The Pragmatic Planner: The Bridge Between Human Goals and Concrete Results

By Timothy J. Belber

In the first article in this series we looked at the difference between a wealth transition plan and a wealth transfer plan. One of the critical differences lies in the type of planner facilitating the plan. In this article we will examine the idea of being a "Pragmatic Planner" and how that approach can lead to the accomplishment of important human goals through the use of excellent technical planning strategies. We will look at who the Pragmatic Planner might be, and then continue to use the Wilde Family to illustrate the planner as the "bridge to action."

What Is a Pragmatic Planner?

"Pragmatism" is often thought of as purely a concern with the practical. For the purposes of this discussion we will use the philosophy of pragmatism as described by William James paraphrased below:

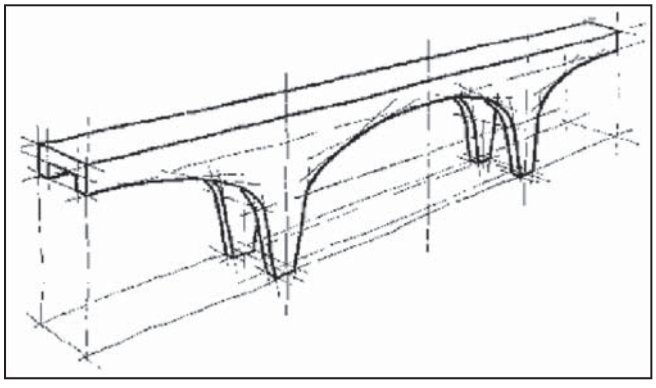
> The function of thought is to guide action and the true value of an idea is only found in its results.

Pragmatism in this view concerns itself with the measureable value of a concept separate from its attractiveness as a statement. If the idea of a values based or purposeful estate plan being beneficial for the long term health of a family and its members is to have merit it must generate a meaningful result as defined by the client family. The Pragmatic Planner accepts this proposition and becomes the bridge from articulating the goal to creating the result.

The Pragmatic Planner is:

- an artistic strategist,
- nimble minded,
- accomplishment-based,
- an effectual thinker,
- a seeker of appropriate simplicity, and
- authentic.

Figure 1.



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An Artistic Strategist

The historical artist, whether it be Michelangelo or Da Vinci, sought to serve their patron. They were the bridge between the idea of the masterpiece and the actual creation. The painter begins with brush, canvas, paint and the idea, as articulated by the patron. The skilled artist facilitates the patron's thinking. The patron is unconcerned with the type of brush, exact method used to create the depth of expression (*e.g.*, Da Vince used a process that has been called Sfumato to create the effect of light coming from within the painting) or other techniques. The Patron's excitement is the promise of a creation of wonder and fulfillment.

The same must hold true for the planner. If through skillful discovery we can assist clients in "describing the ideal future" or "articulating their dreams" then whether we use a qualified personal residence trust (QPRT), a grantor retained annuity trust (GRAT), an irrevocable life insurance trust (ILIT) or a charitable lead annuity trust (CLAT), is mostly of no concern as long as the human dream is realized. The Pragmatic Planner has the developed the mind set of first, the dream to be accomplished, and second, the strategies to be implemented. Much as a great architect will ask: "How do you want to feel when you turn into driveway, open your front door and look into your home?", the Pragmatic Planner will have a set of artistic questions such as:

- What do you want your family to think, feel, and say when they hear your name?
- What do you want to see more of in the world? What do you want to see less of?
- What are the important values/virtues that contributed to your success?
- If you had thirty minutes to write a last letter to your children and grandchildren, what would you tell them?

The use of strategies then is about skillful combinations rather than individual vacuums. For example, individual mosaic tiles are often quite beautiful. However, when combined by an artist to accomplish the patron's vision, their beauty grows geometrically as the Ravenna Mosaic of Emperor Justinian illustrates. (Reproduced courtesy of Stanford University).

Figure 2.

