base our behavior on mutual respect and support.
>
> To ensure the security and welfare of family members, we plan carefully and act accordingly regarding leadership, continuous learning and communication. We always put the collective benefits of the overall family before the personal interests of individual family members."

It's good to talk

A great way to discuss and agree the values, purpose, vision and mission is for family members to meet over a series of sessions. It's useful to involve a trusted but neutral third-party family advisor – or even a team of advisors if matters are complex – to run the sessions. They can help you see things more clearly, make sense of family members' different views, and put your findings into words.

If your family is very complex or geographically dispersed, you might consider asking groups of family members or branches to discuss and prepare their own values, purpose, vision and mission statements. You can then discuss those statements at a family meeting, and use them to shape your final statements.

Once agreed, you should include the statements in your family constitution document.

Connecting life goals and family goals

Whatever values your family holds close to its heart, healthy finances will ensure its members can live comfortably and contribute to the family's success. Generally, we see plans for financial wealth in families falling into three categories:

1. Maintaining lifestyles
2. Preserving and growing family wealth across generations
3. Positively impacting society

Your family's goals in each area will determine how you structure your wealth. The goals will influence where you invest to grow the family's finances – and for how long. And not just for the whole family.

To work out a strategy for managing your family's wealth, individual family members also need to ask themselves questions including:

– what lifestyle would I like, and how much will it cost?
– what goals would I like my finances to help me achieve?
– how much control would I like over my investments?
– how would I like to transfer my wealth to the next generation?

Financial confidence

Answering financial questions like these might seem overwhelming at first. So it pays for family members to build their "financial confidence" early on. Why? Because financial confidence is all about feeling good about making the most of your finances. At UBS, we believe financial confidence involves three things:

1. **Awareness:** Knowing how your finances, goals, beliefs, decisions and actions can interact and affect your life.
2. **Expertise:** Understanding financial topics – theoretically and practically – to help you decide what's best for your money.
3. **Trust:** Trusting financial advisors to have your best interests at heart.

Family members building their financial confidence can help guide the whole family's wealth – especially when investing.

To find out more, please see the UBS publication **Taking action – My financial confidence workbook.**

Goals, plans and spending levels

Having enough money to fund lifestyles isn't usually an issue for wealthy people. But it's still important to ensure there's enough for the family to achieve its lifelong goals. So families should define goals for each generation. For example, a wealth strategy might support grandchildren financially until they finish fulltime education.

Investing to grow your family's wealth requires everyone to commit and agree to the plans. This means everyone must be comfortable with the risks of investing and happy to spend within certain limits. And families should invest carefully, especially if they're focusing on providing income for future generations.

A good strategy will identify a sustainable level of spending for all family members. It will enable everyone to fund their lifestyles, while preserving and growing the family's finances for the future. That's where investing comes in. How the family invests depends on topics like your family's situation, needs, values, goals and tolerance for risk. These will shape any investment strategy, and can influence other areas of the family enterprise, like its philanthropic work.

To find out more about investing within family enterprises, please see the UBS publication **Family Investment Compass.**

What's money really worth?

You'll need to consider the risk of "family inflation" – where the family is spending more money than its investments or businesses can generate. That might not be happening right now. But what if the family grows? That means more people needing money to support their lifestyles – and the risk your investments won't keep pace with their spending.

In short, families need relatively constant and high returns from their investments. They also need to set spending limits for family members, which the family can also adjust to match changing returns on investments. Tools for achieving this include a solid family strategy, principles on spending and consuming family assets, and an investment policy statement.

Loyalty versus exit

At some point, every family reaches a crossroads and wonders which way it should turn.

Does the family business need new leaders from the next generation? Or should it stay on the same path? Family members might also ask themselves, am I happy working for the family business? Do I want to keep owning family assets? Or should I explore opportunities elsewhere? And if I do, how might that affect my relationship with the family?

Such questions become more common as the family grows and people's perspectives change. That can cause problems, especially if family members' perspectives don't match the family's values, purpose, vision and mission.

Reasons for exiting the family enterprise include:
– different views about how the family distributes its assets
– individuals being estranged from the family due to different views and lifestyles
– feeling that disconnecting from the family will provide more opportunities to achieve personal goals
– people's values diverging from the family's overall purpose
– a lack of opportunities to engage – for example, the founding generation unwilling to give the next generation the opportunity to lead.

When challenges like these arise, the family, or members of it, must decide whether to "stay loyal" to the family enterprise – or to "exit" it.

Exiting – moving on without burning bridges

There may be times when the only sensible option is for a member or branch of the family to leave the family enterprise. Let's look at the "tree" metaphor again. The trunk is the original source of family wealth, from which the rest of the tree has grown. And the branches and leaves are new family members, activities and interests.

Unless the tree has roots in solid ground, and you tend to it carefully, those branches might wither or grow out of control. While the business nurtured the family and kept it together, it might also be the very thing that drives it apart.

Sad though it may be, sometimes it's better to part ways than risk a struggle that destroys everything. In fact, exiting might be the best way to preserve the wealth the family has built over generations. So, for example, a family might sell its business. That way, the business carries on, run by people from outside the family. The family can continue, redeploying the wealth and retaining the unity that legal battles might have wiped out.

Ways to exit

There are many ways to exit the family enterprise – and many different solutions to the issues that might arise. Whatever feels right for your family, it's essential you don't rush into things. Look before you leap. Consider the pros and cons of each option. Discuss them with other members of your family. And get expert advice if you need it. Here are some of the options:

1 **Picking business leaders from the family**
If a family business leader exits the company, you might consider replacing them with people from the next generation. This can help clarify everyone's roles, and keep the family in line with its values, purpose, mission and vision. But don't make the mistake of giving the new leader a job for life. Make sure they understand their role and responsibilities, and that they must achieve certain targets to keep their position. For this option to work, you'll need a next-generation family member with the knowledge, experience and character required to step into the previous leader's shoes. So within your family strategy and constitution, you might create a leadership succession plan and development program for younger generations.

2 **Splitting up assets**
If your family is looking to preserve and grow its wealth through investments, it might not be wise to split them up among family members. But if arguments are tearing the family apart, that might be the wisest choice. Dividing assets like property is more difficult because its value isn't as easily turned into cash – and people's emotions are often tied up in things like family homes. Separating the assets of an operating business can be even more complex, putting its market position and competitiveness at risk.

3 **Completing a family buy out**
Remaining family members can "buy out" those who want to leave. For example, they might buy their shares of the family business or other parts of the family enterprise. A "shareholders' agreement" sets out the rules of buying and selling shares within the family's shareholder group. It's important to agree these rules as early as possible before the family starts to diverge. For more information, see part 3, Ownership principles and legal arrangements on page 50.

4 **Separating from the family business**
Much of a family's shared heritage, stories, values and emotions are tied to its business. So leaving that business is a major turning point. It's natural that those who want to leave feel they've betrayed their predecessors. Yet, again, if the family can't find common ground, selling the entire business or parts of it might be the only sensible and practical option.

In that sense, the family has succeeded, not failed. Because when push came to shove, the family united to protect as much of its wealth as possible, without wasting it on endless legal and emotional battles.

Leaving the family business with some of its proceeds might also give a family member the opportunity to start their own venture. And that business might even contribute to the family's wealth over time.

Managing wealth after selling a family business

Families that sell their business face other challenges.

Perhaps someone who left the business was an enthusiastic and knowledgeable investor. But those who remain may not understand the technicalities of investing, or simply aren't interested in it. For them, the idea of keeping a close eye on their wealth may be far from their thoughts. Some might even feel that now the business is sold, all the hard work is behind them. So they can relax and enjoy their wealth, without managing it in a disciplined way.

That's a problem. Because when families sell their business, they often gain a diverse portfolio of assets in its place. Without a regular wage from the business, the family will need to access spending money from those assets. But they also need to make sure their spending doesn't exceed the portfolio's returns. In fact, the family might have to consider riskier investments for the chance of getting better growth on their money.

