

BACK TO THE FUTURE:



THE CENTRAL ROLE OF FAMILY LEGACY AND FAMILY GOVERNANCE IN TODAY'S ESTATE PLANNING



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Our Passion and Mission is to:
Intentionally introduce and reintroduce a family to itself repeatedly, with tools, activities and metrics to create and measure success.
"To Educate, Motivate and Facilitate!"

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Client Study – Wealth - "SHIRTSLEEVES TO SHIRTSLEEVES?"

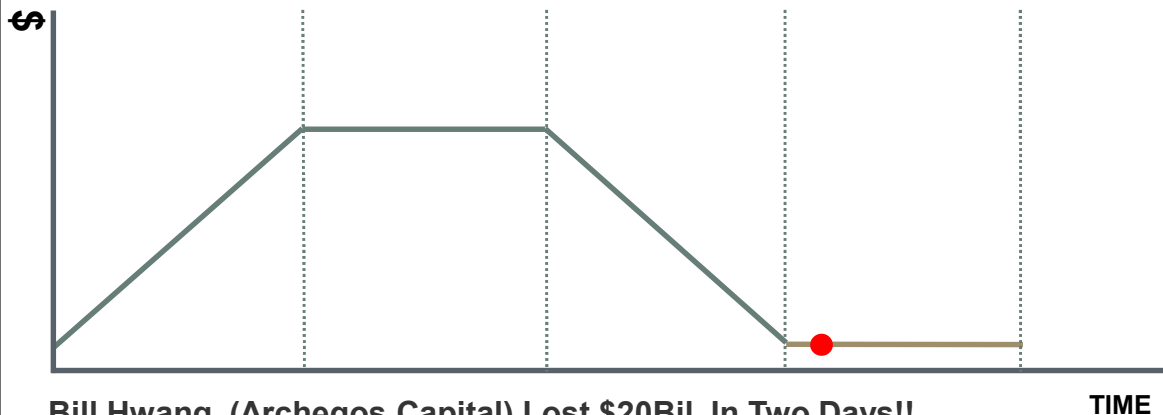


1st
Generation
Creation

2nd
Generation
Assimilation

3rd+
Generation
Enjoyment

4th
Generation
Lamentation
(Genealogy)



Bill Hwang (Archegos Capital) Lost \$20Bil. In Two Days!!
Zuckerberg (FB) Lost \$30Bil. In one day!! (2/2/22 at 2:00)

TIME

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THE DEFINITION OF “FAIL”



1) Family Identity and History forgotten or lost.

Who Are We? Who were we and who do we want to be?

“When a Grandparent dies, a Library burns down.”

2) Family Independence to the point of Estrangement.

To Know and to be Known? To Trust and to be Trusted? Not!

Yet Resilience comes from Connection, Place & Purpose.

Who Are You? Disharmony, Conflicts & Resentments are Thriving!

“Who’s in your cell phone contact list?” Cousins? 2nd? 3rd?

3) Financial wealth is gone. Enterprises, Structures & Assets

Financial security disappears – “Divided and Dissipated”

“What you did is your History. What you set in motion in your family is your Family Legacy!”

Leonard Sweet-ish

Stats to Consider: Why Are They Failing?



60% of failure is due to a lack of trust and communication within the family around group decision making (Governance). **This is the foundation for success!**

25% of failure is due to unprepared heirs. **This needed education does not happen at school, and it cannot happen without trust and communication!**

10% of failure is due to: no clarity of family purpose, no clarity of purpose of our wealth, and no individual purpose. **A purpose for the tangible and intangible!**

Less than 5% of failure is due to failures in financial planning, taxes and investments! **It’s not about the money!**

Source - A combination of:

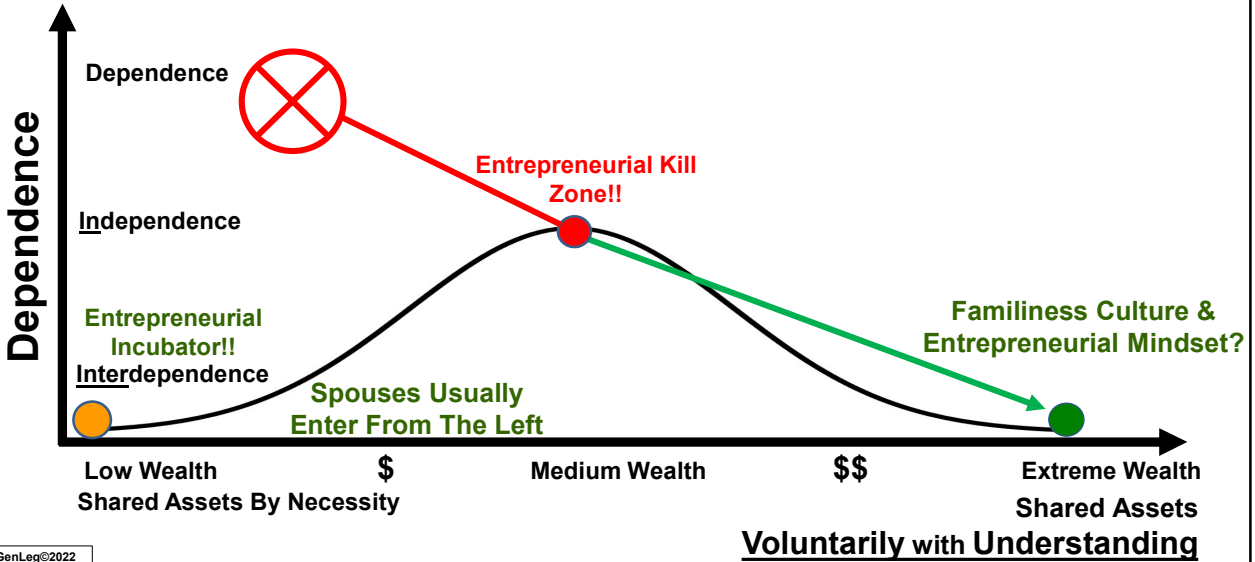
1) GenLeg Co.’s Survey of over 200 families, plus our work with over 270 families.

2) “For Love and Money” and “Preparing Heirs” by Williams and Preisser

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“Education” What’s Going On With Families?

Independence vs. Interdependence

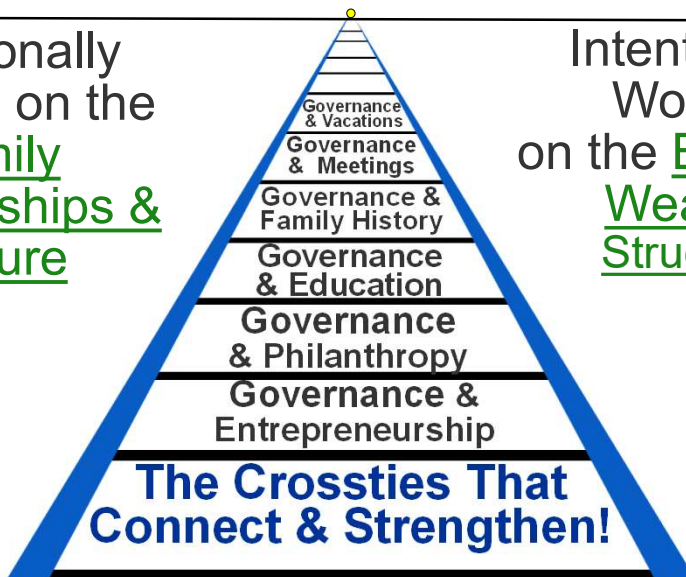


Preserving Wealth in Families

“Vanishing Point”