While the skillful use of colored tiles creates timeless art, just throwing all the same tiles together creates nothing more than a complex mess. So it is with clients who implement "one off" (not to be duplicated) strategies presented to them as "timely ideas." The same can be said for the inclusion of important functions such as disclaimers, limited powers of attorney, age based distributions, merely because they are in the document engine. Every element of the plan should add to the accomplishment of the patron's vision.

Nimble Minded

In Family Wealth, Jay Hughes describes the ideal advisor as having a mind that can move like a grasshopper; able to jump among various ideas and projects quickly and easily. The advisor should be someone who has the ability to work on a variety of questions and can bring this broad experience to bear on the client's situation. This also translates to being a systems thinker, looking at the whole, while at the same time focusing on the task hand. For example, the execution of any strategy, whether it involves life insurance, a collar strategy for a concentrated stock position, or the creation of a family limited liability company, has unique benefits, as well as an impact on the overall long-term position of the family and its members. The ability to see both is critical to acting as the bridge between long-term family goals and strategy implementation.

Accomplishment-Oriented

When an estate planning client says: "I want to eliminate Federal Estate Taxes," the Pragmatic Planner will ask: "What do you hope to accomplish by doing that?" The creation or preservation of family financial assets is only the bridge to the realization of a human based goal. The truth of the idea that saving estate taxes is a worthy goal lies in whether the results are beneficial or not. Impeccable execution of a strategy is not the same as assisting a client accomplish something really meaningful. Execution is a critical part, but much like the curious child, Pragmatic Planners will always be asking: Why?

An Effectual Thinker

In very simple terms this means that we should begin by working with what we have and then think about what we need to add. Too often, planners overlook the utility in an existing strategy because of our natural bent to review to find problems and then heroically solve them. In a wonderful article for the Harvard Business Review entitled *What Makes Entrepreneurs Entrepreneurial?*, Saras Sarasvathy describes effectual reasoning:

> Effectual reasoning, however, does not begin with a specific goal. Instead, it begins with a given set of means and allows goals to emerge contingently over time from the varied imagination and diverse aspirations of the founders and the people they interact with.

For the Pragmatic Planner who wants to be the bridge between human goals and concrete results this means understanding the starting point and having an awareness of the reality of change overtime. In most cases this requires understanding the state of health of what Jay Hughes describes as the family's four capitals:

- Human Capital—Who are the people in the family and what is unique about each of them?
- Intellectual Capital—What wisdom has the family built over time, both individually and collectively?
- Social Capital—What is the current role of the family and its members in the community and world?
- Financial Capital—What are the resources and what planning has been done to date?

A Seeker of Appropriate Simplicity

We should be able to explain to our clients how our recommendation will help them accomplish their human goals—period. This applies to any and all "complex" legal, tax, insurance, or investment strategies. This does not mean we avoid complexity, but rather we manage it. The artist's techniques with brush and oil only matter if they generate the result that matters to the patron. The Pragmatic Planner adopts the same approach. The planner is able to explain why a recommended idea, no matter how complex, is integral to achieving the client's human goals. For example, in describing the Family Investment LLC, a planner might say:

> By creating a limited liability company, we can begin transitioning financial assets to your children. At the same time, they can all serve on the investment committee with you, which will start them on the path of becoming empowered owners of wealth. You and I will meet regularly to make sure the plan stays on track, but just as importantly to see how you are feeling about the interactions you are experiencing with your children.

Not only does this discussion address how the strategy is tied to one of the human goals the client has for his or her children, but demonstrates effectual thinking by the planner. Lastly, complexity is not ignored, but dealt with effectively. Clients value having complexity managed but only if there is accompanying peace of mind instead of angst.

