Family Trust Strengthens Trusts

Jones Family Succession Planning Case Study

DNA Behavior International

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Introduction

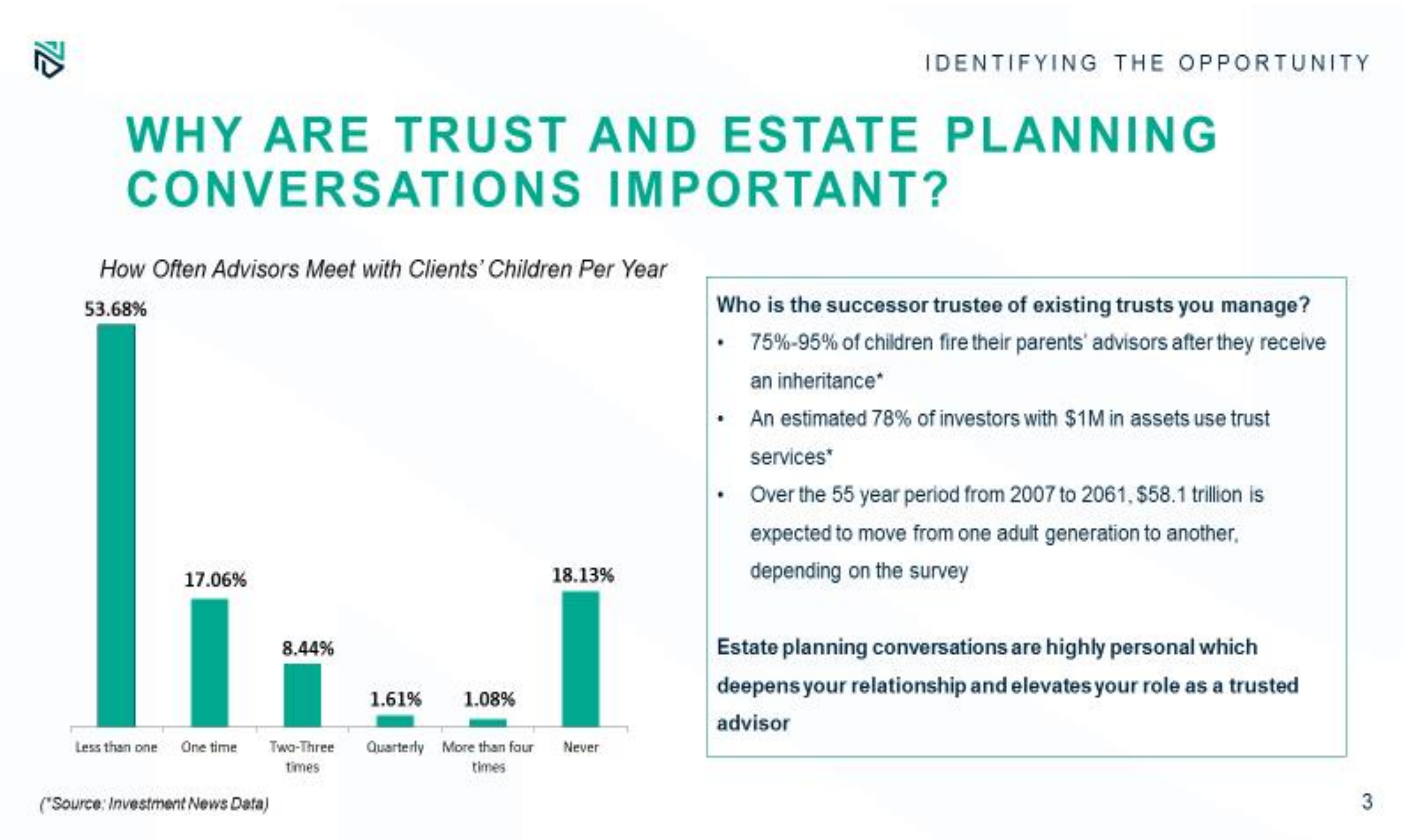
- The Jones Family are at the early stages of addressing their long-term succession planning. Their current estate plan is outdated and does not reflect the current circumstances of the children.
- The situation is complex because there is a family business, family homes, real estate holdings, share portfolios and a range of other assets.
- The 3 children have different involvements in the family business, different needs, aspirations, and different advances of money have been made.
- On the basis of a friendly recommendation, Tom Jones (the father) has reached out to Pegasus Financial Services a specialist wealth management firm with financial advisors and estate planning attorneys on the team for an initial consultation.
- In going to the first meeting with Kathy Jones, his wife, they learned that building an estate plan is far more than getting a will documented and designing an investment policy statement.
- During the initial meeting, Kathy asks the key question on why so many family businesses do not survive? Therefore, what is the ingredient which will make a family succession plan work with the family not one day getting broken apart? The Pegasus Team made it clear to Tom and Kathy that family communication is critical along with preparation of the heirs. The Independent Williams & Preisser research in their book "Preparing Heirs" shows:

    1. The transfer of wealth within families is an emotive issue.
    2. 60% of transition failures are caused by a breakdown of communication and trust in the family unit
    3. 25% of failures in family wealth transfer are caused by inadequately prepared heirs

- At the initial meeting with the Pegasus Team, Tom and Kathy learn the importance of (i) family conversations which engage the whole family, (ii) the significant impact of their decisions on their children's lives, (iii) adopting an inside-out methodology to building the succession plan which aligns the financial and emotional issues, (iv) recognizing the behavioral and money attitude differences of each family member, and (v) aligning the legal structure (trusts and foundations), governance and overall succession plan to who the family is and their needs.
- Both the financial planner and the attorney make it clear that the process to design and implement a robust family succession plan will be 12 months if everyone co-operates

and turns up to the meetings. This is subject to discovering any major financial, legal or emotional roadblocks.

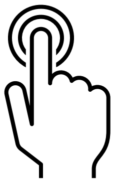
- The Pegasus Team also stress the importance of involving a third party trustee company.
- They also recommend expert family facilitators, Hugh Massie from DNA Behavior International in Atlanta, GA (www.dnabehavior.com) and Brian Brogan from the Family



Business & Entrepreneurship Faculty at Saint St Joseph's University in Philadelphia, PH (www.sju.edu). Both Hugh and Brian adopt an "Understanding People Before Numbers" approach. In particular, they use a behavioral based approach to coaching families and their advisory teams, with a specific focus on behavioral finance. To support their work, they use Financial DNA (www.financialdna.com) which was developed by DNA Behavior and used globally since 2001.

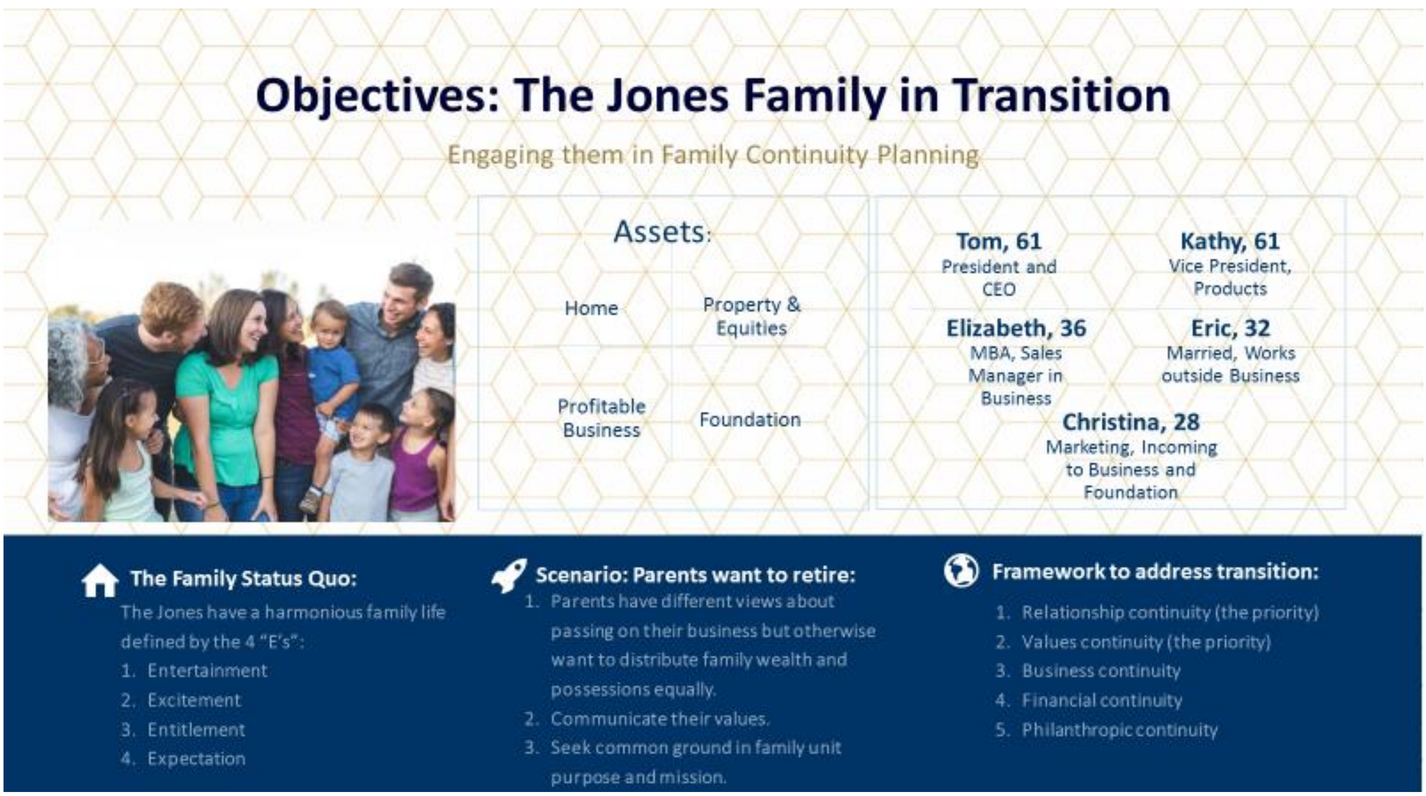
- At the conclusion of the first meeting, Tom and Kathy Jones are keen to proceed with the holistic solution of building a Family Continuity Plan and using the team of advisors that were presented. They requested that a proposal be provided.
- A Family Continuity Plan would involve facilitated family meetings to discover who each family is, the individual's needs and wants, the family's overall purpose and values, the ownership and running of the family business, policies for managing the investments, legal structuring (including trusts and ancillary agreements) and ongoing family governance. The overall plan is tailored to each family.

