Transfer or Transition: What Is Your Inter-Generational Wealth Plan?

By Timothy J. Belber

This is the first of three articles based on the notion that *wealth planners have a unique opportunity to help client families succeed over multiple generations.* In this installment, Tim Belber will look at the differences in thought and outcome between a transfer plan and a transition plan. The second article will examine how an advisor can become the bridge between the family's human goals and their concrete results. Finally, the third installment will look at the Pragmatic Advisor's practice and what is required to sustain services to clients.

The Premise

By their definitions, the difference between transfer and transition is very subtle. However, in action and result, the difference is anything but subtle.

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Merriam Webster On-Line:

Transfer: 1 **a:** conveyance of right, title, or interest in real or personal property from one person to another **b:** removal or acquisition of property by mere delivery with intent to transfer title.

Transition: 1 **a:** passage from one state, stage, subject, or place to another **b:** a movement, development, or evolution from one form, stage, or style to another.

Black's Law Dictionary, 5th edition:

> Transfer: An act of the parties, or of the law, by which the title to property is conveyed from one person to another. The word is of general meaning and may include the act of giving property by will.

Black's Law Dictionary does not even define transition.

If you Google the word "transition," most of the results revolve around the idea of smoothly moving from one state of being to another. This includes moving from one idea to another, one phase of life to another and one ownership structure to another.

Transfer on the other hand yields the idea of change from one state or place to another: *He transferred schools*; *the cargo was transferred from one truck to another*; and *the wealth was transferred from one generation to another*.

Transfer: The Traditional Model

Traditional estate planning has been built around the transfer model. For years we have been reading that the "greatest transfer of wealth" is about to occur as the Baby Boomers get older. In other words, financial assets handed from one generation to the next using both simple and complex strategies. Most, if not all, traditional planning focused solely on transferring financial assets from one generation to the next at the lowest tax cost.

The Structure

Wealth Transfer Planning has become big business. A Google search for "Wealth Transfer Planning" yields 14,900 hits ("Wealth Transition Planning" yields only 183 results). Software, books and document assembly engines all emphasize the myriad of ways to transfer wealth from one generation to the next.

As an example, many planners and advisors utilize the Irrevocable Life Insurance Trust (ILIT). Correctly implemented, an ILIT creates a pool of cash initially free of income and estate taxes. The money is generally used as method for funding estate transfer costs so as to preserve the "financial" value of the estate. ILITs will distribute trust assets at set ages or can be structured in many states to last virtually forever.

With few exceptions, ILITs are crafted as transfer vehicle. As such, they share the following characteristics:

- They effectively create a large, often in the millions of dollars, pot of financial wealth.
- Remove the first two pages and the signature page and you have no idea who the ILIT was created by or who it is intended to benefit. (Please read this again and think about the last few ILITs you have seen.)
- The beneficiaries have not seen or read the trust, nor had the trust explained to them.
- The beneficiaries have little or no knowledge of the trustee.
- The Trustee has not met the beneficiaries in his or her role as trustee.
- The Trustee is well instructed in how not to lose trust assets.
- The Trustee has had little or no formal training in how to be a good fiduciary.
- The annual administration of the funding can and oftentimes does get very sloppy.

Many wealth owners have a common intent for establishing an ILIT. It goes something like: "I want to leave something for my family and reduce what the government will get." Oftentimes it is not so politely stated. The gist is about leaving something of financial value and not letting it go elsewhere. Additional conversations tend to be governed by fear-based thinking concerning the murky threats of creditors, seeing it 'blown' because of bad decisions, potential divorces, bankruptcy and other so-called predatory situations. Just as often, wealth holders can also be very concerned that their heirs not view them as financial tyrants. "Give it to them at age 50: if they aren't responsible by then they never will be" is another typical theme that instructs the design of the transfer plan. Unfortunately, opportunity and potential are not always present in the discussion of the Wealth Transfer Plan.