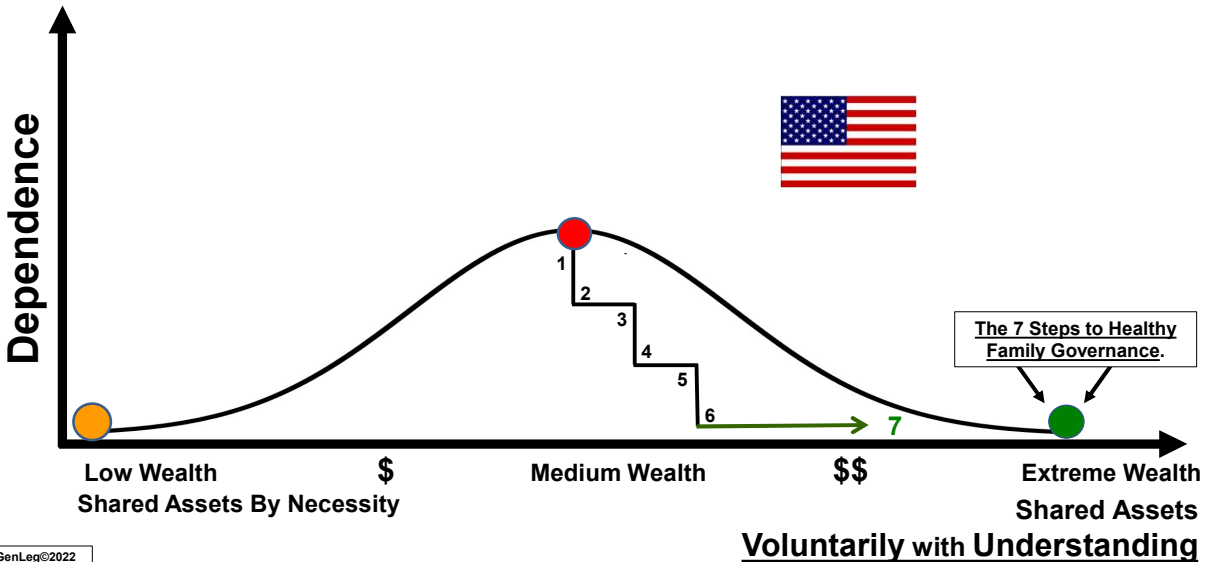
Intentionally Working on the Family Relationships & Culture

Intentionally Working on the Business, Wealth & Structures



“Education” What’s Going On With Families?

Independence vs. Interdependence



Seven Steps to Healthy Family Governance

1. **Assessment** - Setting the Foundation “Where are we now, where do we want to be, and are we improving over time?”
2. **Education** - Family Education of Problems and Solutions – Create Context “Lifelong Learning Together” - Creating a Family Curriculum
3. **Communication** – Leadership Styles, Style Shifting, and Building Trust!
4. **Conflict Management - Empathic Communication** – 1) Get to Understanding, 2) Gracefully Express Frustrations, 3) Get to Repair & Rebuild Trust.
5. **Values, Purpose, Vision, and Mission** - “Words to Definitions to Stories” - To Know and to be Known. To Trust and to be Trusted. To Love and to be Loved.
6. **Action** - Practice Leadership and Governance: “The Ties That Bind.” Roles for Everyone! “Do to Learn!”
7. **Advancement** – Connecting “Family Purpose” to the estate plan and Endowing a Family Practice!

