

# WealthHealth

A Monthly Financial Service  
Specifically for Physicians



## Plan and Nurture to Preserve Your Family's Long-term Wealth

*Contributed by Chris Delaney, author, professional speaker, lawyer and family wealth strategist.*

If you want to ensure your family's wealth beyond the third generation, it takes strategic planning, a long-term outlook and active engagement. Without effort and a process, most estate planning efforts will fail. The familiar adage "shirtsleeves to shirtsleeves in three generations" is as true for intergenerational family wealth transfer as it is for business families. The first generation creates wealth, the second stewards it and the third squanders it with frequently sad outcomes.

The causes of wealth destruction are deeply rooted in how we view our family's true sources of wealth, the amount of effort we exert and methodology we use to plan our estates, and our family's communication practices. We often plan only with the short-term in

mind and ignore the powerful, dynamic intergenerational forces that are fundamental to long-term wealth succession.

### **ADOPT A LONG-TERM, STRATEGIC, GROWTH-ORIENTED MINDSET**

Intergenerational wealth planning is a process of continuous evolution and adaptation, not a single event. It takes time, effort and resources to build capacity to grow and sustain wealth across generations. Process teaches the next generation to appreciate the sources of their family wealth and how it was earned and created. It's not just a series of meetings that results in a document followed by no further interaction. It's a dynamic and intergenerational process that constantly writes and rewrites the family wealth script.

This is fundamentally a long-term approach to your wealth as "patient capital." It requires a long view of the sources, purpose and potential of the family wealth. Effective communication, understanding of shared family values and goals, regular family meetings, and a system of decision-making are important requirements.

A growth-oriented mindset is a strategic mindset. Create a process designed to reveal your family's goals and objectives and successful strategies and tactics will follow. In *The Naked Opus: Growing Your Family Wealth for the Long Term*, I identify the SMRT strategic engine.

After creating a family mission statement, a good process might include:

- **Success** in the achievement of the mission is made possible by identifying key personal and family goals.
- **Meaning** is brought to goals by setting clear objectives to break the big goals down into smaller, achievable steps.
- **Recipes for action** are established when strategies are created to achieve the objectives.
- **Tactics** are things done to execute on the strategy.

Too often, estate planning starts and finishes with the things to be done before any consideration has been given to what success will look like and how meaning will be brought to the plan. The cart is truly in front of the horse.

### IDENTIFY THE TRUE SOURCES OF FAMILY WEALTH

How do you define your family wealth? Clients and advisors typically focus exclusively on the family's financial assets in estate planning. As a result, the planning is about preserving the finances rather than building capacity for growth and success in the people who receive the money. Understanding how financial wealth can serve the needs of the family is essential to growing long-term family wealth.

Most of us create wealth to serve the ones we love. We hope it will maximize their intellectual, social and human capital. We hope it allows them to dream and achieve the things they value most. It should be a source of happiness, potential and growth. Yet, most clients never go deep to fully communicate their core values

and goals to family members, or to understand the core values and goals of their loved ones. They assume and perceive the needs of the recipient through their own lens without engaging them as a participant in the planning process.

A will is an important estate planning foundation. For wealthy families, wills typically take more thought and tailoring and may be complex. Are your children different from each other, with different abilities, talents, needs and dreams? Of course they are, and planning should be equally intrinsic to your intended beneficiaries. Understanding the authentic needs and aspirations of your beneficiaries takes effort and a careful process to reveal the human, intellectual and social capital of the entire family.

- *Human capital* is the potential of each person to be a unique and self-actualized person.
- *Social capital* reflects the wisdom, standing and network bonds the family has to offer every member.
- *Intellectual capital* is what the family and its members know about doing things and succeeding in careers or life. It also includes the stories a family tells to build its cohesion. Some of that capital is unique to the beneficiary but all of it is part of the shared capital of the family.

### COLLABORATION AND COMMUNICATION ARE VITAL

The dynamics of intergenerational wealth planning require the desire and ability to communicate – this means continually sharing values, goals and objectives. Every family

communicates, but often not regularly or very well. Purposeful family meetings, sometimes facilitated, will create skills and build comfort so authentic strategies and effective tactics can be developed collaboratively with professional advisors.

Professional advisors who work collaboratively with a family's other trusted advisors will enjoy a planning synergy that further enhances the wealth's long-term sustainability. Smart collaboration means an estate planning lawyer, tax advisor, insurance professional, investment professional and family wealth strategist/family enterprise advisor who can work together towards the best interests of their common client.

### GROW YOUR FAMILY'S WEALTH FOR THE LONG-TERM

Long-term family wealth preservation is increasingly important. Low interest rates, slow wage growth, economic dislocation and disruptive innovation are making capital preservation more vital than ever. Avoiding wealth entropy is a critical imperative for high-net-worth clients and their advisors. Using a purposeful and long-term approach to sustain and grow all sources of family wealth will help preserve it for generations to come. It takes effort, a thoughtful guide and time. It will be worth every bit of time and treasure to create your own abundant estate.

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### IN FUTURE ISSUES



### Your Cottage and Your Finances

Winter is fading fast and if you're a cottage owner, you're already anticipating laid-back summer weekends at your cottage with family and friends. Along with fun, relaxation and wonderful memories, is the need for some logical planning around finances, taxes and money. In a future issue, we'll talk about some planning strategies to avoid potential problems.



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