> *"I wouldn't give a fig for the simplicity on this side of complexity; I would give my right arm for the simplicity on the far side of complexity"*
> Oliver Wendell Holmes

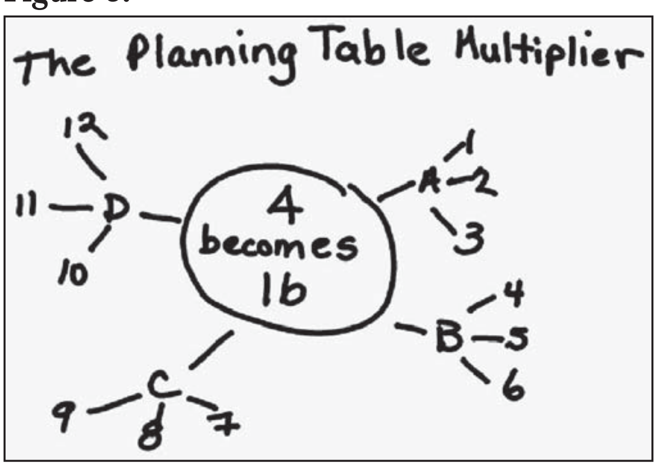
Authentic–In Business or Practice?

Pragmatic Planners are authentic in understanding who they are and what they deliver. At the core of this is the question of, "Are you in business or do you have a practice?" We all will have a core competency, such as law, investments, accounting, or life insurance. The critical question is: Do we act as if we have products seeking transactions, or as an artist seeking to create for our patron?

There is no right or wrong answer, merely an awareness of who we are and how we best serve our clientele. Much of the balance of this article will be focused on the "artist"; however, the pragmatic approach serves every advisor. Using the idea of real accomplishment will create better transactional relationships for both the client and the advisor. Being in business only means you seek a larger market for your products and services. Being in practice only means you seek to serve a smaller number, but in a more holistic manner. "In practice" advisors need "in business' advisors, and vice versa. Clients need both as well. The only thing that matters is to be authentic in the role you are or want to play with clients.

The Pragmatic Planner is at the table to be with the client rather than to perform. For example, if four advisors gather at the planning table to focus on a client's situation with no concern about posturing for individual position, the potential for solid outcomes exists. This is because they will much more readily be able to tap into their wisdom for benefit the group. Let's call this the "Planning Table Multiplier Effect." When individual egos are put aside, all the best resources come into the room. Wisdom from say, the top three influencers in each participant's professional life is easily accessed. This would turn four people into 16 sources of ideas. Open exchanges and reflective responses become the norm. It is no longer about being the star performer, but about having as much wisdom as possible brought to the table.

Figure 3.



The Pragmatic Planner brings both technical skills and a client-centric, accomplishment-based, mindset to every client engagement.

The Pragmatic Planning Engagement

In the first article the Pragmatic Process was outlined and we met the Wilde Family. To recap:

- G1—Wealth Holders:
  - Dad, age 60.
  - Mom, age 58.
- G2—Next Generation:
  - Sara, age 35—Single.
  - Josh, age 32—Married, no children.
  - Naomi, age 30—Single.
- The family has a net worth of $38,000,000, composed of three homes and publicly traded securities.

Let's now take the family and detail how a Pragmatic Planner can be the bridge between the family's human goals and measurable results.