Seven Steps to Healthy Family Governance: Communication

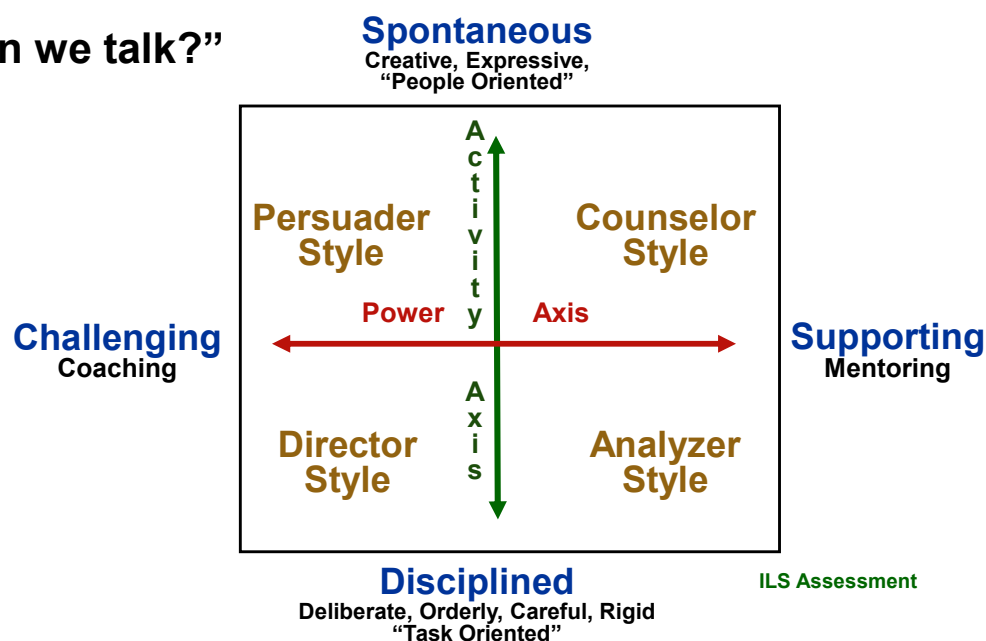
There are four basic areas where communication can go awry

- 1). What you want to say
- 2). What you actually say
- 3). What they hear you say
- 4). What they think you mean

And then there is the tone, the timing, the body language, as well as your communication style. Usually what you meant to convey is not at all what is received.

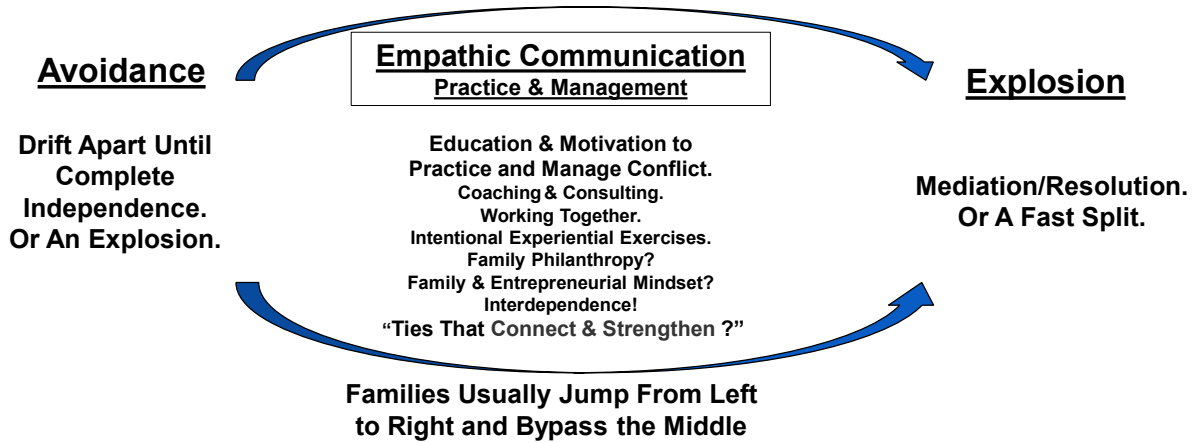
Team Communication Styles

“Can we talk?”



How Do We Deal With Conflict?

Conflict



How Do We Deal With Conflict?

