



Family and Wealth Sustainability:

Integrating Family Virtues with Wealth Planning for a Lasting Legacy

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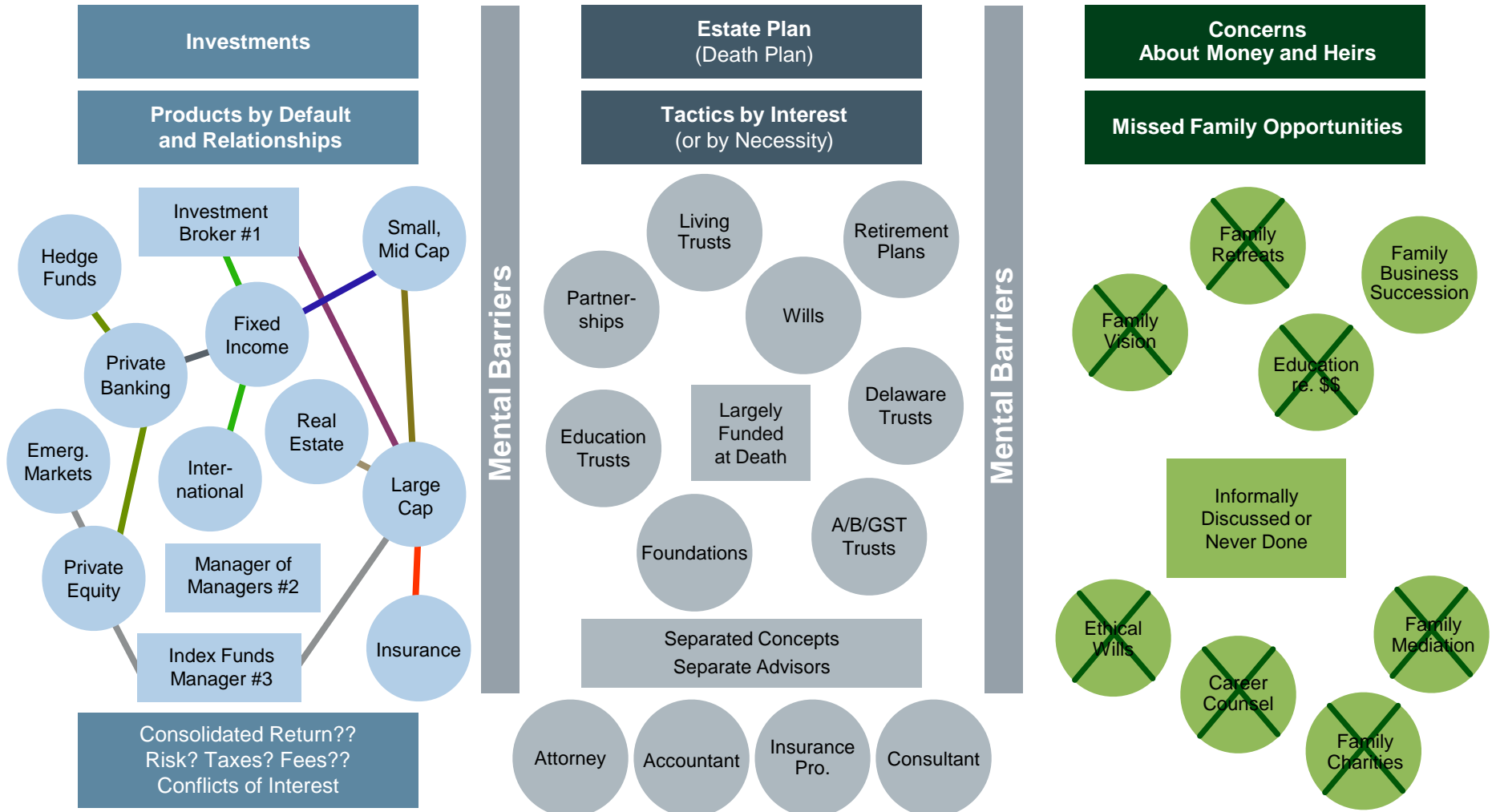
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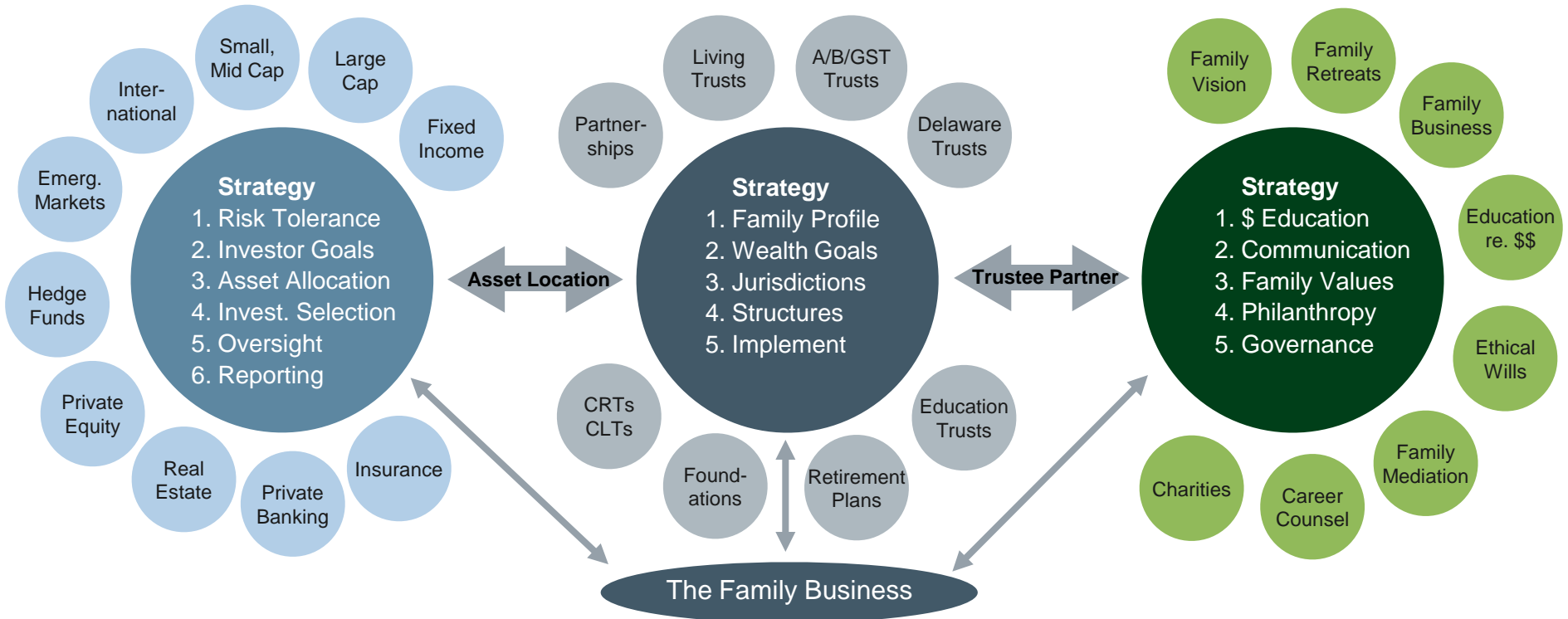
Normal Family Wealth Situation

