Preserving wealth over generations

Challenges and strategies transferring wealth

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Wealth continuity

G1

G2
7 siblings
age 73 – 55

G3
16 siblings
age 43 – 17

G4

CH
USA
Monaco
Russia
UK
# Family topics – What really matters to you

<table>
<thead>
<tr>
<th>Topics</th>
<th>Main Questions</th>
<th>Follow up questions</th>
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</thead>
</table>
| **Family Governance and Strategic positioning** | • What is your vision for the family?  
• Is staying together for your family an ultimate goal?  
• Is it important for you to leave a legacy?  
• Should future generations benefit from your success? | • How will you manage family governance as complexity grows and the family evolves? |
| **Business Succession and Next Generation** | • Are you planning to keep the business in the family?  
• Are your children ready to take over? | • Is there a clear successor?  
• Next generation education? |
| **Business ownership** | • How do you deal with ownership transitions?  
• Do you know your biggest risks? | • What would happen to the company in case of untimely death of a major shareholder?  
• Expected liquidity event? Family office? |
| **Family Office** | • Do you have a family office?  
• How much personal work does the operating company do for you?  
• What are / would be the activities of the family office?  
• Is there a need of an investment guideline? | • Would you like to know more about what other family offices are doing? |
| **Wealth Management** | • What is the purpose of your wealth?  
• Do your investments reflect your family values?  
• What drives your asset allocation? | • Are there investment guidelines with clear financial goals and a governance strategy in place? |
| **Asset protection and Private Succession** | • Have you separated your business from your private assets?  
• Have you secured any safety pool to draw liquidity if needed to cater for the living expenses / finance new ventures of your family? | • Separation of business and private wealth |
7 steps to manage the family in business and secure succession

A practical roadmap for a lifelong process

1. Professionalize company governance
2. Next generation development
3. Rules of engagement
4. Succession strategy
5. Ownership strategy
6. Liquidity strategy
7. Family communication
Example of a family governance system

**Family**
- Family values
- Regular family meetings/Family council
- Young/next generation development
- Philanthropic activities

**Business Vision and Rules of Engagement**
- BoD, management board, board mission and process
- Family business engagement, rules & leadership development
- Dividend and liquidity principles

**Capital Funding and Dividend Strategy**

**Ownership and Benefits Strategy**
- Investment advisory board, Investment policy, guidelines
- Infrastructure requirements, family office set up
- Ownership structures, engagement opportunities

**Business**

**Wealth**

**Family Constitution**
What *type* of FO?

<table>
<thead>
<tr>
<th>Family wealth</th>
<th>&lt;50 mio</th>
<th>&gt;500 mio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>30 bp</td>
<td>120 bp+</td>
</tr>
<tr>
<td>Confidentiality</td>
<td>Low</td>
<td>High</td>
</tr>
<tr>
<td>Range of services</td>
<td>Limited service offering</td>
<td>Broad service offering</td>
</tr>
<tr>
<td>Customization</td>
<td>Not customizable</td>
<td>Totally customizable</td>
</tr>
<tr>
<td>Dedicated services</td>
<td>Shared resources</td>
<td>Exclusive</td>
</tr>
<tr>
<td>Soft Issues</td>
<td>No</td>
<td>yes</td>
</tr>
<tr>
<td>Family size and Complexity</td>
<td>&lt;10 people + 1 Gen</td>
<td>&gt;100 people + 3 Gen</td>
</tr>
<tr>
<td>Family overview</td>
<td>Limited insight</td>
<td>Full overview</td>
</tr>
<tr>
<td>Special Projects</td>
<td>Not possible</td>
<td>Capacity</td>
</tr>
</tbody>
</table>

Low

Virtual Office

Commercial Family Office

Multi Family Office

Single Family Office

High

UBS
Appendix

What really matters to wealthy families
1. Can my business run without me?

The questions you may ask yourself
- What happens when I’m not here?
- How important is the business to my family?
- How should my family be involved?
- Do my children know the secret of our success?
- Will my children be ready?
- Am I able to let go?

The challenge
A lot of family business transitions end in failure.
If succession plans have been made, they are often not implemented or given high priority.

Practical considerations
- vision and mission statement
- principles and rules in a family constitution
- family council
- shareholders agreement
- trust / voting control
- will / forced heirship
- insurance
2. Who *gets* what?

The questions you may ask yourself
- On what basis should ownership be decided?
- Will a distribution of our wealth cause conflicts within the family?
- What is a fair share?
- How free am I to decide?

The challenge
Family wealth transitions can be both inefficient and counterproductive.

Imposing rigid and inflexible structures on future generations often causes conflict or burdens the successors unnecessarily.

Practical considerations
- inheritance planning
- legal, tax
- business ownership consideration
- clear communication
- formalization of governance structures
3. *Do I know* my biggest risks?

**The questions you may ask yourself**

– What risks do I want to or can I afford to take?
– Are we adequately compensated for the risks we take?
– Whom can I trust?
– What keeps me awake at nights?
– Are we overdependent and vulnerable in any area?

**The challenge**

Insufficient oversight of their business affairs and inadequate awareness of potential risks means many families are more exposed than they realize.

**Practical considerations**

Family office framework:

• investment advisory board
• strategic asset allocation
• investment guidelines
• asset reporting & monitoring
• legal, tax
4. Legacy or *left-overs*?

**The questions you may ask yourself**

- What is our survival strategy?
- Is it important to leave a legacy?
- Should future generations benefit directly from our current success?
- What is the significance of “family” to us?
- What is our family identity?
- Is staying together as a family our ultimate goal?
- Will we grow or fade away?

**The challenge**

Family continuity and continuing success can be elusive. The most obvious trend is downward.

**Practical considerations**

Tailored family governance system:
- strategy
- family decision making process
- guiding principles
- platform for joint activities
5. What will I do first?

The questions you may ask yourself

– What do I want to achieve?
– What does my family really need?
– How do I get started?
– Have I got the support I need?
– How much does it cost?
– Where can I get help?

The challenge

Most people do not address these issues until a crisis occurs, by which time it is mostly too late. Don’t wait for a crisis before you take action.

Potential Tools

• increase your knowledge base
• get professional support
• implement your family project
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