- The Pegasus Team also recommended to Tom and Kathy that they listen to a webinar called "Family Trust Strengthens Trust" which brings together the key concepts:



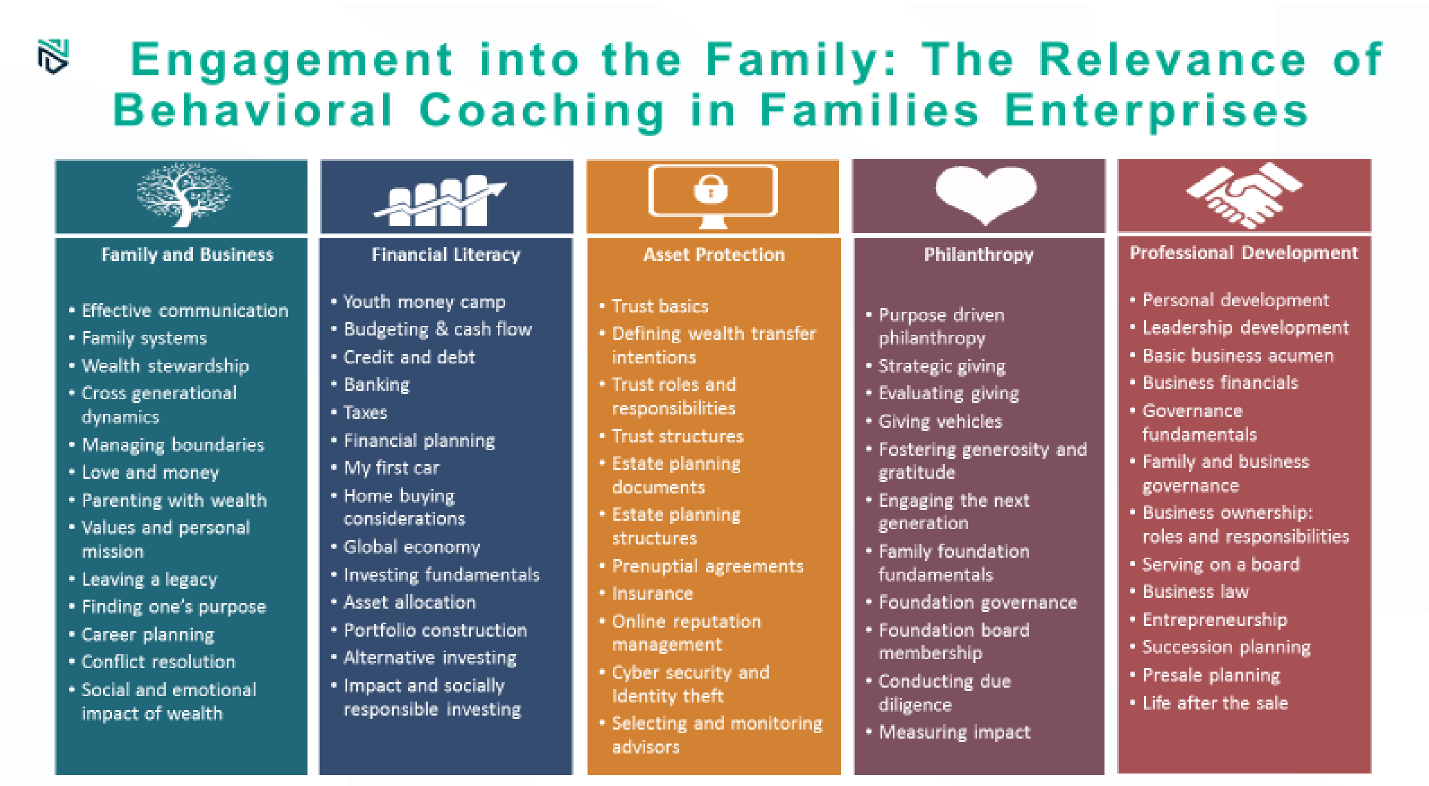
Summary of Family Objectives

The objectives of Tom and Kathy Jones are summarized in the graphic below. Most important to them is that the relatively harmonious family relationships are preserved. Further, they wish to distribute their wealth equally. However, they recognize that does not always mean the same amounts will be given as each child has a different role in the family and may not be involved in the family business. As part of the Family Continuity Plan, they are also interested in providing financial literacy training.



Engagement into the Family: The Relevance of Behavioral Coaching in Family Enterprises

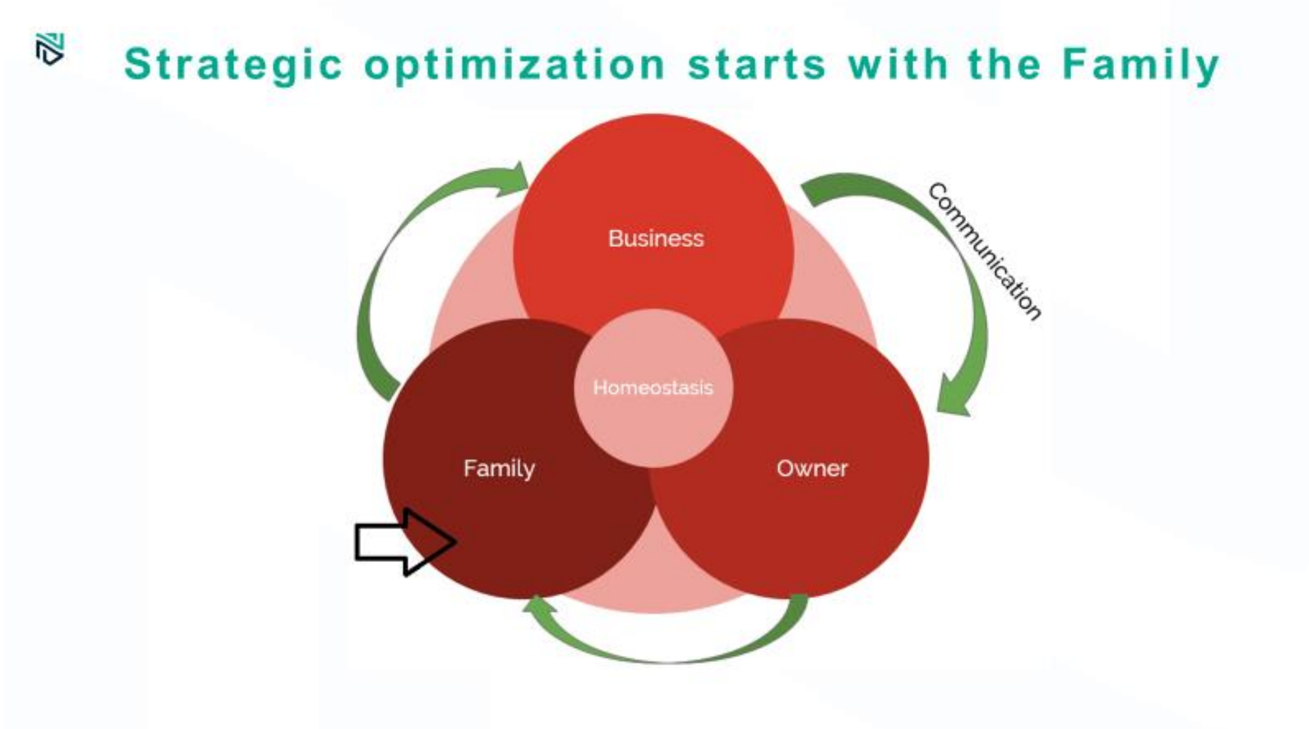
At the core of the Family Continuity proposal for the first phase of the project is a summary of all the areas which get addressed in a family engagement.



