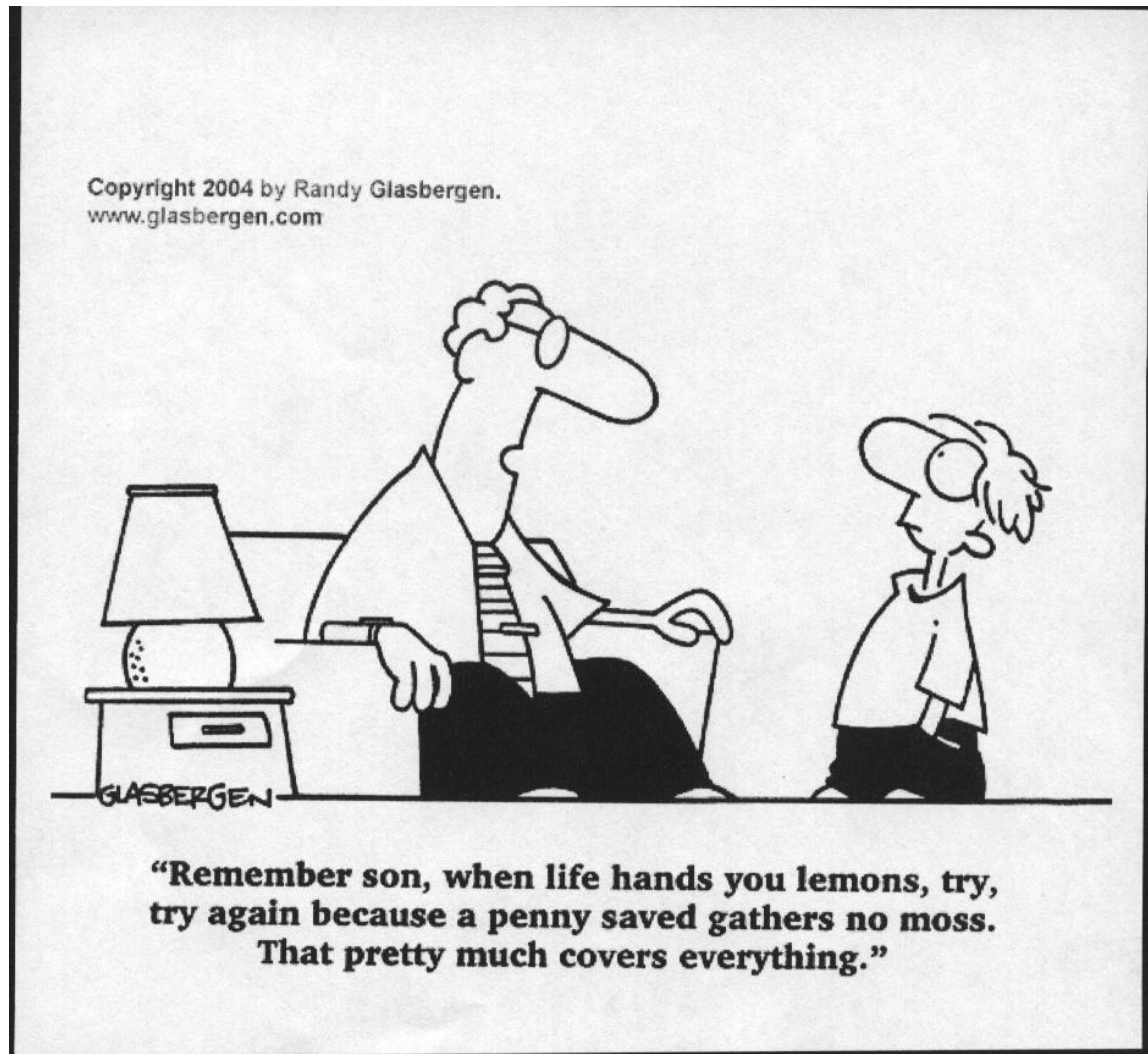




## Family Dynamics: Closing the Relative Gap

"Happy families are all alike; every unhappy family is unhappy in its own way."  
(Leo Tolstoy in *Anna Karenina*)



### Family Evil: Money or Poor Relationships

Family problems have existed since the beginning of time – “thank goodness” say Tim Rice and Andrew Lloyd Webber as they have enjoyed the fruits of “Joseph and His Amazing Technicolor Dreamcoat” over the past 37 years - a sentiment echoed by an even longer heritage of famous novelists. More often than not, a lack of money or too much money has been at the center of the problem. George Bernard Shaw famously noted that “lack of money is the root of all evil”, and the Bible says that the “love of money is the root of all evil”. Today it is probably more the case that the emotions triggered by the division of family wealth are the root of a large part of family evil.