Not managing these complexities might threaten a family's future wealth. How will you unite your growing family and its assets? How will you decide collectively where to invest? How can you manage family members' different expectations and skills? Are those that ran the business the right people to run your new investment portfolio? Or do you need to look outside the family for help?

If these questions are growing louder in your mind, it might be time to explore setting up a family office. Whether a family office is right for you mostly depends on how complex your family's arrangements are, the needs of family members, and the amount of wealth you need to manage. For more information about setting up a family office please see the **UBS Family Office Compass**.

Case study

Unprepared for sudden event

The family members of a German family enterprise were the sole shareholders of its company. Over the years, one of the heads of the family branches – who was also the Chief Executive Officer – eventually held most of the shares.

Before the 2008 global financial crisis, the family decided to sell most of its shares to an external financial investor. To unite the family, its members jointly kept and managed its new assets. Pooling the assets in one big pot also meant the family could invest larger amounts and put money into more attractive investment opportunities for lower fees.

But the family members were skilled entrepreneurs, not investment experts. Realizing this, the family sought help by joining a "multi-family office" (a family office that looks after the wealth of more than one family).

However, before joining the office, the family members didn't sit down to define their goals, tolerance to risk and the best approach for managing their investments. So the family's instructions to the multi-family office were sparse.

When the 2008 financial crisis struck, the value of the family's investment portfolio dropped. Worried family members decided to sell their shares in the portfolio – further reducing its value and harming the family's finances.

In hindsight, the family lacked:

– a family strategy with clearly defined long-term goals
– clear communication processes among family members and stakeholders
– investment decision processes that would work even in a crisis
– an investment strategy linked to a family strategy (values, purpose, vision and mission)
– transparent investment processes, products and costs
– formal exit rules for family members invested in the portfolio.

Part 3

Establish

Developing your family strategy and governance

Creating a family governance system

What are the rules of engaging with the family enterprise?

How does the family decide on owning its assets, and communicate those decisions?

How can the family enable the next generation to contribute?

How do family members communicate with each other?

So you've defined what your family is and what it wants to be. Everyone's signed up to the family's values, purpose, vision and mission. And your family members have discussed and agreed their thoughts and goals within the family and outside it. Now it's time to set up the governance system that will bring your family strategy to life.

But beware. Families sometimes jump rashly into setting up their governance. Some even copy what others have done. But family governance must be unique to the family. And families should follow a step-by-step approach that allows members to reflect, discuss and agree on the plans.

The first step is to define the cogs and wheels that will drive your family governance system and bring your family strategy to life. At UBS, we suggest families build their governance on these elements held together by a family constitution:

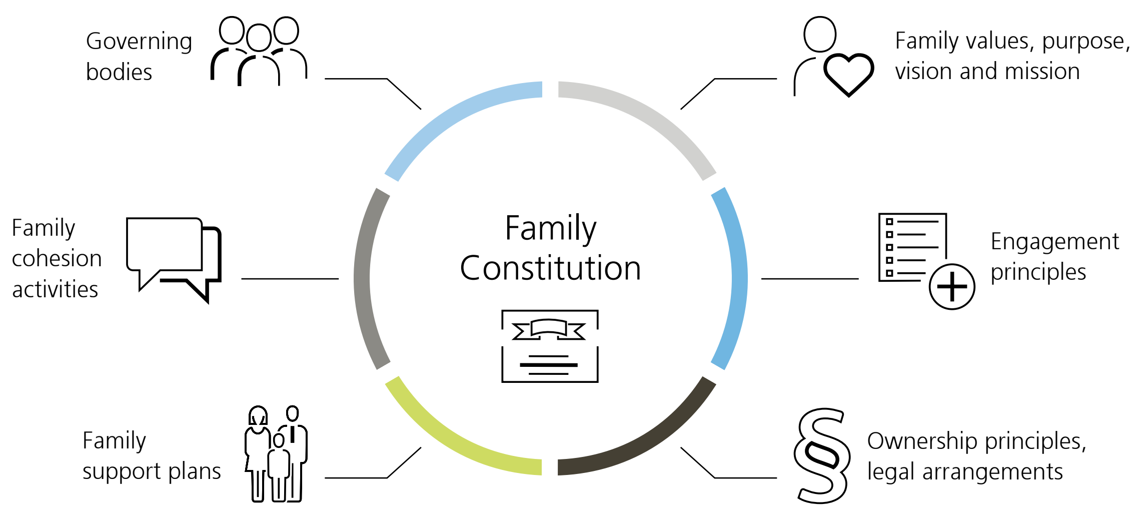


Fig 8: The UBS approach to family governance: Implementation tools held together by a family constitution, Global Wealth Management – Family Advisory, 2021. Note: Elements are not exhaustive

Family governance is a system of plans and structures that foster harmony and make decisions more transparent.

UBS Family Advisory

The family constitution

A family constitution (or "family charter") is a document that describes how the family governance system works. The big advantage of a family constitution is that it not only describes every component of the governance system. It also describes what the family is about and brings forth how the components interlink with each other. While it's not a legally enforceable document, everyone in your family should follow its principles. Naturally, every family is different, so no two family constitutions will ever be identical.

But they typically include these elements:
– Introduction, family history, background, and definition of the family
– Defining statements – values, purpose, vision and mission
– Engagement principles
– Ownership principles and legal arrangements
– Family support plans
– Family cohesion activities
– Governing bodies

When putting your family constitution together, it pays to:
– write the family constitution in a clear and engaging way, free from confusing language and jargon
– view it as a morally and emotionally binding document. However, once you've completed the document and everyone's signed up to it, you should work out what legal documents you might need to amend – such as shareholder agreements, letters of wishes, and last wills
– include provisions that allow you to evolve the document over time, as the family and its needs change – for example, including a clause on amendments and how often you review the document.

First, let's look at the elements of a family constitution: the introduction; family history, background and definition; and defining statements (values, purpose, vision and mission). Then we'll look more closely at the governance elements: engagement principles; ownership principles and legal arrangements; family support plans; family cohesion activities; and governing bodies.

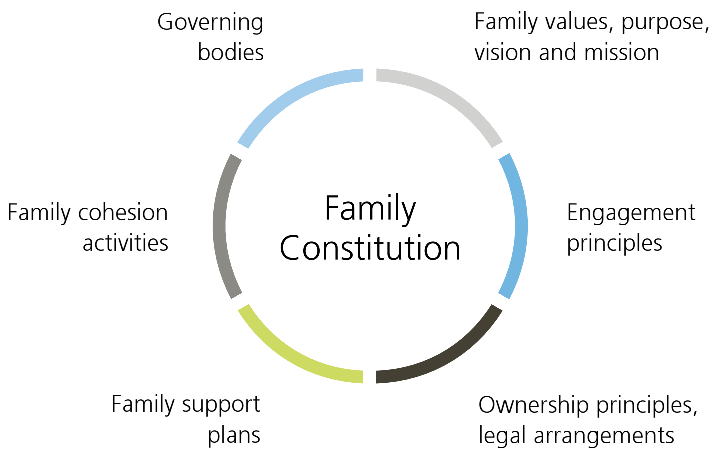


Fig 8: The UBS approach to family governance: Implementation tools held together by a family constitution, Global Wealth Management – Family Advisory, 2021. Note: Elements are not exhaustive

Introduction

The introduction of the family constitution explains its purpose, why it's important to the family, how it was put together and who was involved in setting it up. Sometimes, introductions include messages from founders explaining what's important to them. That's useful to know up front, especially for future generations looking for a quick overview of what the family stands for.

History, background and definition of the family

This section highlights memorable stories and milestones in the lives and work of the family founder and main members of previous generations. The words usually reflect the values and legacy that the family would like to preserve. As such, the section may touch on themes like entrepreneurialism, attitudes to taking risks, supporting each other and education.

Questions you might like to reflect on include:
- how did the family start?
- what milestones or historic events in your family would you like to highlight to future generations?
- what were the milestones in building your family business?
- what historic written materials or pictures from our family archives could we include?

The section should also include a description of who belongs to the family (as described under 'Defining family' on page 28) – and therefore has certain rights, roles and responsibilities. It can also explain why you have defined the family in a particular way, for example, due to cultural or family reasons.

