

Flourishing multigenerational families

Attaining your vision of success

Family advisory compass



Contents

Introduction

- 4 How do families achieve success?
- 6 Overview of Family Advisory
- 8 Family Advisory process
- 9 Engagement spectrum
- 10 Family Advisory Road Map

Phase 1

Building a strong foundation

- 12 Vision and purpose
- 13 Core values
- 15 Family qualitative capitals
- 17 Family mission statements
- 18 Money beliefs
- 20 Philanthropic mission, vision and goals
- 22 Charitable giving strategies and vehicles
- 24 Family conversations





Phase 2

Developing and growing toward your vision

- 26 Family legacy
- 27 Family history and stories
- 28 Wealth and identity
- 29 Philanthropic strategic planning
- 30 Philanthropy governance and grantmaking
- 31 Engaging the rising generation
- 33 Learning and development
- 34 Financial literacy
- 36 Life skills and estate planning
- 38 Family governance and decision-making guidance

Phase 3

Actualizing your purpose and refining your path to success

- 42 Wealth stewardship and transition planning
- 44 Leadership development
- 46 Succession planning: family, business, philanthropy
- 47 Family governance execution: documents
- 48 Family constitutions

Family meetings

- 54 The value of family meetings

Client stories

- 56 Family starts with the “basics”
- 57 Governance for a family limited liability company (LLC)
- 58 Philanthropic family reevaluates its giving

Concluding remarks

Resource library

How do families achieve success?

When advising financially successful families, we often get asked, “How can we ensure our family is successful?” The particulars of desired success can be refined differently from family to family, but what our clients are really asking is how they can sustain and grow their resources over time—in many cases for generations to come.

They want to be not only financially successful, they want to be holistically successful. They want to know how to define roles and responsibilities for the family and how to prepare heirs of today and the future with the required skills so that their vision of success for the family is achieved and upheld. They desire strong family relationships. They want their heirs to flourish and be successful in their own right. They want their wealth to have impact in ways that reflect their values and goals. In short, what they are seeking requires energy and focus beyond the family’s financial balance sheet.

Within Family Advisory, we partner with clients to craft customized road maps for holistic success that align with the family’s multigenerational vision, and that account for the nonfinancial challenges of family wealth, such as family dynamics, culture, communication, governance and many other topics. In this Family Advisory Compass publication, we explore the rationale, process and components for multigenerational success. The guide gives the reader an insight into our Family Advisory services to better understand how we might partner together.

We want to acknowledge that families who have achieved significant financial success often worry about the negative effects of their wealth. They hear adages such as “shirtsleeves to shirtsleeves in three generations” and negative comments about “trust fund kids.” Parents we meet with acknowledge that they are nervous to leave too much of their wealth to their children because they do not want to bring them harm.

Why do these stereotypes exist? These negative or fear-inducing stories are what get the attention. Great outcomes can be achieved—in fact, families have great outcomes all the time; they just are not loudly seeking attention for their success.

There is a significant movement in the field of family advisory to focus more on working toward positive outcomes, and less on fears. When you stop viewing wealth as a negative or positive force, and instead understand that it is a complex, multifaceted engine, you will be better prepared to handle what it brings. Families manage this risk by educating their rising generations to responsibly handle their wealth. This publication will walk you through how you can approach this process.

These great outcomes come from surrounding yourself with great teams, people who understand your objectives and can help you achieve them, including your estate planning attorney and your UBS Financial Advisor, who can help create a strategy to sustain your wealth for generations.



Questions clients are asking

Families that have achieved significant financial success frequently seek guidance that goes beyond investment, tax or legal advice. They often ask us the following questions:

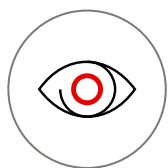
- How do I ensure that my children and future heirs will have the skills and experience to be successful stewards of the family wealth?
- What is the “right way” for us to talk to our family about our wealth and values?
- How do we make decisions as a family about our wealth, our family business, our philanthropy?
- What effective governance structures and best practices should we have in place?
- How do we navigate and prepare for transitions (e.g., death, business succession or sale, marriage)?
- What are other successful, multigenerational families doing that we can replicate to set the stage for success?

Overview of Family Advisory

As both research and experience shows, families who want to flourish over generations need to foster the qualities and skills that contribute to success beyond the investment and oversight of financial assets.

Families that thrive for generations actively work on what we call the four C's: clarity, communication, culture and cohesion.

The four "Cs" of flourishing families



Clarity

- **Vision**
- **Purpose**
- **Goals**
- **Expectations**

Clarity is often our starting point when working with families. We help them gain clarity on their vision for success and on the purpose of their wealth, working with them to articulate what is in their hearts and on their minds. Understanding where the family wants to be headed in the future is the starting point for creating a road map to get there. In addition to clarity on goals and expectations for family members, heirs and future descendants, all families—wealth creators especially—need clarity and a realistic assessment of where the family sits today in relation to where they want to be in the future.



Communication

- **Open**
- **Two-way**
- **Intentional**
- **Regular**
- **Intergenerational**

Strong communication practices are the foundation of flourishing families. It's not only the frequency of communication among family members that determines success; it is the quality and the topic of communication that matters most. Families that discuss not only day-to-day life and happenings, but also deeper and more meaningful topics, are more likely to be successful. Families that pursue purposeful and intentional communication about big topics such as family values, purpose, legacy, succession planning and family history, and commit to continually revisiting key topics over time, are better positioned for success. Successful family communication is two-way and intergenerational.

In practice: Using family meetings to foster communication

Many families use family meetings to facilitate communication. A good practice is to start meetings with an exercise where everyone shares, setting the stage early for two-way communication and demonstrating that every voice is important. We will dive into more comprehensive information on family meetings later in this publication.



Culture

- **Aligned**
- **Grounded in values**
- **Multigenerational**
- **Continual strengthening**

Having a strong family culture that is aligned with a family's values, vision and purpose is essential to multigenerational success. A culture is defined by a family's habits, traditions, beliefs and general ways of approaching things. A strong culture provides a sense of belonging and creates bonds among family members. A family's culture largely determines whether their values, beliefs, traditions and expectations are upheld over the long term. A family can strengthen its culture by intentionally sharing it with new family members as the family grows over time. Families that recognize their culture and actively work to strengthen it on an ongoing basis have the best odds of true long-term success.



Cohesion

- **Strong relationships**
- **"Glue" beyond wealth**
- **Shared sense of purpose and responsibility**
- **Multigenerational commitment**

A family's cohesion represents the strength of its ties and bonds. Cohesion is a measure of the "glue" that holds a family together. Strong cohesion can be indicated by strong relationships, a shared sense of purpose and responsibility across generations, and a desire to carry out the family's long-term multigenerational vision together.

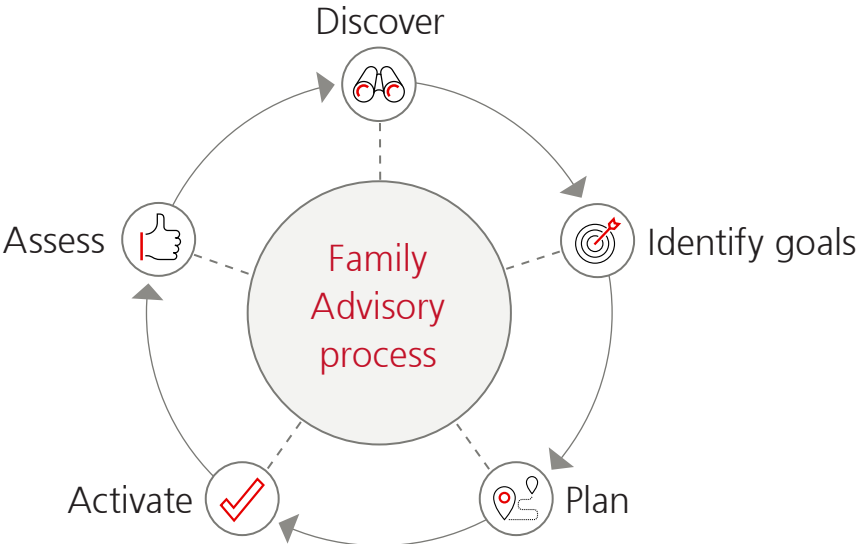
Family Advisory process

Our engagement process supports you at every step of your wealth journey. It starts with gaining a deep understanding of who you are and what you are looking to accomplish.

Through an interactive and reflective discovery process, we aim to understand where you and your family are on your wealth journey. As we guide you through this reflective process, we work to identify goals that you have for your family and work with you to develop a long-term vision for success. We encourage clients with multigenerational wealth to contemplate a future beyond their lifetimes and to plan for 50 or 100 years.

With your goals and vision in mind, together we craft a plan. As a starting point, we create a customized road map for engaging with you and your family. We outline conversations, meetings and topics to explore. We partner with you to activate the plan and execute your road map in the way that makes most sense for you and your family.

We encourage our clients to keep in mind that both the work and the true impact of this Family Advisory process occurs throughout your wealth journey. Absent a near-term event that you may be planning, this is not work that you and your family need to focus on weekly, monthly or even quarterly. One or two meaningful family conversations or meetings per year can be enough to increase the probability of multigenerational success.



