
Family Planning – Food for Thought

Is family wealth only measured by the amount of its financial assets? Is it all about the money? One author, James Hughes Jr., would argue that the composition of family wealth is much more than that. He believes that a family's human and intellectual capital are the most important assets that drive the growth of the financial assets. The financial capital aspect becomes almost an afterthought. In his book, "Family Wealth - Keeping it the Family," he describes family wealth as the sum of the human, intellectual and financial capital of the family with the individual members being the foundation of the support and growth of the other two components.

Generational wealth transfer is at the top of mind of most baby boomers. How can I transfer the wealth without it getting depleted or abused? How can I make sure the wealth that I have created stays within the family? These are a couple of the many questions being asked today. In short, James Hughes Jr. solutions these questions by getting the family to start working like a business. This involves creating a unified mission, setting up new member rituals, formalizing a balance sheet and income statement, holding annual meetings, developing a governance plan and setting up roles and responsibilities for the family members involved. If generational wealth transfer is an important aspect to your estate plan, learning more about how to preserve and build your family's wealth (human, intellectual and financial capital), will be imperative. Starting to plan today will not only bring your family closer but will also help to preserve and pass on your knowledge and wisdom to the next generations to come.

Consider the following theory of James Hughes Jr.:

- 1. Preservation of long-term family wealth is a question of human behaviour.**
- 2. Wealth preservation is a dynamic process of group activity, or governance that must be successfully re-energized in each successive generation to overcome the threat of entropy.**
- 3. The assets of a family are its individual members.**
- 4. The wealth of a family consists of the human and intellectual capital of all its members. A family's financial capital is a tool to support the growth of the family's human and intellectual capital.**
- 5. To successfully preserve its wealth, a family must form a social compact among its members reflecting its shared values, and each successive generation must reaffirm and readopt that social compact.**
- 6. To successfully preserve its wealth, a family must agree to create a system of representative governance through which it actively practices its values. Each successive generation must reaffirm its participation in that system of governance.**
- 7. The mission of family governance must be the enhancement of the pursuit of happiness of each individual member. This will enhance the family as a whole and further the long-term preservation of the family's wealth: its human, intellectual, and financial capital.**

To meet the needs of our clients, we are strengthening our expertise and knowledge in the family planning area. If this area is of interest to you, please let one of us know.

Congratulations to Karen Smale for achieving her Chartered Investment Manager designation (CIM). We are very proud of you Karen.