Defining statements – values, purpose, vision and mission

As explained in part 2 starting on page 30, your family's defining statements on its values, purpose, vision and mission will be the foundation to your family strategy.

It helps to follow some basic rules when writing them:
- **Keep them concise.** No one will remember statements that take pages to explain.
- **Focus on the future and look long term.** Avoid changing the statements to often.
- **Make them inspiring.** To encourage and guide your family, your statements should inspire everyone with motivating language.

Engagement principles

The engagement principles in your family constitution explain the rules of participating in your family enterprise (as discussed on under 'How families work together' starting on page 11).

This is useful for younger generations, as it helps them understand how they can best prepare to engage with the family enterprise (for example, through education or work experience).

It can also clarify the principles of hiring family members in the family business. That's important. Because unclear and inconsistent hiring processes across the family can cause misunderstandings and resentment – and even split the family.

Guiding principles
Your guiding principles should cover these topics:
- Who can work in the family enterprise
- Eligibility criteria and minimum requirements
- The selection process
- How we compensate family members
- How we evaluate family members
- How we manage family members exiting the family enterprise

Let's explore these in more detail.

Who can work in the family enterprise
Under 'Defining family' starting on page 28, we looked at how definitions of family membership often dictate who can work in the family enterprise. There are no hard and fast rules on this. Some families exclude spouses from getting involved in the enterprise, while others welcome the talent they can bring. For example, a family might allow a spouse to run its philanthropic activities but exclude them from working in the family office or business.

So the main questions you'll need to answer here are:
- who is eligible to take an operational role in the family enterprise? And what criteria are you basing this on?
- what are the pros and cons of involving different "groups" of family members, for example, bloodline relatives only or bloodline relatives and spouses.

Eligibility criteria and minimum requirements
This defines how you select people who can take a role in the family enterprise. Your criteria might include:
- minimum qualifications
- work experience
- minimum age
- personality

We find that families these days tend to look for professional skills to better compete in their markets. Some families also require family members to have certain qualifications before they can apply for roles. And families rarely create roles for relatives who lack qualifications or would struggle to find employment outside the family.

The selection process
This section provides details on:
- how family members can apply to work in the family enterprise
- who evaluates the applications
- who decides on and approves chosen candidates (for example, the family council or business council, described from page 60 onwards).

How we compensate family members
This section defines the principles of:
- calculating compensation (for example, following market rates or benchmarked against non-family employees)
- equality versus fairness (for example, considering the different costs of living in different countries)
- "meritocracy" (for example, rewarding people based on their effort and performance, or deciding if there are differences for family members).

A good approach is to compensate family members exactly as you would any other employee with the same qualifications, seniority and role. This helps ensure that the family business attracts and retains top talent from outside the family.

It's also important to separate the economic benefits of being an employee (such as salaries and bonuses) from the economic benefits of being a shareholder. Imagine there are three next-generation shareholders in a family business. However, only one works for the company. That person should receive dividends from their shareholding – plus market-based compensation as an employee. But the other two should only receive dividends. Giving any extra benefits would cause rifts and resentment.

How we evaluate family members
This section covers areas such as:
- formal processes to evaluate family members (for example, periodic reviews and feedback)
- ensuring objective evaluations through neutral and unbiased reporting lines (for example, children not reporting to parents)
- calling on expertise from outside the family, such as specialist consultants and human resources experts.

How we manage family members exiting the family enterprise
This section defines the family's rules on exiting from any area of the family enterprise (such as the family business, family office or philanthropic foundation). The rules may include a maximum employment or retirement age, giving the family time to plan the transition to the next generation. The family council might need to assess and approve exceptions to these rules.

Carefully considered exit rules help family members leave the family business in a structured and harmonious way. That's because the family has jointly agreed rules which are beneficial and fair for everyone. It also helps the family avoid damaging disputes.

Case study

A protocol of unity

Corporación Puig is a family-owned Spanish perfume and fashion company that includes well-known brands such as Paco Rabanne and Nina Ricci. Third-generation family members now control the family business. It has a well-organized family governance structure, which includes a family council, advisory and operating board of directors, and assembly of shareholders.

Strong relationships, values and professional management form the foundations of the family's success. The family operates "with love" (the love of parents for their children and love among siblings) and with its business interests always in mind. Realizing these two values may be at odds as the family moves into the fourth generation, the family created a document called "a protocol of unity". The protocol includes the following key principles, alongside other guidelines:

– Members of the fourth generation will not hold executive management positions in the family business such as in the management, unless they meet strict eligibility criteria. However, they can hold positions in governance forums.
– In-laws will not serve on the company's executive board.
– No shareholder may use their shares as collateral to achieve personal goals.

Source: Campden FB, August 2021

Ownership principles and legal arrangements

§

It's crucial that families define ownership principles for their assets (including the operating family business, financial investments, and real assets like properties, collections and other valuables). These principles can help the family:
- keep control of its assets for the long term
- protect its assets for defined purposes (for example, philanthropy)
- transfer assets smoothly and successfully to the next generation
- maintain or enhance confidentiality
- adapt easily to changing family circumstances.

Before deciding on ownership principles, it's important for family members to ask themselves: what kind of asset owner do we want the whole family to be? And how might that affect the asset ownership of individual family members?

Typically, we see two different approaches:

Active ownership – you're involved in managing every aspect of you family wealth or participating in governing bodies, including the main family business, other companies and interests, financial assets, real estate and more.

Passive ownership – you have an interest in the family's assets, typically as a shareholder in the family business – but you're not involved in the daily tasks of managing the family wealth or participating in governing bodies.

Ownership philosophy
This section in the family constitution usually contains a general statement on how the family views ownership of its overall wealth. For example, it might state that the family will collectively own its assets. Or it might say a particular branch of the family owns assets – or that individuals are welcome to own assets.

When families opt for collective ownership, they usually see themselves as stewards of the family wealth, with responsibility for preserving and growing that wealth for future generations.

The approach you choose will likely affect how your family structures its wealth. For example, families favoring collective ownership usually hold their assets in collective financial structures, such as a company, family trust or private investment fund. However, families that welcome individual ownership may hold together some of their assets through a shareholders' agreement.

To build a lasting family and legacy, it's good practice to have a mix of both – with the family collectively owning some assets, and individual family members owning other assets to meet their different lifestyle needs. The laws of the lands where families operate can also influence these decisions.

Ownership principles will typically include:
- how the family distinguishes between the family's collective wealth and personal wealth
- the family's view on responsible ownership and stewardship
- how the family might allocate assets within the family enterprise, for example, allocating assets to expand the operating business or distributing assets to shareholders
- constraints on using assets, for example, ensuring they don't fund excessively lavish lifestyles
- whether non-bloodline family members, such as spouses, can directly own assets
- the structures and planning tools for implementing the ownership strategy.

Ownership strategy for operating businesses and other assets

This section of the family constitution describes how the family owns the businesses it controls, for example:
- how family members become shareholders, such as through inheritance or a gift of shares
- how the family defines its dividend policy (for example, a percentage of net profits reinvested in the company; or distributed to joint family portfolios, philanthropy projects or individual members)
- how family members can cease being shareholders (for example, defining the family internal share market with rules on buying, selling and valuations)
- the tools for formalizing their shareholder arrangements (for example, family trust or shareholders' agreement).