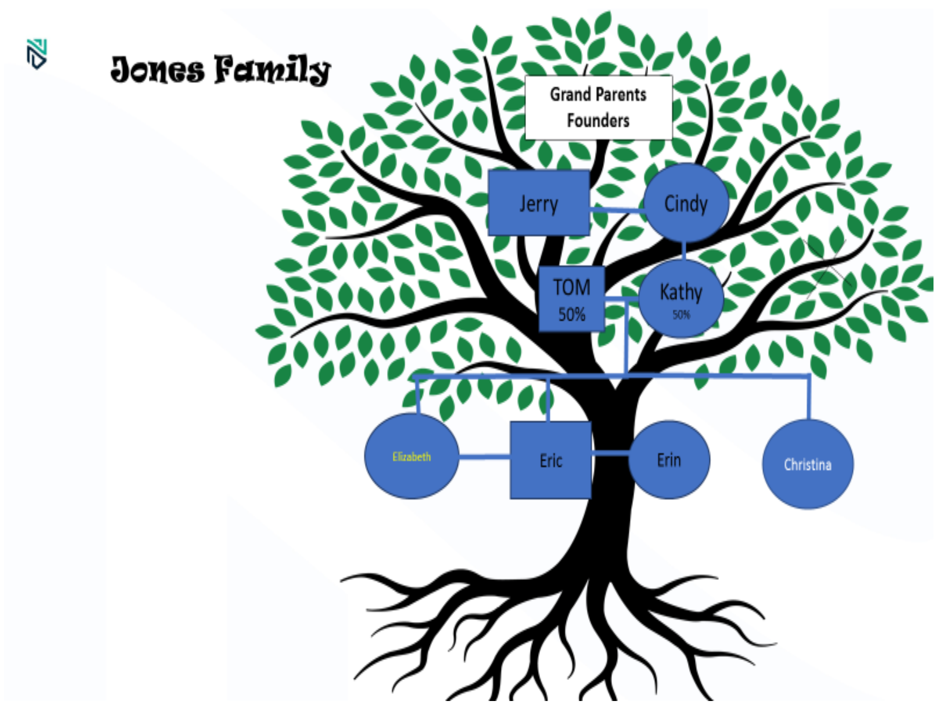
The Family Is the Starting Point

Before delving into the business issues, it is important to firstly look at the family before the business itself and its ownership structure. The process involves:

1. Assessment and optimization of the family
2. Defining the family profile and dynamics
3. Review of risk level for achieving a positive outcome



Jones Family Background



- Jerry Jessep was born in 1925 and his wife Cindy Jessep was born in 1920. They had one daughter Kathy born in 1955.
- After returning home from university Kathy married Tom Jones who she knew at school (also born in 1955).
- Kathy and Tom Jones have three children- Elizabeth, Christina, and Eric.
- Elizabeth (the oldest daughter, 36-years-old): she obtained her MBA degree from the Harvard Business School in 2002. She was working as a Business Development Manager for a large consumer goods company based in Los Angeles, CA. for four years before moving back to Charlotte, NC and starting to work for the family business in 2006. She currently is the Sales Manager in the business.

- Eric (the middle son, 32-year-old): graduated from Northwestern University with a B.A. in Political Science in 2004. Eric is married to Erin and they have one daughter Natasha who is 2.5 years old. Erin is from Chicago. Since graduation, Eric has been working as an Intelligence Analyst at a Research Centre based in Boston.
- Christina (the youngest daughter, 28-year-old): obtained her B.B.A. with a specialty in Marketing from Queens University in Ontario, Canada in 2008. She wanted to experience living outside of the US and has a love for travel. Since her graduation, she has been traveling around the world and doing volunteer work at various non-profit organizations. She is interested in the family business and the family foundation. She wants to work in the business.

Business Background

- Jerry and Cindy started Welk's in their 20's and put a lot of effort into the business. The business started out as a general store that became quite successful. They began to expand and within 10 years they had 3 locations across the southeast.
- When Kathy returned home from University she went to work for her parents. While Kathy was having children, she was working part time with her parents and raising her children.
- When Kathy was 30 her mother passed away suddenly from Ovarian Cancer, so she started to work more actively in the business to help her father out. Because of her father's grief over his wife's' death, he decided to step out of the business completely in 1990. Her father was a traditional guy and he thought that Kathy needed a man to work in the business with her. Tom and Kathy Jones became second generation owners of Welk's Company
- Kathy was gifted 50% of the shares by her parents and Tom was gifted 50% of the shares from his mother and father-in-law. They currently co-own the business.
- Tom is the company president & CEO.
- Kathy is the vice president of the firm and performs a variety of roles including managing product mix, head buyer and overseeing company direction and vision. It has been her vision that has transformed the business into what it is today.
- The company currently has 10 retail stores across the US with 270 employees. Fiscal year (FY) 2019 sales were $40 million. The business value is estimated at $20m.
- The Welk's board of directors includes owners Tom and Kathy, Welk's vice president of operations for 25 years and the VP of sales for 30 years, as well as their eldest daughter, Elizabeth.

Financial Information

Family Assets	Joint	Kathy	Tom
Family Home	$3.2M		
Vacation Home	$0.95M		
Investment Real Estate	$31.5M		
Investment Portfolio		$9.6M	$5.1M
Business Buildings	$12M		
Total	**$47.65M**	**$9.6M**	**$5.1M**

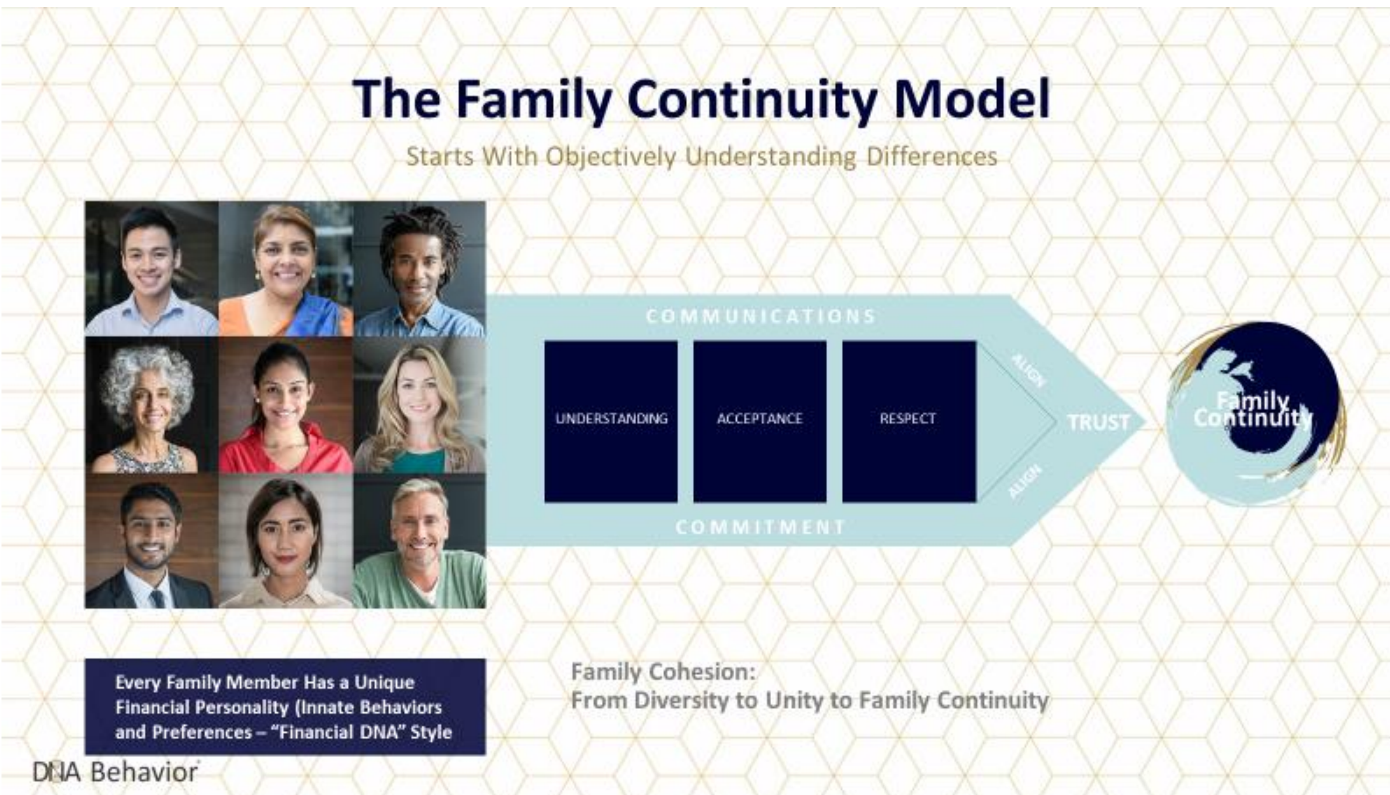
- They purchased a home for each of their 3 children. The homes are all a similar size and quality but based on when and where they were purchased, they were all different prices and hold different values today. Purchase prices are as follows:
  - Elizabeth–$350k(Charlotte)
  - Eric–$1.2m(Boston)
  - Christina=$750k(Charlotte)
- In 1985 Kathy started a foundation to raise awareness of Ovarian Cancer in the name of her mother Cindy Jessep.
- The foundation was originally endowed with $5 million at inception from proceeds from an insurance policy on Cindy as well as the balance from a contribution from Jerry. Each year Kathy and Tom add an additional $250k to this endowment. The foundation now has $15 million endowed.
- Kathy currently manages all the administrative issues with the foundation and more recently Eric has indicated an interest in getting involved as well as Christina has started helping her mother with some events.