A Wealthy Family's Dilemma



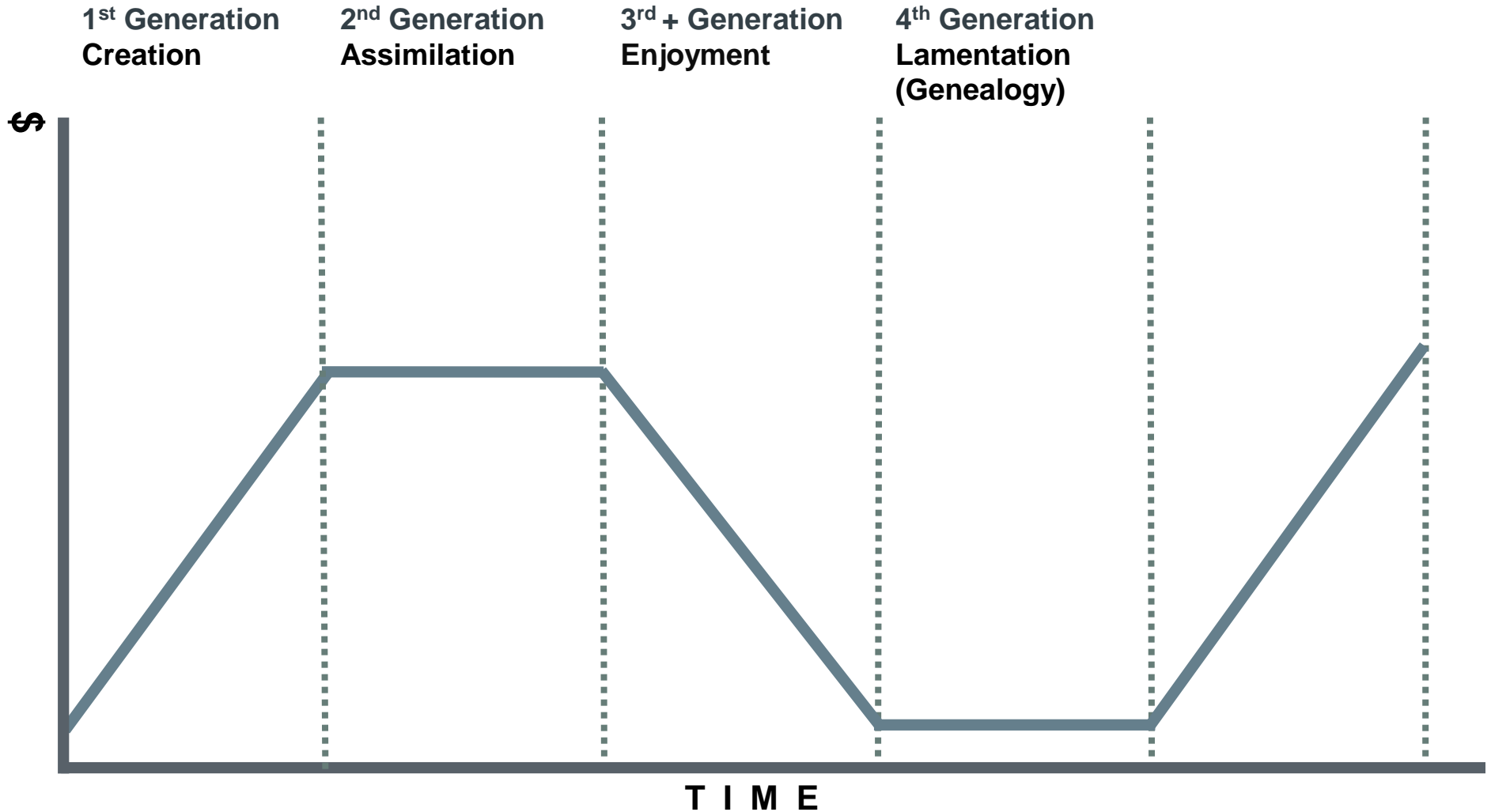
Integrated Family Wealth Solution

A Wealthy Family's Opportunity



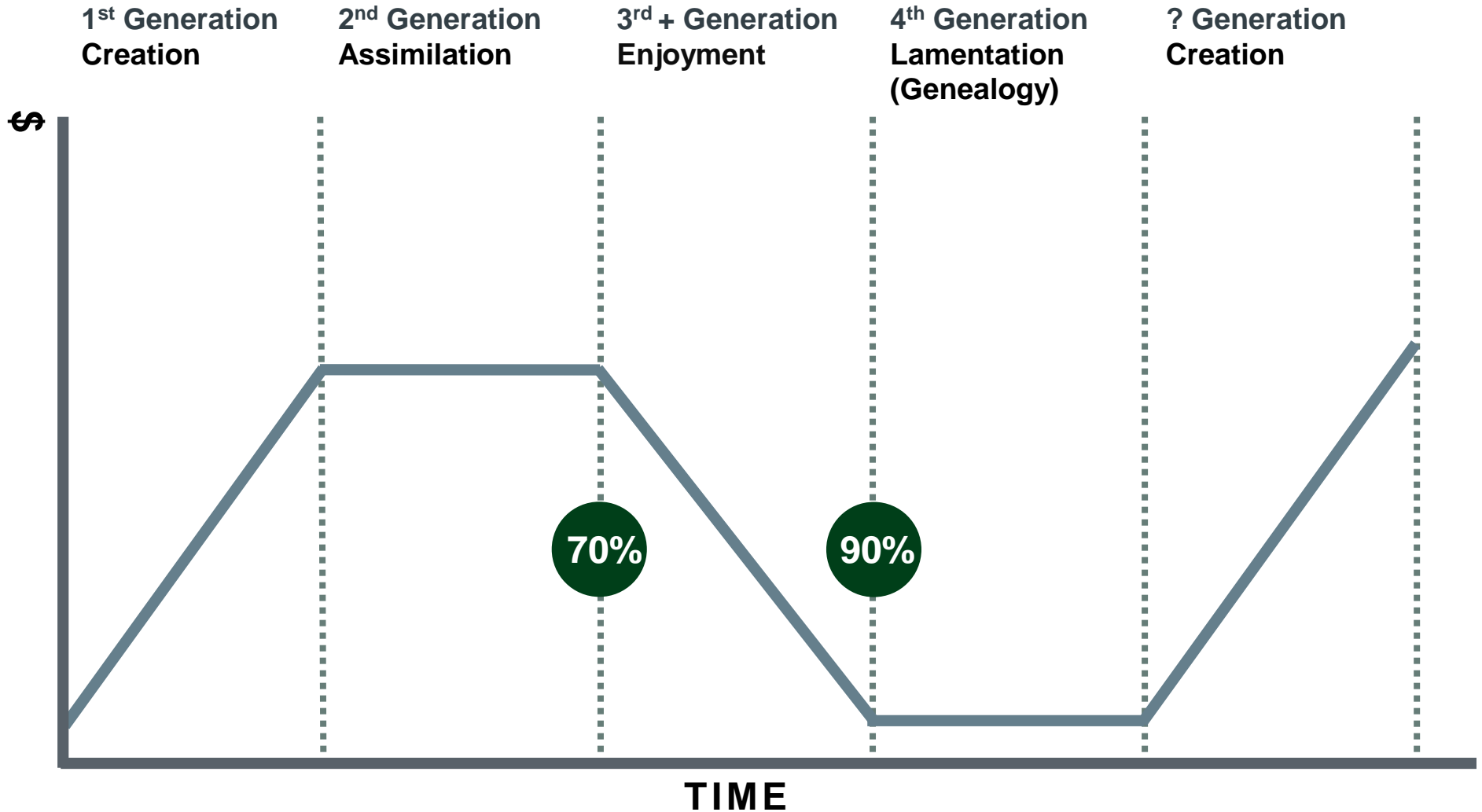
Client Study – Wealth

“Shirtsleeves to Shirtsleeves?”



Client Study – Wealth

“Shirtsleeves to Shirtsleeves?”



Risk Perception

“What do I think will bite me?”

37% Investment specific risks

Portfolio risk, manager risk, timing risks, style risks, business risks...

26% Economy and financial markets risk

Economic downturn, inflation, deflation, energy costs, and availability...

16% Political and tax risks

Higher personal income taxes and estate taxes, legal liability risks, government intervention...

Only 7% of the perceived risk is family dynamics, communication, and relationship problems!

Poor family communication and relationships, educating next generation issues, governance issues

Risk Perception – “What Bit Me?”

Why do 90% fail?

60% of failure is due to a lack of communication and trust.

25% of failure is due to unprepared heirs.

Only 3% of failure is due to failures in financial planning, taxes, and investments!

Five Steps to Healthy Family Governance

5. Healthy Family Governance

- Putting into action, horizontal thinking

4. Family Philanthropy

- A test drive with someone else's money but our values

3. Family Values and Experiences

- Mission/vision – history and future

2. Communication

- Evaluation and discussion in a safe family setting
- Parents make “The Call”

1. Education

- Giving the family an understanding of possible problems and solutions – context
- Wilmington Trust's experience

Governance Questions to Answer

Step 5

The Hard Questions – Preparing the Family for the Money

- When does a person become a member of the family?
 - Prenuptial agreements; a “gate in”, or a “roadblock out”?
- What does equal mean?
- What is an appropriate lifestyle, and when should it start?
 - Should trusts pay for lifestyle? or: invest into the beneficiaries?
- Should we sell or keep the family business?
- What do we do with the vacation house?
- What consequences should family members be subject to?
 - How should WE enforce these consequences?
- What types of beneficiaries might we create?
 - How should the trust handle each type?
- Who should apologize, who’s right or who’s wronged?
- How do we create independence AND interdependence? ...