Empathic Communication

Three Components:

- 1) Getting to Understanding – Our/Their Deep Motivations and Fears
- 2) Safely Expressing Frustrations and Appreciations (The 5 C’s)
- 3) Getting to Repair – It’s A Team Effort

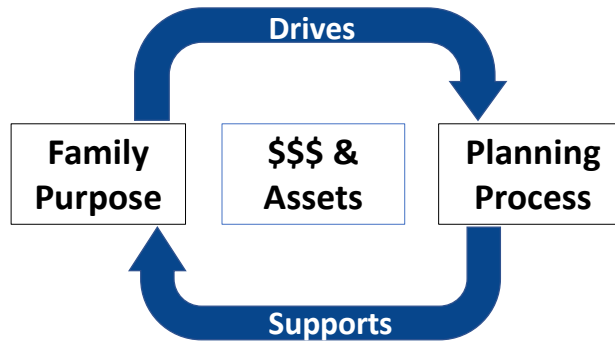
Services to Families - The “Family Meeting”



Family Structures Assets

“A cord of three strands is not easily broken.”
Creating Generational Legacy

The Family Purpose needs to drive the planning process, and the planning process needs to support the Family Purpose.



- David York

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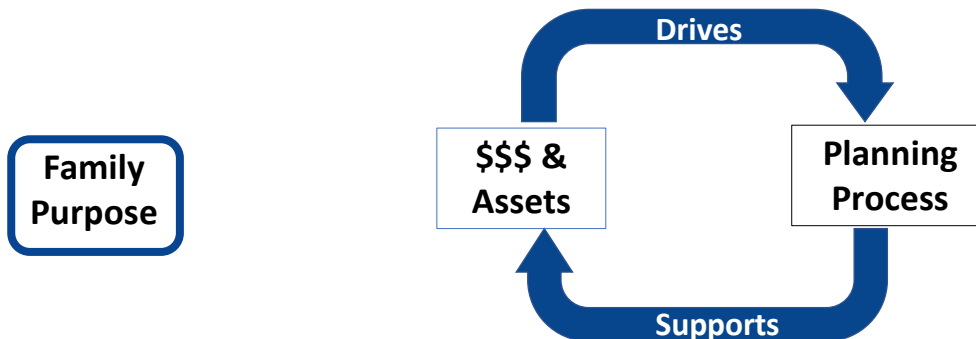
Services to Families - The “Family Meeting”



Family Structures Assets

“A cord of three strands is not easily broken.”
Creating Generational Legacy

What we usually see is the “Money, Control, Tax Minimization and Assets” drive the “Planning Process.” And the “Planning Process” is designed to support the “Money and Assets.”



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“Advancement”

Family Advancement Sustainability Trust (FAST)

“Endowing the Family Meeting Process, Where We Build the Bridge of Grace and Trust.”

FEATURE: THE MODERN PRACTICE

By **Marvin E. Blum, Gary V. Post and Thomas Rogerson**

A FAST Solution to Legacy Planning

The “family advancement sustainability trust”

In their recent article entitled, “Innovate or Die,” Timothy J. Belber, Ian McDermott, and John A. Warnick assess the current estate-planning landscape and perceptively find the profession to be at a turning point.¹ While tactical, tax-driven planning (along with asset protection planning) was the driving force for estate planning throughout the 1980s, 1990s and early 2000s, the authors point out that there are forces at work disrupting the traditional paradigm of tax-centered estate planning. The passage of the American Taxpayer Relief Act of 2012 and its increased exemptions, higher income tax rates and portability may have triggered a renewed emphasis on technical estate-planning practices, but a number of societal changes are placing a new demand on estate planners. There’s a chasm developing between what constitutes a traditional estate plan and what clients need and expect. Belber, McDermott and Warnick make it clear that estate planners must address these new developments or run the risk of becoming obsolete.

For those seeking to stay ahead of the changing landscape, the first step is an understanding of the ways in which traditional estate planning falls short of meeting a client’s needs. The problem with traditional planning is that it’s far too narrow in its scope. Historically, an expertly crafted estate plan would transfer wealth from one generation to the next in a tax-efficient manner,

protecting the client’s assets and ensuring an effective system was in place to administer those assets for heirs. While this process remains the foundation of estate planning, it’s become only the first part of a two-part race. More and more, clients are beginning to understand that even the most well-crafted estate plan will be useless if it fails to address their qualitative goals and/or if their heirs are unprepared to receive the inheritance. The innovative, adaptive estate-planning attorney will break from the confines of the traditional model to include “expanded planning” as the second part of the estate-planning process.