The availability of the Perpetual, Legacy and 1,000 Year trusts have only compounded the issues around the transfer plan. Yes, you can secure financial assets from taxation (under today's rules!) for a very long time, but *should you do so* is the real question. In transfer plans, wealth owners often times fall into two camps when this issue comes up. In one, the idea of avoiding taxes and creditors and seeing the financial wealth of the family expand at even a small growth rate (*see* Table 1) is so appealing that the wealth owner will say "I must have this type of trust!"

Table 1. The Growth of Financial Wealth at Two Percent Using 25 Years As a Generation

	Asset Value
Year 1	$10,000,000
Year 25	$16,406,060
Year 50	$26,915,880
Year 75	$44,158,355
Year 100	$72,446,461
Year 125	$118,856,099
Year 150	$194,996,028
Year 175	$319,911,651

On the other side, many wealth owners get knotted up with issues such as, "How can I know what my grandchildren or great children will be like so I will leave it to my children! They can figure it out."

In the end the ILIT's role in the traditional "wealth transfer" plan centers on the financial wealth and those financial and tax issues the grantors chooses to or is guided to think about.

The Results

As a vehicle for moving financial assets in a 'sheltered' manner, the ILIT is very effective. However, that typically is not the only result the wealth owner had in mind. Under the pattern of "nothing is revealed until death" and "financial asset protection thinking," these are typical results:

- The beneficiaries have a lottery winner experience. At a very emotional time in their lives, the death of a parent, they now have "access" to literally millions of dollars. This is one form of "sudden money" about which much has been written. (*See* Susan Bradley's work with the Sudden Money Institute at *www.suddenmoney.com*.)
- The only thing standing between them and what they are "entitled to" is the trustee.
- The trustee rapidly becomes the enemy if there is any question about allowing a distribution for anything.
- The trustee is unclear about "gray areas" because most of his or her job is a gray area.
- The trustee is now charged with the investment and administration of millions of dollars, yet the trustee's only skill set may be that he is the wealth holder's brother.

Financial wealth, the center of the transfer plan, now becomes the center of the discussion, the competition and, unfortunately too often, the law suit.

Transition: Idea for a Better Result

Transitions are a fact of life for most of us and for most of our clients. Good transitions are generally planned transitions. In the best of circumstances the actual transfer event of a family's financial wealth is part of a much larger transition of the family as generations come and go. A well-implemented wealth transition can be identified by the way current generations describe *what* and *how* their predecessors passed along financial wealth, along with family stories and principles. Long-term success is founded on planning for the next transition.

Jay Hughes, author of the books FAMILY WEALTH and FAMILY, tells the story of his father attending an event for a close friend. The gentleman being honored had just been named CEO of a major corporation. Often this appointment was the culmination of a hero's journey. As they admired the gallery of CEO portraits, Jay's father asked his friend, "Who is the next CEO?" His friend replied, "I am." "No," said Jay's father. "You are the current CEO. Now your number one job is to find and prepare the next one." His friend's deflation was real and acute.

In business, transition is the effective way for leadership and management to be consistent and effective. In the family wealth environment, transition is about preparation, progress checks and sustainability.

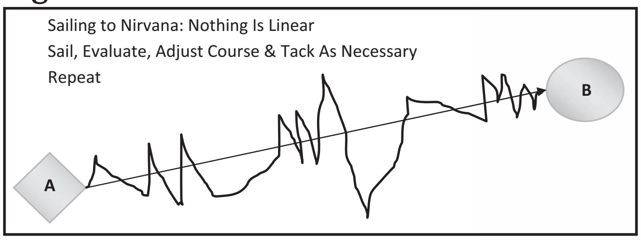
A Wealth Transition Plan begins with having a vision that you want to move toward. While you have to be aware of the potential risks and exposure, a transition plan is not solely about moving away from taxes, creditors, and "things that go bump in the night." In fact, often clients will actually be excited when their planning is about moving toward a positive possible future, instead of constantly watching over their shoulders to see what is creeping up behind them. The transition mindset requires the identification of limiting assumptions, such as, "My children will never be smart about money!" and working through them.

Below is an example of how a Wealth Transition Plan might be structured. In the next two articles we will dig deeper into the planner/advisor's role and work and practice structure. For now we will overview both.