Note: Kathy and Tom manage their financial portfolios separately. This is mainly due to the extreme differences in their risk profiles. Tom likes to take some risks with his portfolio because he feels that the business and their other assets create a lot of stability. Kathy on the other hand operates very conservatively with her financial investments. This difference caused the couple to use different investment advisors as well as has caused quite a bit of conflict in their relationship. They now don’t discuss their portfolios and how they are growing (or not). In the past year Tom’s portfolio has decreased in value by over 15% while Kathy’s has grown by 6%.

The Family Continuity Model

A key part of our methodology in building a Family Continuity Plan is to understand the different financial personalities of each family member. That is to understand their unique "Financial DNA" starting with their natural DNA hard-wired behavior shaped by genetics and early life experiences, and then their situational learned preferences which have developed from life experiences, education, and values.

Knowing each family member's Financial DNA will help the family and the facilitator's see their different money attitudes which will have a significant bearing on their decisions that get made. Money is a highly emotional topic to tackle and is often the land mine that causes problems or prevents problems from getting solved.



By uncovering the financial personality of each family member enables "understanding, acceptance and respect" to be achieved in the family which are critical factors to building trust. This will set the foundation for stronger communication and also a greater commitment to the common goals of the family. By following this approach, a higher level of trust will be developed in the family as everyone will feel more connected and also have clarity of each other's perspectives.

Financial DNA Discovery and Family Facilitation

While family members all generally come from the same home and have had similar opportunities (but not always), they all have different financial behaviors. So, discovering their Financial DNA gets to the bottom of the differences. Having unresolved differences is what will divide the family and potentially destroy the Family Continuity Plan that gets developed. Put another way, unmanaged emotions and people not feeling understood or appreciated will be a major factor in causing wealth destruction actions, including litigation.

Importantly, by everyone completing their own Financial DNA discovery and receiving objectively measured results from the DNA Behavior validated systems helps them have the same experience and see the same information. This provides a valuable level setting for the family.

So, in facilitating the Jones family (or any family) our approach is always to have them complete their Financial DNA Discovery online. The first step takes 10 to 12 minutes and a 1-page Financial Behavior Report is immediately produced for the family member and the facilitators, including the advisors. Thereafter, additional Financial DNA Discovery steps can be completed online to reveal further insights on money behaviors, goals, and life purpose.

Each family member's 1-page Financial Behavior Report will allocate them the following information:

1. One of 10 unique Financial DNA Styles as highlighted in the graphic below.
2. Behavioral biases

3. Insights on risk-taking, financial relationship management (relationship style), financial management (spending or saving), wealth creation motivation (goal driven or lifestyle), and financial emotional intelligence (emotional or rational decision-making)
4. Communication style
5. There are more detailed reports which go deeper into the behavioral insights depending on what is required for the situation. These reports are available to the facilitator and family member.

The facilitation process involves the following steps:

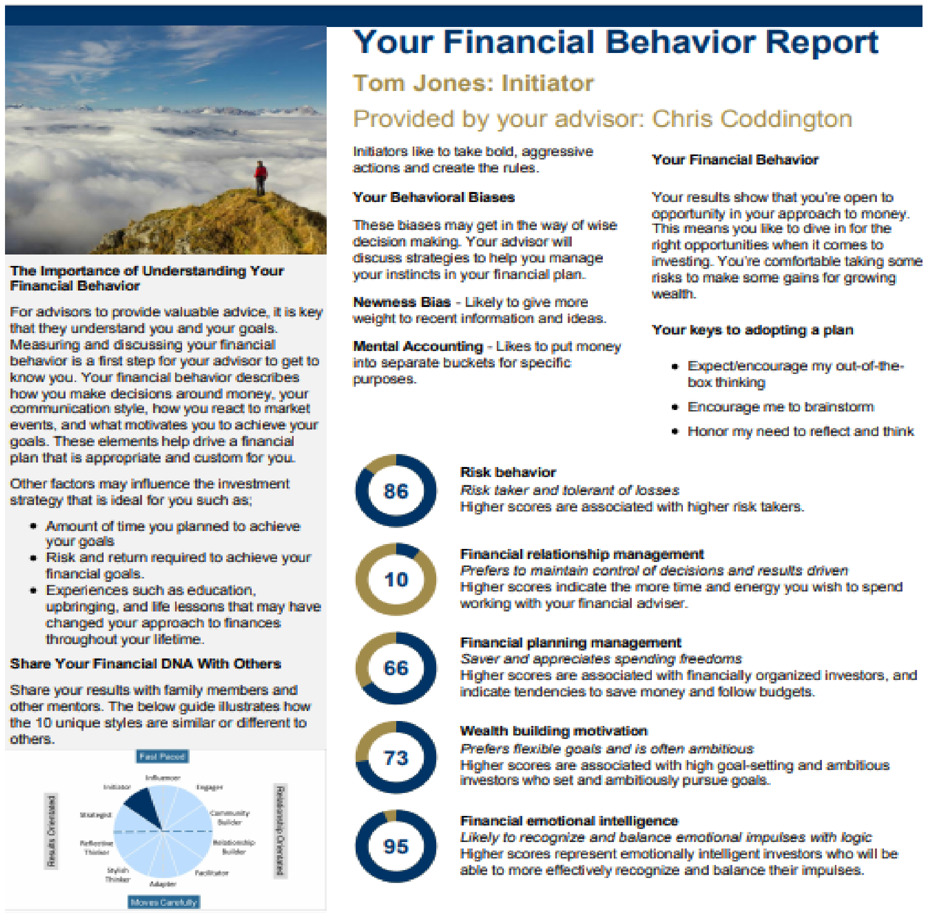
1. The facilitator individually meets with each family member to discuss their Financial DNA, their perceptions of the family's needs and their personal goals, strengths, and struggles.
2. Then, the facilitator would meet with the parents together being in this case Tom and Kathy. This would be to have them recognize their similarities and differences, and also reach agreement on the family goals from their perspective.
3. The family facilitator would then design a Family Meeting Agenda and plan for bringing the whole family together to discuss the succession planning objectives, including the design of a Family Continuity Plan. The Agenda would be based on the points of alignment and potential disagreement based on the individual 1:1 meeting.
4. The Family Meeting would take place led by the family facilitator with the advisory team present. Depending on the issues, health of the family dynamics and ability to reach consensus, several meetings could be required.

Individual Family Member Meetings

Tom's View

(Financial DNA: Initiator Style – who is a risk-taker, desire to control decision-making, saves money, goal driven and has strong financial emotional intelligence. He wants to engage in discussions, brainstorm but also have time to reflect and think. So, he cannot be allowed to dominate the family meeting, but his thoughts must be brought out).

- I would like to pass the business to the next generation without causing any conflict among the kids.
- Elizabeth has been working for the business for 9 years, so she clearly deserves more shares in the business.
- I would like Kathy and myself to lead a comfortable life after our retirement. Kathy seems ready to retire or at least slow down but I am definitely not ready. There is still so much to do with the business.



Your Financial Behavior Report

Tom Jones: Initiator

Provided by your advisor: Chris Coddington

The Importance of Understanding Your Financial Behavior

For advisors to provide valuable advice, it is key that they understand you and your goals. Measuring and discussing your financial behavior is a first step for your advisor to get to know you. Your financial behavior describes how you make decisions around money, your communication style, how you react to market events, and what motivates you to achieve your goals. These elements help drive a financial plan that is appropriate and custom for you.

Other factors may influence the investment strategy that is ideal for you such as;

- Amount of time you planned to achieve your goals
- Risk and return required to achieve your financial goals.
- Experiences such as education, upbringing, and life lessons that may have changed your approach to finances throughout your lifetime.

Share Your Financial DNA With Others

Share your results with family members and other mentors. The below guide illustrates how the 10 unique styles are similar or different to others.

Initiators like to take bold, aggressive actions and create the rules.

Your Behavioral Biases

These biases may get in the way of wise decision making. Your advisor will discuss strategies to help you manage your instincts in your financial plan.

Newness Bias - Likely to give more weight to recent information and ideas.

Mental Accounting - Likes to put money into separate buckets for specific purposes.

Your Financial Behavior

Your results show that you're open to opportunity in your approach to money. This means you like to dive in for the right opportunities when it comes to investing. You're comfortable taking some risks to make some gains for growing wealth.

Your keys to adopting a plan

- Expect/encourage my out-of-the-box thinking
- Encourage me to brainstorm
- Honor my need to reflect and think

86 **Risk behavior**
Risk taker and tolerant of losses
Higher scores are associated with higher risk takers.

10 **Financial relationship management**
Prefers to maintain control of decisions and results driven
Higher scores indicate the more time and energy you wish to spend working with your financial adviser.

66 **Financial planning management**
Saver and appreciates spending freedoms
Higher scores are associated with financially organized investors, and indicate tendencies to save money and follow budgets.