Legal arrangements

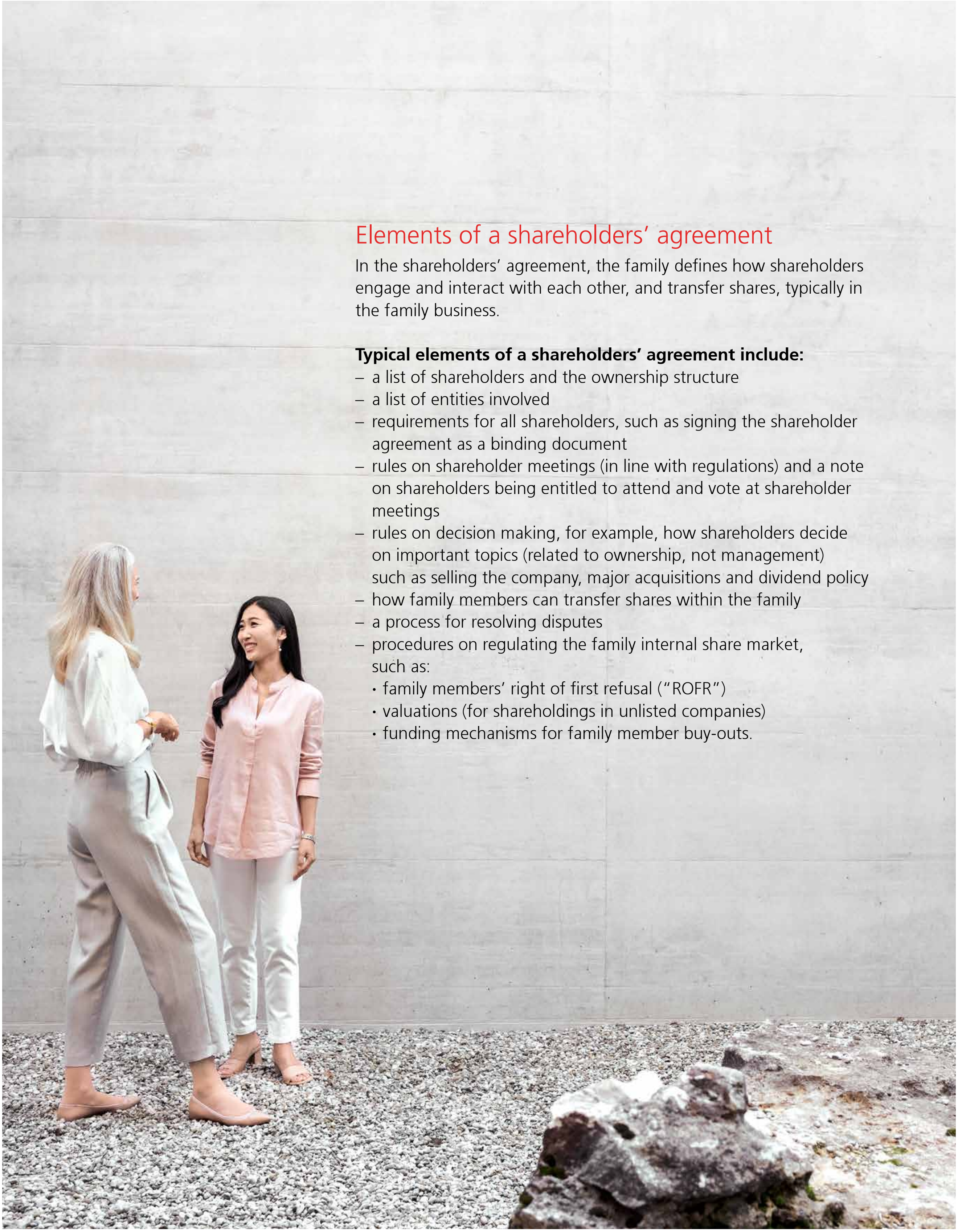
No family governance system is complete without legally formalizing some parts of it. So it's vital that the plans of individual family members – and the family as a whole – are complementary and consistent. Having the right plans and arrangements can help the family:
- create a more formal and legally enforceable framework for family governance
- maintain a controlling stake of the family business
- create a succession framework for the family enterprise assets
- protect the assets of individual family members and the whole family.

Beyond the legal arrangements and structures necessary at the overall family level, at UBS, we typically see individual family members putting in place the following planning measures for themselves:
- Protecting assets
  - Legal structures to protect assets, such as trusts and other solutions in line with local legislation
  - Legal arrangements and agreements to keep assets within the family bloodline (such as, marital status arrangements and prenuptial agreements)

- Planning for the unexpected (such as incapacitation and premature disability)
  - Plans and processes to overcome challenges, such as formally defining and communicating that others are able to act on the affected individual's behalf
  - Life insurance policies
  - Other important documents, such as power of attorney and patient order

- Planning for succession
  - Solutions for inheritance implications (such as taxation, domicile, residency, long-term relationships and forced heirship)
  - Financial plans for distributing personal wealth
  - Formal plans, such as a last will
  - Regular reviews to ensure plans are up to date
  - Communicating plans to family members

Families as a whole typically formalize ownership principles in their family strategies, for example, through shareholders' agreements. For help and guidance on setting up legal arrangements, we encourage family members to speak to a wealth planner and specialist family lawyer.



Elements of a shareholders' agreement

In the shareholders' agreement, the family defines how shareholders engage and interact with each other, and transfer shares, typically in the family business.

Typical elements of a shareholders' agreement include:

- a list of shareholders and the ownership structure
- a list of entities involved
- requirements for all shareholders, such as signing the shareholder agreement as a binding document
- rules on shareholder meetings (in line with regulations) and a note on shareholders being entitled to attend and vote at shareholder meetings
- rules on decision making, for example, how shareholders decide on important topics (related to ownership, not management) such as selling the company, major acquisitions and dividend policy
- how family members can transfer shares within the family
- a process for resolving disputes
- procedures on regulating the family internal share market, such as:
  - family members' right of first refusal ("ROFR")
  - valuations (for shareholdings in unlisted companies)
  - funding mechanisms for family member buy-outs.

Family support plans – looking after the family

What's the most important asset in any business and family? You've guessed it: people. The family and its business can't succeed financially or survive for generations without nurturing talented and motivated family members and employees.

Families shouldn't see nurturing individuals as an expense. It's an investment in everyone and everything: the operating family business, next-generation family members and family harmony. That's where family support plans come in, defining how you'll invest in family members.

There are many areas in which a family wishes to support its members. These areas are usually linked to what's important to the family (beyond its material wealth) and its shared values.

Key areas might include:

New business ventures
Investing in growing wealth for your family

Family education
Investing in the family's talent

Family wellbeing
Investing in the wellbeing of family members

Let's look at those areas.

New business ventures

To stay entrepreneurial, many families provide members with new business and entrepreneurship support. New ventures might help the family expand into different areas, grow its wealth, and give family entrepreneurs the opportunity to flourish in new roles.

When working on this area of family support, the family should ask themselves:

- who from the family can apply for new business funding?
- what are the minimum requirements to apply for funding (e.g. business plan, growth opportunities)?
- where will the funding come from (e.g. a joint family investment fund)?
- what type of funding will it be (e.g. a full, partial or joint investment; loan; equity) and what are the repayment terms on loans?
- will we only fund certain types of business (e.g. only companies linked to the family's core business, and never certain industries such as gambling or arms industry)?
- how can family members apply for funding, and who approves that funding?

Example

Entrepreneurship support plan

- New ventures that will support the core family businesses in the future will be funded out of our family's business holding company
- New ventures which are non core to the future growth of our existing operating businesses will be funded out of the budget of our family office.
- Applicants will submit detailed business plans with five-year growth projections
- Applications are made to, and approved by, the family council
- The family will not support ventures that go against the family's core values and ethics, and will not support illegal businesses
- All support for core and non-core new ventures will be in the form of equity, not debt

Family education

Education has a huge role to play in ensuring families are successful for the long term. As such, families often fund education and leadership development through "education support plans". These plans give family members new skills and opportunities to experience different areas of the family enterprise, contribute their talents, grow the family's wealth and, in time, become leaders.

When working on this area of family support, the family should ask themselves:
- what areas and levels of education do we support as a family?
- who from the family can apply for support?
- what are the minimum requirements to apply (for example, motivation, description of curriculum, tutoring fees, length)?
- where will the funding come from?
- what are the conditions (for example, scholarship with or without repayment; repaying the family by involving themselves in family activities)?
- how can family members apply for funding, and who approves the funding?

