

Private Trust Companies and Family Governance

As we have previously mentioned, families of wealth and their advisors risk focusing on tax and legal planning at the expense of family unity and governance. All too often, the reason these structures fail is not due to legal or financial mismanagement. Rather, breakdowns in the “soft” issues of family governance, harmony, and communication are the primary cause. PTCs provide an opportunity to integrate family governance into legal structures and the family office, decreasing the risk of family discord.

PTCs operate within a framework that overlays well with the family enterprise – the family office, trusted advisors, and key employees may all be involved in managing the operations of the PTC. The PTC creates additional opportunities for family involvement through the committee structure – not all family members may have the financial knowledge and training to serve as a trustee, but those who do not may still add value through service on other committees. The PTC also provides a framework for family communication and dispute resolution and can be designed to compliment existing family governance structures, such as a family board or family constitution.

PTCs also provide an enormous opportunity for beneficiary education. Our experience is that annual PTC meetings transcend the mere conduct of business and include family members who are not actively involved. Younger generations are empowered to interact at meetings, both with each other as well as trusted family advisors, and gain institutional knowledge without formal training or daily involvement. This is also a powerful opportunity for advisors, Directors, Officers, DDC Members, and others to build relationships with family beneficiaries, which fosters good communication and an understanding of the aspirations of each individual involved. Beneficiaries in attendance are exposed to a wide range of topics – asset management, philanthropic giving, DDC processes, and others. Long term relationships create mutual understandings of expectations; for example, a beneficiary requesting a distribution to start a business knows that the DDC will require a business plan and other due diligence prior to consideration.