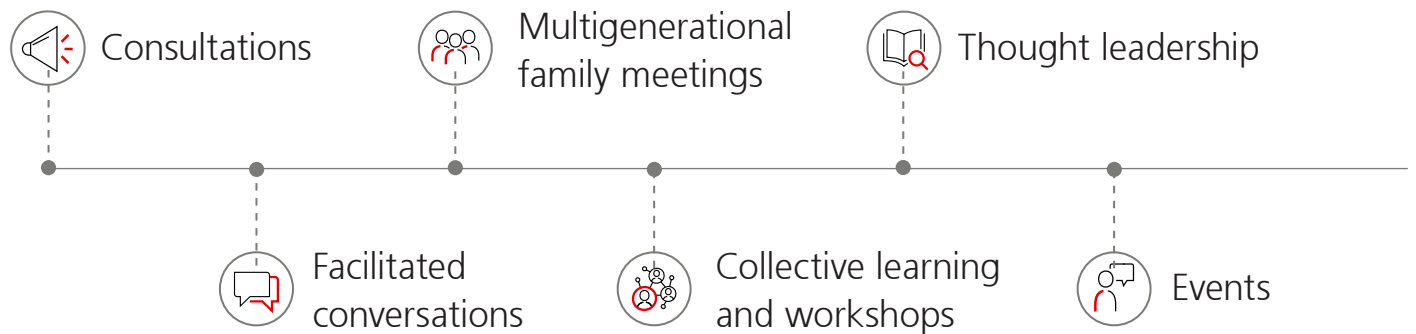
With every topic you and your family tackle, we stand ready as your guide to help assess the impact and progress you and your family are making. We are ready to assist you in revisiting topics or changing direction as needed over time.

In order to assist families in making progress toward their vision and purpose, we tailor our engagement and execution to each family's unique needs and preferences. We provide opportunities for personalized consultations and facilitate conversations with individuals, couples and families. If needed, we can also design and facilitate multigenerational family meetings. Additionally, we provide group learning opportunities such as workshops, access to industry-leading thought leadership, and local, national and global events and programs.

Some families might need specific guidance that falls outside of the scope of our expertise. In those instances, we have found it helpful to leverage our extensive network of professionals to help meet these needs.



Engagement spectrum



Family Advisory Road Map

At UBS, we've designed the Family Advisory Road Map to highlight the nonfinancial topics that contribute to multigenerational success. Each topic represents a milestone on the road to success. We've designed the Road Map across three phases (see illustration below). When moving from the Phase 1 (left column) toward Phases 2 and 3 (right columns), the topics become increasingly complex and sophisticated. Many wealth-creating families are still early in their journeys, with the first generation (G1) still actively leading the family. In this case, a family would be best served to focus on Phase 1 of the Family Advisory Road Map, tackling the core building blocks that will contribute to long-term multigenerational success. As the family grows and the second or third generation takes active leadership roles, the family may need to explore the more advanced family advisory topics laid out in Phases 2 and 3.

In this Compass publication, we take a step-by-step approach to defining each topic, highlighting practical applications and accompanying tools and resources. As you read through, jot down the topics that resonate with you. We work with families to design customized road maps that fit each unique family situation: road maps that are tailored to where your family is today and supports your vision for the future. At UBS Family Advisory and Philanthropy Services, we strive to consult with families throughout their journeys toward flourishing for generations to come.

For more information, please see:

Family Advisory Road Map worksheet



Family Advisory Road Map

Phase 1

Building a strong foundation

- Vision and purpose
- Core values
- Family qualitative capitals
- Family mission statements
- Money beliefs
- Philanthropic mission, vision and goals
- Charitable giving strategies and vehicles
- Family conversations

Phase 2

Developing and growing toward your vision

- Family legacy
- Family history and stories
- Wealth and identity
- Philanthropic strategic planning
- Philanthropy governance and grantmaking
- Engaging the rising generation
- Learning and development
- Financial literacy
- Life skills and estate planning
- Family governance and decision-making guidance

Phase 3

Actualizing your purpose and refining your path to success

- Wealth stewardship and transition planning
- Leadership development
- Succession planning
 - Family
 - Business
 - Philanthropy
- Family governance execution
 - Structures and documents
 - Ethical wills and legacy letters
- Family constitutions

Phase 1

Building a strong foundation



Vision and purpose



Key questions

- What does multigenerational success look like for your family?
- Do you have a well-defined purpose and vision for your family and wealth, and have you shared this with your family and all stakeholders?

A family vision represents the long-term future that a family is working toward and a family purpose articulates a family's why. Families can take advantage of both a family vision and a family purpose to promote family cohesion and to ensure that the whole family, across generations, is on the same page.

A well-articulated vision for your family's future serves as the guiding beacon on your family wealth journey. Once you have clarified your long-term, multigenerational vision for success, you can begin to plot the route for your family to follow to achieve that vision. With a common understanding of the vision for success, members of all generations can begin to grow into the roles and responsibilities that the vision requires.

Having a defined shared purpose for your family and family wealth is equally as important as articulating your vision. A shared sense of purpose provides a common understanding of the future that your family is working toward, and is the basis from which you can articulate the accompanying goals, expectations, roles and responsibilities of family members. This will be required along the way in order to uphold your shared purpose.

In practice: Articulating your vision

The Purposeful Dialogue conversation kit is designed to help you visualize how you would like your life to be. It is meant to spark conversations among family members to see how each pictures his or her life. Once each individual has had the opportunity to share their vision of the future, you can use this kit to articulate a shared vision for your family's future.

As you consider the images that resonate most with you and deliberate among yourselves, you will discover each other's hopes and aspirations. Make note of them. Then use the learnings to articulate your vision for your legacy, and for your family's future and legacy.

For more information, please see:

Purposeful dialogue

Example: One family's vision



Family enrichment/
financial
achievement



Family tradition/
travel/time
together/fitness
and health



Education



Teamwork



Innovation

Core values



Key questions

- What are your core values and how have you communicated them to your family?
- What are your family members' values?
- Have you defined a set of family values that you hold in common?
- Are you clear about what is important to your family and what you stand for?

Values are the bedrock of our identity and reflect what is most important to us. We recommend that clients identify and articulate their individual values, and also share these values with loved ones. Then you can work to identify and articulate values that you hold in common. Being clear about family values creates more cohesion within the family (i.e., we are not all the same, but we do have things in common that are important to all of us) and serves as a guide for family decisions and the use of family resources, including family wealth.

In practice: Identifying core values

We all have certain core values that we live by. The purpose of this exercise from the *Purposeful Dialogue* is to actively think about and identify the values that are most important to you. Life can be especially rewarding when you are aware of your values—and when you make plans and decisions that align with them. It is important to revisit this at a regular cadence. Values, like families, evolve over time and require check-ins to ensure that the family is activating their values and updating things as necessary.





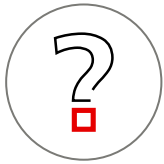
Example: Shared family values

Family	<ul style="list-style-type: none"> • Family time • Family relationships • Family traditions • Family experiences • Recognize the value of family ties • Compromise with each other
Personal growth	<ul style="list-style-type: none"> • Champion and support each other on our unique journeys • Invest in personal development • Support each other's mental health • Invest in psycho-spiritual growth and development
Generosity	<ul style="list-style-type: none"> • Be generous in your relationships • Be generous in philanthropy • Lead with compassion and empathy for others
Loyalty	<ul style="list-style-type: none"> • Accept and support each other with fierce loyalty, radical acceptance and unlimited support for each other • Commit to one another and to your relationships
Enjoyment	<ul style="list-style-type: none"> • Enjoy our time together to strengthen our family • Have fun together • Be willing to compromise in order to be together
Communication	<ul style="list-style-type: none"> • Always improving and expanding our interpersonal communication skills in order to grow in our relationships
Curiosity	<ul style="list-style-type: none"> • Maintain a curious and open-minded attitude toward others and about ideas • If you can be curious, you remain open to others

For more information, please see:

Purposeful dialogue

Family qualitative capitals



Key questions

- Have you identified your family's human, intellectual, social and spiritual assets?
- Do you have a plan for growing qualitative capital within your family?

Every family's wealth preservation plan begins and ends with an acknowledgment that the most important assets a family has are its members.

For a business to be successful, a majority of management's time must be spent on asset growth rather than on liabilities. Families that understand this truth spend most of their time growing their assets, especially their qualitative assets. For example, they know that no matter how much they save in taxes, which are a cost or liability of doing business, those savings pale in comparison to the revenues lost through family members who are inadequately educated or do not trust each other.

What are a family's qualitative assets? They are the family's human, intellectual, social and spiritual capitals. These four capitals stand in addition to the family's quantitative assets: its financial capital. Together, these five forms of capital comprise a family's true wealth.

The failure to acknowledge, measure and nurture a family's human, intellectual, social and spiritual capitals is a principal cause for the failure of a family to preserve its wealth. Acknowledging that it has five forms of capital, and accurately measuring all five, gives a family and its shareholders a proper accounting of the state of its business.

Here are brief descriptions of the five forms of capital. While each has its own focus, you may notice areas of overlap among the four qualitative capitals. We have found the division into four qualitative capitals a useful way to help families concentrate on areas that they might otherwise overlook.

1. Human capital

The human capital of a family consists of the individuals who make up the family. Their human capital includes their physical and emotional well-being, as well as each individual family member's ability to find meaningful work and to establish a positive sense of personal identity.

2. Intellectual capital

The intellectual capital of a family is comprised of the knowledge gained through the life experiences of each family member. Some signs of intellectual capital include family members' academic successes, career successes, artistic successes and their understanding of their individual and family finances.

3. Social capital

Social capital refers to family members' relationships with each other and with their communities. No family exists without some social capital. Some key indicators of social capital include the family's ability to: make thoughtful, shared decisions together; welcome new members; and give of itself—in time, talent and treasure—to the larger society of which it is a part. For many families, this includes their philanthropic, charitable and civic contributions to the community.



4. Spiritual capital

Spiritual capital comprises the family's ability to share and sustain an intention that transcends each member's individual interests. Sometimes that shared intention is described as a shared dream.

This capital is not necessarily equivalent to a family's spiritual beliefs or traditions, though such traditions may express and nurture spiritual capital.