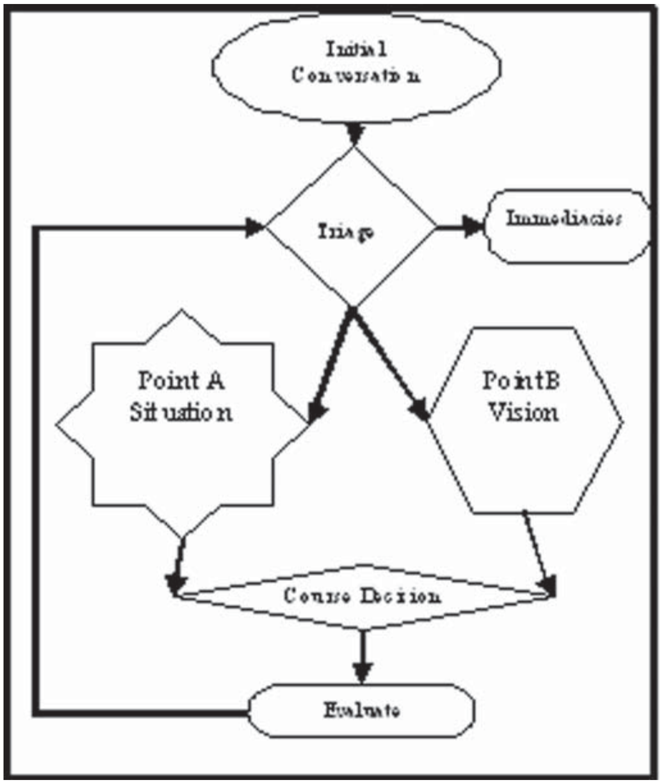
The Initial Conversation

The introduction to the family was made by their attorney, John. Dad expressed some worry about how the family's wealth was going to work for both generations. He felt that he had good investment advice, but not really a solid overall financial plan. The family attorney suggested a conversation with a planner whose practice focuses on thoughtful generational wealth planning. John arranged an introduction.

The planner (let's call him Tim), met with Mr. and Mrs. Wilde to talk over their situation and lay some groundwork for thinking about wealth and family. Being a Pragmatic Planner, Tim believes that three important concepts are critical for the initial conversation to be meaningful, useful, and, most importantly, not compound the angst Mr and Mrs. Wilde are feeling about their financial wealth and family.

Tim has no answers and does not expect any. The sole focus of the Pragmatic Planner and the clients in the initial conversation is to consider what questions are appropriate for the family to be considering. Tim's focus is to promote thinking around the family and its four capitals (human capital, intellectual capital, social capital, and financial capital). If the Wildes begin to understand that there are many possibilities rather than a few, and that Tim has a process that may help, the conversation will be successful.

Figure 4.



The power of the idea rather the person presenting it is what matters. Instead of a lot of material about how good Tim is at creating financial and estate plans, the discussion of family is front and center; their vision, goals, stories and the thinking that underlies who they are is front and center.

Tim has no attachment to any outcome. This may be the hardest attitude to adopt. We all want to be engaged, as our business requires clients. However, if we enter the family's space with no expectation other than a conversation about them it actually allows us to be more authentic and less of a performer. This in turn will lead to more long-term meaningful client relationships.

The ideas that are usually presented in the initial conversation include:

- The four capitals: human, intellectual, social and financial;
- Accomplishment-based planning rather than purely tax/financial ideas;
- Inquiry into what they expect or hope for from advisors and the current communication strategy;
- The concept of wealth transition versus wealth transfer;
- The concept of Tim's role as facilitator of thinking, guiding action leading to results; and
- The concept of an organic, sustainable process for planning for wealth and family.

From Mr. and Mrs. Wilde, the following six major themes/topics came out in the initial conversation:

- They are somewhat concerned about how their investments are being managed. They often do not understand why they are in invested in particular portfolios. They sometimes feel they are not heard by all their advisors in a meaningful way. They "like" all the advisors, but the "most trusted advisor" is their attorney, John. He gave them a book on children and money, but all it did was increase their uncertainty about their current planning. This was when John suggested a conversation with Tim.
- They are somewhat concerned with the relationship their children have with each other, especially when it comes to constantly watching "who gets what from Mom and Dad."
- They have not had any conversations with their children about the role of financial wealth. They worry that if they leave each child a large sum of money it will negatively effect the child's personal growth.
- They liked the idea of "thinking first, then acting" when it comes to integrating the four capitals of family wealth.
- Their most immediate concern (elucidated by the question: Is there anything in your financial life that is top of mind right now that I may be able to help with?) is a trust distribution of $250,000 coming up for their eldest child. This is a result of some planning done several years ago with a prior attorney. It reflects how planning has been approached thus far—one off ideas presented by individual advisors.
- While they are not sure about a full project, they like they idea of seeing how their real thinking could be incorporated in their planning. Real thinking occurs when you can talk about the outcomes you would like to see and not be told what others in your situation usually do. Second, they are looking for some thoughts on handling the distribution to Sara. They agree to do an initial discovery process around vision and planning for a fee. (In the next article on the Pragmatic Practice, we will discuss compensation and the use of fees in greater detail.)