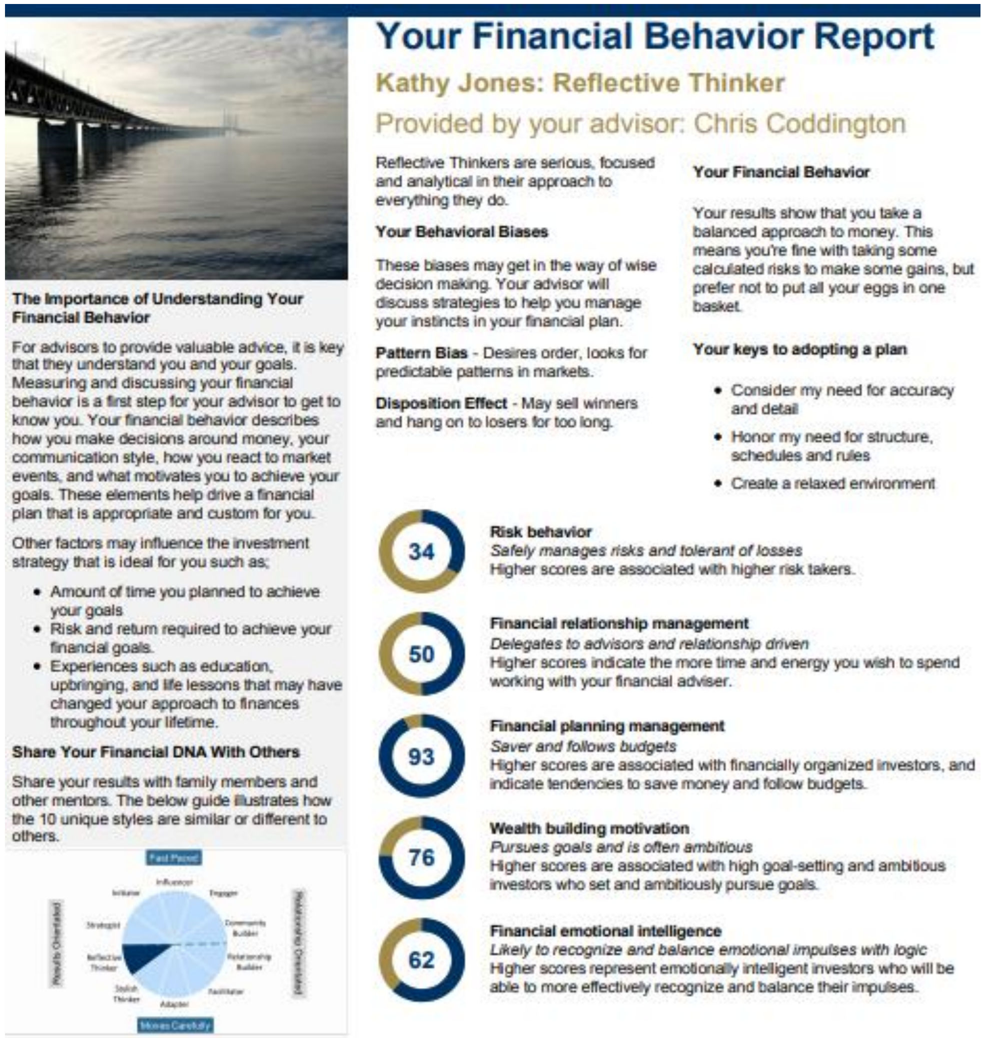
73 **Wealth building motivation**
Prefers flexible goals and is often ambitious
Higher scores are associated with high goal-setting and ambitious investors who set and ambitiously pursue goals.

95 **Financial emotional intelligence**
Likely to recognize and balance emotional impulses with logic
Higher scores represent emotionally intelligent investors who will be able to more effectively recognize and balance their impulses.

- Will Eric be interested in working in the business? Eric has been working in Boston since he obtained his degree in political science. He does not seem to be interested in the family business now, despite the fact that I have invited him to join the business. Because he is my only son, I sometimes wish he would succeed me as the CEO.
- Kathy wants to give equal shares to all three children. I don't think we should. Currently only Elizabeth is working in the business and I wonder if it will really be fair if we give equal shares to all three kids.
- Our investment in the apartment buildings have been a passive investment so far but our partner wants to retire and finds the stress of managing those properties too much. He wants to sell his shares of those buildings to us or to another party if we aren't interested.

Kathy's View

(Financial DNA: Reflective Thinker Style – who is cautious, prepared to delegate, very fiscally responsible, goal driven and can manage her emotional impulses in decision-making. She likes details, structure, and a relaxed environment for discussions. So, the family meeting needs to be kept calm.



Your Financial Behavior Report

Kathy Jones: Reflective Thinker

Provided by your advisor: Chris Coddington

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Share Your Financial DNA With Others

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Reflective Thinkers are serious, focused and analytical in their approach to everything they do.

Your Behavioral Biases

These biases may get in the way of wise decision making. Your advisor will discuss strategies to help you manage your instincts in your financial plan.

Pattern Bias - Desires order, looks for predictable patterns in markets.

Disposition Effect - May sell winners and hang on to losers for too long.

Your Financial Behavior

Your results show that you take a balanced approach to money. This means you're fine with taking some calculated risks to make some gains, but prefer not to put all your eggs in one basket.

Your keys to adopting a plan

- Consider my need for accuracy and detail
- Honor my need for structure, schedules and rules
- Create a relaxed environment

34 **Risk behavior**
Safely manages risks and tolerant of losses
Higher scores are associated with higher risk takers.

50 **Financial relationship management**
Delegates to advisors and relationship driven
Higher scores indicate the more time and energy you wish to spend working with your financial adviser.

93 **Financial planning management**
Saver and follows budgets
Higher scores are associated with financially organized investors, and indicate tendencies to save money and follow budgets.

76 **Wealth building motivation**
Pursues goals and is often ambitious
Higher scores are associated with high goal-setting and ambitious investors who set and ambitiously pursue goals.

62 **Financial emotional intelligence**
Likely to recognize and balance emotional impulses with logic
Higher scores represent emotionally intelligent investors who will be able to more effectively recognize and balance their impulses.

- When the kids were still young, they started doing some part-time work in the business so they would learn it when they were young.
- I am open to the idea of transferring the ownership to the children after we got some family business education. It was beneficial for us to speak with other families going through transition and explore ways to make this work.
- I want all the three children to be treated equally.
- I also want the family harmony to remain uncompromised.
- I would like Tom and I to travel more after we retire. Also, I would like Tom to slow down and take better care of himself.
- We have a lot of things to manage and I am not sure our kids can manage it all or even if they are interested.   None of my kids understand the full extent of all of our assets. They know we have a foundation and of course the business but they don't know about the value of the rest of the assets.
- I would like to stop working in the business and run the foundation full time. My kids think the focus of the foundation is morbid and it should branch out and donate to other causes.

Elizabeth's View

(Financial DNA: Influencer Style – who is a very high-risk taker, will take control of decision-making if allowed to, possibly a high spender, very goal driven and is financially rational. From a communication perspective, she will want the big picture, action plans and logical steps. The family meeting will need to be kept moving and her possible impatience for fast outcomes in her favor managed).

- I am currently the only offspring working in the business. I have an MBA and, through my work experience with the consumer goods company, I have developed skills that will transfer to running my own business.
- When studying at Harvard Business School, I learned that we require a formal succession plan for our family enterprise.
- I am concerned about the ability for my parents to have a financially comfortable retirement.

Your Financial Behavior Report

Elizabeth Jones: Influencer

Provided by your advisor: Chris Coddington

The Importance of Understanding Your Financial Behavior

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Other factors may influence the investment strategy that is ideal for you such as;

- Amount of time you planned to achieve your goals
- Risk and return required to achieve your financial goals.
- Experiences such as education, upbringing, and life lessons that may have changed your approach to finances throughout your lifetime.

Share Your Financial DNA With Others

Share your results with family members and other mentors. The below guide illustrates how the 10 unique styles are similar or different to others.

Influencers usually like to take all opportunities for being in front of people and to be at the center of decision-making.

Your Behavioral Biases

These biases may get in the way of wise decision making. Your advisor will discuss strategies to help you manage your instincts in your financial plan.

Optimism Bias - Exhilarated by playing a big game even if they know it is difficult to win.

Benchmark Focus - Can be fixed on keeping in line with established benchmarks.

Your Financial Behavior

Your results show that you're open to opportunity in your approach to money. This means you like to dive in for the right opportunities when it comes to investing. You're comfortable taking some risks to make some gains for growing wealth.

Your keys to adopting a plan

- Provide me with the big picture
- Present me with action plans
- Show me the logical steps

95 **Risk behavior**
Risk taker and tolerant of losses
Higher scores are associated with higher risk takers.

27 **Financial relationship management**
Prefers to maintain control of decisions and results driven
Higher scores indicate the more time and energy you wish to spend working with your financial adviser.

8 **Financial planning management**
Desire to spend and appreciates spending freedoms
Higher scores are associated with financially organized investors, and indicate tendencies to save money and follow budgets.

98 **Wealth building motivation**
Pursues goals and is often ambitious
Higher scores are associated with high goal-setting and ambitious investors who set and ambitiously pursue goals.

86 **Financial emotional intelligence**
Likely to recognize and balance emotional impulses with logic
Higher scores represent emotionally intelligent investors who will be able to more effectively recognize and balance their impulses.

- I am also concerned about whether my parents will give up control after they retire.
- Will my siblings think I am the right person to run Welk's Company and support my work in the business?