Every family begins the journey of family wealth with some sort of shared intention, that is with some form of spiritual capital. Other signs of spiritual capital include humility—the recognition that this journey is fraught with challenges and exceeds the strength of any one of us alone—and gratitude: toward those with whom we share the journey, those who came before us and those who will come after us.

5. Financial capital

The financial capital of a family may include cash, public securities, privately held company stock and interests in private partnerships.

While the focus of this chapter is qualitative capitals, we should not underestimate the importance of financial capital. Financial capital greatly contributes to a family's ability to cultivate its other forms of capital. It makes possible quality health care, education, philanthropy, and the time and opportunities to come together and talk about building and sustaining a shared dream. The opportunity to cultivate these qualitative assets—and not spend one's precious days laboring solely to make ends meet—is a great gift.

In turn, the qualitative capitals have a way of repaying that gift. With the growth of human, intellectual, social and spiritual capital comes a high probability of growing the family's financial capital.

Families that assess, nurture and grow both quantitative and qualitative capital are better positioned for long-term, multigenerational success. To learn more about how you can explore family qualitative capitals, see our *Family balance sheet* exercise.

For more information, please see:

The family balance sheet

In practice: Using qualitative capital to achieve goals

A fun opening exercise for a family meeting is for each member of the family to share a personal and professional goal for the coming year. As a family, brainstorm ways that you can use the qualitative capital at your disposal to help each person achieve the goals they identify.

Family mission statements



Key questions

- Have you written a family mission statement?
- Are family members clear on your purpose and vision, and how you will achieve it together as a family?
- Do you have a plan for how your family will pursue its purpose and vision?

A family mission statement is a clearly articulated collection of thoughts, ideals and philosophies that helps define a family's purpose. It incorporates a holistic view of the family, and is different from a philanthropic mission statement. The family mission statement is an overarching framework that likely guides and shapes investments, business activities, philanthropic actions and more.

A family mission statement may:

- Prepare a road map for rising generations by articulating family goals, traditions, values and principles that have been passed down from prior generations.
- Incorporate each family member's unique thoughts, talents and contributions to the family's overall mission.
- Create a comfortable foundation for successful and ongoing family dialogue and activities.
- Develop and realize a common family understanding and shared purpose.

This list is not exhaustive and is intended as an example of the benefits of a family mission statement. The mission statement may incorporate both a statement of purpose and family goals.

By establishing a clear understanding of a family's purpose and goals, the family mission statement can be

an effective first step for families embarking on the road to family governance. Keep in mind that the mission statement will likely evolve to some extent as generations pass, and should be reviewed and reassessed as often as a family deems necessary.

A well-crafted family mission statement articulates a shared sense of purpose, provides a thoughtful basis for ongoing dialogue, offers guidance to rising generation family members as to what the family is all about, and incorporates family members' unique thoughts, talents and contributions. It may be a couple of lines or a few paragraphs. Whatever its length, it ideally tries to answer these four questions:

1. Who are we?
2. What do we stand for?
3. What do we want to do?
4. How will we accomplish our goals?

A family mission statement will reflect the individual character of the family, its history and values and the main areas of its shared efforts, such as business or philanthropy.

For more information, please see:

An overview on family mission statements

Example: A family mission statement

"Our family is united in love and committed to valuing our relationships and traditions. We create a supportive environment through compromise, generosity and dedicated family time. Prioritizing joy and togetherness, we foster a culture of enjoyment and shared experiences. Together, we support personal growth, mental health and resilience on our unique journeys. With loyalty, open communication and curiosity, we navigate challenges, fostering understanding. We strike a balance between family enrichment and financial responsibility through planning, education and innovation. Our legacy is one of love, unity and fulfillment, built on shared moments and a commitment to growth."

Money beliefs



Key questions

- What beliefs and values about money do you and your loved ones live by?
- What money messages do you want to pass on to your heirs?
- How do you want to prepare your heirs for their future responsibilities and opportunities regarding wealth?
- Have you developed a family education curriculum?



Family wealth education begins with parents being clear about their own money values, current financial situation and hopes for the future. Thinking about your own feelings, experiences and behaviors related to money, and then modeling your priorities, can help you to be deliberate with the lessons you teach your children. As you begin to articulate your values around money and wealth, decide what you would like to pass on to your children, and what no longer serves you.

Having clarity about our beliefs regarding money, and the accompanying origin of those beliefs, leads to better understanding of our money habits and how we make financial decisions. It also provides the opportunity to more deeply understand the similar habits and decision-making of our family members and loved ones.

In addition to examining your existing money beliefs, we encourage clients to identify three to five guiding beliefs that fit their family's current financial situation and are in alignment with their family vision and family purpose. Once they have identified these beliefs, families can determine the best way to reinforce them across generations.

For more information, please see some additional resources on financial literacy for young people:

Teaching children about money at different ages and stages

Money Talk Kit

The Code

The Code Junior

Your Money Story



Example: A family's money beliefs

Be grateful for what you have

- Take care of what you have
- Show gratitude and thanks and engage with others
- Little things matter the most
- Work hard, play hard

It is your responsibility to work hard

- Do your best, maximize effort and be accountable
- Fail fast, fail forward and learn from mistakes
- Take responsibility to learn, grow and evolve

Be responsible, judicious and intentional with resources

- Waste not, want not
- Time, money, philanthropy
- Align with your priorities
- Sharing time, talent and treasure

Be conscious of the impact you have on others, your community and the world

- Mindset
- Thoughtful service to others
- Positive impact on community and the world

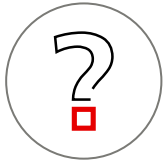
In practice: Managing perceptions of wealth

A wealthy family finds their teenage children struggling with some of the outward appearances of wealth. They turn to the *Money Talk Kit* for a discussion around the perceptions of wealth. Over dinner, the family discusses the following questions from the kit:

- Whose relationship with money do you admire and why?
- Have you ever felt the need to hide your wealth?
- What are the assumptions you think others have about wealthy people?

Hearing their children discuss their feelings with one another gives parents insights into how they can help their children navigate these feelings.

Philanthropic mission, vision and goals



Key questions

- What role, if any, do you think philanthropy plays in the family wealth and family legacy?
- Do you envision philanthropy as a tool or method to further family legacy?

Family philanthropy can be the glue that binds generations together, in purpose and in service, to family values and family legacy. We work with clients to develop and execute strategic philanthropic plans that are grounded in family values and define how a family will fulfill its philanthropic legacy.

We previously discussed how the family mission statement is holistic. The philanthropic mission is often a tool or guiding principle that stems from the family mission statement or values.

The core of a philanthropic strategy is your vision and mission. While your philanthropic plan should be a living, breathing document and will evolve over time, consider the following three initial steps as you lay the foundation for your philanthropy.

1. Identify why you are giving

First identify your motivations for giving. Consider the following reflection questions:

- Do you give out of passion, responsibility or obligation?
- Do you want to honor a loved one?
- Do you donate to bring your family together or teach values?
- Do you want to change the world in which we live?
- Do you want to fix an issue or protect something beautiful?

2. Develop a vision statement for your philanthropy

A vision statement articulates what you want the world to look like. It is both idealistic and long term, and serves as an inspiration and motivation for driving your philanthropic endeavors. It clarifies the issues your philanthropic efforts are intended to address, and serves as a starting point for all your future philanthropic activities, collaborations and decisions. While a mission statement focuses on your present purpose and activities, a vision statement provides a glimpse into the future and the positive changes you hope to contribute to over the long term through your family philanthropy.

When crafting a vision statement, ask yourself: "If our philanthropic efforts meet their goals, what would the future state of the world, country or our community look like?"



3. Draft a mission statement for philanthropy

If your vision is what you hope the world to be, your mission is what you do to reach your goal. Your mission statement signals to others what your philanthropy is trying to achieve in an easy-to-understand way. It helps you focus your philanthropic activities on what is most important to you. A mission statement is a dynamic document that may evolve over time as your philanthropic priorities, strategies and goals develop.

Keep in mind that a narrow or specific mission does not limit your activities; rather, it allows you to check your actions against your mission to ensure that they are aligned. Additionally, it helps potential funders or grant-seekers understand whether there is an opportunity for partnership or collaboration, as well as helping you decide whether to accept or decline funding opportunities.

For more information, please see:

Philanthropy compass

Philanthropic mission statements

Example 1: The foundation works to fund youth activities in culture, education and athletics in the Midwest of the United States.

Example 2: The foundation is dedicated to giving financial aid to those organizations that assist the homeless and poverty-stricken in the Tri-State area of New York/New Jersey/Connecticut. The foundation believes that investing in strategies that enable low income people to increase their economic security and to build wealth will have the greatest social returns.

Example 3: Our mission is to celebrate language and communication, as well as the peaceful exchange of ideas and feelings.

Charitable giving strategies and vehicles



Key questions

- Do you wish to pre-fund future charitable gifts and/or have a dedicated pool of philanthropic capital?
- Do you have a philanthropic entity that best meets your family's charitable giving needs?

Donor-advised funds (DAFs) and private foundations are two of the most popular charitable giving vehicles. They each offer many benefits and can be part of a comprehensive charitable giving strategy.

Choosing the right vehicle is an important early decision on your philanthropic journey. Many ultra high net worth donors will employ both a private foundation and a DAF and may have specific strategies associated with each. For more information on each of these vehicles, please consult with your UBS Financial Advisor and check out the additional resources at the end of this section.

What is a donor-advised fund?

A donor-advised fund (DAF) is a charitable account funded by donors and administered by the DAF provider. DAF accounts are a simple turnkey charitable giving solution that have risen in popularity over the last 15 years because of the ease of administration for the donor and low costs.