Triage: Lifting the Vellum to Read the Page Underneath

If you have ever tried to read through a sheet of vellum you know that even though there is valuable writing under it, you can't quite make it out. You need to remove the vellum to really see clearly.

Too often advisors are in a hurry to "get into their process." This comes from a historical "solutions-based" mindset. Unfortunately, this can lead to stalled planning or incomplete satisfaction of the client's real or true goals. Before moving into creating the bridge, it is imperative to deal with the client's vellum, the stone in the shoe, or the burr under the saddle. This takes patience as it maybe something that requires you to tap into resources outside your own office. In the Wilde's situation, dealing with the drop of $250,000 into Sara's lap is top of mind for them. It should be top of mind for Tim as well.

Based on the six key themes, Tim suggested creating a ritual for the distribution. This was done at a family gathering with the entire family (including Josh's spouse, Stella) present. The gathering agenda covered:

- An overview of the family's four capitals;
- A discussion of the role of financial capital in the lives of the family members;
- The purpose of using the trusts;
- A review of the meaning and terms of the trust;
- The presentation of the check to Sara, along with a request that at the next gathering she share with the family what she enjoyed and struggled with having direct ownership of a significant sum of money; and
- Contact information for Sara and anyone else who may want help or support with financial affairs.

Critical to the success of this initial meeting were three factors:

- There was no expectation of any outcome.
- There was nothing to generate a "fight, flight or freeze" response from any attendees. At an initial family gathering it is critical to keep the critical spotlight off all family members.
- The conversation was transparent; there was no hidden agenda.

Mom and Dad were very pleased with the conversation and felt they had established a new foundation for talking about financial assets and their role within the family. They were also ready to move ahead and build an integrated wealth strategy based on their vision of the future. They had now experienced and understood the concept of thought-driven action (more on this as the cornerstone of a Pragmatic Practice in the final article).

Transition Planning: Point A Situation to Point B Vision

The first step was to clarify what "family-based" results Mom and Dad were hoping to achieve. Expanding on the six major themes,Tim helped them arrive at the following desired results:

- Peace of mind through understanding why each element of their plan looks like it does;
- Peace of mind about their own security and that of their children;
- The ability to have conversations with the entire family about financial affairs, without explosions;
- A sense that their children were leading their own lives in a healthy and happy manner;
- A feeling that their advisors were all working together;
- A feeling that their children were being prepared to inherit what they will inherit;
- That their true Legacy (*that is*, what is felt, thought and said when someone says your name) was reflected in every aspect of their planning;
- Philanthropy done as a family supporting an individual member's concerns;
- As much flexibility as possible in all aspects of the wealth plan; and
- A feeling that they had done overall "smart" planning in terms of both family and financial asset preservation.

The next step was to define the current situation in terms of:

- The current and projected family cash-flow needs through a financial model;
- The estate plan and distribution through a flow chart or map;
- The overall investment strategy and investment policy statement;
- The level of "wealth education" of each family member, either from experience or education; and
- The personal characteristics of each family member via assessment tools such as Kolbe, Financial DNA or The Color Code tests for evaluating personal and financial behavior. These assessments (and others as well) do not measure one person against another. Instead they highlight individual strengths and opportunities.

To date, all of the implemented strategies had been built to serve the protection of the financial capital and reduce taxes. Mom and Dad had no idea how these would actually serve the family. Tim helped them begin by defining the bridge we needed to reach the vision, defined by the ten desired results. Mom and Dad were also aware that the results they desired were based on what they could see currently. As new data points appeared, the desired results would be modified or increased.