The Easy Questions – Preparing the Money for the Family

- How do we minimize taxes?
- How do we invest the family money? ...

Resources

Getting Started

- **Family Wealth: Keeping It in the Family** – Jay Hughes
- **Preparing Heirs** – Williams/Pressier
- **For Love & Money** – John Ambrecht, Howard Berens, Richard Goldwater, & Tom Gorman
- **Raising Financially Fit Kids** – Joline Godfrey
- **The Born Rich Video** – Jamie Johnson
- **Ethical Wills** – Susan Turnbull – www.yourethicalwill.com

Engaging in Our Solution – Next Steps

At Wilmington Trust we don't just manage the simplicity of your investments; we manage the complexity of your wealth.

We focus on three areas: Investments, Planning, and Family Governance

1. Investments

- statement analysis
- risk profile
- offering and fee comparison

Missed Opportunities: Are you –

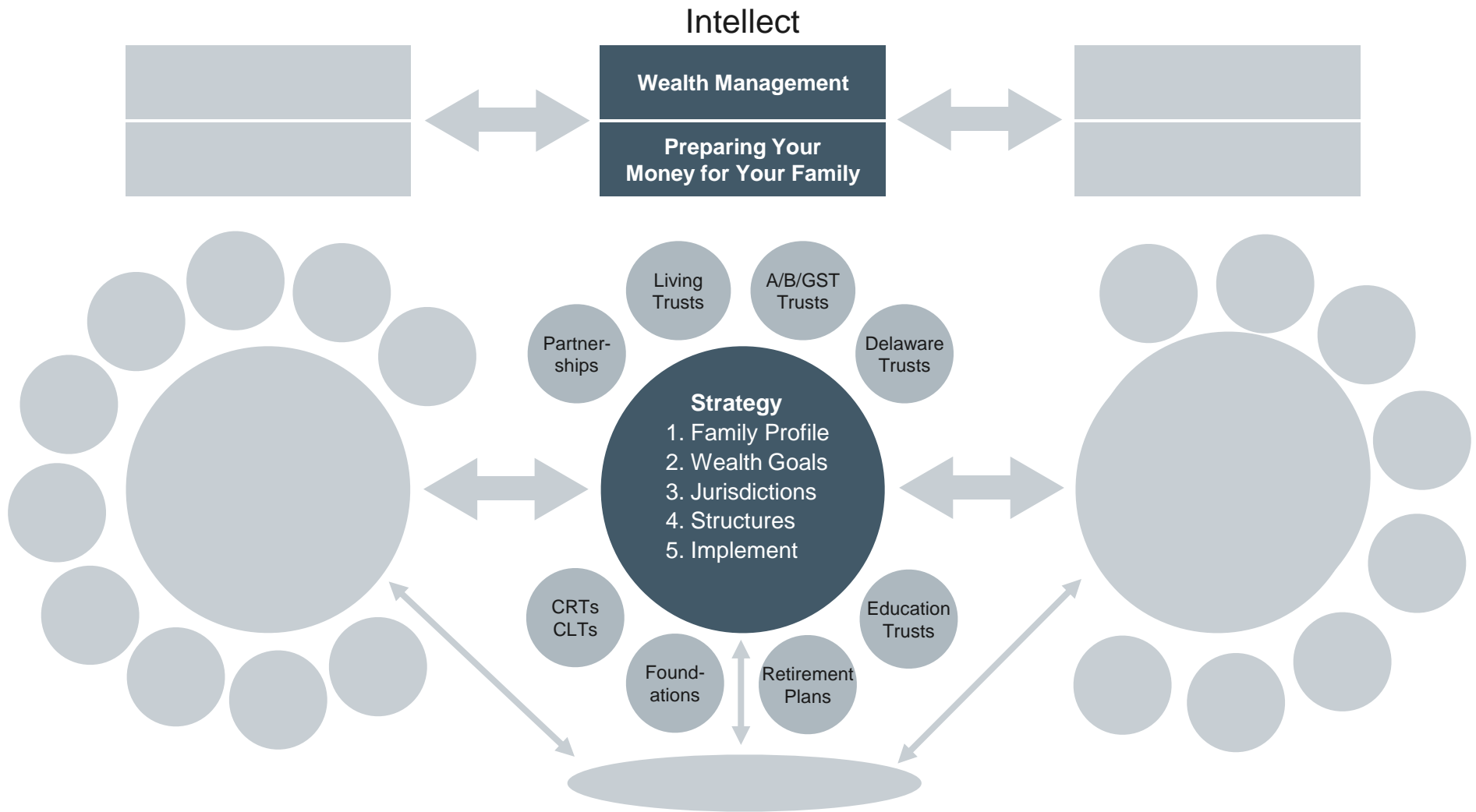
- communicating with your advisors regularly and feel that you have an overall portfolio picture that is based on strategy versus tactics?
- taking unnecessary fixed income risks by not being aware of your securities' diversification, maturities, and geographies?
- completely clear about your financial institutions' fees and incentives?

