

Can We Talk?

The Unspoken
Issues that
Sabotage High
Net Worth
Families



Not talking about the elephant in the room doesn't make it go away.

When a 2012 study published by Harvard Business Review revealed that 70% of family owned businesses failed before the second generation even got a chance to take over from the wealth creators, most readers would have attributed the reasons for such failures to typical business challenges: market fluctuations, cost of capital, poor investment advice, lack of qualified labor, legal hurdles, or other normal business problems.

Surprisingly though, the Harvard study and many others have found that the legacy of high net worth families is more often eroded by such issues as family feuds, egos, emotions, poor communication and trust, and lack of preparation of the next generation for leadership.

The inability to maintain and preserve family wealth and legacy multi-generationally is well recognized in many cultures. In China they say that “wealth never survives three generations.” In Brazil, its “rich father, noble son, poor grandson.” And, here in the United States, it is “shirtsleeves to shirtsleeves in three generations.”

The Harvard study, “Avoid the Traps that can Destroy Family Businesses”, by George Stalk Jr. and Henry Foley, noted that only 15% of family owned businesses fail due to poor legal, investment or tax advice. These are the areas where business leaders typically know what they don't know and are comfortable asking for help to improve their decision making processes. There is no stigma attached to a wealth creator admitting that he or she doesn't know how to create complicated operating agreements, or amortize assets over the life of their use, or whether to invest in riskier but higher return options, or to accept lower returns on safer investments.

At the Spencer Legacy Group we call the advice that families receive from their wealth managers, tax and legal advisors the hard skills. They are usually based on laws or regulations, and are pretty standard for the industry.



The soft side of working with high net worth families involves many grey areas:

- *Better communication*
- *Enhancing trust*
- *Agreeing on a set of shared values*
- *Developing a family's vision and mission*
- *Dealing with mid-life challenges*
- *Resolving intra-family conflict*
- *Collaborative divorce*
- *Issues related to aging, such as dementia*
- *Preparing the next generation for leadership*
- *Family retreats for problem solving and long term planning*
- *Overcoming grief and loss*

A cadre of licensed, experienced professionals works very hard to provide them with the latest and best advice in these areas to help insure their legacy.

The Spencer Legacy Group offers a panoply of soft skills that help address the types of challenges faced by these families where there are no hard and fast rules or regulations to guide their path. Perhaps a story will best illustrate the nature of our work.

Following the death of their parents, the wealth generators, a Utah family of seven siblings were facing the issue of what to do with the family vacation home. It had been left to them to share in a trust that provided that the last surviving sibling would own it outright. Their parents had created the trust based on the way the home had been used in the past, for large family gatherings, and with the expectation that those practices would continue.

Over time, however, as the siblings married, started their own families and moved away from Salt Lake, their relationship to the home and even to each other shifted. Some, who lived nearby, used the retreat frequently just as it had been used during the lifetime of their parents. Others, however, preferred to vacation elsewhere, almost never going back to the family home.

The trust provided for the maintenance and upkeep of the property but the siblings needed to agree on its use. Eventually their communication and trust over these issues began to break down as one sibling began to dominate the others in decisions related to the home and used it more often than they did. A few wanted to simply sell it and split the money rather than keep bumping into the same issues and having the same disagreements. And all of these issues were complicated by the opinions of in-laws, and third generation family members who did not have the romanticized early childhood experience of vacations in the family retreat.

The home that had been the scene of so many happy gatherings during their parents lifetimes had become the source of many conflicts for the second generation.

Our Approach



Let us help you find
your way...



The Spencer Legacy Group works privately with high net worth families in highly confidential ways using Senior Advisors with decades of experience in their areas of expertise. We offer a diverse approach to solving the toughest problems that threaten the fabric of the family legacy, whether through conflict resolution, mediation, collaborative divorce, medical diagnoses of areas of dysfunction, coaching, personality assessments, or recovery from grief and loss.

Each client is seen as unique and each intervention is completely private, custom-tailored to the needs of the families we serve. Our approach draws upon the more than 180 years of experience our Senior Advisors collectively share. We complement the hard skills being provided by the family's team of investment, legal, and estate advisors by bringing myriad soft skills to their toughest problems.

We legitimize talking about the elephant in the room, and by naming the real problems we make it easier for our families to solve them.

With the Utah family that meant organizing a confidential family retreat to address and resolve the conflict before it escalated into more divisive behaviors. It meant working collaboratively to find a solution that honored both those who wanted to be done with the family vacation home and those who wanted to continue to enjoy its use. Most importantly, it meant placing a premium on the family's relationships. Strengthening those relationships became a first priority for the approach to the solution.

Allow the Spencer Legacy Group to show you how we can help your family overcome the issues that might sabotage your success. When it's time to talk about the elephant in the room, give us a call at 1-800-694-0059, or find us online at www.spencerlegacygroup.com.