

Changing Lanes

Transition planning for entrepreneurs and family businesses

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with compliments from



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Guiding Family Business, from Now to Next

A Stick or A Bundle?

Once upon a time, an old woman lived on a beautiful farm in the country. The farm was special because it had been in her family for many generations and she had raised six children there. Her husband long since dead, she too was in the last days of her life. She worried about her grown children as they could not seem to get along. While some of them were good at farming, some at working with the animals, some at carpentry, and others at cooking or preserving the food they grew, they each thought their job was more important and that their siblings didn't work hard enough. They held grudges and were jealous of each other's good fortune. No matter what the old woman said, they seemed to grow increasingly bitter. She worried that they would not keep the family farm after she died.



Finally she called her children to her bedside. "I have one last favor to ask of you," she said. "I would like each one of you to go to the forest and find two sticks. Bring them here tomorrow and I will explain."

The children did as she asked and came to her room the next day with two sticks each. "Thank you children," the old woman said. "Please put one of your sticks down, and see if you can break the other one in half." The children easily broke their sticks in half. "Now let us tie the remaining sticks into a bundle to see if it is as easy to break the bundle as it was the single stick," she added. The children tried but not one of them could break the bundle of sticks.

"You my children, are like these sticks," the old woman said. "If you go your separate ways, quarrelling and holding resentment toward one another, you will be alone like the individual stick and the difficulties of life will easily hurt you. But if you work together, appreciate each other's strengths, cherish what you share in common, and care for each other, you will be like the bundle of sticks, and will be able to achieve much more. Find strength and joy in one another's company, and you will live well and accomplish much."

The children took their mother's lesson to heart, letting go of past grudges and focusing on what they shared in common, appreciating each other's strengths, and working together. The old woman died peacefully, and the farm remained in the family for many generations.

Adapted from one of Aesop's fables, this story illustrates the importance of active participation and collaboration in developing and upholding an inter-generational wealth transition plan. **PARTICIPATION** is the fourth of the Ten P's of a Successful Wealth Transition and the focus of this issue of Changing Lanes. 

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Why Participation?

In the first article of this series exploring The Ten P's of a Successful Wealth Transition, you learned that your ultimate goal is to formulate an inter-generational transition plan that ensures your children (and grandchildren) are fully-prepared to manage the rights and responsibilities that will accompany their inheritance. Including heirs in the development of such a plan may not be your first instinct, but we urge you to re-examine your assumptions.

The majority of parents are reluctant to discuss their financial wealth with their offspring. For some, it is a belief that money matters are private, while others, as we saw in the previous issue of Changing Lanes, fear that an awareness of the magnitude of an inheritance may cause an heir to lose self-motivation or initiative, and become unproductive. Often these parents underestimate the emotional impact of inheriting wealth without adequate preparation for dealing with the associated complexity and responsibility.

As shown by the Williams and Preisser study, when it comes to a wealth transition, a lack of communication and trust is the biggest contributor to failure. The same is true in many walks of life. A lack of communication and trust in business manifests itself in tunnel vision and a lack of employee engagement. To quote Steven Covey: "solutions developed independently, in isolation, and at the top, often create more problems than they solve."

Similarly, consider the many government programs and services that are underutilized, or even misused, because the

people for whom they were designed were not consulted prior to development.

Active participation is the key to enhancing communication and trust. Active participation is getting all stakeholders involved in a way that is both inclusive and productive. Active participation promotes connection, communication, and collaboration.

Active Participation
Getting all stakeholders involved in a way that is both inclusive and productive

When people listen to each other, ideas flow. The result is a better solution than any individual could devise by themselves. For example, there is clear evidence that people who take an active role in their own healthcare regime when faced with a

serious health crisis, see greater improvement than those who do not.

Note that active participation goes far beyond the obvious profusion of ideas. Active participation creates a feeling of ownership which fosters a sense of responsibility and encourages alignment and long-term commitment. See Page 3 for additional benefits of active participation and its role in creating alignment between generations.

Active participation begins with education around the meaning of wealth followed by a discussion that engages heirs in exploring the benefits and burdens of wealth, and ways to experience and manage both. Active participation is therefore the foundation for the development of a plan for sustainable wealth and lasting family relationships. Page 4 offers some ideas on how to initiate active participation. 

The Fourth of the Ten P's

In this fourth article in the series of The Ten P's for a Successful Wealth Transition, we explore tips and techniques for active **PARTICIPATION** of your heirs in the development of the **PURPOSE**, **PRINCIPLES** and **PHILOSOPHY** that comprise the first Three P's and are the foundation of an inter-generational wealth transition plan.

Active **PARTICIPATION** is a primary ingredient in building alignment and promoting a common interest among all stakeholders. As it also serves to ensure that your heirs fully understand and accept the rights and responsibilities that will accompany the transition of wealth, it is a critical step in formulating a plan that has buy-in from all and maintaining a strong and united family.

For an overview of all items that comprise the Ten P's of a Successful Wealth Transition, refer to the first issue in the series.



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The Importance of Alignment

Similar to the need for proper wheel alignment on your car, alignment within your wealth transition plan is critical on two fronts:

■ Ensuring your wheels (i.e. your **POLICIES, PLANS** and **PROCESSES**) are aligned with your pavement (i.e. your **PURPOSE, PRINCIPLES** and **PHILOSOPHY**) is critical for sustaining wealth.