Engaging in Our Process – Next Steps

Top 10 Investing **Missed Opportunities**

- 10) Lack of an overall portfolio picture
- 9) Lack of a disciplined approach: Following or fleeing a trend to late
- 8) Asset classes entirely missing: Some absent or barely represented in the portfolio
- 7) Sector bets happening without investor knowledge: Style drift and lack of coordination causing overexposure and underexposure
- 6) Not enough or too many holdings: Too few and lack diversification within sectors, too many created, lack of clarity
- 5) Tax exempt bonds often callable: No good result from a move if interest rates go up or down – is the worst of both worlds
- 4) Unnecessary fixed income risks: Hidden risks in investments viewed as safe, such as a lack of diversification across sectors, maturities and geographies
- 3) Little to no active tax management: Loss of control of individual tax lots, mutual funds, assets placed in wrong location within investors structure.
- 2) Unnecessary or unknown portfolio risk: Until it's too late
- 1) Hidden, unknown costs: Compensation structures at odds with investor goals

Planning



Engaging in Our Process – Next Steps

2. Planning:

- blueprint
- pinpoint risks
- fitting the plan into your situation

Missed Opportunities: Have you –

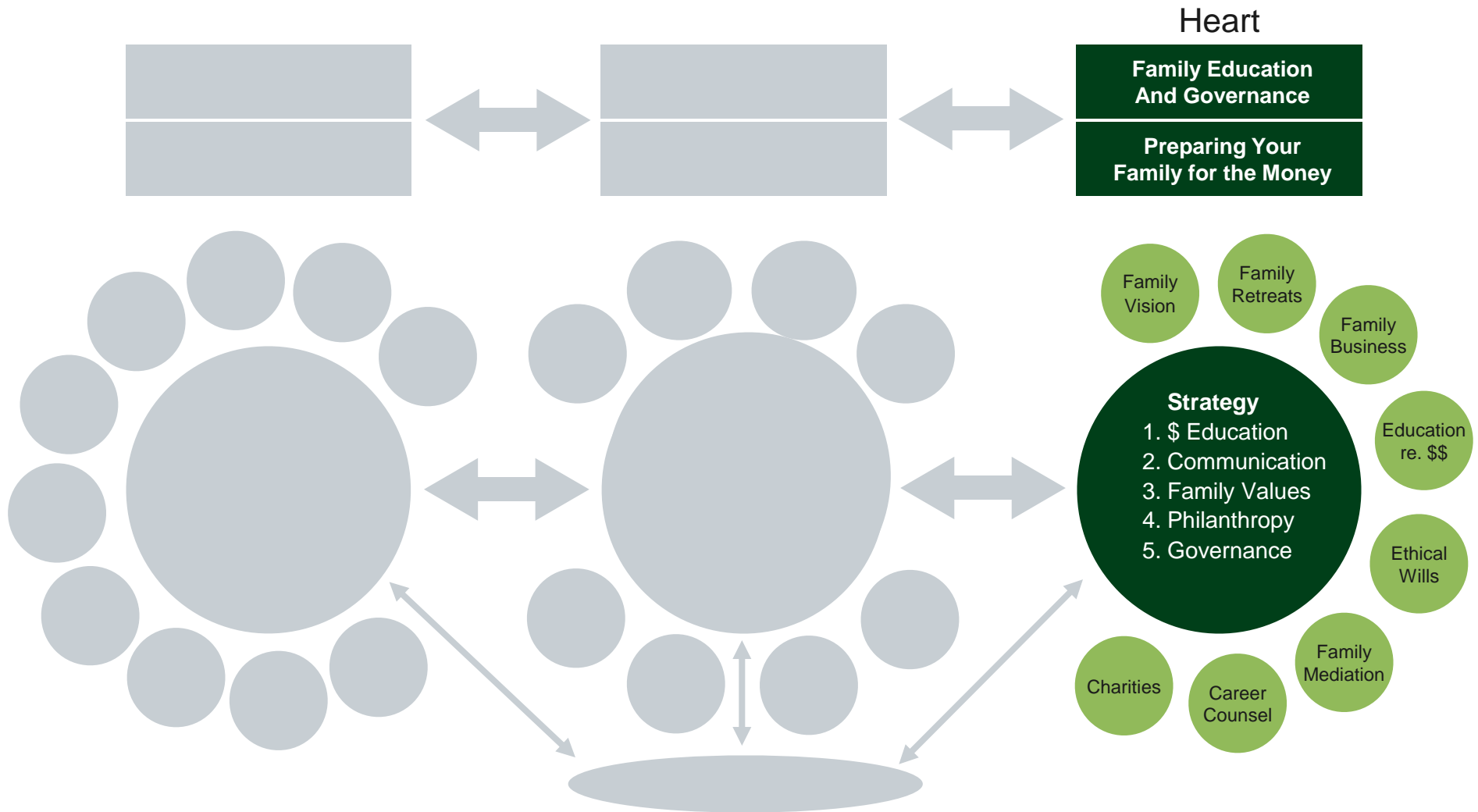
- purchased life insurance and established a life insurance trust, and are you sure that you've named the right trustees?
- named beneficiaries for your retirement plan that are NOT your spouse, children, or grandchildren?
- protected your assets from liabilities for generations to come?