The "peace of mind goals"were addressed by first defining the overall human goals and second by relating them to individual planning areas. These statements were for the most part one or two paragraphs long, but they added a level of clarity around "why are we doing this" that is difficult to measure.

An investment policy statement was created that began with a statement about who the investments were to serve, what Mom and Dad wanted to feel about the investment portfolio, what were their views on short-, mid- and long-term investing, how they wanted to receive information, what risk meant to them, and how they felt about the global economy. Then the statement included more traditional goal, risk, and measurement of performance statements.

A risk management and insurance policy statement was created that outlined the role insurance should play in the family's overall multigenerational plan. This included statements on guarantees, company quality, policy review requirements, and overall views on risk management. This statement was utilized in determining life insurance for the multigenerational life insurance trust, the applicability of long-term care insurance, and appropriate liability insurance coverage.

A tax and accounting principles statement was prepared that addressed tax strategy comfort, audit risk comfort, and overall views on tax payments and planning.

An overall legacy statement presented Mom and Dad's view of the purposes best served by financial wealth. It included both comments on how they had achieved their level of success and what they hoped it would mean for future generations. It articulated what they believed to be important family values, such as overall health, education, experiences, family as a supportive community, balanced living, giving back to the larger community, and self awareness. Before any estate planning strategy was implemented, the advisor had to articulate how the strategy would promote the principles articulated above.

The preparation of heirs question was more complicated. Mom and Dad decided that they felt strongly that they wanted a planned transition of financial capital rather than a transfer. A two-pronged approach was agreed upon:

Continued family gatherings were held, focusing on valuing the different life experiences of each family member. As a result, more conversations and reflection on the true meaning of financial capital to a family occurred. The blueprint for the gatherings was FAMILY WEALTH by Jay Hughes. Deep discussions were held on the concepts of ownership versus management, the roles of beneficiaries and trustees, joint decision making (governance) and what to look for in family advisors. The meetings were held following the "family of affinity" principle. This recognizes the contributions of all family members, both blood and in-law. Stella and any future spouses will be equal participants.

Experiential learning opportunities were created. First, because the existing trust (remember Sara's distribution?) had a generous discretionary distribution clause, Mom and Dad created opportunity grants. Sara, Josh and Naomi were each allowed to request distributions for an opportunity that they otherwise would not be able to capture. They were required to complete a grant application which discussed:

- What the opportunity was in detail;
- How it would help them grow both as an individual and a family member;
- Why they felt they couldn't take advantage of it without a distribution;
- The cost to act on the opportunity; and
- How they needed the distribution to be made.

The grant committee was composed of Tim, John and the family CPA, who would help the beneficiary with the request. Once approved (and they all were, since the point was an experience in being thoughtful with financial assets) the beneficiary had to report back to family about his or her experience:

- What surprised you about the opportunity?
- What disappointed you?
- What advice would you give someone about to take advantage of the same opportunity?

Second, as we discussed in the first article, Mom and Dad formed a family investment LLC which gave Sara, Josh, and Naomi experiences in joint decision making (governance), working with advisors, and owning an unusual investment asset.

Third, Mom and Dad established a "1040 Foundation," which is another way to say: Let's just use the amount we already give to charity and deduct it on our Form 1040 individual tax return as a way to sample family philanthropy. Mom and Dad regularly gave $50,000 per year to various charities. They decided to have Sara, Josh, Stella and Naomi each have the power to allocate $7,500. Including Stella equally was an actual demonstration of the "family of affinity" inclusive they seek to foster. The conditions were:

- The allocation had to be based on either something you want more of in the world or something you want less of in the world.
- They had to give it all to one charity.
- The charity had to be local, so they could deliver the $10,000 check in person.

All three of these donations were empowering experiences that also become models that Sara, Josh, and Naomi could use with their own children in the future.