Key considerations for DAFs include:

- The fund is established with an initial contribution of assets, after which grant distributions are made to charitable organizations.
- There are generally no start-up costs and a DAF account can usually be set up immediately with a DAF provider.
- All financial and administrative services are handled by the DAF provider, generally for an annual asset-based fee.
- Administration fees vary, but generally DAFs provide a very cost-effective solution for charitable giving.
- Asset minimums tend to be very low, often as low as \$5,000-\$10,000.
- The DAF provider verifies the charitable status of all recipient organizations and processes grants.
- Names of individual donors can be kept confidential and grants can be made anonymously. Often families looking for privacy for certain grants will utilize a DAF for these, even if they use a private foundation for other gifts.
- Most DAFs allow you to appoint successor advisors, allowing you to name family members who can take over advising charitable distributions from the account after the original owner passes away.

In practice: Using a DAF to make an anonymous gift

A family with a private foundation has identified a charitable program that they are excited to support. Family members have evaluated the program and feel confident in the mission and leadership. They decide to make a small, getting-to-know-you grant. At this point, they learn that the charitable organization does not have their own tax-exempt status yet and uses a fiscal sponsor, another organization that accepts funds on its behalf. The family has not done due diligence on the other charity, so they choose to make the gift anonymously using their DAF. This way, they have time to determine if they want to continue supporting the program and be publicly associated with the fiscal sponsor (which they would need to report on their 990-PF tax return).

What is a private foundation?

A private foundation is a stand-alone charitable giving vehicle that is formed as a trust or corporation by the donors. It can be used in a variety of ways to further the families' charitable interests.

Key considerations for private foundations include:

- Private foundations are a popular choice when:
 - Families prefer flexibility in:
 - the types of assets and investments contributed and held
 - the planned philanthropic activity goes beyond grantmaking to 501c(3) organizations
 - Families prefer maximum family control
 - Families plan for the entity to endure for several generations
 - Families will be funding with a significant amount of assets today and over time.
- Donors must create a corporation or a trust, apply for Internal Revenue Service (IRS) tax-exempt status and pay filing, legal and accounting expenses. This can be done with an attorney or an outsourced provider.
- Financial and administrative services are handled by a board, professional advisors or hired staff. Administrative outsourcing services are available.
- Private foundations must file an IRS Form 990-PF and comply with other federal and state filing requirements.
- Typically, at least 5% of the foundation's prior year's average assets must be paid out annually.

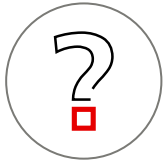
- The board or staff must verify the charitable status of all recipient organizations. Outsourced administrators or software can also be utilized.
- Annual tax returns are a matter of public record, including information regarding board members or trustees, grants, investment fees, staff and salaries.
- Donors have complete control of all grantmaking, subject to self-dealing rules. Not limited to gifts to public charities.
- Private foundations may exist in perpetuity and donors have control over succession.
- Foundations can appoint family and/or friends as employees, or to the board of directors, and pay their reasonable salaries and/or expenses.

For more information, please see:

Charitable giving: Rules of the road

Charitable giving vehicles: Donor-advised funds versus private foundations

Family conversations



Key questions

- Does your family have discussions that tackle issues such as values, guiding principles, legacy and other “big” topics?
- How often do you engage in deeper learning conversations as a family?

Deliberate communication among family members can support deeper understanding and stronger family relationships. These interactions do not always happen organically. Therefore, we encourage families to dedicate time and make the most of relevant tools and resources to help guide them. Conversations should expand awareness and understanding about individuals, couples and families—including personal strengths and talents, life experiences, important influences and more.

Family conversations provide an opportunity to get to know one another better, share fond memories and reflect on what matters to each family member. While many families communicate about day-to-day activities and top-of-mind topics, all families can benefit from exploring deeper topics with loved ones. Whether your family shares ideas in a family meeting, or over family dinners around the holidays, we have tools to help your family have more fruitful conversations. Check out a small sample of questions from our Family Conversations Kit at the right.

For more information, please see:

Family Conversations Kit

Money Talk Kit

Sample family discussion questions:

- What is a trait of yours (nonphysical) that you get from each of your parents?
- Can you describe a cherished childhood memory or routine?
- What are the life lessons you’ve learned from your parents for which you are most thankful?
- What is your best quality (answer for yourself or ask the group)?
- What is your favorite family tradition?
- What is something new that your family can do together?



Phase 2

Developing and growing
toward your vision

Family legacy



Key questions

- How do you define your individual legacy?
- What do you want to be remembered for?
- What do you want your family's legacy to be?
- How is your family living out its legacy today?



Legacy is more than what you leave behind: it is the life you have lived; the family you have been a part of; the footprint you have created on the world. When you take a broader view of your family's legacy, you can see how it is shaped by individual actions that make up a whole.

People work to create success as individuals and through the businesses they create. However, they don't typically see this as part of their legacy—especially at first. At some point as they progress on their wealth journey, the work to define and shape a legacy becomes more deliberate.

Families with a common view of their shared family legacy experience more cohesion. If each individual family member identifies how they can contribute, everyone can be a meaningful part of creating the family's shared definition of legacy.

Family history and family stories

Sharing family stories gives younger generations a view of where they come from, which helps shape who they are and who they will become. For some young people, the weight of the prominence of their family name, or the success of the generations that have come before them, can feel overwhelming. Sharing stories of hardship, perseverance and success allows these young people to give themselves more grace as they build their own distinct identity.

Research by Dr. Robyn Fivush, director of the Family Narratives Lab at Emory University, has demonstrated that children and adolescents who know more of their family stories show greater well-being on multiple measures, including higher self-esteem, academic competence, social competence and fewer behavioral problems.¹ This research reinforces the fact that family stories and the knowledge of family history are the bedrock of a strong family culture that sets up younger generations for success. We work with families to capture their family history and key family stories, as well as to develop practices for regularly sharing history and stories with loved ones.

Why stories matter

Take, for example, a family situation where a parent created several businesses that all failed before the children entered elementary school. But then came the idea that brought tremendous financial success. As the children got older, they moved into a larger home in a nicer town, perhaps joined a country club or went to private schools. When these children join the workforce, they might struggle with a learning curve and failures, leading them to wonder why they are not as successful as their parent. These children may not be aware or do not remember the failed attempts at starting a business that preceded the later success. They only remember or know the last few decades where the family flourished in the wake of incredible success. It is important for parents to share stories of failure, as they teach the importance of resilience, hard work and perseverance.

Consider also a third-generation wealthy family, where the children have never known anything but extreme financial comfort. It can be eye-opening for these young people to hear directly from a grandparent about the struggles and modest upbringing and the decisions that they had to make to achieve financial success. Such stories provide an opportunity for families to reinforce the guiding principles that they wish to pass on, as well as to explore the origin of those principles and the accompanying family values. Family history definitively shapes family culture—and the telling of history and stories provides the opportunity to strengthen family bonds.

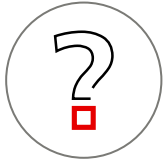
Multiple ways to capture stories

In a way, the technology available to us now increases our ability to capture these family stories. These can be written, e-mailed and printed in book form, captured on a simple phone-recorded video, or turned into a beautiful family keepsake by a professional recording and editing company. Consider writing down a few open-ended questions and asking them of parents or grandparents. Capturing these memories in their own words preserves them for the generations to come.

Stories make family history come to life. Perhaps you know of a family move from a certain state or country to the one you currently live in: but hearing about the journey is just as important, if not more so, than the destination. This not only reinforces the family values for the rising generations, but also highlights to them that the family journey is still being traveled, which is critical for their development and contribution to the family legacy.

¹Source: *How family stories help children weather hard times*, Carol Clark, Emory University, 2020.

Wealth and identity



Key questions

- Who are we within the landscape of our family?
- Who are we in our community?
- Who are we where we are free to create our own independent identity?



We often hear from the children of wealthy parents that they struggle to leave the shadows of their parents' success. In the early years, they might doubt the motivations of friends—do they really like me, or do they just like coming to play with my things? As children grow, these doubts manifest themselves in larger concerns—do people think I have my position because I earned it, or because of who my parents are?

Helping the rising generation have a clear sense of their identity is essential for helping them feel secure of their place in the family and world. Involving each generation in the discussion of who they are as a family helps to enhance the feeling of ownership over that identity. It also allows each generation to hear from their family members about things that might not be regularly discussed—revealing new sides of these individuals.

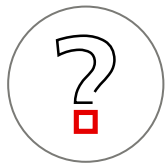
An essential component of development for the rising generation is “individuation.” This means establishing your own sense of identity as an individual with skills, knowledge, character and purpose. It involves growth and learning. It leads to separating your identity from the identities of your parents, teachers and other influencers in your life, including the wealth creator.

To truly “rise,” one needs to have an identity separate from financial wealth—whether you created that wealth or inherited it. We will explore this topic further in the section “Rising generation learning and development.”

Balancing identity and connection

Individuation does not mean individualism—losing connection with where you came from and other members of your family. It means maintaining a mature connection with others. It is a balance of separateness and connectedness, of independence and interdependence.

Philanthropic strategic planning



Key questions

- Have you developed a strategic plan for your family philanthropy?
- Do you have a plan for how you will make charitable giving decisions together as a family—both today and over the generations to come?
- Have you considered that your family might have differing views on how to practice philanthropy?

Philanthropy is a wonderful way to bring the family together around a shared purpose. In the absence of a family business where everyone works together, philanthropy can provide a unifying force. Where there is an opportunity to come together around a common cause or issue, it can create deeper bonds and reinforce the values the family shares.

It is important to consider the issue(s) your family will support thoroughly, as well as the organizations you choose to fund that are working in that area. Well-known individuals need to be especially careful about associating themselves with an organization before truly confirming that it is well-led and governed. Should something go wrong with an organization (whether operations, programs, management or oversight), the problem would certainly be covered in the press.