Structuring an Intergenerational Wealth Transfer: Sailing to Nirvana

Bill O'Brien, a friend and colleague, loves to use sailing metaphors. When it comes to the "high view" of a Wealth Transition Plan, his metaphor (shown in Figure 1) couldn't be more applicable.

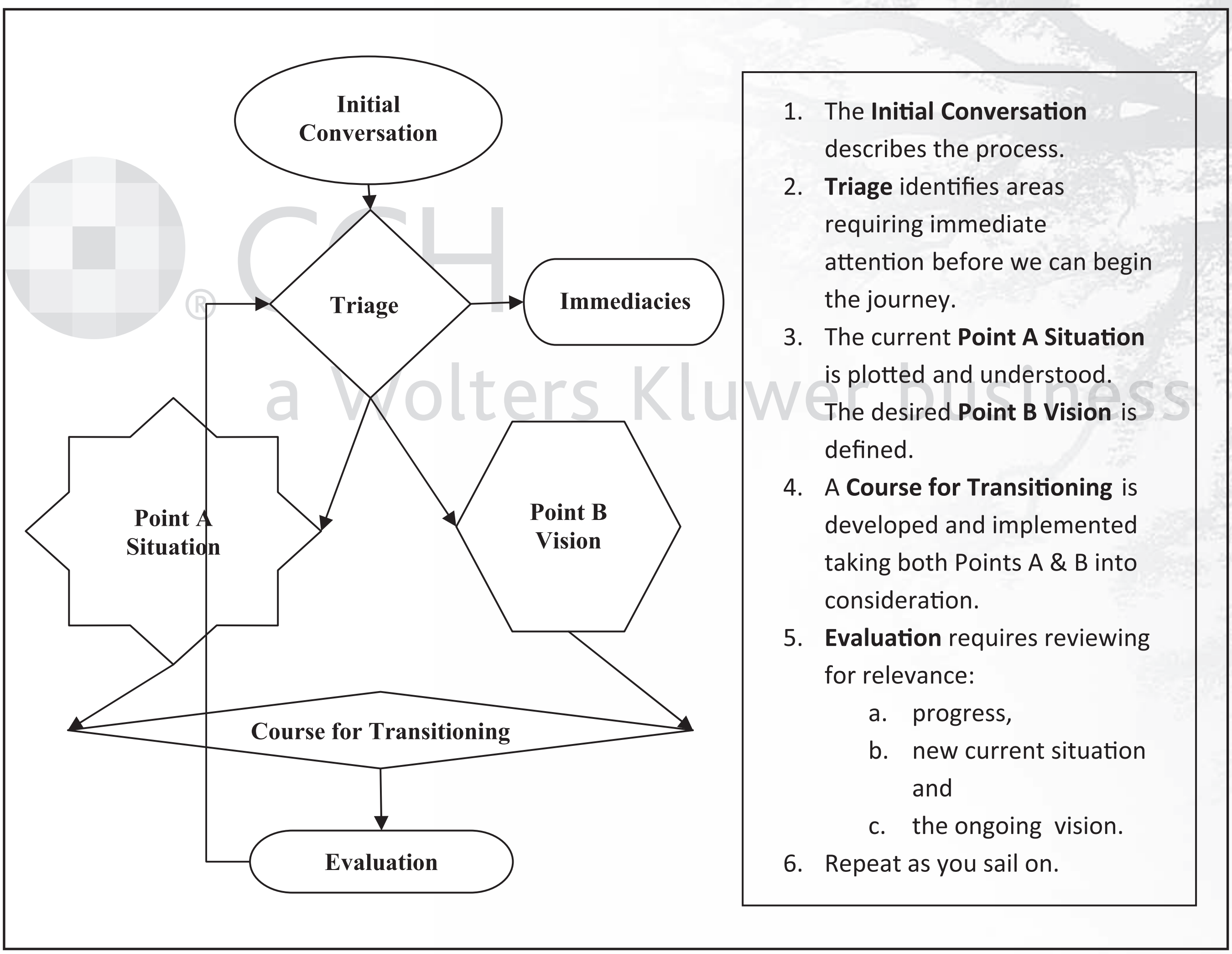
Figure 1.