Example

An engine for family education

To develop talent in our family and nurture our family members, we provide lifelong learning and support according to the following guidelines:

1. A proposed education initiative should provide specialist training that enhances the family member's skills for adding value to the family and its family-controlled businesses (directly or indirectly).
2. Training shall be relevant to the family-controlled businesses or other needs and interests in the family enterprise.
3. We expect family members benefiting from educational support to reciprocate through service to the family.
4. Applications for educational support must include information on the:
   - individual's motivation for pursuing the educational program
   - anticipated benefits to the individual, the family and the whole family enterprise
   - the program's duration and estimated costs
   - the service that the family member plans to render to the family.
5. The business council will review applications and recommend successful applicants to the family council for approval.
6. Basic education up to and including a bachelor's degree or equivalent will not qualify for funding under this scheme.

Family wellbeing

Of course, money isn't everything. Families often want to look after the health and wellbeing of their members, for example, through quality healthcare and insurance. When setting up family healthcare, the family should ask themselves:

- who can join the family's healthcare and insurance policies?
- what cover does the healthcare policy provide and exclude?
- how will the family fund the policy (for example, from a joint family investment fund)?
- how can people apply for healthcare, and what decision-making governing bodies are involved?

Example

Supporting the family's health

In line with our shared values on promoting health and wellbeing, our family recognizes the importance of supporting the health of family members according to the following guidelines:

- The family's pool of joint financial assets will fund healthcare support for family members
- All applications are made to, and approved by, the family council
- The family will support all healthcare for bloodline family members and their spouses
- The family will support related travel expenses for treatment
- The family will support prime health insurance, including disability insurance
- For any exceptions, the family council has full authority on final decisions (for example, pre-existing conditions not covered by insurance, post-operative care and equipment needs)
- The health support plan will not support minor treatments or cosmetic-related procedures (except major post-accident reconstructive surgery)

Family cohesion activities

Even if arguments are in full flow, family cohesion activities can be the salve that soothes wounds and helps the family recover.

Family gatherings
To unite the family, many families organize regular events besides the formal meetings of governing bodies. At UBS, we see many families organizing "annual family gatherings", which provide opportunities for family members to:
- have fun and enjoy each other's company
- get to know each other better
- stay in touch and up-to-date on major developments in the family.

There are usually three elements to annual family gatherings:

Recreational: Designed to foster unity and provide an opportunity to interact in a relaxed environment. All family members are usually invited to join.

Educational: The family invites non-family guests to present on topics of interest, for example, investments, leadership, family wealth and philanthropy.

Formal: Only certain family members are invited to receive updates and make decisions related to the family enterprise (for example, a family assembly meeting).

The family council is usually responsible for organizing the annual family gathering. See more on governing bodies from page 60 onwards.

It's a good idea to hold the annual family gathering in a place that's free from distractions of business matters related to the family enterprise, for example, in a remote family estate.

> Good communication and regular interactions between family members builds trust and promotes togetherness.
>
> UBS Family Advisory

Family philanthropy
Many philanthropists choose to work on projects that positively impact society. That way, the projects do more than help make the world a better place. They also:
– bring family members and generations together, uniting them under a common goal
– share the family's values with the wider world and potentially attract support for the project
– provide opportunities for the next generation to develop their skills, interests and abilities
– help establish the family's name and create a legacy.

For more details about a philanthropic strategy and opportunities see our **UBS Philanthropy Compass**.

Case study

Changing the world together

A UK based husband and wife with two adult children sought help getting started in philanthropy, after selling their business, which triggered a large influx of financial assets. The family attended philanthropy workshops to explore their values and define a philanthropy strategy and their related goals, which in this case was related to protecting and educating children. Together, they decided to set up a bespoke giving plan.

The parents joined a child protection project with a plan to donate GBP 20 million. The adult children took roles to oversee donations, and worked with their parents on choosing future projects. Working together to make life better for children has helped unite and strengthen the family.

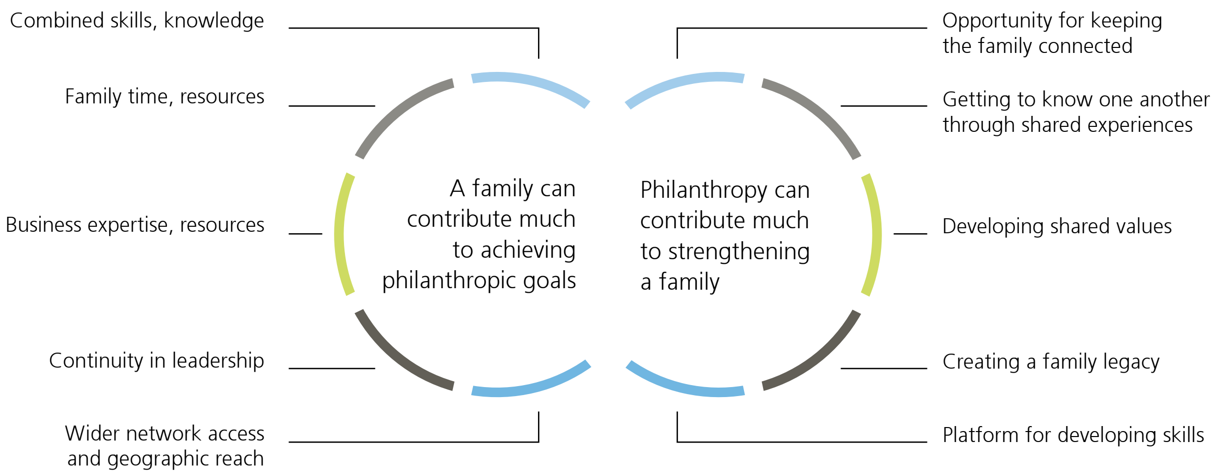


Fig 9: The contribution of family philanthropy, Global Wealth Management, UBS Philanthropy Compass

Shared passions

People are passionate about lots of things. Sports. Art. Wine. Cars. Whatever your family members' passions, they provide valuable opportunities to unite family members across generations and geographies.

For example, family members passionate about art might collaborate on a project to document the different art collections across family branches. Developing an "art strategy" for the family typically involves rewarding experiences like exploring different styles and eras, and working with experts and artists worldwide. Such projects also allow the family to express its diversity, and unite the family around a shared passion for art.

Case study

Works of genius

For over 50 years, husband and wife team Don and Mera Rubell collected art for its Rubell Family Collection, gaining a reputation for identifying talented artists. The collection is now one of the world's largest private collections of contemporary art, encompassing 7,200 works by more than 1,000 artists.

Their son is an active partner in managing the family collection, and the Rubells never buy an artwork unless they all agree. The couple also frequently consult their son's opinion on ways to ensure the collection appeals to many generations. The family has clear values defining how it manages the collection, such as advocating and promoting emerging artists, and presenting an internationally diverse scope of works.

Source: rubellmuseum.org

To find out more about developing a family collection strategy, please see the **UBS Collectors Compass.**

Communication channels

Regular, consistent and transparent communication helps ensure everyone supports the family strategy. It's a good idea to define and document how family members should communicate with each other. For example, family members will have different roles, such as being members of different governing bodies. So you'll need to tailor your communications to different family members and groups, whether that's in person, on paper or online.

And with family members increasingly scattered worldwide, your communications can help them realize that distance is no barrier to belonging – and that you love and value them wherever they live. There are lots of ways to communicate with them, such as through newsletters, a family intranet (a private online network within your family) or dedicated online chat channels.

But remember, family members should never communicate sensitive or confidential information online. There's always a risk that prying eyes can access sensitive information. For example, news of a family leader's illness might reach the public too early, harming the family business' share price.

You'll need to ensure you can contact and exchange information with your relations reliably and securely. This might involve checking the security and quality of your current digital communications – such as email and online platforms – and investing in better technologies if necessary.

Social media risks

Today, social media is a massive part of people's lives. Online platforms like Facebook, Twitter and Instagram enable people to keep in touch and share their experiences with friends and family.

But social media also can threaten the family's wellbeing and reputation. As an extreme example, in some countries, poorly considered social media posts might even lead to attacks, kidnappings and ransoms. That's why families are increasingly including social media rules in their family constitutions.

Family members must think carefully about who might see and read their social media posts, photos, statements and comments. Social media rules might include anything from not sharing information on when and where family members travel, through to never posting personal contact information. Even seemingly innocent activities like "tagging" family members in photos can expose the family to risk. So the family might need to ask friends never to post, tag or comment about them. To avoid any risk, some family constitutions state that family members should avoid social media entirely.