A good practice is to first reflect on the values that your family shares. Shared values are the base for many elements of family governance, which is why this reflection is an important first step. From there, you can think about what problems you want to solve, where you want to solve them and who joins you in that work. Our Philanthropy Visioning Kit is a helpful tool for a family brainstorming process. Your family might choose to keep the active philanthropy within one generation, to begin to involve those rising in responsibilities, or to partner with other philanthropic individuals or families to drive greater results.

Regardless of who is involved in making decisions, it is good practice to invite all the young people to listen in to the discussions about the grants being made, the causes being supported, and why you chose particular organizations or recipients over other applicants. We often say that “values are caught, not taught.” These younger generations watch what the family does and listen to what they say—and both shape their perception of the family values long before the family formally articulates them.

If the children are younger or are not yet aware of the extent of the family’s wealth, philanthropy can be a useful way for gradually increasing the information you share with children and grandchildren, while deepening bonds and teaching them valuable skills. It can provide access to a world beyond that in which they have grown up and teach them about empathy and the responsibilities that come with wealth.

For more information, please see:

Philanthropy compass

Philanthropy visioning kit

Strategic planning for philanthropy

Philanthropy governance and grantmaking

Welcoming adult children into key roles within a family's philanthropy can help to give them exposure and experience in leadership and decision-making. It can be a meaningful way to learn about finance, performance measurement, charitable programs and the issues they are looking to address. Involving the rising generation is also a way to clarify and emphasize shared values, keep the family centered on shared experiences and work toward or refine a family's legacy.



Roles and responsibilities in family philanthropy

When a family has a formal giving structure like a private foundation, there are some governance roles that are often held by senior family members. The total number of board members will vary: a minimum might be dictated by a state of incorporation, or if the foundation is established as a corporation or a trust. It is important that roles and responsibilities be assigned. While the titles might vary, there are minimum oversight responsibilities that are commonly assigned to the president (or chair), secretary and treasurer:



The President presides over board meetings, develops agendas for topics to be covered and facilitates the strategic board discussions.



The Treasurer oversees the financials, including the investment strategy, cash flow and administrative considerations. The treasurer is also responsible for ensuring that the minimum distribution requirements are met.



The Secretary is responsible for recording minutes from the board meetings to document what is discussed and to make these recorded minutes accessible for auditing purposes. Official minutes should include only key decisions and votes, and only those that the board deems necessary to make publicly accessible.

Engaging the rising generation

Beyond the formality of the board's roles and responsibilities, we find that clients are often interested in ways to engage their family in their philanthropic work. When your family has multiple generations and branches—that include children and stepchildren, grandchildren and great-grandchildren, nieces, nephews, cousins, partners, spouses and former spouses—you might wonder at what point and whether these family members should become involved in the family philanthropy.

If you decide that family members can become involved when they reach a certain age or stage, it is important to maintain that consistency for future generations. This decision might be part of a formal family governance structure.

An important first step is to share information with these members of your family. If they have been casual observers of the philanthropic activity, now is a great time to articulate the mission, the grant history and the origins of the family giving story.

Did your family create the giving vehicle from a liquidity event following the sale of a family business? Is it the result of an estate plan from a previous generation? Or does your philanthropy have a delicate or fraught origin story? Being transparent about the original purpose of the philanthropic vehicle, and the circumstances under which it was created, gives children important insights into their family's history.

For more information, please see:

Your seat at the table

Building a strong family foundation

Contributing roles in family philanthropy

There are many ways for family members to be involved and contribute to family philanthropy. Some potential roles and responsibilities include:

- **Communications and social media**—using virtual platforms to amplify the messages of your programmatic work. Designing or updating the website. Taking photos or making videos of your family's involvement in philanthropy.
- **Connectors**—working with networks and peers to raise awareness of issues and solutions, seeking the involvement of others.
- **Grantmakers**—using critical thinking skills to inform effective decisions.
- **Investment portfolio management**—working with a professional advisor to monitor and review the philanthropic investment portfolio; learning how the family invests to ensure charitable asset returns align with the intended charitable impact.
- **Leadership**—setting the vision, mission and milestones.
- **Measurement and evaluation**—working with organizations to measure and evaluate impact, and reporting back to the family.
- **Organizers**—initiating meetings and agendas; taking meeting notes.
- **Researchers**—conducting research on issues and nonprofits.
- **Volunteers**—spending time working with organizations and community members.



The formality of defining roles and responsibilities varies from structured to loosely defined. It may be that roles have never been defined. You may want to share the different ways of getting involved and see how individual family members would like to contribute. It is important to note that the opportunities to do so go beyond the formal board membership roles established at the formation of your family foundation.



Rising gen reflection questions

When you invite the rising generation in, invite them to reflect on some questions for themselves.

- What are my personal values?
- What is my personal definition of my top three values?
- How do my values correlate to my philanthropic motivation?
- Have I discussed personal values with my family members?
- Based upon our individual and shared values, how is our family philanthropy an expression of our values?
- How are your values aligned with those held by your family?
- What are the values that are uniquely you?
- How have the values of your family shaped the things that drive you?
- How might there be room for individuality within our family philanthropy strategy?

Learning and development



Key questions

- What role do we want the rising generations to play in the family structure?
- What skills do they need to have in order to be successful in their own lives?
- How do we ensure that they know how the family views the purpose of wealth?

It is important that the older generations provide opportunities for the rising generations to develop skills. Creating openings for learning, failing and succeeding is critical for their eventual success. Often successful parents want their children to become better versions of themselves, instead of recognizing who the children are and then finding ways to encourage their abilities.

Some parents err on the side of structuring their children's lives. Wealth can exacerbate this as parents look to expose their children to all the best schools, camps and activities. It's important to take note of what children are most interested in, to allow them to explore their innate abilities and learn at their own pace.

Ask yourself what you can do to promote your children's learning. Not just at school but through work experiences. Most children want to engage in grown-up work. Let your children learn by facing the challenge of doing something that meets the needs of others.

Accept failure. Most of us seek to insulate children from failure. When you reflect upon your own life, what moments stand out? The moments you won a prize or when you fell short and had to correct your course?

Education and preparation opportunities for the rising members of your family are critically important to the future success of your vision for your family. If younger members have been instilled with your values and money messages, and been given opportunities for hands-on learning, they are more likely to be set up for success.

Education in action

Successful teaching techniques include:

- Guide and supervise, don't direct and dictate.
- Compliment good behaviors, and use mistakes as learning opportunities.
- Be consistent, fair and willing to listen.
- Model the behaviors you want to see.
- Meet regularly to discuss these topics.

Creating a plan for the rising gen to follow helps to ensure that everyone is on a level playing field, with the same base level of knowledge. Often families will educate younger family members only about what they express an interest in—perhaps the family history or understanding financial markets. This can result in incomplete knowledge.

It's important for a family to have a plan to ensure that everyone receives the minimum amount of information necessary. All young people should know certain family stories, just as they should all have an understanding of the purpose of wealth and basic money management skills. Beyond that, those family members hoping to specialize can do so with a greater appreciation of what their siblings or cousins are focusing on.

Financial literacy

Teaching children about money and wealth is complex, and there is no one right way to do it. A good place to start is with your values, moving forward from there. One of the most important first steps is to ensure you and your coparent or guardian are aligned.

What do you most want children to learn?

- **Is it gratitude for what you have?** If so, emphasize service, empathy and giving to others in need.
- **Is it saving wisely for the future?** If so, offer to match whatever your children save until they reach a certain age. Then, together, come up with an investment plan for those funds.
- **Is it self-sufficiency and resilience?** If so, ask trusted friends to spend time with your children to discuss their careers and the journeys they took to success, including challenges along the way.

A smart way to begin teaching even very young children about money is to give them an allowance or a budget

and give them responsibility and autonomy around certain purchasing decisions. The article *Teaching children about money at different ages and stages* and the accompanying worksheet can help you to build a plan around good practice.

As children get older, you can help destigmatize the conversation around wealth and money. Have everyone learn a new topic each week and discuss over dinner—Money Mondays might just be the next themed dinner for your family. UBS has resources such as self-paced online modules at ubs.com/thecode to cover fundamental financial topics.

For more information, please see:

Teaching children about money at different ages and stages

Financial confidence workbook



After mastering the basics of financial literacy, you can build upon that knowledge by introducing more complex investment decisions. Perhaps you can do this through a rising gen donor-advised fund or a portion of their own investment accounts. It is important that you provide younger family members with a safe place to try something new—and potentially fail or succeed. Increasing responsibility allows for them to prove to themselves, and you, that they are ready for the next step.

Example: Rising gen education plan

1

Values and priorities

What are the values that are most important to you and your family?
(Interactive exercises can draw these out and help identify links to personal priorities.)

2

Investments and behavioral finance

- What are stocks, bonds and alternative investments? How best to allocate among these?
- What is the impact of adding to or spending from an investment portfolio?
- How do people think about risk in portfolios?
- How is the human brain wired to make financial decisions?

3

Personal finance

- What are the key steps in building a budget?
- How should we think about saving vs. spending vs. giving?
- What is the best method to pay down debt? Build credit?

4

Retirement planning and taxes

- What are the best ways to save for retirement?
- What is the difference between types of accounts and plans?
- How can taxes be minimized?

5

Estate planning

- What are the basic documents every person should have?
- What is a trust and its purpose?
- How do income and estate taxes influence your estate plan?

6

Philanthropy and giving back

- What are the vehicles and strategies to maximize your charitable giving?
- How do you optimize which asset to give?
- What is the family's approach to philanthropy and how can family members get involved?