In the above example, to sail from Point A to Point B there are several factors of which you need to be aware:

- What do you hope to accomplish by reaching Point B? What is it that makes Point B desirable? How will you feel when you have reached it? When thinking about family and financial wealth, what Point B would make you smile to know you gave your family a chance to achieve it? What is the vision for the family at Point B?
- Where is Point B relative to Point A? In sailing, you can look at a chart. In a Wealth Transition, you need to:
  - assess the state of the Family's Human, Intellectual and Financial capital;
  - create a map of existing planning and wealth designs; and
  - identify areas and strategies that will bring you closer to Point B.
- Understand that nothing works in a linear manner. In sailing (as well as many other endeavors in life), the shortest distance from Point A to Point B is a straight line. The reality is that the wind is never going to blow you straight there; you must always be "tacking." This requires that you sail, evaluate progress, change course if necessary, sail

Figure 2.



some more, evaluate progress and so on until you reach your destination. (Point in fact, if the wind blew you straight there you wouldn't acquire much in the way of sailing skills!)

The idea of tacking is critical to successfully implementing a Family Wealth Transition Plan. As we will discuss below, implementing a plan to transition from today to a vision of the future is not a stagnate, "that's all done," action. Instead, you are putting something into play that is subject to all kinds of wind variances. Vision changes, natural maturation of family members, tax and legal issues, health issues, financial and economic issues, and new family members are just some of the "winds" that can require us to stop, evaluate and possibly make course adjustments. Some, like economic, tax and financial factors, have obvious implications to Wealth Transitioning. Others, like family member personal growth and attitude development, are less obvious but often times more powerful. It is critical to do planned course reviews even if you feel that nothing has changed. Doing evaluations/reviews/reflections only on an "as needed" basis is likely to land clients somewhere they really do not want to be.

The Intergenerational Wealth Transition Plan

Designing and implementing an Intergenerational Wealth Transition Plan is based on a process. It has to be, because part of the idea is you are not sure, ultimately what every detail of the vision (Point B) will look like, so you have to trust the process. Many advisors are familiar with the idea of the process illustrated in Figure 2.

Let us see how it fits with an actual transition situation.

For this we will use the Wilde Family.

- G1—Wealth Holders
  - Dad, 60
  - Mom, 58
- G2—Next Generation
  - Sara, 35—Single
  - Josh, 32—Married no children
  - Naomi, 30—Single
- The family net worth is $38 million, composed of three homes and publicly traded securities.
- Their basic Family Wealth Transfer Plan includes Wills, Powers of Attorney and Irrevocable Life Insurance Trust

Step 1: Inquiry to See the Vision

In a transition plan, the inquiry/vision/Point B description will center on what the family will look like in the future. The questions for consideration will be both financial and nonfinancial.

- What do you hope the family financial wealth will mean to your children and grandchildren?
- What do you want your children, grandchildren (and maybe beyond), 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?

Common statements will be the following:

- "I want my children to be able to have conversations about financial matters without it breaking them apart."
- "I want my children to have happy, productive lives."
- "I want my children to be good stewards of the family assets."
- "I want my family to be sustainable for many generations."
- "I want to see my family have positive impact on society."
- "I do not want my children to act as if they are entitled to everything."
- "I want my children to appreciate what they have."

Using these answers we are able to "paint a picture" of Point B and begin to breakdown the individual elements of the vision.

At the same time we are building a two part, nonjudgmental review of the current family situation include:

- The Human and Intellectual Capital Family Balance Sheet
- The Map of the current Financial and Estate Plan for the Family

It is important to note that if we uncover a potential immediate threat to the health of the family in either of these current situation summaries, we will bring it to the attention of the wealth owner for immediate action.

Step 2: Creative Thinking to Design the Plan

The questions for each element of the Point B vision follow:

- What do we need to do to create the best chance for this to happen?
- How do we make it happen?

For example, one of the Point B objectives for the Wilde Family is:

- "I want my children to be able to have conversations about financial matters without it breaking them apart."