Eric's View (Financial DNA – Facilitator Style who is moderately bold, collaborative, a saver, goal driven and can be financially rational. He wants to be provided with the logical steps, past experiences shared and given the big picture. The family meeting will need to be kept high level for him but also warm and inclusive).

- When I was a young child, I know Dad worked hard in the business. Therefore, he was not around a lot. I also felt a great deal of tension at home between Mom and Dad, especially when the business was not performing well. I decided that I did not want to be part of the family business and chose to pursue a major in political science instead of business at university.
- Currently I am happy with my work as an Intelligence Analyst in Boston.

Your Financial Behavior Report

Eric Jones: Facilitator

Facilitators are good at guiding people with feelings yet with the determination to reach goals and accomplish tasks.

Your Behavioral Biases

These biases may get in the way of wise decision making. Your advisor will discuss strategies to help you manage your instincts in your financial plan.

Benchmark Focus - Can be fixed on keeping in line with established benchmarks.

Optimism Bias - Exhilarated by playing a big game even if they know it is difficult to win.

Your Financial Behavior

Your results show that you take a balanced approach to money. This means you're fine with taking some calculated risks to make some gains, but prefer not to put all your eggs in one basket.

Your keys to adopting a plan

- Show me the logical steps
- Tell me past experiences
- Provide me with the big picture

66 — **Risk behavior**
Risk taker and able to see pitfalls
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50 — **Financial relationship management**
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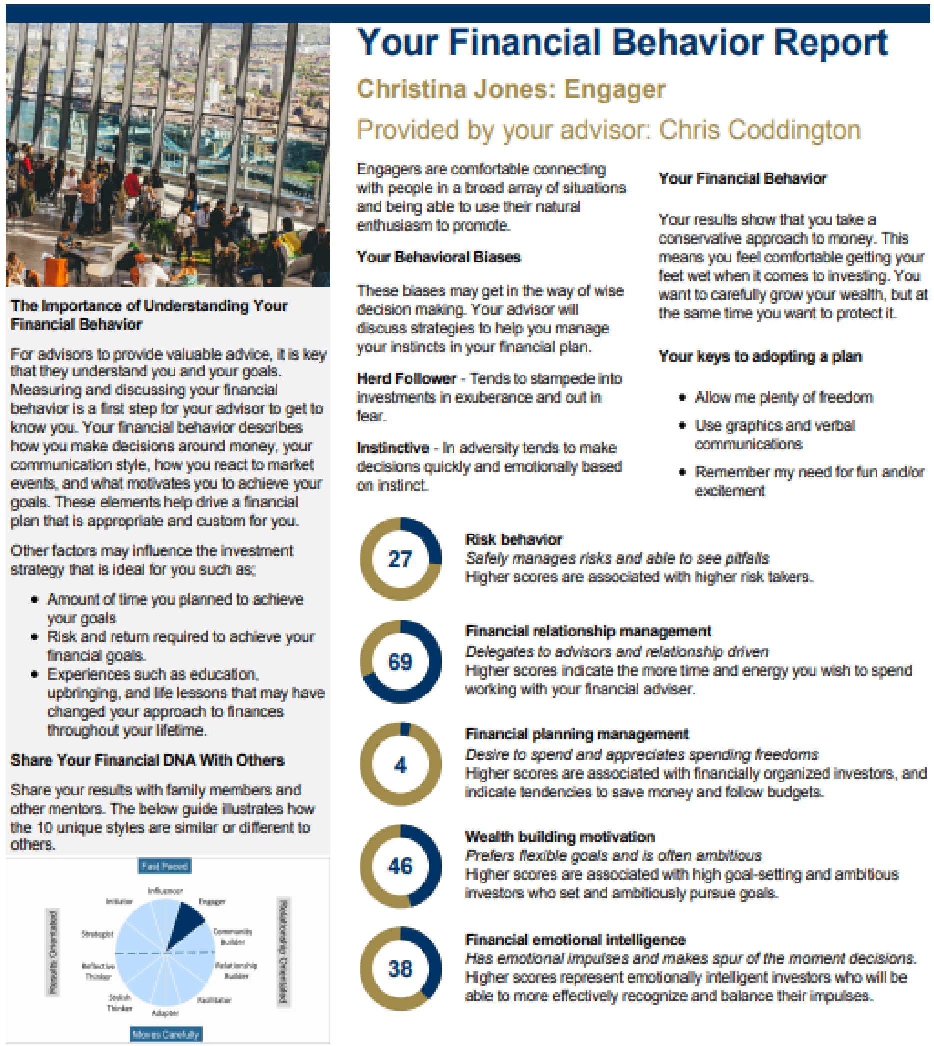
- Being the only son in the family, I feel some obligation to be part of the business. However, I am not sure I have a desire to do so.
- Two years ago, my parents asked me if I was interested in coming back to work for the family business and becoming part of the ownership team.
- I am leading an exciting life with my wife in Boston. Can my wife find a meaningful career if we move back to Charlotte?

Christina's View
(Financial DNA – Engager Style who is very cautious, collaborative, a high spender, more lifestyle oriented and could make emotional decisions. The family meeting to be kept engaging, with graphically presented information and open discussion allowed).

- Growing up in the business, I feel very comfortable with the environment and working there.

- When I looked at the opportunities in the family business, I saw a potential path to follow for myself. My parents would like the three of us to own the family business and I am excited about the opportunity of working there. I am the most creative of the three of us and that's what this business needs. I am concerned about my older sister's controlling and demanding style. We are quite different.



Your Financial Behavior Report

Christina Jones: Engager

Provided by your advisor: Chris Coddington

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Engagers are comfortable connecting with people in a broad array of situations and being able to use their natural enthusiasm to promote.

Your Behavioral Biases

These biases may get in the way of wise decision making. Your advisor will discuss strategies to help you manage your instincts in your financial plan.

Herd Follower - Tends to stampede into investments in exuberance and out in fear.

Instinctive - In adversity tends to make decisions quickly and emotionally based on instinct.

Your Financial Behavior

Your results show that you take a conservative approach to money. This means you feel comfortable getting your feet wet when it comes to investing. You want to carefully grow your wealth, but at the same time you want to protect it.

Your keys to adopting a plan

- Allow me plenty of freedom
- Use graphics and verbal communications
- Remember my need for fun and/or excitement

27 **Risk behavior**
Safely manages risks and able to see pitfalls
Higher scores are associated with higher risk takers.

69 **Financial relationship management**
Delegates to advisors and relationship driven
Higher scores indicate the more time and energy you wish to spend working with your financial adviser.

4 **Financial planning management**
Desire to spend and appreciates spending freedoms
Higher scores are associated with financially organized investors, and indicate tendencies to save money and follow budgets.

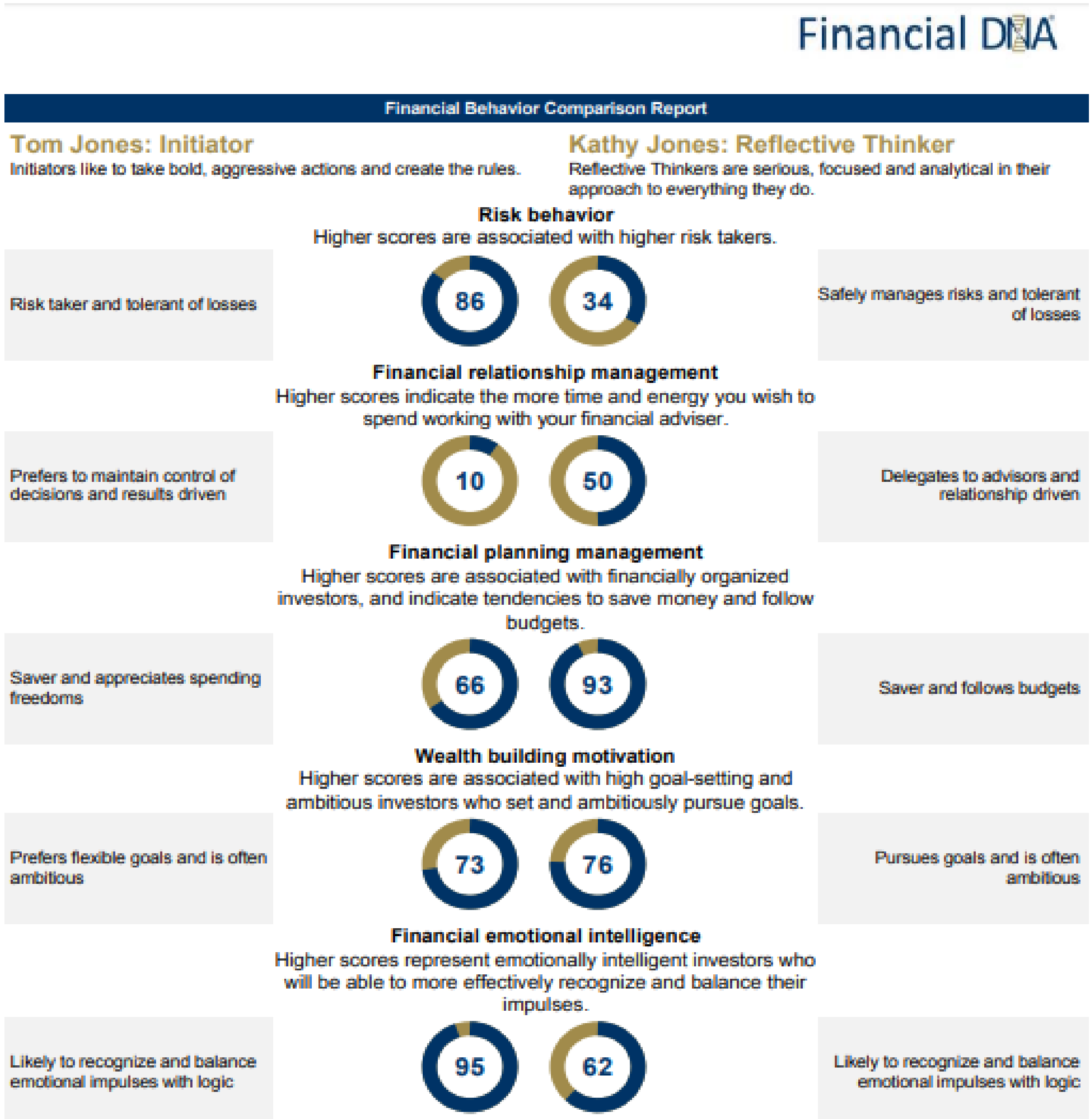
46 **Wealth building motivation**
Prefers flexible goals and is often ambitious
Higher scores are associated with high goal-setting and ambitious investors who set and ambitiously pursue goals.