Governing bodies

Managing families and their wealth becomes more complex over time, especially as they grow and members move across the globe. That's where governing bodies are key to stay successful.

Governing bodies ensure your family operates in line with its values and goals. They help family members make the right decisions, communicate effectively and avoid conflict. But first, to avoid confusion, ambiguity and arguments, it's essential to set them up properly with the right rules and procedures.

For example, members of each governing body need to define and agree on aspects such as:
- the governing body's overall goal and purpose
- the governing body's roles and responsibilities
- eligibility rules for joining the governing body
- the number of members required to ensure the governing body can make decisions effectively
- criteria and processes for appointing new members (for example, to replace an existing member)
- how the governing body fits into the family's overall decision-making processes (for example, a philanthropy committee set up as a part of the family council)
- the decision-making process, including who is authorized to make certain decisions and what the voting mechanism is
- special rights for members, for example, power of veto (canceling or postponing decisions or actions)
- formats and procedures for meetings
- communication processes within and between the governing bodies.

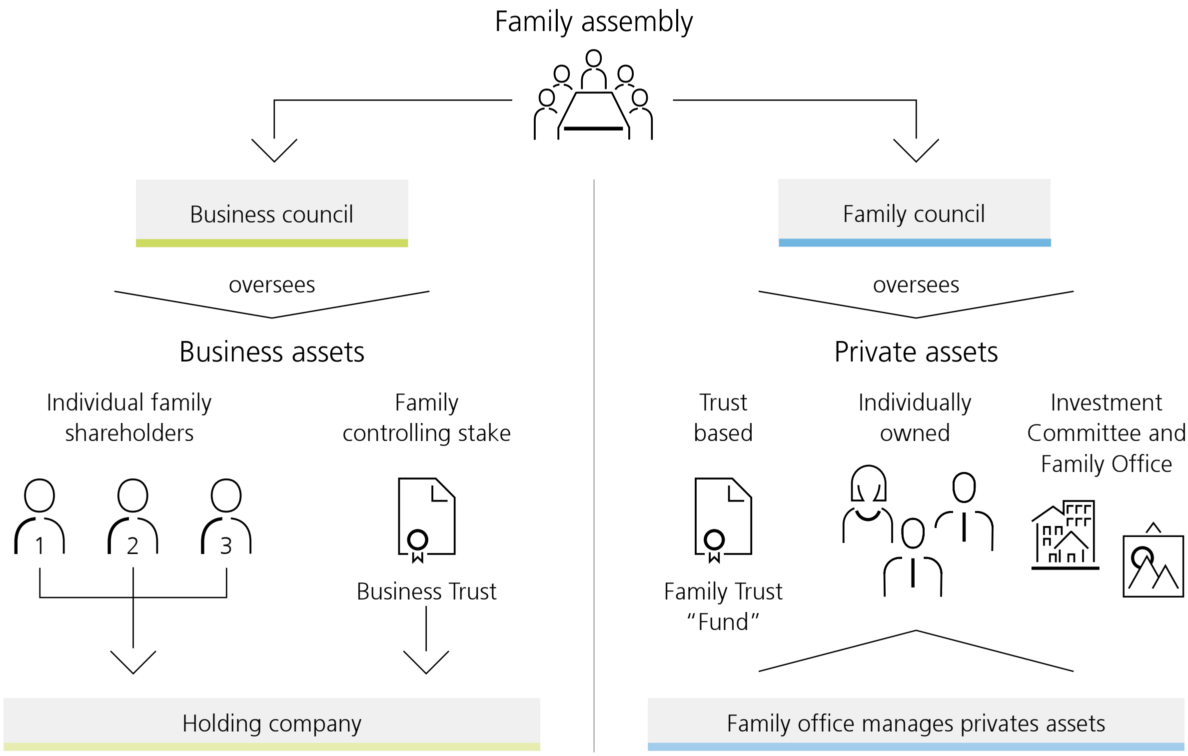


Fig 10: Example for governing bodies in a family governance system Global Wealth Management – Family Advisory, 2021

A vote of confidence?

Some decisions can't be taken lightly. That's when governing bodies get involved, organizing votes on decisions that can have a big impact on the family.

Decisions on fundamental aspects of the family enterprise – for example, selling the family business – usually require a super majority or unanimous vote before they can go ahead. For less important issues, bodies may only need, for example, simple majority (more than 50%) of voted to proceed.

Then, if the vote's split fifty-fifty, the governing body's rules may enable the chair to cast a deciding vote.

Let's look at the typical governing bodies…

Governing bodies for the family

Family assembly

Family assemblies come in all shapes and sizes. In most cases, the family assembly is the largest governing body, and will act like a parliament that steers the family. The family constitution will usually define the family assembly's roles and provisions regarding members, activities and meetings. At family assembly meetings, family members typically:

– receive updates on: the family enterprise and major company projects; the financial situation of the family business and investments; dividend payouts; or updates on family projects related for instance to philanthropy
– discuss the overall direction of the family enterprise
– steer the family's interests, especially its business strategy
– elect members of the family council.

A family assembly also helps align the interests of active and passive family shareholders. Family assembly meetings are generally held annually in the style of an annual general meeting (AGM). Depending on the matters discussed and deliberated, either all family members (above a certain age) or shareholders will join certain parts of the assembly meeting.

Families often combine their family assembly meetings with annual family gatherings or retreats.

Family council

The family council represents the whole family and is the main decision-making governing body for all family matters. It's members are usually appointed or elected by the family assembly. The family council:

– brings the provisions of the family constitution into live
– deliberates and decides on family matters, such as decisions relating to education and wellbeing; and engagement principles in the family enterprise (sometimes working with the business council)
– develops and launches programs for younger generations
– acts as a link between the family and the family enterprise (together with the business council)
– administers the budget for family activities (for example, a family retreat and social gatherings)
– appoints the organizers of the annual family gathering.

In smaller families, for example, those with just two generations, the family assembly and family council are likely to be the same committee.

To ensure the council is effective, the wider family must feel that the assembly's choice of family council members fairly represents everyone in the family.

The family council must also clarify to the family its
– responsibilities
– criteria for membership
– voting mechanisms
– mechanisms for appointing new members
– meeting practices (for example, frequency of meetings, agenda, record keeping of decisions).

Governing bodies for the family enterprise

Business council

The business council represents the family's interests in business assets, for example, a family's controlling stake in a listed company. It's responsible for overseeing ownership matters and steering the business strategy in the best interests of the family. The business council is also responsible for allocating capital between entities of the family enterprise – for example, between two family-controlled businesses or between the operating business and the family's financial portfolio.

The business council typically:
– appoints family representatives to the boards of operating businesses in the family enterprise
– proposes dividend payouts for the family assembly to approve
– supports the family council in financial matters and provides the annual budget for the family council's activities.
– develops and implements career development plans, including mentoring younger family members for key roles in the business
– prepares younger family members to join the business (for example, by overseeing a junior committee)

A business council will make most sense for families with a substantial and complex operating business. Otherwise, in many families, one single committee represents the business council, family assembly and family council.

Who's on board?

To ensure the family business and overall family strategy is successful, it's crucial to appoint the right people to the business council. Criteria for a place on the business council might include:

– a good standing and reputation within and outside the family
– a minimum age of 35
– at least 15 years of work experience
– strong knowledge of the family business and industry
– technical skills and ability to contribute to the business
– matching the cultural values of the family and board
– sufficient life experience beyond formal training and education

Investment committee

The investment committee defines and supervises the family's strategy, goals and guidelines for investing. The committee will typically have at least three to five permanent members and, occasionally, expert guests discussing topics during meetings. The members might include family representatives, the chief investment officer of the family office (if there is one) and investment experts from outside the family.

The investment committee:
– defines the investment policies and guidelines regarding asset classes to invest in, how much is allocated to each asset class, and restrictions on investing
– oversees the family's investment processes and monitors the investments through regular reviews
– appoints and monitors investment managers
– evaluates investment proposals from investment managers
– evaluates investment performance

The investment committee meets regularly (often quarterly) and regularly reports back to the family, family council or business council depending on the family's decision making bodies.