The wealth holders also want to act, as much as possible, in a tax-wise manner. Up until this point the family has had little in the way of 'robust' conversations around financial based topics. The job then is to create a current opportunity for financial conversations in a relatively low risk environment. We decided to use a family entity (LLC) which the parents would fund with approximately $2 million of investable assets. The plan was to use discounted gifts of nonvoting interests to each of the three children to affect wealth *transfer.* The development of the ability to meet and converse was the *transition* item.

We involved Sara, Josh and Naomi once the idea was formed. They participated in the following:

- A discussion of Wealth Transfer versus Wealth Transition and an overview of what was being done with the LLC,
- Deciding on a meaningful name for the LLC,
- Meeting with the attorney to complete the LLC and review the gifting strategy,
- Interviewing an Investment Advisor for the LLC portfolio,
- Discussing individual needs for income and growth from the LLC and reaching consensus,
- Quarterly reviews with the Investment Advisor, and
- Annual LLC member meetings.

Mom and Dad agreed to "audit" most of the meetings and then debrief what they saw and heard. This led to expanding the roles of Sara and Josh to the point where today they "own" the entire LLC. Naomi requested that her interest be redeemed so she could pursue outside investment opportunities. She prepared a detailed proposal which was reviewed by three members of the family advisory team and approved. Ultimately, the LLC decided to take part of its funds and invest alongside Naomi in one of her real estate opportunities.

Mom and Dad learned about their children's increased level of maturity and their willingness to learn and be empowered. Sara, Josh and Naomi had experiential learning which included the following:

- Wealth planning,
- Working with advisors,
- Joint decision making, and
- Appreciating the value of diverse thinking.

All of this transition planning was accomplished, along with a tax-wise wealth transfer.

Step 3: Implement or Build It!

A vision followed by creative thinking will only go so far when it comes to results. As seen above, the Wilde Family actually achieved part of their results in the Implementation phase of the process as Sara, Josh and Naomi worked alongside Mom and Dad and the advisors to create the family investment LLC. The subtle or not-so-subtle difference in this scenario is that the primary focus was creating an experiential learning opportunity for Sara, Josh and Naomi, rather than just implementing a tax-smart strategy. This required the advisors to keep that in mind when it came to all communications, decisions, *etc.* rather than just default to, "I'll call Mr. Wilde about this."

In a Wealth Transition environment implementation takes on new meaning. Consider the value Mom and Dad Wilde not only saw but felt in the family LLC strategy. They had been very concerned about how financial wealth would affect their children. Now they were engaged in doing something about it. Further, they felt safe in that, initially, they would continue to hold the "voting" interests in the LLC until they could observe the interactions between the children.

Step 4: Use It or Be Ready to Tack!

In the Wilde Family scenario, once the LLC had been implemented, membership interests gifted, the advisor hired, and investments made, it became time to monitor outcomes. For Mom and Dad, this meant the following:

- Listening to how Sara, Josh and Naomi interacted with each other and identifying both the positives and negatives. Then, along with the appropriate advisors, developing strategies to improve the communications and appreciation for the differences in thinking and acting styles.
- Observing how Sara, Josh and Naomi individually related to financial assets. As a result, this led to some additional financial education for Sara and Josh (the two who ultimately retained ownership of the LLC).
- Being willing to empower and support well thought out experiences for Sara, Josh and Naomi. Before the real estate investment opportunity was supported, Naomi researched and reported much as she would have if she was trying to raise private equity money. In her presentation, she

openly said the skills she developed as part of the process were eye opening.

Sara, Josh and Naomi also had outcomes to monitor. In a big-picture sense, the outcomes were about being aware of what they were doing and understanding how it will serve them in life:

- Learning the role of wealth owner versus the role of wealth manager and being comfortable with the role they like. At first, Sara, Josh and Naomi felt they were not equipped to manage investments. They learned they did not need to be. Just like lawn care, some people enjoy doing it themselves, while others will hire a landscaper. The trick is learning how to hire and oversee the results of both the landscaper and the investment advisor.
- Learning how to meet and make decisions together. To do this, each member had to 'learn' how to show up and be effective.
- Learning that their desired outcomes and the desired outcomes of a bigger group can be aligned.

