

Can We Talk?

Conflicts in
High Net
Worth
Families





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High Net Worth families are no different from any other families, *except when they are.*

This week or next, chances are you will probably have a run-in with a difficult person.

It will not be a particularly pleasant experience, and most of us like to avoid conflict. Because we like to avoid conflict, very few people we encounter at work, on the street, or in the family know what to do to effectively manage, deescalate, or otherwise deal with conflict. That said, conflict is natural and inevitable. It's part of our lives; in fact, a rather big part. If we are thoughtful, we can personally grow from conflicts. That may not mean we like them, but discomfort, failure and reflection in dealing with them are how we as humans learn. One of the greatest threats to a HNW family and their desired legacy is the inability of the family to navigate difficult family conflicts. Money can grow and be protected. Wealth can be passed on. But, the pain and dis-ease of HNW family dysfunction can be a show stopper.

Conflicts can teach us a lot about ourselves, one another and how to engage the world around us. Everyday, we move in and out of social systems, each with its own rules, mini-cultures, shared expectations and potential for conflict. On a subway, there are "cultural rules" that commuters share about waiting for the car, entering the car, personal space and even levels of conversation. Nobody wrote these guidelines down, we merely observe, learn and grow into the culture of riding on a subway from experience. Similar rules and practices are unique to every office environment. When we change jobs, or careers, it is easy to observe how different every workplace can be, and how easy it is to violate the "code" of the office culture. Families, however, are different still. HNW families are even more so.

But why?

F. Scott Fitzgerald wrote, "Family quarrels are bitter things. They don't go according to any rules. They're not like aches or wounds, they're more like splits in the skin that won't heal because there's not enough material."

Fitzgerald, of course, was the author of *The Great Gatsby*, considered by many to be among the greatest American novels, if not the finest. Published in 1925, it is the story of a mysterious millionaire (when that was considered HNW) who hosts extravagant parties, but does not participate in them. The book has much intrigue and obsessions, but some of the most memorable are the scenes where Gatsby spends many nights staring at the green light at the end of the dock belonging to the woman of his affection, Daisy and her husband. Gatsby is obsessed with the ideal of living in the world he saw Daisy living in, and as the fulfillment of all the possible dreams he could ever have. Fitzgerald may have been onto something.

HNW families who appear to have everything, sometimes yearn for that which they do not have, or cannot seem to create. The ideal of Jay Gatsby's life was the dream of living in Daisy's world. Some HNW families may suffer from the silent affliction of aspiring to be the family of "their dreams" only to be disappointed by their failure to live it, *despite their great wealth*. Every family is at times disappointed or disillusioned by falling short of whatever image they have of an ideal family, but HNW families sometimes feel even more depressed or crestfallen, precisely because they feel they have the personal wealth to achieve anything. Sometimes, plain and simple, families let us down. Often it is because they do not name or address the right issues.

Families are among the safest of social systems, yet they can be among the most intense. In the family, we often observe the most agonizing and frustrating of conflicts, in part because we have comfort that "we can say anything, or do anything, and our family will still love us." That is what we want to believe, or feel, but it is not that way the emotions of families play out.

Family conflict can be painful, cutting, fierce, impassioned and shrill. Most conflicts out of the family setting seldom rise to the rage, level of agitation or bitterness of a family conflict. More often than not, families do not recognize or verbalize their family dysfunction as it is too painful to do, and nobody seems to have a solution path out of the situation. These internal challenges to a family will predictably grow in intensity until at some point the pain of the situation is too great. The dysfunction, and all of the drama it can create, is an example of the tail wagging the dog. Family conflicts can grow to impact on any number of family interactions, including all of the good efforts of their professional advisors to preserve the family's wealth.

Supporting a HNW family through a conflict is really no different from helping any family; except it is. Often wealthy families have intertwined relationships through a family business. Large amounts of money serve to create luxury and opportunity for HWN families, but they can also drive painful wedges between family members in the form of self-identity, life meaning and the intensity of unshared expectations for family members.

Regularly HNW families wrestle with what to do with a family asset such as a family business, the residence or vacation estate of the first generation wealth creator, or the introduction of a new spouse to the family mix. Differences in work ethic, life styles and generational values

The unexpressed needs and interests of family members contribute to the elephant in the room. Everyone knows it's there, but they are afraid to name it because the pain of doing so is like ripping off a scab.

can hit hard in some command and control hierarchies of HNW families. The presence of wealth can be used to “condition” the wants of the parents or cause trade-offs by sibling off spring that prove later not to be satisfactory and come back to haunt and disrupt the fabric of the family.

Every ethnic culture also exhibits unique family dynamics. In Asian cultures, for example, passive-aggressive behavior can often be observed and impact on family dynamics and the family's legacy. Filial piety or the undertones of parental judgment can severely escalate into family stress and tension. Middle Eastern families, East Indian families and Central European families all present additional, unique customs and folkways that challenge change in the family.

So what to do?