In many ways, it is a myth that money is the primary cause of the problems in dividing family wealth. In fact, we believe the quality of a family's relationships is the most significant driver in managing and dividing family wealth. However, the family issues and dysfunctions are brought to the surface through the positive and negative energies that arise from the different ways money is perceived by members of a family. The primary issue is simple but the resolution is complex: family members all have different innate preferences and behaviors that need to be understood and reconciled. Hence, success in managing family dynamics rests in being able to "close the relative gap".

### **The Impact of Growth in Inherited Family Wealth**

In the developed world, one of today's major issues is inherited wealth and how to cope with it. Easy money is the lottery ticket buyer's dream but now more and more people are getting it. Great grandfather's courage and business acumen has led to what is now passive wealth for a growing percentage of the population. A few decades ago, it was all in the hands of old dynastic families who educated their children, raised them with full awareness of their birthright and responsibilities from a very early age, and also had the presence of mind to establish family offices to manage and protect family wealth, ensuring that it passed smoothly and efficiently to future generations, and developing high levels of philanthropy along the way. Now wealth is the birthright of thousands. Just inherit the family home and you could have a couple of million in the bank; inherit the family business and it could be multi-millions, maybe even more if you happen to be called Walton, Murdoch or Gates!. New terms have appeared - trustafarians, affluenza, and sudden wealth syndrome to name but a few. Today's press is loaded with tales of rich kids who have lost the plot, watched their wealth disappear up their noses, parked Porsches in their drives, seen relationships destroyed, exhibited bad taste and even worse manners. And why does the dissipation of inherited wealth happen? There are a multitude of causes but the absence of a cohesive family purpose based on the core values of the family – a lack of awareness of the Family DNA™, a solid family structure, little personal motivation, and a lack of strong parental direction have often been major contributors.

### **The Need to Understand the Family Behaviors**

In order to keep everything on the right track, a family needs to spend some time developing a better understanding of the behavioral dynamics of its various members – why people with the same name and background, when faced with the same circumstances, think and act in totally different ways. What makes them tick in their individual ways? Why do they have different likes and dislikes, a variety of interests, habits, styles, and senses of humor? Families need to really get to know themselves better. This process should then ideally be followed by some focus on succession planning; survivors always plan ahead. It is amazing how many families make no real effort in this regard, even to the extent of not putting the basics in place – wills, powers of attorney, living wills – not to mention trusts and more sophisticated estate planning. Even today, official statistics tell us that around 50% of Americans die without having made a will – an amazing statistic for the world's most developed country, so who knows what the number is elsewhere.