This type of proactive monitoring is better described as sustaining the relevance of the strategy to the family. Too often reviews have centered on only the technical compliance aspects. For a transition to be effective, the review for relevance inquiries have to go to the human and intellectual capital components, and center on how are they responding. How are the winds blowing? Should we let out more sail, raise the jib, tack, or maybe go to motor?

The Results of Transition Planning

Wealth Transition Plans center on developing the succeeding generation to be both:

- the next wealth owning generation, and
- able to prepare its own successor.

It is about developing a sustainable relationship to financial assets and having a clear understanding of the role financial capital plays in the family system. Working in a Transition Environment is no guarantee of success, but it can help "stack the deck" in favor of the family's vision.

The potential results of having and implementing a Family Wealth Transition Plan include the following:

- Greater clarity of what is likely to occur when the transfer portion of the plan actually occurs,
- Increased peace of mind for all family members,
- Increases in the family's intellectual capital,
- The rise of empowerment over entitlement in all generations,
- An increase in the stewardship abilities of succeeding generations,
- Greater awareness of the importance of sustainable communities,
- Increased long-term growth of the family's financial capital, and
- The real chance for the family to be intact for more than five generations.

The Role of the Advisor: Transition Catalyst and Artist

As the earlier reference to Google hits indicates, advisory services across the spectrum have supported the Wealth Transfer Model. There is a large opportunity for advisors willing to help clients think differently about long term wealth designs. Most specifically, advisors who understand the power of constructing a Family Wealth Transition Plan will act as a "guide," rather than as an "answer person." As a guide, your task is to ask the right questions for the client to reflect upon. Most clients are not qualified to decide whether they want laddered testamentary CLATs or how long should the QPRT run, but given the right thinking environment, they can deliver clear marching orders to their advisors.

Advisors working in the Transition Plan space need to bring both art and science to the table. For example, if you wanted a family portrait painted, the artist would first seek to understand your vision. The questions might include the following:

- Do you see this as formal or informal?
- Will it be outdoors or indoors?
- Which season would be your favorite?
- How do you see everyone arranged?
- Is there something you want to feel when you look at the painting?
- Do you see this hanging in a sunny spot or a shaded hallway?
- What type of frame do you see when you envision the painting?

The artist could both plan the look of the painting and which materials will deliver the best result. Contrast this with an artist who says, "I have six options for your painting. Which appeals to you?" The former question-based approach is client-centered and requires design. The latter approach is advisor-centered and requires only a set of preset forms. This is *creative value* versus *commodity*; *custom* versus *off the rack*.

In the next two installments we will consider each of these ideas from a pragmatic approach. Pragmatism, as philosophy, centers on the notion that something is true only if it can generate a positive result. We will "go deep" into how to use these ideas with clients as well as how a pragmatic practice functions.

Five Key Elements for Assisting Clients in Transition Thinking

1. Bringing Meaning Back into the Equation

As was described earlier, if you take the first few pages and the signature pages away from many estate planning documents it is almost impossible to identify the maker of the document. This is fine if all the document is designed to do is effect a financial wealth transfer. However, most clients are passing wealth to other people and have some ideas as to what they hope it will mean to the recipient. Values-based planning, ethical will statements, etc., are not a new phenomena. Look at this excerpt from George Washington's Last Will and Testament:

> To each of my Nephews, William Augustine Washington, George Lewis, George Steptoe Washington, Bushrod Washington, & Samuel Washington, I give one of the Swords or Cutteaux of which I may die possessed; and they are to choose in the order they are named. These swords are accompanied with an injunction not to unsheath them for the purpose of shedding blood, except it be for self defense, or in defense of their Country & its rights; and in the latter case, to keep them unsheathed, and prefer falling with them in their hands, to the relinquishment thereof.

Instead of just bequeathing his personal possessions he told a story with each one. Each of his nephews now became the steward of his uncle's spirit and beliefs about his country. Most of the personal property memorandums used today would allow for a brief "here is why I'm giving this to you" statement. Most people who have tried it claim that it is a moving experience to write a quick note with the gift of a personal item that has had meaning to the owner.