For starters, be careful. Conflicts in HNW families are a serious challenge, for the family and for the professionals who support the family. What are sometimes called “soft” skills – the ability to successfully manage family conflict – are actually the suite of techniques necessary to deal with the *hardest* challenges a family can face – emotions, feeling, different world views, intergenerational values, or the introduction of new family members, or step children to the existing family unit. The disposition of a family trust or asset –perhaps one left to sibling heirs for their benefit, or the entry of a new spouse into the family social system, more often than not, give rise to challenges that threaten the family's fabric of shared values and common experience. These types of conflicts are more characteristic of a wealthy family. There are two folk sayings that come into play here. The first is , “Wanna see how people really are? Wait ‘til money is involved,” and second, “When money gets involved. Loyalty usually disappears.”

The net effect can be threatening to the desired legacy of a once successful family. Family conflict disrupts the work of wealth advisors and private banker who strive to

protect and grow the assets of the family. Trusted family senior and financial advisors are often left on the sidelines during a conflict, uncomfortable in their skill to intervene, or fearful of being perceived as taking sides with family members. More than a few private bankers have lost assets under their management because they sought to help a family in conflict and got in over their heads.

Poor communication and lack of trust can spark a wildfire of family dysfunctions. Like a prairie fire, a family conflict can scorch the ground the family was built upon. The question is how to increase the bonds and affinity of the family unit, made disparate by the discords of wealth and independent pursuit of personal ambition.

When families create mission and vision statements of what they want their legacies to be as a family, this helps. Often stepping away from a specific dispute within a family and “going out” to find a higher level of family agreement, such as a vision statement or image of what the family wants the family legacy to be, can set the stage for more productive problem solving on a divisive controversy in the family.

The quick, helpful hints to defuse a family conflict situation listed here will not replace the use and effectiveness of a professional mediator or facilitator. Professionals can support the family in a process of identifying the root causes and path out of a difficult dispute.

The simple tools below, however, can make a difference in the life and dynamic of a family.

Look at the forces and dynamics of the conflict. First, ask yourself if you plan to have a continuing relationship with those parties to the conflict. If not, the techniques and methods of working through the conflict are totally different. Many families face the question of whether they can live with estrangement, or are they motivated to address the situation, as painful as it may be, through engagement. Make a list of the forces causing you to address the conflict and a list of the forces keeping you from addressing the conflict. This is called a Force Field Analysis. Once you have generated the list, you can think about how to increase or decrease the forces you listed to cause movement in the specific situation.

“Accept Legitimize, Deal or Defer” is the name we give to the choices you have about a conflict. First and foremost, it is important to legitimize the perception of the other party. Don’t deny them their specific issue. This does not mean you agree with them, just that you hear and recognize their point of view. Often, family members just want to be heard. At this point, you have a choice to make. Do I want to “deal” with this difference now, or do I want to “defer” it to perhaps a better time to talk about it, if ever.

“Step to their Side” is a tactic of dispute resolution wherein, you position your argument by their side, not in opposition to their point of view. By stepping to the side of another family member, you can see the issue together in de-personalized ways and have a better chance of understanding it, and moving to resolve the challenge. Let them know you understand how they see it, first. Then, make your case.



Some Tools:

Force Field Analysis

Accept, Legitimize,
Deal or Defer

Step to Their Side

Go to the Balcony

Separate the Person
from the Problem

Save Face

Escalating Levels of
Intervention

“Go to the balcony” is a phrase used by our colleague Bill Ury, co-author of *Getting to Yes*. He writes: imagine yourself going to the balcony to view the behavior of another family member. Rather than getting caught up in reacting to their behavior, imagine yourself looking down on the situation to better assess what is going on.

Separate the person from the problem. Chances are you will view a difficult family member or colleague and his/her problem as one issue. Try to separate the person from the problem. Be soft on the person and hard on the problem. Do not attack the person. This will escalate the topic and make it harder to solve, even if you are right and they are wrong.

Create a way to save face. Often, conflicts are as much about the ego needs of the parties as they are about the issues between them. When you confront someone, make sure you leave them a way to save face. Otherwise, even if you think you have won, they very well might find a way to come back and get you later.

Give attention, with escalating levels of intervention. Difficult family members, like anyone, often just want attention. Give them attention or they may keep acting out until they get the attention they crave. So don't ignore them, but don't give them your full attention. Many people jump to a strong response when confronted by an angry family member. As an alternative, consider escalating your response as needed. Actively listen to what they are saying and acknowledge their behavior. Be thoughtful as you choose to escalate your response to their concerns. This helps prevent uncontrolled escalation.

The Spencer Legacy Group is an alliance of experts in conflict resolution and the array of disciplines that can benefit HNW families and the professional advisors who support them. Our conflict resolution experts have deep and versatile skills. Having mediated civil wars, public policy disputes, corporate conflicts and family business change management disputes, their experience and trusted relationships with family members makes a difference that can secure the legacy of the family.

At the Spencer Legacy Group, our multi-disciplinary team of experts can make a difference in the conflicts that threaten your family or your clients. When its time to talk about the elephant in the room, give us a call at 800 694-0059 or find us online at www.spencerlegacygroup.com.