### **Managing Family Dynamics**

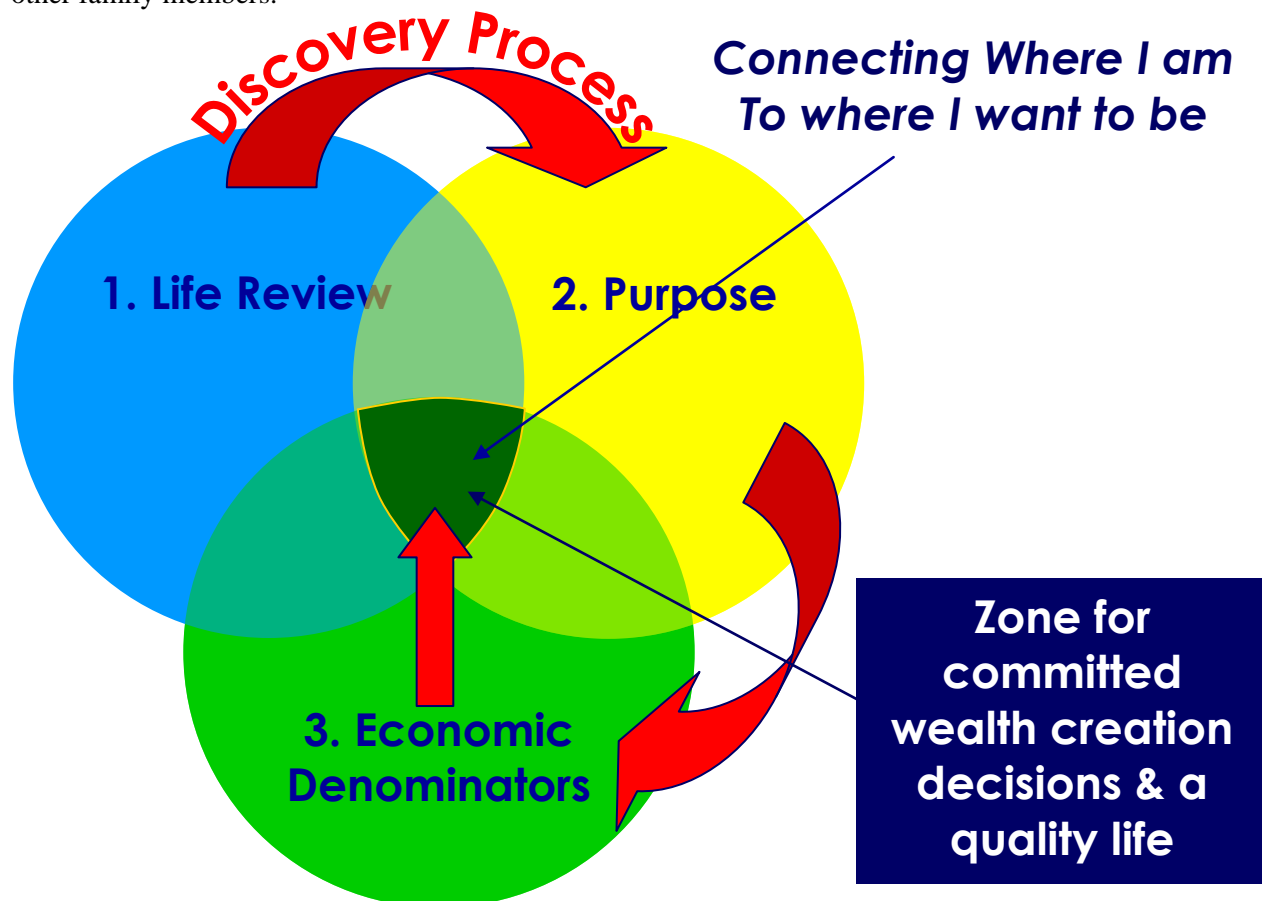
The process of managing family dynamics should start with strong family leadership from the top but if this is not naturally in place, another family member should be allowed to take the initiative. In today's fast paced hi-tech world, families are often too stretched to devote the right amount of time to the proper upbringing of children, understanding the true needs of each other and maintaining soundly bonded family relationships. Families need to build a high level of mutual trust; each family member needs to understand who they are - their strengths and as well as their struggles. The various family members all have differing behaviors and characteristics which lead them to look at the same situation from a variety of angles; they need to understand why they have one perspective and they need to comprehend – and

accept - why their parents and siblings may have a different one. Some effort at an early date can help to reduce the risk of family dysfunction and trauma at a future date. How many family relationships destroyed by fights over parents' estates could have been saved with proper communication and planning at the appropriate stage? An ounce of prevention is always more valuable than a pound of cure.

### Objectively Getting Below the Surface to the Truth

When we work with families and family businesses, we start off by giving each family member the Financial DNA® Core Life Profiles to complete - these profiles uncover a wealth of information to enable each family member to better understand each other. Also, the profiles help the family advisors have a full understanding of their likes, dislikes, preferences, interests, passions and values. The profiles provide an objective platform for everyone to focus on a variety of issues. Many of the issues are more about each family member's life rather than family matters as such. Our approach enables us to put the family at the center of a plan rather than their money.

Often in engaging a family to participate, we start off with our iceberg illustration; 10 percent of the behaviors are visible above the surface and 90 percent are hidden below. The reality is that because every family member sees the world through their own lens, they will have blind-spots about themselves and other family members.



The visible part is our public behavior – how people see us in our daily lives and to a degree, how we want people to see us in certain situations. Below the surface is our core naturally motivated behavior, not usually on general display but having a critical impact on our lives, often surfacing when key events take place in our lives or when key decisions are to be made. There is our passion and vision; both need to be

identified and developed into practicality. Our individual environment and upbringing influence many decisions and can sometimes cause roadblocks to future success if they run contrary to hard-wired behavior; when they do, strategies can be put in place to provide solutions. Our values: what we place importance on, things that really matter to us deep down. Our needs and wants: what we really want out of life - our life mission if indeed we have one – and not just keeping up with the Jones's. We also get into beliefs and spirituality.