In CREATING THE GOOD WILL, Elizabeth Arnold points out a very basic truth: heirs, particularly children, want to know why the plan was executed in this fashion. Absent a direct statement, the transfer of money and items become the measuring stick of a parent's love. As advisors, we owe it to our clients to give them the opportunity to fully develop their legacy and communicate it at the highest level possible.

2. The Three Capitals and the Idea of a New Vocabulary Conversation

Wealth Transition Plans begin with being able to think separately about financial assets and the human assets in every family (or business, for that matter). It can be very liberating for a client to engage in a discussion about the wealth of family, framed in terms found in Jay Hughes' FAMILY WEALTH. Every family's wealth is composed of three capitals:

- **Human capital** is the people who make up our family system: all the family members and their individual talents and unique abilities, and who we are individually and collectively.
- **Intellectual capital** is what we all know: our special knowledge gained through our own life experiences, educations and relationships.

  The true Family Balance Sheet includes recognition of the human capital and all its power. A simple exercise to stimulate thinking in this area is to have everyone in the family write a list of all the other family members. Next to each first write what is unique and special about that person. Next to that write down the one thing they know more about than anyone in the family. Victoria Labalme, a performance coach in New York City, in her presentations makes the point that too often we see people, particularly our own family, for what they are not, rather than for what they are. Helping clients see the power of the human and intellectual components of their family wealth is an important step in developing a Family Wealth Transition Plan.
- **Financial capital** is everything the family owns: investments, real estate, businesses and all material assets. It is the fuel that can drive the growth and flourishing of the human and intellectual capital. It is the source for investing in the Family Wealth Transition Plan. A key point with financial capital is it has no intrinsic value of its own. Only when it is deployed does it become powerful. Financial capital has the

best opportunity to grow if it is deployed in a wise manner to create stronger, empowered human and intellectual capital. When the family wealth, all three capitals, is consistently transitioned in an intentional generative manner, it will remain healthy and growing.

This is the new vocabulary. Defining wealth beyond financial assets. Recognizing the power in the individual differences in family members. Understanding the importance of healthy, intellectually stimulated, and empowered humans to growing financial capital. Instead of protecting the financial assets from the coming generations, transition it to them with the skill set to effectively deploy and grow it.

3. The Roles Discussion

Every member of an affluent family has many roles. Understanding the various roles is essential to have an effective transition plan. This is particularly true in a family business setting. Too often the true value of someone's real role gets lost when the focus is on transferring financial assets. Possible roles for one individual could be:

- Son
- Father
- Brother
- Family member
- Wealth owner
- Mentor
- Business executive
- Investment manager
- Fisherman (very important!)

In the Wilde family situation, we looked at earlier which role should Dad act in when sitting with his co-owners of the family LLC? How should Sara, Josh and Naomi interact with each other? Absent some help in understanding roles, they will probably revert to the role with which they are most familiar—their role in the family system. This will bring all the brother/sister and parent/child issues into what should be a discussion between owners interested in the success of the business entity. The growth and learning opportunity that might exist if all were unrelated is at risk of disappearing. In no way should dealing with role confusion and application be viewed as simple. It is a large undertaking but it begins with awareness of what is possible with different thinking. As advisors, we are uniquely positioned to bring the idea to the table and then, through thoughtful questions, keep the concept front and center as the family works on Family Wealth Transition.

4. Understanding Governance and Communication

Most families have at one point or another heard or been exposed to the word governance. As with much of vernacular in the wealth planning space it is not a word that rolls off the tongue every day. Understanding that at the core governance is about a very basic question:

> How do we make joint decisions about issues that affect us?

This is a question critical to successful transition planning. If there is no model for joint decision making then, if and when a transfer occurs, the chance for serious in fighting is large.