When your vehicle's wheels are not perpendicular with the road, the result is uneven pressure on your tires, friction, and resistance to the road surface. This not only puts a strain on the vehicle, but will ultimately wear out your tires and result in lower gas mileage (e.g. unnecessary loss of wealth as a result of misunderstandings or poor wealth management decisions).

■ Ensuring that the wheels are aligned with each other (i.e. alignment among stakeholders) is vital for preserving family relationships.

Out of balance wheels cause vibration and increase the stress on the front-end parts of the vehicle which may cause them to wear prematurely. With greater alignment, you will enjoy a smoother ride which equates to less stress or conflict, and translates into greater family harmony.

PARTICIPATION is the vehicle for achieving stakeholder alignment around the **PURPOSE, PRINCIPLES** and **PHILOSOPHY** that are the foundation of a successful inter-generational wealth transition plan. **PARTICIPATION** by all stakeholders is also a key component in getting alignment within the **POLICIES, PLANS** and **PROCESSES** that will deliver on the goals and objectives of the wealth transition plan. 🌟

From Participation to Alignment

Encouraging adult children to actively participate in the development of an inter-generational wealth transition plan is essential to creating alignment around what will ultimately become the family legacy.

- 1 Active Participation initiates dialogue among NextGen members and between the two generations.
- 2 This dialogue promotes the importance of a wealth transition over a mere transfer of wealth.
- 3 And leads to active engagement by the younger generation in defining the *purpose, principles* and *philosophy* of wealth.
- 4 That engagement is the foundation for creating a sense of responsibility.
- 5 Which drives learning and the development of knowledge and wealth management skills.
- 6 And provides the opportunity to practice using these skills to meet the objectives of the transition plan.
- 7 Which leads to greater communication and collaboration around upholding the family legacy.
- 8 And generates the alignment needed to protect the wealth and family relationships.
- 9 Which ultimately leads to greater commitment accountability and trust on the part of the beneficiaries.
- 10 Which raises the parents' confidence that the next generation will be good stewards of the wealth. 🌟

Collaborating with Camels

A father planned to leave his estate of 17 camels to his three children as follows:

Eldest child 1/2 of the camels

Middle child 1/3 of the camels

Youngest child 1/9 of the camels

The heirs were tasked with figuring out how they would carry out their father's wishes. When approached by their father a few weeks later, they admitted they had been unable to come to a decision. They could not agree on how many camels each would get because 17 doesn't divide evenly by 2, 3 or 9.

So the father suggested they seek the advice of a wise old



sage who offered them one extra camel to help make their division easier. With 18 camels to work with, they were quickly able to resolve the problem.

The eldest child would get 9 camels $18/2 = 9$

The middle child would get 6 camels $18/3 = 6$

The youngest would get 2 camels $18/9 = 2$

When the siblings discovered that the total number of camels to be distributed was just 17 – exactly the amount to be bequeathed to them in the first place – they were amazed.

Realizing they would not need the extra camel, they thanked the wise old sage for her foresight.

As in true collaboration, it was a win for all! 🌟

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Start the Conversation

Communication around the development of a successful inter-generational wealth transition plan begins with education. The resulting knowledge and awareness opens the door for active **PARTICIPATION** which subsequently leads to engagement, and the opportunity for real-life experience.

Below is a recap of recommended educational materials and conversation starters that help initiate active **PARTICIPATION**.

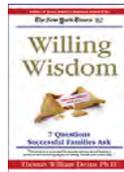
The common thread throughout is the understanding that a wealth transition plan is about more than money. The word wealth stems from the middle English for “welfare” so encompasses all resources that are important to our well-being – not just the physical or tangible assets.

Feel free to contact us if you require assistance. We are available to help facilitate discussions and/or provide a framework for enabling stakeholder engagement.

Willing Wisdom

This book authored by Dr. Thomas Deans provides thought-provoking questions and practical ideas for initiating discussions around Purpose, Principles and Philosophy.

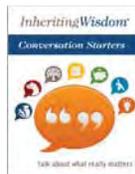
www.willingwisdom.com



Conversation Starters

A game by Inheriting Wisdom that comprises 52 question cards that can initiate discussions around facts, perceptions and philosophies in many aspects of life.

www.inheritingwisdom.com



Defining Values

A set of 30 cards available through The SuccessCare Program, that assist families in the identification and alignment of principles and values.

www.successcare.com



Preparing Heirs

This book explains how successful families achieved and maintained family harmony while ensuring a smooth transition of their wealth to well-adjusted heirs.

www.preparingheirs.com



SHIFT

In this book, author Steve Legler offers 5 steps for enabling the communication that leads to the harmony families of wealth need to support the legacy they want.

www.stevelegler.com



The Legacy Conversation

A book full of anecdotes, insights and practical steps that illustrate how to identify and cultivate your family's true wealth.

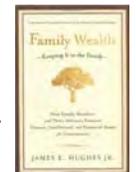
www.inheritingwisdom.com



Family Wealth ~ Keeping it in the Family

James E Hughes is the author of this book written to help multiple generations preserve their Human, Intellectual, and Financial Assets.

www.jamesehughes.com



Picture Your Legacy

A deck of 52 colorful images that guide individuals, groups, and families toward articulating a legacy.

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