Engaging in Our Process – Next Steps

Top 10 Planning **Missed Opportunities**

- 10) Owning insurance in a typical life insurance trust, and naming the wrong trustees
- 9) Having a spouse, child, or grandchild as beneficiaries of retirement plans
- 8) Owning large amounts of joint property or mostly in husband's or wife's name
- 7) Writing checks to charity, using payroll deduction for gifts, or leaving money via a will to charity
- 6) Grading money managers primarily on performance – large wealth can hide large mistakes
- 5) Owning mutual funds in an individual's name, including index funds. Equally a problem, using an investment consultant approach or an open architecture “best of breeds” approach
- 4) Buying stocks inside a retirement plan while holding municipal bonds in one's own name
- 3) Giving too much money to the children without preparing them effectively
- 2) Not protecting assets from liabilities (like divorce and other family dynamic issues) for generations
Allowing advisors to think and act tactically rather than strategically, no lead advisor

Family Education and Governance



Engaging in Our Process – Next Steps

3. Family Education and Governance:

- education
- communication
- family values and experiences
- family philanthropy

Missed Opportunities: Are you –

- preparing your family for what's to come without telling them what's coming?
- using philanthropy as a family tool?
- defining a family story to include family virtues, a family mission, and vision statement?
- encouraging horizontal thinking by holding regular family meetings and team building exercises?