Two-Stage Process

Stage 1: This stage is twofold: (1) begin the process of teaching and enhancing family communication skills, and (2) work with family members and spouses at the first generation (G1) and second generation (G2) levels (and third generation (G3) if practical) to clarify and commit to family beliefs, shared values and goals. The ultimate objective of this first stage is to create a collective family mission statement outlining the family’s core values, beliefs and goals. This process can yield three useful results for moving to the next level of expanded planning.

1. Start the ongoing process of garnering participation and buy-in from G1, G2 and G3 (if practical), building cohesion and connection and giving the family members a cause behind which they can unite.
2. Identify relationship issues that can be addressed and resolved while the matriarch and patriarch are alive and participating. Relationship issues can spring from obvious situations such as a family business, a second marriage or access, use and management of a family ranch or vacation home. Further, the process

From left to right: **Marvin E. Blum** is the founder and **Gary V. Post** is a partner, both at The Blum Firm, P.C., in Fort Worth, Texas. **Thomas Rogerson** is a family wealth strategist at Wilmington Trust in Wilmington, Del.



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The FAST provides FUNDS:

- Funds for future generations to use to prepare heirs to be able to successfully manage an inheritance, manage a family business/office/enterprise, preserve a family compound, archive a family history, etc.
- Fund family endeavors to keep the family together after the elder generation dies, such as family retreats and family meetings. Giving everyone a sense of purpose and place.
- Funds to train future generations on concepts like philanthropy, entrepreneurship and being responsible stewards.

The FAST provides LEADERSHIP:

- Creates a leadership structure to ensure these activities happen, using a system of trustees and committees who are paid to run the FAST and charged with the responsibility for carrying out these tasks.

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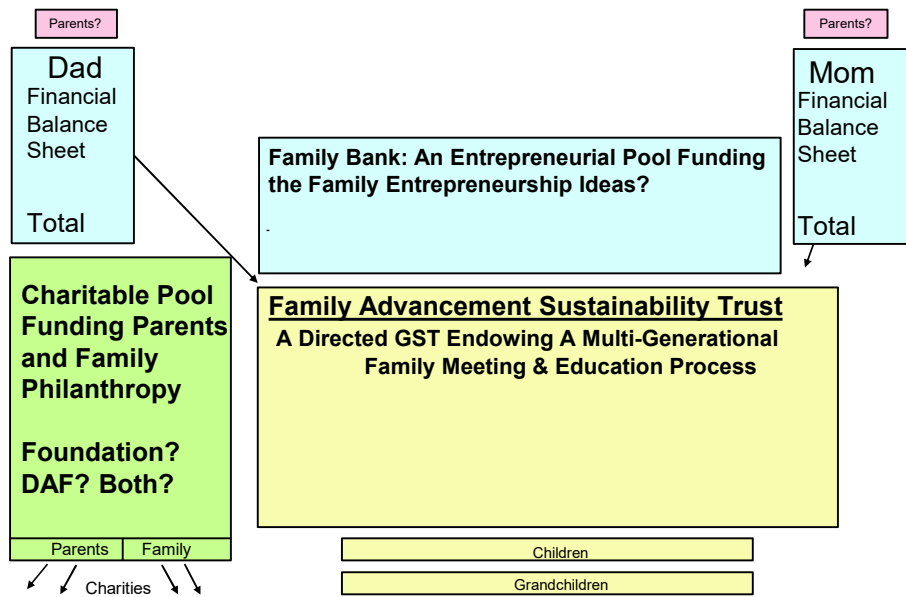
Endowing the Family Legacy/Advancement Process