Life skills and estate planning

Just as important as learning financial skills is cultivating other life skills, such as brainstorming, researching and problem-solving. These skills can be developed through exercises like planning a full day on a family trip, or even a full vacation. Working together is a wonderful way to deepen relationships among siblings and cousins. It gives them a chance to learn about each other's strengths and to support each other's growth and development. For young adult children, it is important to know that they and their relatives are not necessarily the same person they were when they were growing up. Part of this collaborative work is about how to move forward and see each other in a different light.

If you are presenting opportunities for siblings or cousins to work together, keep in mind that you should start small and work your way to bigger projects. Small successes feel great and if the stakes are not too high, mistakes can offer important learning opportunities.

Collaborate on a project

One approach you can take is to have the members of your rising generation work on a project together. Have an older member of the family serve as a project mentor and work with your rising generation team to develop a realistic objective and assign a budget that will allow them to achieve their goal. If they have previously planned a day, an excursion or a family vacation, a group activity might be to plan the entire trip. If they are working on a philanthropic project, they can present the charity or cause that they have selected at a board meeting and explain their decision-making process and rationale for support.

Organize a learning day

Another option is to organize a learning day where several leaders of nonprofit organizations make presentations to the family. Consider sending a predetermined and agreed upon set of questions to the organizations to guide their

In practice: Cousins discuss prenuptial agreements

A fourth generation family has a robust cousins' council, including 13 young people aged between 18 and 30. Two are married, and three are engaged. At the suggestion of the married cousins, the group devotes a cousins' council meeting to discussing the nature of navigating relationships with partners from different financial backgrounds. The unmarried cousins really valued discussing positive ways to approach the topic of a prenuptial agreement with their respective partners. They also decided to use the *Money Talk Kit* to support conversations with their partners about early experiences with money and people who had influenced them as a way to foster greater mutual understanding. In addition, they could use questions from the kit dealing with the future to start building a foundation for making financial decisions together when married.



presentations and offer them honoraria grants for their time. The rising generation could schedule and organize these meetings, which could replace site visits if there are older family members who may want to hear directly from the organizations but are unable to attend in person.

When children become young adults, it is also important to educate them about the basics of estate planning. Ensure they have appointed a medical health care power of attorney and have at least a simple will. You can also begin educating them about trust structures and more complex planning. This is a good time to start being more open about making annual exclusion gifts. Empower these young adults to make their own choices with the funds, giving an insight into how they would handle significant gifts.

If your family has multiple branches, a cousin's council might be helpful for these young people so that they have a forum for discussing issues that are important to them. They might want more in-depth information on estate planning, or perhaps to discuss among themselves such topics as challenges with friends or prenuptial agreements.

Their friends might not share the same level of wealth, so having a safe place to discuss issues and education as a family unit can help to foster family cohesion, as younger family members grow into the responsibility of managing the family wealth and structure. We have a full list of leadership and development opportunities that families can implement beginning on page 44.

For more information, please see:

Estate Planning: An Overview

Prenuptial and Postnuptial Agreements

Planning for Unmarried Individuals

Developing leadership and values

Consider the following ways to involve the rising generation:

Shadowing: Develop a rotation program within your family business, whether in an operating entity or managing wealth in the context of the family office. Have younger family members spend six months to a year learning about managing investments, the family's philanthropy or the family art collection.

Projects: Assign the rising generation a project. This could be the initial research for a business decision or a deep dive into a nonprofit organization the family is considering making a grant to. It might even be something as seemingly simple as planning a family vacation. These types of projects will help young people not only to develop various skills, but also to develop an appreciation for the skills of their generational peers.

Junior boards: Create junior board opportunities within sections of the family enterprise for cousins to work on together. Perhaps they could be responsible for a philanthropic program area or running the family donor-advised fund's investment portfolio. Young people could also chair an event for a charity that the family has supported for a long time to learn about being the family's public face.

Family governance and decision-making guidance



Key questions

- Do you have a family structure that enables efficient decision-making?
- How can you organize your family to make decisions together today and in the future?

Effective family governance is the act of organizing family values, objectives, actions and reactions to promote the long-term well-being of the family and its assets. Setting expectations going forward is often a goal of family governance and can set the stage for cohesiveness in sharing, telling and living the family story.

What is family governance?

"Family governance" may sound like a formal and somewhat daunting term, but that is not the intention. Family governance encompasses a wide range of concepts and activities and varies from family to family. Many families choose to approach governance in an informal way, and as their family grows and evolves over time (e.g., transitioning from second generation leadership to third), they choose to implement a more formal approach. In this section, we focus on the formal aspects of family governance.

Major roadblocks to success for families

1. Not having a plan for passing wealth to the next generation (succession planning).
2. Not communicating properly.
3. Not sharing information about decisions.
4. Not having proper family governance.



Family governance framework

Implementation tools

Family governance framework

- Formally codifies key elements of the family constitution
- Creates a formal and legally enforceable framework for family governance
- Secures a controlling stake of a family business
- Creates a succession framework for a family business
- Provides asset protection and succession mechanisms

Family office

- Coordinates the joint management of family assets
- Oversees all family ownership structures
- Organizes events and activities of the family and maintains the yearly events agenda
- Takes care of the family communication channels

Family constitution

- Family values, joint vision and mission
- Decision-making framework for the family and family enterprise
- Guiding principles for family decision-making

Family foundation

- The structure of philanthropic engagements at the family level
- Aims at perpetuating family values across generations

Family council

- Administers the family constitution
- Formulates family legacy strategy and long-term vision
- Ensures link to family business/family office
- Ensures education of family members as effective shareholders
- Next gen development programs

Family retreat

- The platform for overall family updates and communication
- Shares relevant information on family business and key projects

For illustrative purposes only. Please always read in conjunction with the risk information at the end of the document.

Why family governance?

Engaging in family governance can help provide unity and direction for many families. It may also allow older generations to share and instill clear values that they hope will continue as the family grows and matures. Setting expectations for the future is often a primary goal of family governance and can set the stage for cohesiveness in sharing, telling and living the family story.

Managing family wealth has become the main business for many families in today's world. It creates new challenges and opportunities as families seek to find roles for family members within this new structure. In many

cases, siblings or cousins need to learn to work together for the first time.

In some families, it might make sense to create a family strategy. A family strategy is a plan that aims to nurture and secure the family and its wealth for generations. As such, 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 such as businesses, real estate, finances and collections, as well as shared activities designed to bring the family closer together.

You'll need to get back to basics, defining who your family is and what it stands for.

So who is "family"? 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.

The 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; and joining a decision-making governing body.

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

Responsibilities include looking after the family's wealth, as well as 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 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

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 gain a better understanding of their relatives from the questions, discussions and emotions that arise. They develop better insights into each other's goals and places in the family. From there, families can build on these foundations. They can work to preserve and grow everything they stand for.

Thinking through our goals may encompass three different dimensions:

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

It's important to define shared goals as a family so that everyone knows what they are working toward. When you begin this way, you can start to figure out the action steps you will need to take to reach your destination. Define your milestones and create pathways for communication so that you have designated places to check in with one another, and a way to correct the course if you aren't achieving the steps you'd hoped for. There are multiple types of governing bodies for the family. Two main ones are the family assembly or the family council.

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.

Family council: The family council represents the whole family and is the main decision-making governing body for all family matters. Its members are usually appointed or elected by the family assembly. In smaller families, with just two generations, the family assembly and family council are likely to be one and the same.

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

Aside from formal governing bodies, your family might have a variety of goals and create family committees to work on these. For example, there might be a few people working on preserving and growing the family wealth. These individuals might work with their family office staff, including the chief investment officer, or serve on a family investment committee.

For more information, please see:

Family strategy compass

Phase 3

Actualizing your
purpose and refining
your path to success



Wealth stewardship and transition planning



Wealth stewardship refers to the responsible and sustainable management of wealth with a focus on preserving, growing and using financial resources for the benefit of current and future generations. It involves a holistic approach to managing wealth that goes beyond financial considerations.

It is vital that each family has a clearly defined perspective on what it means to be a responsible wealth steward. This understanding should be grounded in the purpose of the wealth and the family's values. Further, it should complement the family legacy. Such an approach provides a basis for the mutual understanding of responsibilities for all family members, so that they can meet expectations and contribute to the long-term success of the family.

Creating a culture of wealth stewardship within a family involves instilling values, fostering open communication and implementing practices that prioritize financial stewardship. As families explore the following foundational family advisory steps, they build a culture of wealth stewardship within their families:

- Define shared values
- Develop a family mission statement
- Promote and develop a plan for financial education
- Encourage open communication
- Explore family governance
- Clarify the expectations of family members
- Establish clear roles and responsibilities
- Promote long-term multigenerational thinking as it relates to family wealth

By taking these steps, families can establish a strong foundation for a culture of wealth stewardship that is rooted in shared values, open communication and a commitment to responsible financial management.



Families that pursue family advisory and family governance strategies put themselves in the best position to avoid these common conflicts:

- Conflicts over employment and compensation of family members
- Parent-child and sibling conflict over control
- Conflicts over different ownership strategies or percentages in a family business
- Conflicts between shareholders who are also managers of a family business vs. shareholders who are “outside” the business
- Tensions between the spouses of family members who are owners or managers in the business
- Conflicts over family strategy and direction

Families can prevent or mitigate conflict by: developing a solid family governance framework for family decision-making; developing and communicating the relevant policies (e.g., family employment agreement); ensuring that communication is regular and intentional so that family members are on the same page; and actively working to strengthen the family culture to be in alignment with the family’s vision and purpose. In rare instances, families may require the assistance of a conflict resolution specialist or a family psychologist.

Leadership development

Successful families actively invest in their human capital and provide opportunities for leadership development at all levels. Throughout this publication, we have referenced a number of ways families do this through philanthropy and financial education, or include more formal programs such as the following:

Leadership training programs

Explore formal leadership training programs tailored to the unique needs and goals of the family. These programs can cover a range of topics, including effective communication, decision-making, conflict resolution and strategic planning.