Engaging in Our Process – Next Steps

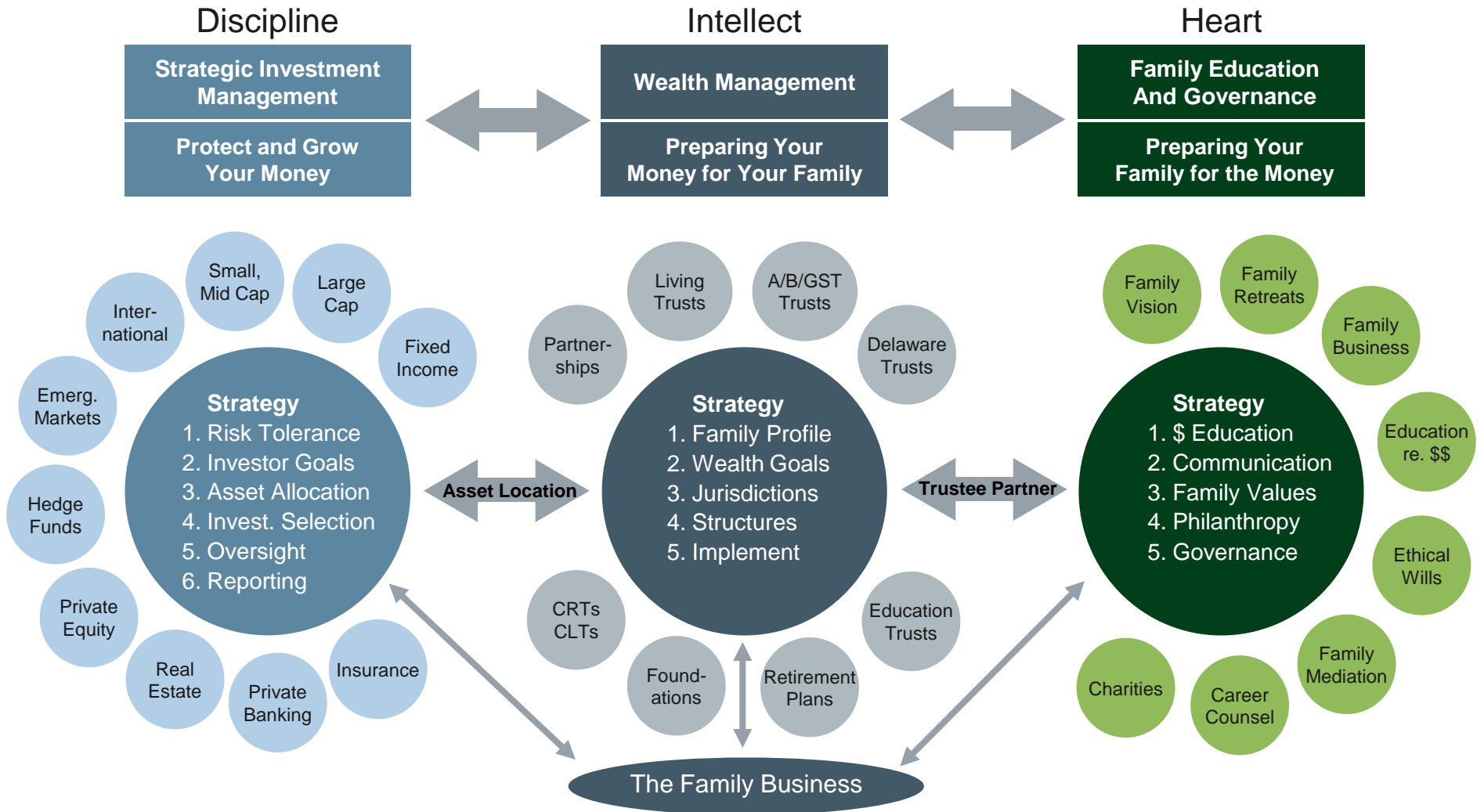
Top 10
Family Dynamic

Missed Opportunities

- 10) Not having a family story, family virtues, family mission or vision statement in writing
- 9) Not having a plan or incorporating beneficiaries or the “dreaded” in-laws
- 8) Thinking only vertically and not horizontally – scheduling family meetings and team-building exercises
- 7) Not using philanthropy as a family tool
- 6) Ensuring that you are motivating with caring structures – “investments in you” vs “distributions to you”
- 5) Communication testing – having roles for a types – knowing all dreams
- 4) Lack of integration of separate professional disciplines
- 3) Considering the first generation the only generation – each generation should be considered –
no one should be a consumer and not a producer
- 2) Acknowledging lifestyle issues – “normal”? “when”? Birthrights? Things or heritage?
- 1) Time horizon mistakes – deciding about dotage years and beyond

Integrated Family Wealth Solution

A Wealthy Family's Opportunity



The Bottom Line

The process should protect and grow your resources, prepare the wealth for the family, and then prepare the family for the wealth.

Don't give up on ideas until you know their merit. If it gets complex, let us manage your complexity.

**Wilmington Trust –
Manager of Generational Wealth**

Thank You.