38 **Financial emotional intelligence**
Has emotional impulses and makes spur of the moment decisions.
Higher scores represent emotionally intelligent investors who will be able to more effectively recognize and balance their impulses.

Meeting Between Tom and Kathy

As the leaders of the family and holders of the wealth to be passed on to their children, it is important that they meet together with the facilitator. Their Financial DNA style similarities and differences need to be shared and put in perspective. Further, they need to agree on how they want to preserve the family, business, assets, legacy, and relationships.

The Financial DNA Comparison report for Tom and Kathy is below: It highlights the following key points from a financial behavior perspective:



Financial DNA

Financial Behavior Comparison Report

Tom Jones: Initiator
Initiators like to take bold, aggressive actions and create the rules.

Kathy Jones: Reflective Thinker
Reflective Thinkers are serious, focused and analytical in their approach to everything they do.

Risk behavior
Higher scores are associated with higher risk takers.

Tom	Tom score	Kathy score	Kathy
Risk taker and tolerant of losses	86	34	Safely manages risks and tolerant of losses

Financial relationship management
Higher scores indicate the more time and energy you wish to spend working with your financial adviser.

Tom	Tom score	Kathy score	Kathy
Prefers to maintain control of decisions and results driven	10	50	Delegates to advisors and relationship driven

Financial planning management
Higher scores are associated with financially organized investors, and indicate tendencies to save money and follow budgets.

Tom	Tom score	Kathy score	Kathy
Saver and appreciates spending freedoms	66	93	Saver and follows budgets

Wealth building motivation
Higher scores are associated with high goal-setting and ambitious investors who set and ambitiously pursue goals.

Tom	Tom score	Kathy score	Kathy
Prefers flexible goals and is often ambitious	73	76	Pursues goals and is often ambitious

Financial emotional intelligence
Higher scores represent emotionally intelligent investors who will be able to more effectively recognize and balance their impulses.

Tom	Tom score	Kathy score	Kathy
Likely to recognize and balance emotional impulses with logic	95	62	Likely to recognize and balance emotional impulses with logic

1. Tom and Kathy manage separate investment portfolios because of different attitudes to risk.
2. Tom will want to control decision-making, and Kathy is more comfortable to delegate.
3. Kathy is more fiscally responsible, but both are relatively strong.
4. Both could be very wealth creation driven
5. Tom will be a rational decision-maker and Kathy more emotional although she can be rational when needed.

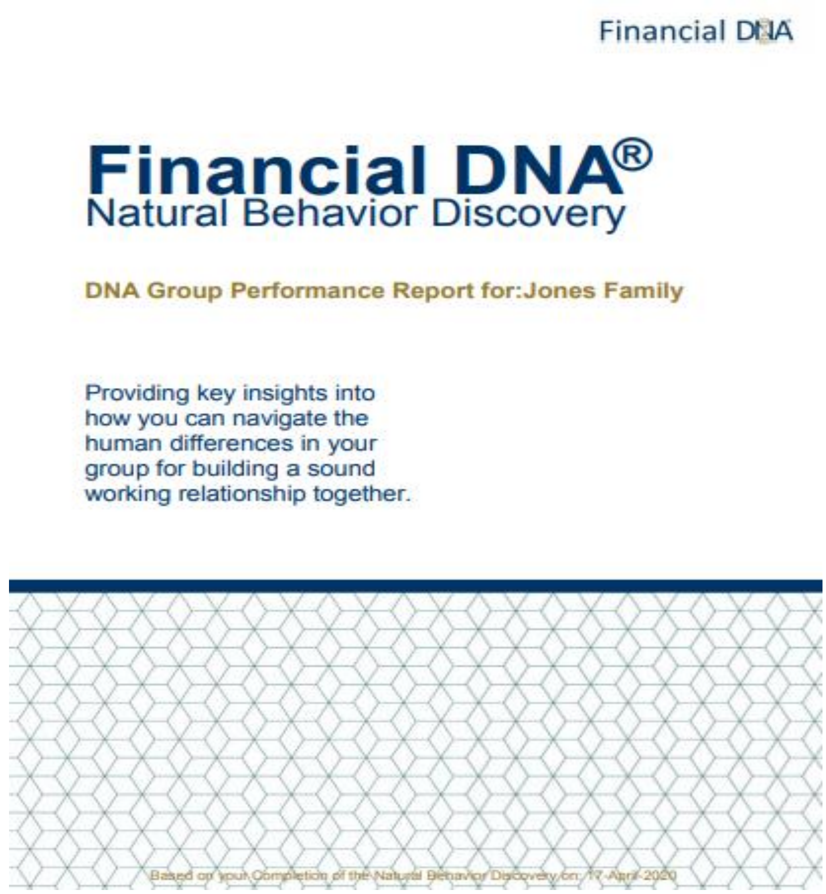
From moving forward in the Family Continuity planning process what this brings out is that they will want to see financially responsible decisions made by the children. They have a growth mind-set, and this is where they would want Elizabeth who is also growth driven to ultimately run the business. However, the facilitator will warn Tom not to seek to control the business and the estate from the grave through overly complex legal structuring and decision-making controls.

Jones Family Meeting

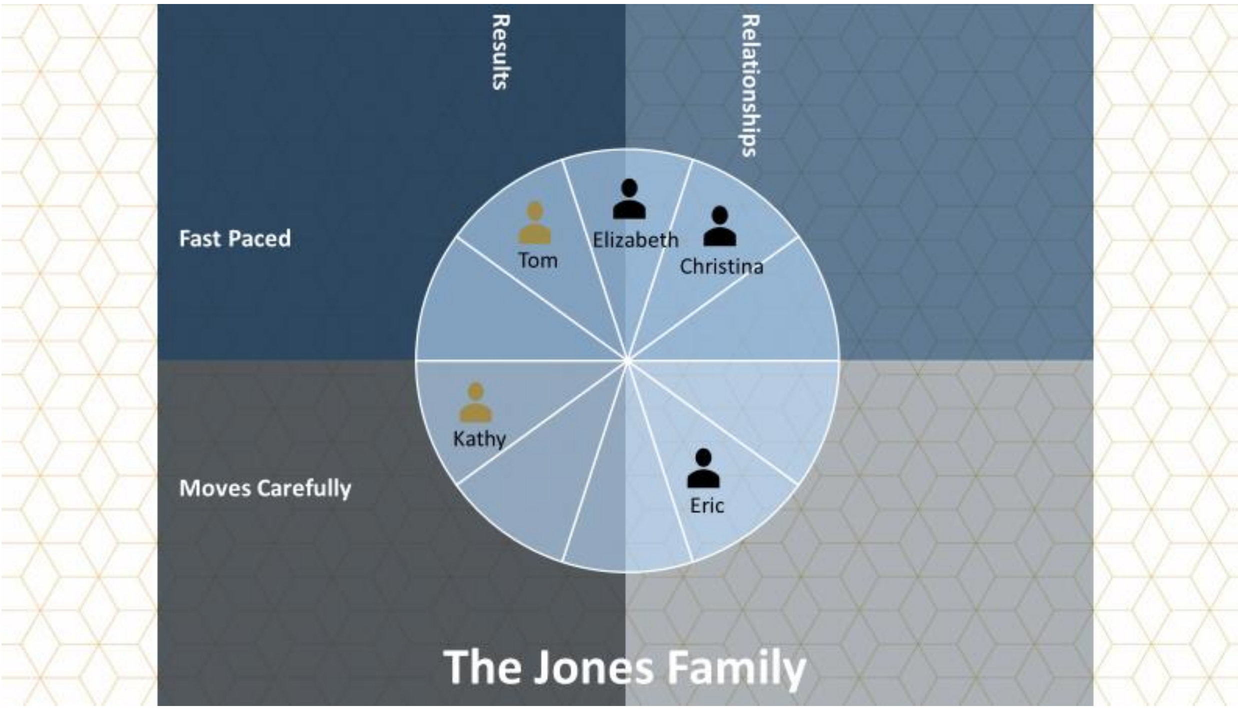
The next phase involves a family meeting with all family members and the advisory team present. One of the key steps in the family meeting is to discuss the Financial DNA Group report which blends the styles of each family member so that the similarities and differences can be seen by them.