A major focus is obviously on the financial aspects of family life and we encourage our family members at this stage to complete the Financial Directions profile to provide more detailed information on their financial preferences and behaviors. What are the family's financial motivations? To build more wealth, survive, educate the next generation, or even make a social impact. Does the family have sufficient financial experience, confidence and skills, is education needed, or does there need to be heavy reliance on professional advisors? If the latter, what sort of advisor would be the appropriate fit; this is where comparing the financial advisor's profile with the family profiles is important. Are they risk takers, risk averse, or somewhere in the middle? How will they react when things go wrong - they usually do at some stage. Are they quick decision makers or slow ponderers? Do they need detailed explanations or just the hard facts? Are there some asset classes they have a greater comfort with or investment products that they have tended to avoid in the past? At the end of the life and financial analysis, we establish a "Family Futurity Plan" to document how the family will move forward in the future and the financial and business decisions it will make, how the plan will be achieved, and what products will be involved. We also establish rules of conduct, modus operandi, and personal rules of engagement for managing the plan and the family dynamics.

It is always fascinating to see what the Financial Directions Report reveals. We have had exceedingly cautious, risk averse investors relate how relatives' bankruptcy has impacted on their own investment attitudes, another whose relative's losses in the equity markets caused a strong preference for investment only in property. With all the information that the Report produces, you can build up an intensive picture of the client's likes and dislikes, probable behavior in a variety of circumstances, and indeed whether the client is actually someone you want to deal with at all – the infamous smiling assassin.

### **The Added Complexity of Family Businesses**

When a family business is involved, a whole new set of issues arise. There are a number of surveys which consistently tell us that 30% of family businesses survive to the second generation but only 4% to the third. And the size and scope of the business does not seem to matter. The international press has recently given wide coverage to the problems at Reliance Group, India's biggest privately controlled corporate conglomerate with an annual turnover in the region of 3% of India's GDP and accounting for 10% of India's indirect taxation. Dhirubhai Ambani, the son of a poor school teacher from a small village in Gujarat State, founded Reliance and developed it into an industrial empire with interests in synthetics and textiles, petrochemicals, oil and gas exploration and refining, financial services and telecommunications. Its Indian stock exchange listing in 1977 was one of the largest public stock offerings, attracting thousands of small investors to a market hitherto dominated by state-run institutions. Ambani was a colourful and controversial character and when he suffered a stroke and died in 2002, guess what – it seems that he did not leave a will. There followed an acrimonious dispute between Ambani's two sons over ownership and control of assets, played out in the full glare of the media over several months. The family controlled around 45% of the group companies. The sons are a study in contrast – one very conservative and reticent, the other a member of India's upper house of parliament basking in the company of politicians and film personalities. And they have now decided to split the group down the middle and focus their energies on their respective businesses. Proper communication, preparation and planning – not to mention a will – could have made a big difference.

On a smaller scale, and with a much different result, we had a successful family business client with parents ready to retire and three adult children who would eventually inherit the business. All of them completed their Financial DNA<sup>®</sup> Core Life Profile and the Financial Directions profile and it was immediately apparent to everyone in the family that one child was best suited to manage the business, another, the family investments, and the third to take charge of the family foundation and philanthropic activities. After individually reviewing their own profiles and then collectively at a Family Retreat, all bought in to the Family Futurity Plan and the family business was able to continue to the satisfaction of suppliers and customers and hopefully the benefit of at least one further generation. The goals for family relationships and continuity, business continuity, financial continuity and philanthropic continuity were all satisfied, and the exercise also resulted in a new, closer family relationship.

### **Conclusion**

In conclusion, good open and regular communication, a high level of mutual trust, and understanding the life issues and integrating them to the Family Futurity Plan are key to building a foundation for successful family dynamics. At Financial DNA Resources, we focus on understanding people before numbers; our aim is to firstly help people to understand behavior – their own and other family members’ - which impacts every financial, business, work and life decision that they make. Proper use of the various applications in the Financial DNA<sup>®</sup> Discovery Process will result in a complete insight into your own and your clients’ behavioral style, make a vital contribution to the establishment of sound long-term relationships, and ultimately enable a greater quality of life for all.

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### **About the Author:**

Hugh Massie is the President of Financial DNA Resources. In his work as a Wealth Mentor, Hugh specializes in human behavioral discovery using the proprietary Financial DNA<sup>®</sup> Discovery Process to liberate and empower people, families and organizations internationally to implement committed wealth creation decisions aligned to the core of who they are. Hugh is the author of a book “Financial DNA<sup>®</sup> – Discovering Your Unique Financial Personality for a Quality Life”.