Leadership retreats and workshops

Attend leadership retreats or workshops that bring family members together in a focused and immersive environment. These events can provide opportunities for skill-building, relationship-building and strategic planning.

Mentorship programs

Establish mentorship initiatives within the family office or family business, pairing experienced family members with those who are younger or less experienced. This fosters the transfer of knowledge, skills and leadership insights.

Encourage continuous learning

Promote a culture of continuous learning by supporting family members in pursuing relevant educational opportunities, attending conferences and staying updated on industry trends and best practices.

Executive coaching

Offer executive coaching services for family members who are in leadership positions or preparing to take on leadership roles. Coaches can provide personalized guidance, helping individuals develop their leadership styles and navigate challenges.

Networking opportunities

Facilitate networking opportunities for family members to connect with other business leaders, industry professionals and experts. Networking can broaden perspectives and provide valuable insights for leadership development.

Education on family governance

Provide education on family governance structures, roles and responsibilities. Understanding the intricacies of family governance is crucial for effective leadership within a family enterprise.

Peer learning groups

Attend peer learning groups where family members can share experiences, insights and challenges. This collaborative approach can foster a sense of community and support among family leaders.

Emphasize emotional intelligence

Recognize the importance of emotional intelligence in leadership. Provide resources and training to help family members develop self-awareness, empathy and effective interpersonal skills.

Community involvement

Encourage family members to engage in leadership roles within external community organizations or philanthropic initiatives. This can provide valuable leadership experience and contribute to personal development.

Leadership assessments

Utilize leadership assessments to identify strengths and areas for growth among family members. This information can guide targeted development efforts.

Regular family meetings

Incorporate leadership discussions into regular family meetings. These meetings can serve as forums for addressing leadership challenges, setting goals and fostering collaboration.

By implementing a combination of these strategies, families can actively contribute to the leadership development of family members, preparing them for the responsibilities and challenges throughout their family wealth journey.

In practice: Creating connections with peers

Young people whose families have experienced significant financial success face unique situations. They may come from an entrepreneurial family and are considering a role in the family business. They may be thinking of developing their own ventures. Perhaps they are next in line to manage substantial wealth. It can be difficult to find a community of peers who can relate to these kinds of situations. For those fortunate enough to be in a multigenerational family, they might create a cousins council that meets regularly to discuss topics relevant to their generation. Navigating relationships with friends or partners, situations at work or even intrafamily loans can be topics discussed among wealth peers. Connections through peer networking groups can be very meaningful, and even lead to interesting partnerships in business, philanthropy or other areas.

Succession planning: family, business, philanthropy

Family governance is the area of activity most often overlooked by families with businesses, but in the long run it may have the greatest impact on the cohesion (or dissolution) of a family enterprise. Family governance necessarily reflects the culture of the family. Is it “closed” or communicative? Hierarchical or collaborative? Does the family culture have certain views about gender or the inclusion of in-laws? How are decisions made? Is there a shared dream?

The appropriate forms of family governance will follow from the functions it seeks to perform. These functions become apparent by assessing the needs, strengths and challenges of the family-business system. Such an assessment involves considering the level of engagement by the family in the enterprise, the phase of generational ownership, the family’s current attitudes around keeping or selling the business, and the attitudes of the family toward balancing the needs of the business versus the personal needs of the family.

Family governance can then take the form of shareholder agreements, as well as plans for the education and engagement of rising generation family members. Very often, a family will establish a family council that represents, and gives voice to, the family in its interactions with the board of directors for the business.

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. In either situation, having their voices involved in the decisions around what comes next for a family enterprise will ensure smooth transitions and continued success.



Family governance execution: documents

Trusts

Families with significant wealth should engage in planning to navigate the complexities of passing along that wealth. These families often have a variety of trust structures to hold their assets, which allows them to transfer wealth outside the probate court that governs wills. Your UBS Financial Advisor can connect you with our Advanced Planning team to discuss what types of trust structures would make the most sense for your circumstances.

Ethical wills and letters of wishes

The trust itself is a guiding document, governed by legal terms, with distributions made and approved by trustees. Writing a letter of wishes—also commonly known as a legacy letter or ethical will—is a good practice when setting up a trust, although this is not a legally binding document. A letter of wishes allows the giver to capture the spirit of his or her intentions: it communicates these intentions both to the beneficiaries of the wealth and the trustees. This document conveys and memorializes one's purpose, values and guiding principles to heirs, with the intention to reinforce a legacy beyond wealth and assets. The letter can be a communication of love, gratitude and forgiveness to your family, friends and community.

Intention versus amount

We are often asked how much is the right amount to leave to a child or grandchild to enable them to do what they want, while still encouraging their motivation and drive. More important than the dollar amount is the intention and readiness to receive.

Family constitutions

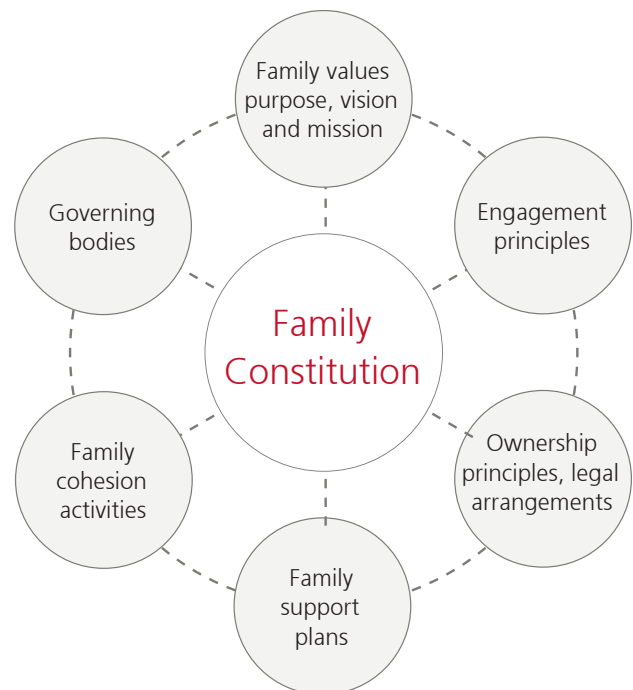
Family governance is a system of plans and structures that foster harmony and make decisions more transparent within the family system. A key part of formalizing family governance is the creation of a family constitution. A family constitution (or family charter) is a document that describes how the family governance system works. It offers a big advantage in describing not only every component of the governance system but also what the family is about. It also clarifies 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.

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.
- Take your time. A constitution is often created in a building blocks approach where families tackle one section at a time. The full completion may take several years or more.
- View it as a morally and emotionally binding document. However, once you've completed the document and everyone has signed it, you should work out what legal documents you might need to amend—such as shareholder agreements, letters of wishes and 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.

A family constitution often contains many elements previously highlighted in the Family Advisory Road Map, such as values, purpose, vision and mission. It also expands

beyond the basics. While a family should customize their constitution and include sections that are most relevant to their family, the most common components are: the introduction; family history; background and definition of family; and defining statements (values, purpose, vision and mission). A family constitution will also often include the following governance elements: engagement principles; ownership principles and legal arrangements; family support plans; family cohesion activities; and governing bodies.



Typical elements of family constitutions

- Introduction
- 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

Introduction

The introduction explains the purpose of the family constitution, 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 such as 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 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

Your family's defining statements on its values, purpose, vision and mission will be the foundation of 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 too 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. 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

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 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

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 vehicle). 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 or other governing body 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.

Ownership principles and legal arrangements

It's crucial that families define ownership principles for their assets (including the operating family business, financial investments and tangible assets such as real estate properties, collectibles 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 future generations
- 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.

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.

Family support plans

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, rising 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 well-being—Investing in the well-being of family members

Family cohesion activities

Good communication and regular interactions between family members builds trust and promotes togetherness. Family cohesion activated provide the forum for communication and interaction.

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 (a governing body) is usually responsible for organizing the annual family gathering.

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.

Family philanthropy

Family philanthropy provides a natural opportunity for family cohesion. 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. It can:

- 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 rising generation to develop their skills, interests and abilities
- help establish the family’s name and create a legacy

Governing bodies

Managing families and their wealth becomes more complex over time, especially as they grow and members move across the globe. That is 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.

The most common governing bodies are:

- Family assembly
- Family council

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. Its members are usually appointed or elected by the family assembly. The family council:

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)

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. Additionally, many families also choose to establish an investment committee to define and supervise the family's strategy, goals and guidelines for investing.

For more information please see:

Family strategy compass

Philanthropy compass



Family meetings

The value of family meetings

For tackling family advisory topics, family meetings provide the best forum. Families may choose to organize a recurring platform for family assemblies or meetings. This may take the form of annual or biannual family meetings. Family meetings should be designed and executed for maximum engagement and participation by all attendees and not designed solely for one-way information sharing. Family meetings should have a prepared agenda so that family discussions run as smoothly as possible. Some topics for family meetings may be:

- Review family assets (both personal-use assets and charitable entities) and family capital (financial, human, intellectual, social and spiritual).
- Review the estate plan that will dictate the transition of assets from generation to generation so there will be no surprises. Families may also discuss the specific provisions of estate planning vehicles, so that each generation may organize its own estate planning documents in the most efficient manner. For example, it may be beneficial for younger family members to exercise certain powers given to them under the estate plans of prior generations. If younger family members are unaware of an older generation's estate plan, they may miss certain planning opportunities for their benefit and the benefit of their descendants.
- Discuss the family's immediate and long-term philanthropic goals.
- Allow children, grandchildren and even great-grandchildren to allocate a certain amount of family philanthropic assets to charities of their choosing. They may be allowed, or required, to share which causes and related philanthropic entities they have picked and why. This could promote the sharing of ideas and passions between older and younger generations.