Joint decision making revolves around both being heard by others and hearing others. As advisors we often facilitate decision making meetings for clients. *Should we purchase this life insurance? Which attorney should we use? How do we communicate with our children?* These are several of the common questions that require joint decision-making. In each of these small settings we have the opportunity to begin to model how a successful decision making session can occur. The key is to have a process everyone trusts. Even if a decision goes against what you were advocating, if you believe in the process then it is possible to work with the decision and not feel cheated, disrespected or marginalized. While we will explore this in greater detail in the coming articles, here are the factors to a quality decision-making meeting:

- A written agenda stating:
  - The purpose of the meeting
  - The goal for the meeting
  - The issues under consideration expressed as a question
- A process for giving everyone respectful time for opinions.

Nancy Kline, in Time to Think, outlines a process that these ideas are based on. Leonardo DaVinci and Thomas Edison, among others, stressed and re-stressed the importance of getting all the ideas on the table before doing filtering, arguing or discussing. This requires space for everyone to speak. At the start of the meeting, a chair for purposes of facilitation should be named. (In a small meeting this will generally be whoever prepared the agenda.) The topic is positioned and then in set order everyone has some set time, generally two to three minutes, to give their thoughts and ideas around the topic. There are only two rules:

1. **Respect the speaker.** No one interrupts anyone who is speaking. Interrupting includes raising your hand to speak while someone is speaking. This promotes listening at a high level.
2. **Respect the listeners.** The speaker agrees to be succinct and respect the time.

This initial process is referred to by Nancy Kline as a round. Once everyone has had a chance to be heard then open discussion, again with no interruptions, begins. The chair ultimately may call a vote or maybe another round if the decision comes down to a set number of options. An important note is to acknowledge that there may be a need for additional information before the right decision can be made. The process itself works but there is room for 'art' in its application.

Clear "next steps and actions" for accomplishing what has been agreed upon.

Joint decision-making tools are a cornerstone piece of successful Multi-Generational Transition Plans. Advisors are uniquely positioned to model this behavior for clients in even the smallest of gatherings/meetings.

5. The Sustainable Community

The idea of reviewing/monitoring was discussed above. However, there is a larger component that should enter into the conversation. If a family is going to transition over many generations they will need to adopt a view they are a sustainable community. This view is simply stated in the Native American concept of seven-generation thinking. The questions become:

- When our descendants sit at the council fire seven generations from now will they honor the decisions we are making today?
- Are we acting in a way that will help our family sustain itself for seven generations?
- Are we transitioning all the stories, principles and virtues that are important to the idea of a sustainable community?

For example, the family vacation home is often described as a legacy asset. It is envisioned as a place where future generations will gather. Besides the financial strategy to keep it in tact, what is being done to create such an honored space for it?

Sustaining things of importance has driven the creation of many great national treasures, both in this country and abroad. Grand Teton National Park owes much of its grandeur to John D. Rockefeller, Jr. who, between 1928 and 1943, bought up 35,000 acres of land at a cost of $1.4 million and donated it to the National Park Service. After touring in 1924 and 1926 he became passionate about sustaining it for future generations.

A starting point for many families is remembering to honor the decisions that put them where they are today.

- The generation that emigrated here from far away.
- The courage to open a business.
- The dedication to save to provide an education beyond what was traditional.

We all have stories and principles that should help in making sustainable decisions.

Final Thoughts

In the end, the difference between a wealth transfer and a wealth transition lies in four principal areas:

Intention. What are we really trying to accomplish? Is it solely the preservation of financial assets, the reduction of taxes, and the continuation of the family business, or, is it an attempt to foster and support a sustainable family community?

Creativity. The basic tools involved in estate and business planning are the same for both transfers and transitions. The difference is how and why they are put into play as part of the overall plan.

Commitment. A transfer plan can be implemented and reviewed based on great technical attention by experienced advisors. A transition plan requires ongoing thinking and vigilance by both clients and advisors. Seeing how the winds are blowing, how the crew is improving (or not) in seamanship skills, how new members add to the voyage, and the changing vision for the destination become key focal points.

The measure of success. In transfer only plans, technical excellence and the ability to withstand challenges to the plan have been the critical measures. In a transition scenario the transfer strategies need the same level of technical expertise, but they also must serve the higher goal of a flourishing family composed of flourishing members.

In the next installment we will go into detail how the catalytic planner/artist can pragmatically serve as the bridge between the human goals for transition and concrete measurable results.