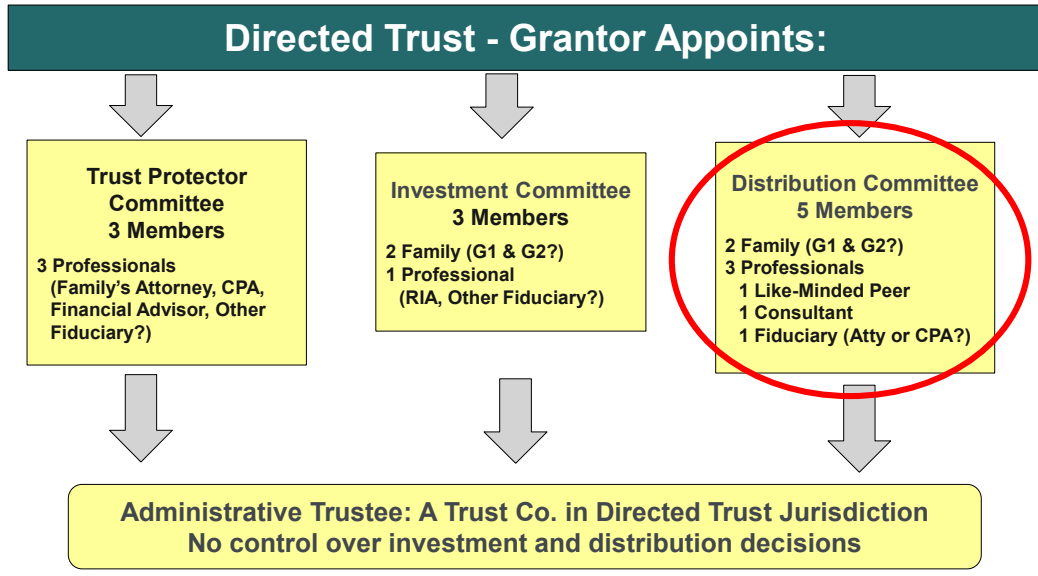
- Funds for Annual Family Purposeful Meetings/Retreats
- Funds the Family Education Process – Lifelong Learning
- Creating Mentoring Opportunities & Unique Experiences
- Encouraging Family Philanthropy – Gratitude!
- Creates a “Familiness Culture & A Family Entrepreneurial Mindset”
- Motivates People to Work Together – Teamwork
- May Hold Legacy Assets – Real Estate? Businesses? ...
- “To Know and To Be Known!” – Multigenerational Legacy!

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Family Advancement Sustainability Trust