The estate and legacy plan took on new meaning now that Mom and Dad realized that there were ways to positively impact their children. With this new understanding they moved ahead with creating a long-term family security and opportunity trust funded with a significant amount of life insurance. This trust was unique in several ways:

- It was written in the first person, and
- It contained language such as:

> The Trust does not exist as an end unto itself. It is merely the means by which we have chosen to share some of our wealth with our children, and eventually our future descendants. It is a framework to help our family better govern itself, and to encourage our children and their descendants to strive to be the best individuals they can be and to seek joy by living in accordance with the values expressed in this Agreement. We hope that this Trust will remind our children to discover the personal growth and satisfaction that can be realized through sharing our good fortune with those who are less fortunate. We also hope the Trustee will offer positive encouragement and assistance to each beneficiary in their quests, crises and challenges.

- It had a possible long-term existence, but also the ability to be terminated at each generation.
- It had a very well thought and structured distribution and trustee succession plans.

The sustainability of the overall plan and individual strategies was also addressed. The clients' overall intentions, as embodied in the plan, will be revisited every twelve to eighteen months. Each strategy will be reviewed for both technical compliance and relevance to the overall plan intentions. Planning is never really "done." When a plan and underlying strategies are implemented, "things are put into play." Periodically, it is critical ask: "How are they playing out?", and "Are they still working for you?" This actually means checking in around the "feelings or sense" goals, such as, peace of mind questions, view of the children getting along, and the overall family ability to have conversations about financial wealth and their individual lives.

Remember the initial uneasiness with the investment manager? Once the investment policy statement was written in a way that was connected to important family goals, he became an important member of the team. He now understood what he was really "managing to," instead of trying to look comparatively good when compared to the market, other advisors, and his own sense of level of expected performance.

What Does This All Mean?

In practice (or business), the Pragmatic Planner is based in this concept: Thought guides action.

This is a very simple statement yet it is very complex. It requires first, clear thinking. This means we have to eliminate or reduce the noise around the client if we have any hope for clear or intentional thinking. As Nancy Kline, author of TIME TO THINK, says:

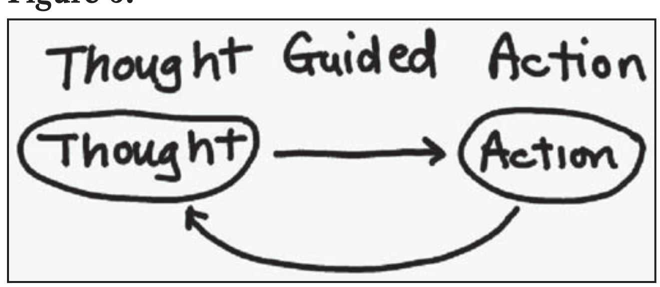
> … the quality of everything we do depends on the quality of the thinking we do first.

Using a deliberate triage approach helps create the best chance for clear thinking. Pragmatic Planners need to promote, not inhibit, thinking. Kline further says:

> The most valuable thing we can offer each other is the framework in which to think for ourselves.

We must not interject our ideas and solutions as replacement for client thinking. Instead we use questions to aid in the articulation of the client's best thinking and inquiry into important long-term goals.

Figure 5.



The second part of the statement is action. Every action we recommend and implement must tie directly back to the client's articulated goals. How does this increase peace of mind? How does it help my children become experienced in family and financial issues? The numerical and financial results are important, but so are the human goals.

The statement "thought guides action" is actually circular. Thinking leads to action, which leads to additional thinking because of attention to the results, which leads to new action. This is the sustainability of the drive to achieve the client's human goals. This is the chair occupied by the Pragmatic Planner as the facilitator of thought-driven action.

Pragmatic based planners then are the bridge between human goals and measurable useful results. The planner helps in every phase as guide and facilitator, including the ongoing relevance checks. Goals will change, and having the perfect bridge to a shore that is not relevant any longer is sometimes more harmful than not having a bridge at all!

In the final article we will look at some aspects of the Pragmatic Planner's actual practice. Tools, techniques, resources, and other elements will be discussed as well as the planner's personal development strategy.