Investing in skills

The investment committee has the important task of keeping the family financially successful. So the committee's members must have the experience and investment skills required to do the best-possible job.

When choosing new members for the committee, the family should set some eligibility criteria. This might include, for example, a minimum number of years of work experience and a good knowledge of investment matters, either through education or work in an investment-related role.

For more information on family investment governance, please see the **UBS Family Investment Compass.**

Other committees
Depending on the family's interests and activities, families may set up additional governing bodies and committees. For example, a family with a substantial art collection might set up an **art advisory board** to manage it professionally. If its passionate about philanthropy, the family might have a **philanthropy committee** to define the strategy and oversee philanthropic activities.

Case study

When wealth goes wrong: the Bancroft family

The case of the Bancroft family is a good example of what can happen when a large family lacks the right structure and governing bodies to steer its wealth. In 2007, the Bancroft family, which owned Dow Jones & Company (including the Wall Street Journal), accepted a purchase offer from Rupert Murdoch's News Corp. Under the merger agreement, the family had a 30-day deadline to propose a family representative to sit on News Corp's board of directors. So far so good.

But the family's decision-making process was inadequate. The family's first preferred candidate declined to join the board for personal reasons. Three weeks later, the deadline passed without a decision.

News Corp agreed to extend the deadline. But it gained a stronger voice over who the Bancroft family could choose, and rejected several new candidates. Finally, both parties agreed on Natalie Bancroft: a 27-year-old opera singer living in Europe. Although her background didn't imply she would perform poorly, she admitted she was new to the world of journalism and commerce.

Press accounts reveal that four issues led to problems. First, the family's communications were ineffective. Second, family members discussed matters mainly by email. Third, the family didn't have a family governance system. Fourth, the family wasn't prepared for the business sale – even though it knew for years that the company was a target.

Source: wsj.com/articles/SB119439902949284691

Part 4

Evolve

Nurturing your family for generations

Now you've come this far, you may have finished – or almost finished – setting up your family strategy. You've defined your values, purpose, vision and mission and the guiding principles governing your family. You've established the governing bodies that will keep your family on track. And you've got guidance to update your legal arrangements to reflect you new family strategy.

Congratulations!

But your journey doesn’t end there. In families, as in life, nothing stays the same. You’ll need to regularly examine and refine your strategy to make sure it’s doing the jobs you want it to do: nurturing and uniting your family, and securing its wealth for generations.

Over time, families – and the relationships within them – change and become more complex. New shoots of partners, spouses, children and grandchildren spring from the family tree. Leaves fall as members of the older generation pass away. And that tree, now much bigger and with longer winding roots, requires more care and attention than ever.

Here’s how to nurture your changing family…

Uniting your changing family

The first steps in evolving your family strategy goes back to the start of this guide: working out who is "family", and defining their roles and responsibilities. As new family members come into the fold, you'll need to review this regularly.

Things get more complex when the family grows to three or more generations. How can you make sure younger relatives connect with the founding generation's values? Older generations should never assume their grandchildren or great-grandchildren will naturally absorb the family's values. For example, different generations often have very different feelings about risk, how they want to manage the family enterprise assets, and even the advisors they choose.

Each generation can also have different goals for their investments. Older family members tend to focus on profits. But for many younger relatives, the most important thing is knowing their wealth is making a lasting positive difference. More than ever, young people are striving for a purpose in life beyond making money for money's sake. Sometimes, frustrations arise when they want to bring new models and technologies into the family business but hit barriers from older relatives resisting change.

The younger generations often kick-start the process that ultimately protects your family: the family strategy. They ask questions about the future of the family enterprise and want to discuss important matters with older generations. In short, they want to contribute to the family's success. These days, at UBS, we're seeing more next-generation family members looking beyond the family business. Instead, they see their role as managing the family's wealth, for example, within a family office.

Whatever your family members' views and goals, the relationships between them are sure to change. So it's essential you review your family strategy regularly. Focus on everything, including your values, purpose, vision and mission, and your governance bodies and agreements.

Here's the most important point: don't wait for changes to happen before reviewing your strategy. By then, it may be too late. Get ahead of the game. Anticipate possibilities. Prepare for the unlikely. And plan for the inevitable, like older family members passing away and younger family members growing up and inheriting the family's wealth. Only then will you have a strategy fit to steer the family into the future.

Reviewing your family strategy

Reviewing your family strategy is an essential part of keeping your family on track. It will prime and prepare you to adapt and thrive, however your family might change, for example, when a younger generation reaches adulthood. You'll need to review every part of your strategy, including the:

– **fundamentals** – definitions of who belongs to your "family"; and your values, purpose, vision and mission statements
– **goals** – ensuring all your family enterprise related goals are still current, and aligned with other goals and the overall family strategy
– **roles** – confirm, strengthen or change the roles of family members across the family enterprise, or within certain areas of it
– **ownership principles** – covering the ownership philosophy and strategy of all assets in the family enterprise, plus reviewing legal agreements and structures
– **engagement principles** – reviewing the family's involvement with the family enterprise such as employment
– **governing bodies** – reviewing areas such as their composition, responsibilities, decision-making processes and eligibility to join
– **family succession planning** – reviewing the arrangements for passing on responsibilities and assets to the next generation, especially relating to the family-run businesses and the family's financial wealth
– **family support strategy** – covering areas such as family education, supporting new businesses and other welfare areas
– **family investments** – especially the investment strategy
– **family cohesion activities and communication** – including family meetings, social activities and communication channels.

For more details, please see the accompanying **toolkit**.

Family talent

Your family can be a valuable resource of creativity, entrepreneurial drive and leadership. So spot talent in the next generation.

Their energy and enthusiasm for shaping the family's future will be key ingredients in the family's success. Ignore their talent at your peril. Because if you take your young people for granted and fail to nurture them, you risk them exiting the family enterprise.

To keep your family talent engaged and on board, you'll need to consider, balance and include the following five types of "capital" in your family strategy. Why use the word "capital"? Because it describes the powerful human and financial resources that can ensure your family thrives. You might also consider these types of capital when creating personal development programs.

1. Human capital
Human capital comprises everyone in your family – and their physical and emotional wellbeing, ability to find meaningful work, and opportunity to gain a positive sense of identity. Focusing on this will help family members develop their talents and thrive within the family enterprise.

2. Intellectual capital
Intellectual capital comprises the knowledge gained from family members' life experiences. This might include experiences and insights from schools, careers, artistic endeavors and financial dealings. Accessing this capital means you tap into valuable technical expertise – and unlock opportunities to innovate and launch new businesses.

3. Financial capital
A family's financial capital covers everything related to money, for example, cash, equities and financial interests in businesses. Financial capital is the resource families need to nurture other forms of capital. It's the fuel that keeps the engine running. In short, money is a tool for achieving goals – but never the family's ultimate goal.

4. Social capital
Social capital refers to family members' relationships with each other and their communities. Signs of good social capital include the family's ability to:
- make the right decisions together and to welcome new family members. Encouraging positive family encounters, interactions and collaborations reinforces the family's values.
- give its time, talent and resources to the wider world, for example, in philanthropic work and contributions to society. Working outside the family can also bring fresh perspectives and inspire new activities.

5. Spiritual capital
Spiritual capital refers to the family's ability to aim for goals beyond its own interests. Families sometimes describe it as a shared "dream". It doesn't necessarily involve spiritual beliefs and traditions, although they can play a part. A sign of spiritual capital might be humility: recognizing that the family is fortunate to be wealthy, and that it should share its good fortune with others. Generally, it's about an overarching value that's hard to measure. But that value still exists, running like a thread through the family's history.

Nurturing the next generation

Preparing younger family members for roles in your family enterprise.

