



Family Continuity Planning: Brand, Ethos or Both?

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A continuity plan is not easily defined, has numerous variables and never ends. Sounds like fun, doesn't it? It is a dynamic process that takes effort, time, and continuous commitment/learning/iteration to establish and keep current.

It is also multi-generational, which means preparation, education and mentorship are key to ensuring the current and next generations are ready for a successful transition of family wealth.

Most importantly, continuity planning is not an event, but a process.

What are you planning for? You are planning for the continuity of your family enterprise, which is made up by the business(es) you own or operate, the real estate you own or manage, the financial assets you have invested and will further accumulate, the heirlooms and art you have acquired or inherited, and the philanthropy that you wish to carry on beyond your time. Breaking down the planning process into the following three components can help create some clarity around the process that respects previous generations and provides for current and future generations:

1. Family Continuity Planning

This component centres on the individuals who make up the family and some of the drivers of the original wealth creator or entrepreneur of the previous and/or current generations. Understanding whether you are creating a legacy, developing leadership, looking for liquidity, or wanting a lifestyle, is imperative when planning for a transition. Once this is understood, you can work on defining the shared vision and values of the family that will create a cornerstone durable in all tests of time. In addition, family governance and decision-making processes will need to be well developed. Finding a balance between the needs of the family and the needs of the business is critical in determining the cornerstone of family ethos, as a combination of business personality and practice, along with the personalities, contributions and strengths of family members.

Family Continuity Planning *Cont'd*

2. Operating Business Continuity Planning

Business continuity is mainly about establishing the mindset of individuals that are currently involved in the business and who in future will think strategically to help grow and create corporate strength and future wealth. It will be important for the business to continue to evolve, find opportunities to be sustainable, and to work through, and hopefully capitalize on, tougher economic times or industry changes. The decision of leadership succession is essential and carries importance that can never be underestimated – longevity of business success and, by extension, orderly maintenance and growth of family wealth, will always require expertise that fits current and future challenges.

This is achievable through only the best management by family or through outside skill and expertise.

3. Family Wealth Continuity Planning

There is a common expression used to explain the avoidable cycle of family wealth creation and destruction: “shirtsleeves to shirtsleeves in three generations.” What we are trying to do is break this vicious cycle, so that family wealth and enterprises can continue to be a strong source of economic growth and innovation that lives way beyond the shirtsleeves to shirtsleeves scenario to which no family is automatically immune.

Moreover, wealth must not only be measured in material assets and possessions, however modest or expansive.

Indeed, what value is material wealth without its partnerships – without interweaving with the human, intellectual and social sides of family wealth?

- Human wealth = is about how the family interacts, the relationships created within and the values that surround the bonds the family shares as a basis of healthy evolution
- Intellectual wealth = is about the importance of education, the diversity of skills, mentorship and the building of intellect through sharing of intellectual strengths
- Social wealth = is about the quality and quantity of relationships the family values, enjoys and shares, throughout the diversity of their broader community

Balancing the different aspects of family wealth contributes enormously in continuously enhancing the depth, breadth and strength designed to avoid weakening during the stewardship by one generation, intergenerational friction and the possibility of family failure. It provides the best opportunity for successful continuity, strengthening and longevity in all aspects of wealth – human, intellectual, social and material.

If this topic interests you and you would like more information, please do not hesitate to contact us.