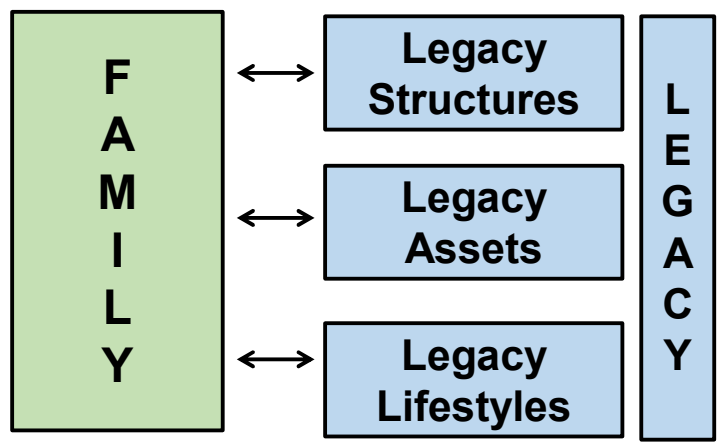


FAST Structure

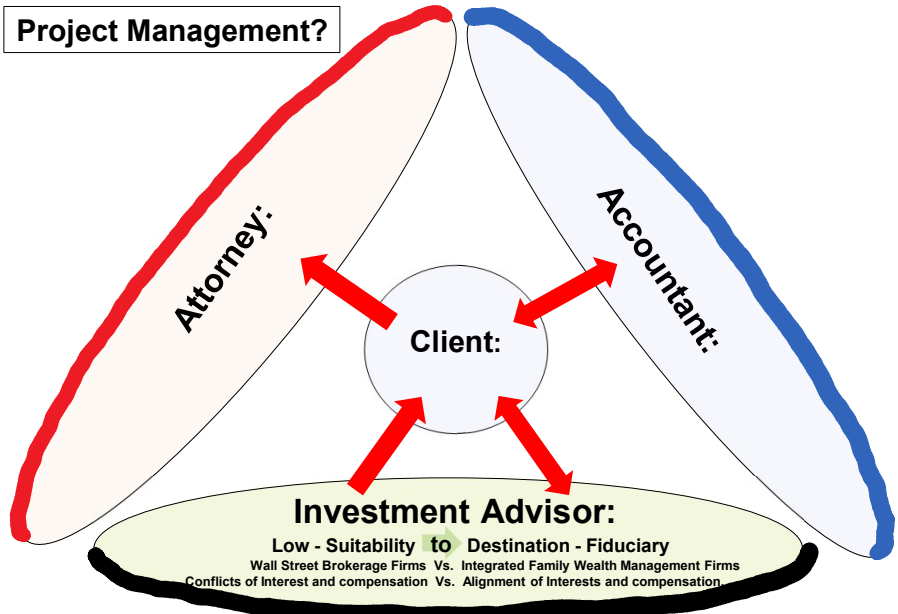


A Directed Trust allows families & their trusted advisors to be involved in the trust governance.

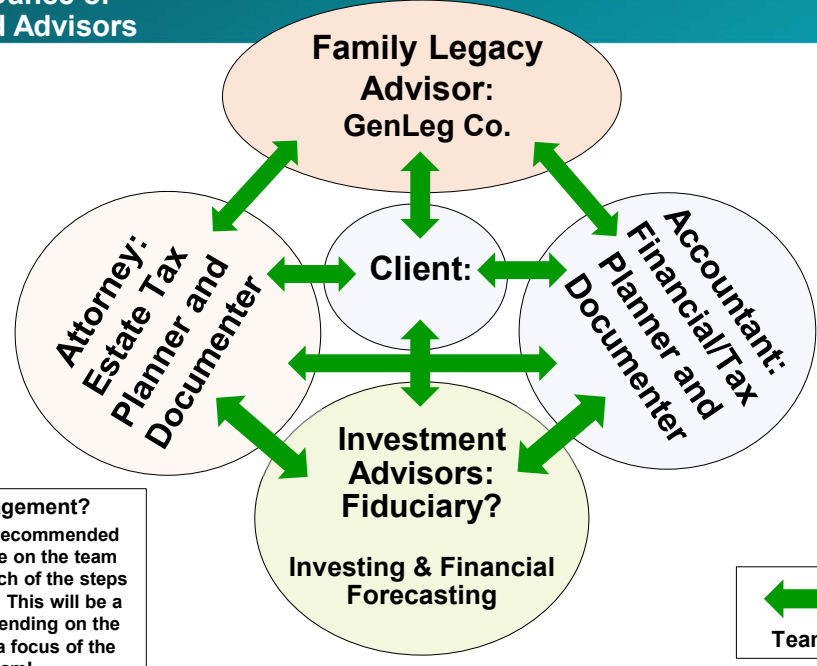
Family Business, Legacy and Culture



The Unhealthy Dance of the Client and Advisors



The Healthy Dance of the Client and Advisors



Project Management?
 For each advisor recommended initiative, someone on the team needs to "Own" each of the steps to implementation. This will be a revolving role depending on the task but must be a focus of the whole team!

- Range of Normal Wealth Expenses:
- For a Family With \$20M of Investments.
- Over a Ten Year Timeframe, What Do They Normally Spend?

Investment Fees from
25 to 50 Basis Points

Mental Barriers

Estate Planning & Tax
Minimization Fees

Mental Barriers

Preparing the Family
for the Plans & Assets

Total Spent
\$500,000
To
\$1,000,000

Total Spent
\$200,000
To
\$400,000

Total Spent
\$0
To
\$0

Until there is a “Presenting Problem,” then they would pay Anything and Everything!

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