It's crucial that families educate the next generation on the opportunities and challenges of managing different kinds of family wealth. And because it's such a complex topic, the earlier you start, the better. One of the most important lessons is that wealth can do a lot of good, like opening doors to opportunities and networks for new entrepreneurial activities, but also a lot of bad, including:

– giving people a misplaced sense of entitlement that stunts their character and limits their chances of being successful and happy
– wrapping people in cotton wool and isolating them from the realities of the world, so they struggle to preserve their wealth
– destroying family relationships – often the very thing the family's founder was most keen to prevent
– implying that the next generation will never be as good as the current one, and will struggle to seize opportunities to grow the family's wealth.

By educating the next generation now about the positive and negative impact of wealth, they're more likely to avoid falling into those traps. You should focus on the following aspects when creating your development plans:

Age
Tailor your programs to the ages of your family members, teaching them about the family's values, vision, mission and goals in an enjoyable way, while preparing them for future challenges.

Young generation (6 to 19 years):
Understanding the basics of wealth

Possible topics:
1. Money and wealth journey:
– What does "money" mean?
– How can I earn money?
– How can I balance my spending and saving?
– How can I use my money responsibly – and invest with a positive impact?

2. Personal development:
– How can I build my confidence?
– How can I build my financial confidence?
– What skills do I need to present new projects successfully?
– What are key project management skills?

Case study

Building blocks of success

The LEGO School is a preparational and development program for the younger generations of the controlling family that owns the LEGO Brand Group. Six members of the family's fifth generation are currently attending the program.

The program comprises monthly learning days and activities covering the different companies in the LEGO Brand Group and developing future family shareholders. Additionally, the program acquaints the younger generations with the many opportunities for them across the LEGO Brand Group and other areas of the family enterprise.

Source: kirkbi.com/activities/family-support/

Next generation (20 to 35 years):

Finding a role in the family enterprise

Possible topics:

1. Personal development
2. Project management training and experience (for example, in entrepreneurship)
3. Leadership training and experience (for example, in philanthropic projects)
4. Advanced financial confidence and literacy training
5. Internships and trainee programs in the family business
6. Introduction to the family office's role managing family assets, and how to get involved
7. Introduction to the role of the family's charitable foundation, and ways to get involved

Next in line (36 years and over):

Playing a leading role in the family business or family office

Possible topics:

- Developing leadership skills for executive roles
- Preparing for roles and responsibilities of board members in an operating business
- Preparing for a leadership role in the family

"Develop success from failures. Discouragement and failure are two of the surest stepping stones to success."

Dale Carnegie

Focus areas
Beyond ensuring programs appeal to certain ages, another approach is to select younger family members to progress in specific areas of your family enterprise. Based on their skills, strengths and interests, you might place them in different programs. For example, you might establish programs relating to your:

Family business: A program that teaches participants the skills relevant for your family business. These might include training in marketing, engineering and product-specific areas (such as understanding the raw materials the family uses in its manufacturing).

Family office: The program might educate family members on the areas your family office is responsible for. It might also dive into more technical investment topics, such as assets and asset classes, related risks, diversifying investments, allocating assets and more.

Family foundation: Your program might educate family members on your family's charitable foundation and the causes it supports. For example, topics might include raising funds for your philanthropic activities, developing a strategy for giving, selecting projects, and monitoring the success of your philanthropic activities.

Learning to take responsibility

Families keen to develop younger family members for future roles sometimes establish a "junior committee". This approach aims to:
– identify and nurture future family leaders
– teach younger family members about the family business and family office by involving them in key growth projects
– secure wealth and unite the family by inspiring younger generations to contribute to the family enterprise
– allow for the leading and the young generation to work together in a structured way over several years, gradually preparing for a smooth transition.

For example, in a privately held family business, the board of directors may appoint one young person from each family branch to join the junior committee for several years. The board of directors then assigns projects to the junior committee, such as market or product research, developing business plans for new ventures, and contributing to the business with new ideas.

Case study

Securing future talent

A middle-eastern family was lacking a vision for a future involvement of their next generation. Not being involved in the business or any decision-making in the family, they started to engage elsewhere – outside of the family enterprise.

To nurture and secure its own future talent, the family set up various training programs. Beyond that, it also created a junior committee, which would work alongside the existing board of directors of the operating company, focusing on projects related to business growth and enhancement.

Considering how to support the next generation often prompts the leading generation to think about their own roles in the family. For example, how long do they want to stay in their roles? When and how should wealth transfer to the new leaders?

The time will come when the next generation takes the baton of the family enterprise and forges ahead. Like the previous generation, they will find their place in the world, protecting and growing the family's wealth, and taking it in exciting new directions. So nurture, educate and involve your young generation carefully. The family's very future depends on them.

Where next?

You've made it to the end of the guide. You now have a better idea of why you need a family strategy, how to put it in place, and what's involved in adapting it over time.

Of course, it can be complex and challenging. Because you don't just need to define every aspect of your family's wealth, values, principles and governance. You also need to navigate the complex relationships that exist in every family.

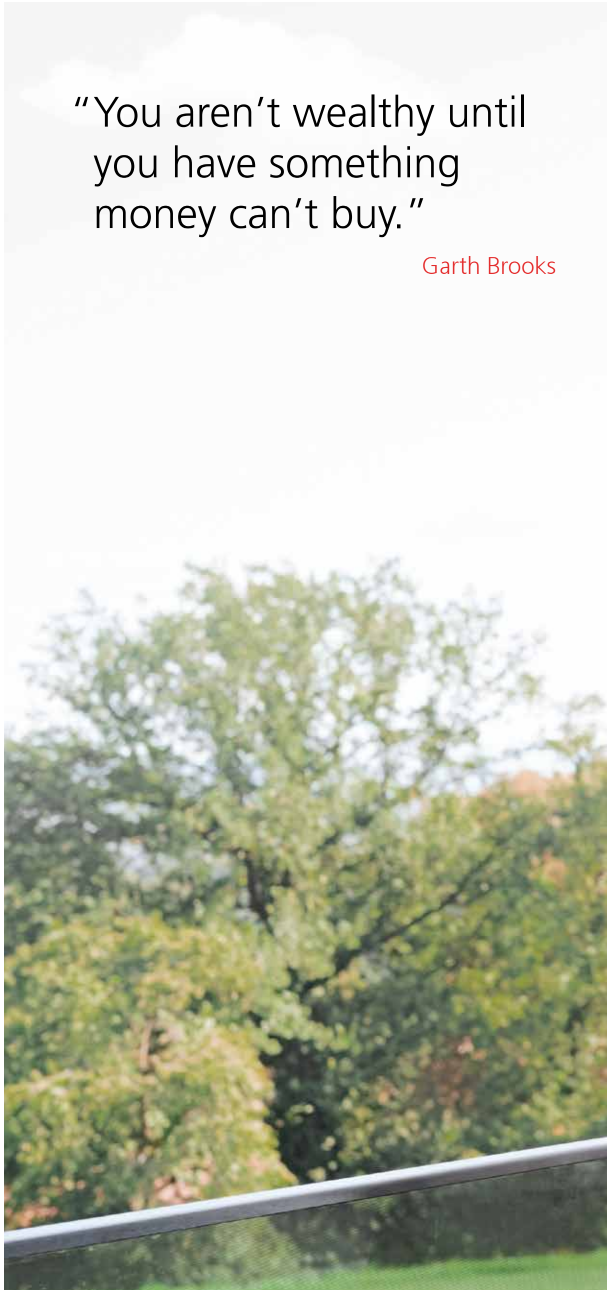
But don't worry. You can do this. And you never need to feel like you're on your own. At UBS, we've been helping families worldwide succeed for over 150 years. We'd love to do the same for yours. You can call on us any time for support navigating family dynamics, avoiding pitfalls and capitalizing on every opportunity that comes your way.

So whether you're looking for tips to get started, advice on a current set up, or help shaping your strategy from scratch, please get in touch. We're as passionate about securing your family's success as you are.

To find out more about nurturing and securing your family's wealth, please contact your UBS Client Advisor.

"You aren't wealthy until you have something money can't buy."

Garth Brooks



Appendix

About us

UBS

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1 UBS Global Wealth Management invested assets as of 30.9.2020; statements of the market position for Global Wealth Management are UBS's estimates based on published invested assets and internal estimates

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