- Discuss long-term philanthropic goals and set forth a five- or 10-year plan to accomplish such goals.
- Share family history through stories told by the older generation, so that family heritage is respected and appreciated. Members of the younger generations may offer school, career and personal aspiration updates.
- Explore educational topics such as financial education, team-building, communication exercises and goal-setting. The UBS Family Advisory and Philanthropy Services team has many resources to assist your family in these areas.
- Organize a schedule for sharing family personal-use property, such as a family lake house, ranch or beach condominium, so that family members do not become frustrated while trying to plan use and maintenance of these family properties.

Much more can be incorporated into a family meeting. Most importantly, meetings should be engaging and reflect what the family members would like to discuss. It is also important to involve many voices in setting the agenda and cadence of meetings. The UBS Family Advisory and Philanthropy team is here to help.

For more information, please see:

Planning your family meeting



Client
stories

Family starts with the “basics”

Family profile

Generation 1	Couple, married since college
Generation 2	Two adult children. Both married. Strong relationships with their spouses and children.
Generation 3	One infant grandchild

Background

One spouse is a 60-year-old successful entrepreneur who plans to sell the business in the next three to six years. Firm believers in the value of preparation as a contributor to successful outcomes, the couple can foresee:

1. After the sale, they will have to navigate a different family wealth journey—one where the balance sheet will have a lot more liquidity than today.
2. If all goes according to plan, the wealth that they have created will outlive them, and likely also outlive their children and grandchildren.
3. They need to prepare their heirs so that their inherited wealth does not negatively affect them and they become responsible stewards of the family wealth to benefit later generations.
4. They need to make sure that they are on the same page and want to work together now to shape the family culture and foster family cohesion.

Solution

Given that this family is early in their wealth journey on the Family Advisory Road Map, we recommended that they start with the building blocks of Phase 1. The family does not yet need formal family governance, but that does not mean they cannot get started.



Road map

1. Core values
2. Vision for the future
3. Communication styles exercise
4. Family mission statement
5. Family philanthropy

Governance for a family limited liability company

Family profile

Generation 1

Couple, married for 30+ years

Generation 2

Three daughters, not married, no grandchildren

Background

One parent is the second generation of a successful business-owning family. While their family experienced one successful business sale 15+ years ago, they are poised for another eventual exit that will bring additional significant liquidity to the family balance sheet. In preparation for this, the couple has implemented sophisticated estate planning strategies, including forming a family limited liability company (LLC) for the management and oversight of the liquid assets currently on the balance sheet.

Solution

To prepare their three daughters for the eventual responsibility of overseeing the management of the family wealth, the couple has engaged them in the LLC now, with the oldest serving as the investment advisor to the LLC and the other two serving as important investment committee members. With roles and responsibilities defined, the family needed to tackle the basics (i.e., clarify their values, vision and mission) as well as sort through important governance principles for the LLC, including how investment decisions will be made and how distributions will be handled.

Additionally, the couple took the opportunity to articulate (before any of their girls are engaged) that the culture of our family includes premarital agreements to protect the family assets. While the family embraces the notion that life is about transitions, including welcoming new members, they took the opportunity to set the norms before there were specific people in the mix.

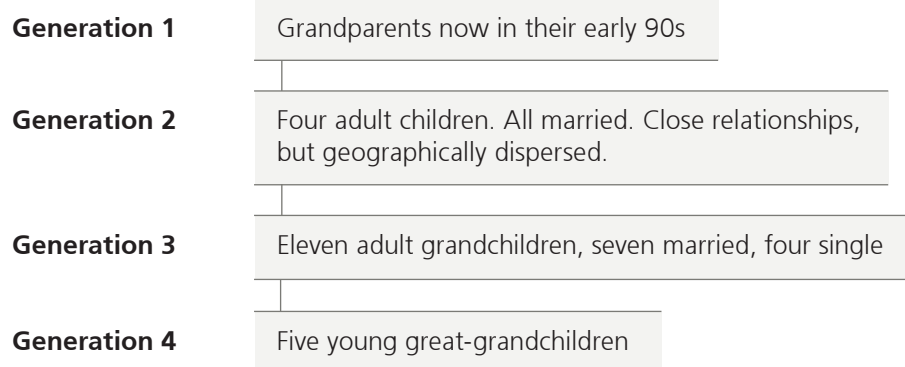


Road map

1. Core values
2. Vision
3. Family mission statement
4. LLC governance—
investment decisions
5. LLC governance—
distribution decisions
6. Communication styles
7. Family foundation

Philanthropic family reevaluates its giving

Family profile



Background

The grandparents created and sold a business 25 years ago, achieving great personal success as well as creating a sizeable family foundation. They always included their adult children in their gifting and have transitioned leadership to the second generation. Several members of the third generation have become involved in a small way, but do not feel ties to their grandparents' local community, which is where most of the giving has taken place. The family realizes:

1. The local community is no longer as important to the family, as everyone has moved away.
2. The family has made many small grants but has not created significant change in any area.
3. The family would like to involve all members of the third generation, as well as the fourth generation when they are old enough. However, they want to ensure that the foundation has meaning for the family, as well as to instill a sense of family community and shared purpose around the family's giving.

Solution

The family wanted to work together to identify where they want to drive change. They engaged in a philanthropic brainstorming exercise with the UBS Family Advisory and Philanthropy Services team to identify three focus areas. Each year, members of the rising generation select one of these areas and lead the Family Giving Circle in a thoughtful and engaging process to review proposals and award grants.



Road map

1. Core values
2. Vision for the future
3. Family stories, including creating a video of why the grandparents started the foundation and what they hoped it would achieve for the community as well as for future generations
4. Family philanthropy brainstorming and mission creation
5. Evaluation and execution

Concluding remarks

Like many of our clients, you may be wondering how your family can flourish today and, ideally, for generations to come. You want your family members to be successful and your definition of success may be distinct from theirs.

In many ways, yours is a common problem. Just as families are getting wealthier, more challenges are emerging that might thwart your aims. There are many distractions for the young and some of them may not be comfortable with their wealth. What's more, many families now include extended branches through divorce and remarriage.

UBS Family Advisory and Philanthropy brings decades of experience helping families build road maps that can guide them through not only the immediate challenges they face, but also help support future generations with a clear direction forward.

Get started

To learn more about how UBS Family Advisory and Philanthropy can help create a road map for you and your family, please contact your UBS Financial Advisor. You can also visit us online at ubs.com/yourlegacy.



Resources

Speak with your UBS Financial Advisor to receive copies of the following UBS publications:

An overview of family mission statements

Building a strong family foundation

Charitable giving: Rules of the road

Family Advisory Road Map worksheet

Family conversation kit

Family strategy compass

Financial confidence workbook

Money talk kit

My money book

Philanthropy compass

Philanthropy visioning kit

Purposeful dialogue

Planning your family meeting

Teaching children about money at different ages and stages

The family balance sheet

Your seat at the table

Important information

Neither UBS Financial Services Inc. nor its employees (including its Financial Advisors) provide tax or legal advice. You should consult with your legal counsel and/or your accountant or tax professional regarding the legal or tax implications of a particular suggestion, strategy or investment, including any estate planning strategies, before you invest or implement.

Important information about brokerage and advisory services

As a firm providing wealth management services to clients, UBS Financial Services Inc. offers investment advisory services in its capacity as an SEC-registered investment adviser and brokerage services in its capacity as an SEC-registered broker-dealer. Investment advisory services and brokerage services are separate and distinct, differ in material ways and are governed by different laws and separate arrangements. It is important that you understand the ways in which we conduct business, and that you carefully read the agreements and disclosures that we provide to you about the products or services we offer. For more information, please review the client relationship summary provided at ubs.com/relationshipsummary, or ask your UBS Financial Advisor for a copy.

The views and opinions expressed in this document may not be those of UBS, its subsidiaries or its affiliate companies ("UBS"). Although the information and opinions expressed in this document were obtained in good faith from sources believed to be reliable, no representation or warranty, express or implied, is made as to their accuracy or completeness. Information and opinions contained in the document are subject to change without notice. UBS denies all liability over the content of this material or any claims, losses or damages arising from the use or reliance of all or any part thereof. Copying, editing, modifying, distributing, sharing, linking or any other use of this material (whether for commercial purposes or otherwise), other than personal use, without UBS's prior written permission is strictly prohibited.

This document is for your information only and should not be relied upon as investment advice or the basis for making any investment decisions. It does not constitute an offer to sell or a solicitation of an offer to buy any specific product or service. UBS retains the right to change the range of services, the products and the prices at any time without prior notice. Certain services and products are subject to legal provisions and cannot therefore be offered worldwide on an unrestricted basis. UBS does not provide legal or tax advice and this document does not constitute such advice. UBS strongly recommends that persons obtain appropriate independent legal, tax, and other professional advice.

In Switzerland, UBS is authorized and regulated by the Financial Market Supervisory Authority. In the United Kingdom, UBS is authorized by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available on request. In the United States, UBS Global Wealth Management operates through UBS Financial Services Inc., which is subject to the regulation of the US Securities Exchange Commission, and is a member firm of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In providing wealth management services to clients in the United States, UBS offers both investment advisory and brokerage services, which are separate and distinct and differ in material ways. For information, including the different laws and contracts that govern, visit ubs.com/workingwithus.

© UBS 2024. All rights reserved. The key symbol and UBS are among the registered and unregistered trademarks of UBS. UBS Financial Services Inc. is a subsidiary of UBS AG. Member FINRA/SIPC.

UBS Financial Services Inc.

ubs.com/fs

IS3766843 EXP 08/06/2025 2024-1355950