The strengths of this process are that:

1. This level-setting process helps build trust as each family member is treated equally based on who they are.
2. The conversation is about "them" and not directly their money
3. Behavioral strengths and struggles identified for tailoring a sustainable continuity plan
4. Increases engagement of the wealth inheritors/next generation
5. Advisory team matching for customizing experiences

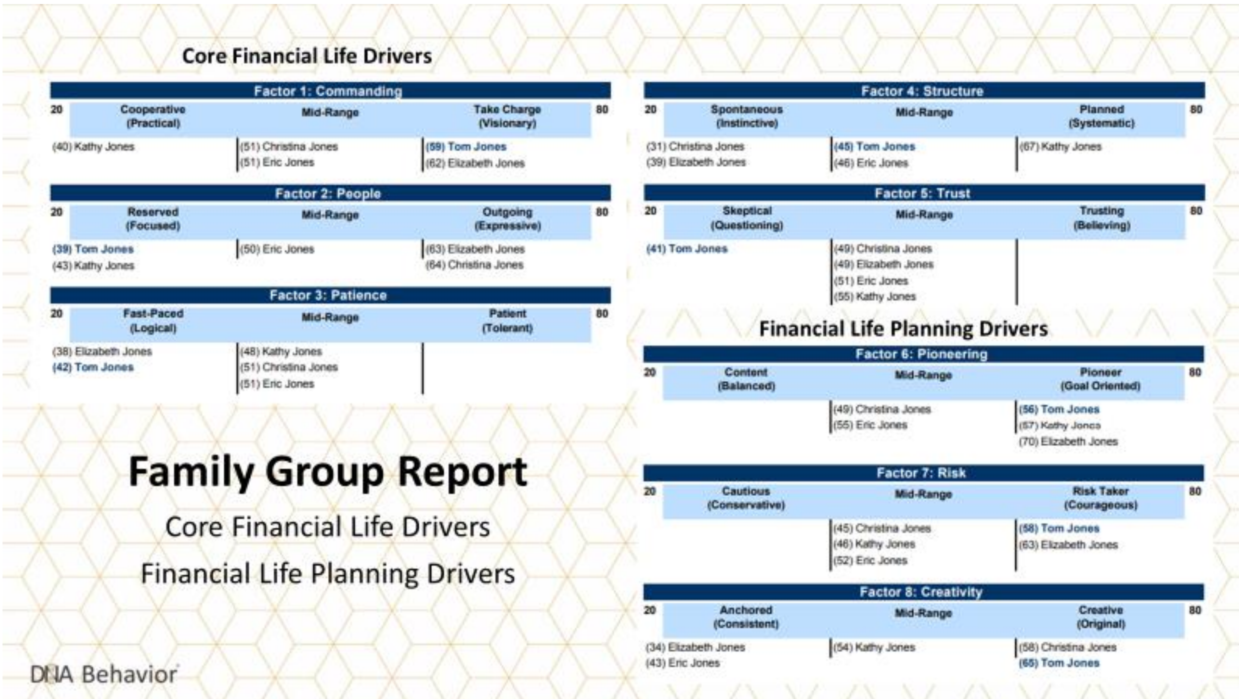


A simple way to immediately see the family similarities and differences is in the graphic below. What you can see at a high level is:



1. There are more similarities between Tom and Elizabeth which will show you where the outward power is in the family
2. Elizabeth and Christina are both outgoing and will have a fight for the limelight
3. Kathy is more careful in her approach and could be over run in family discussions by Tom, Elizabeth, and Christina. But she could use her careful approach to passively block decisions
4. Eric is the most relational (and moderate) of them all and will not forcefully impose himself. He will shy away from conflict. But it is important a safe environment is created to draw his views out. He will want to be fairly treated and will object later if that does not happen.

The family facilitator will also walk through the Financial DNA Group Report at a deeper level to address specific behaviors and also strengths and struggles in the family. An extract is shown below.



The analysis shown in this part of the report where all the Jones family members are plotted together shows the following:

1. Tom and Elizabeth are higher on Take Charge and will seek to set the vision and dominate decision-making. Kathy is more of a follower but bringing her into the conversation at all levels is important.
2. Elizabeth and Kathy are both Outgoing and will be more expressive with the risk they will compete to get their views across. Tom and Kathy who are more Reserved will listen but could get overwhelmed if there is conversational drama.
3. The family is relatively Fast-Paced and will want to move the conversation along and quickly get to decisions.
4. Kathy is the most Planned and will want a lot of structure in the meeting and the final plan. This could be seen as being very rigid and inflexible by the other family members who are more instinctive and free flowing.
5. The family is middle range on Trust which means there will be a healthy balance between being relational and questioning what is going on.
6. Overall, the family is very Pioneering and hence goal driven. So, wealth creation will still be important to them. Although, Christina and Eric will be more moderate in that area. The drive of Elizabeth could be overwhelming particularly if she wants to take risks with the business and therefore bet the family’s future (she is also a risk-taker)
7. The family has an overall motivation to taking Risk, however as stated Elizabeth’s bold decision-making tendencies will need to be managed so that she does not damage the other family members, particularly her siblings.
8. On the Creativity front, a key difference is between Christina and Elizabeth who are basically opposite. This is where Christina can see pathways forward for the business as

it navigates new environments whereas Elizabeth with a more Anchored approach will continue to aggressively operate the business from what she knows and has experienced. If they can learn to work together it is a powerful team.

Initial Resolution: Family Continuity Plan

Based on the discussions taking place during the Family Meeting(s), the facilitator will draw together a Family Continuity Plan solution from the inside-out which reflects the family's behaviors, motivations, and desires.

Then, the facilitator will need to work with the advisory team and trust company to design the:

1. Legal structure – including trusts, foundations, and operating agreements
2. Wills
3. Family Financial Plan and Investment Policy Statement
4. Governance structure

Initial Estate Planning for Consideration

More specifically, the following arrangements can be considered. Again, the exact legal structuring will depend on each family.

1. Assuming a significant taxable estate, the family could deploy estate reduction/freeze techniques during life, involving trusts, such as a Grantor Retained Annuity Trust (GRAT) or a Beneficiary Defective Inheritor's Trust (BDIT). Both are potentially great tools for transferring business interests, especially pre-sale (if a sale is contemplated).
2. A structure that provides asset protection – to protect against issues around divorce or risky businesses/professions, etc.
3. Given they are charitably-inclined people there are tools for reducing income taxes for funding charitable trusts – Charitable Remainder Trust's or Charitable Living Trust's.
4. Use an incentive trust – so the kids are required to meet certain expectations in order to receive funds.
5. The children working in the business are to have an employment contract which reflects their role, skills, experience, and contributions.
6. Review the board structure of the business for long term governance.
7. Consider having a family governance council for overseeing the management of the family's overall affairs

Unbundled Trust Approach

The Trustee Company has outlined to the advisory team for the Jones family that it has a directed trust solution which unbundles the trustee role in the trust that gets set up. This has the following benefits:

- Division of responsibilities increasing flexibility and control of trust administration, investment management and distributions
- Each party is focused on their respective area(s) of expertise
- Additional advisors can be added as needed (e.g. a Unique Asset advisor to manage farmland or real property holdings)

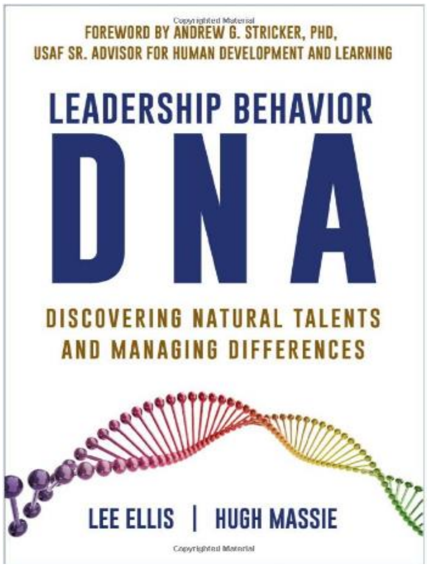
Ongoing Reviews and Trigger Events

The advisory team have indicated to the Jones family that they should have conversations with them about the Family Continuity Plan on a regular basis. Ideally, on a quarterly basis along with an annual in-person family meeting with everyone in attendance. In particular, there should be a meeting when any of the following trigger points occur as these situations may require decisions to be made and even changes to the legal structure and planning.

- Is one of the children getting married?
- Has there been a birth of a child?
- Is there a risk of divorce, a pending divorce, or a remarriage?
- Have there been major financial changes?
- Are there new significant financial requirements such as paying school fees?
- Has there been a death?
- Has someone become ill?
- Are they buying or selling a business?
- Has there been a substantial career change?
- Are they exposed to any risk of litigation?

Read Our Book To Learn More:

To learn more about navigating family differences, please read our book published with Lee Ellis called Leadership Behavior DNA.



Click here to buy the book at Amazon:
https://www.amazon.com/Leadership-Behavior-DNA-Discovering-Performance/dp/0983879397

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