



Preparing for The Great Wealth Transfer: Strategies for Effective Family Education

FAMILY EDUCATION IS IMPORTANT, NOW MORE THAN EVER

Amid a rapidly changing economic environment, the stakes of multigenerational wealth are at an all-time high. Over the next 25 years, an estimated \$68 trillion will be transferred to rising generations.¹ This massive passing of wealth, appropriately coined “The Great Wealth Transfer,” marks a turning point that will impact millions of individuals, families, and businesses — particularly rising generations.

Often, families execute wealth transfer planning strategies without fully considering what wealth and family legacy means to them — particularly the importance of defining and sharing their associated social, economic, and philanthropic values. Advisors play a pivotal role in facilitating these considerations by engaging with all generations to help them articulate those values through their planning, guiding each generation to implement those values, and preserving and growing the family legacy well into the future.

Below, [Willow Street](#) partners [Barbara Hoeft](#) and [Laurent Roux](#) examine the value of family education and the critical role advisors play in the process.

WHAT IS THE GOAL OF FAMILY EDUCATION?

Barbara: Several years ago, I wrote down this quote: *“Be careful to leave your sons well instructed rather than rich, for the hopes of the instructed are better than the wealth of the ignorant.”* Considering that Epictetus wrote this in 125 A.D., the topic of family education has been around for a while!

What does it mean for our kids to be well-instructed? Each family, and for that matter each individual, has a different perspective on what they think their children should know and when. One of the most interesting parts of our role as advisors is to help tease out what is truly important to each family member. The theme we hear most often is that wealth creators would like future generations to have the resources to discover what’s important to them and to use that information

¹ [The Changing Face of Wealth Management 2019 Report](#), American Bankers Association.

to lead lives of purpose. The biggest fear families have is that their wealth will disincentivize their kids and grandkids from wanting to work because they don't *need* to work.

Laurent: Family education goals often differ widely from family to family. Generally, the goal is to establish, communicate, and strengthen shared values while respecting each family member's individuality. History and intergenerational family challenges have shown us that family enterprise and wealth are not self-perpetuating. Planning and stewardship are a journey, and it's different for every family. Some may concentrate on how to build societal and social capital through philanthropy, while others may focus on building financial capital through economic education.

Barbara: Exactly. For example, one family we work with had always been philanthropic as individuals, but after sitting down together they decided to take a more comprehensive, intentional approach to building their legacy through a new private family foundation. Family education is meant to ensure that all generations of a family have shared the information they need to lead engaged, fulfilled, and meaningful lives.

HOW HAS FAMILY EDUCATION CHANGED IN THE PAST FEW YEARS?

Laurent: The traditional family wealth management planning process focused on trust and estate tax planning, asset management, and multi-generational wealth preservation. Family participation was limited, there was little communication or inclusion, and the generation that created the wealth (G1) — which was typically led by a patriarch — governed, while trustees strictly followed trust terms.

We've since seen a shift towards intergenerational planning focused on communication and inclusion, with collaborative strategic thinking aimed at cultivating responsible stewardship with wealth inheritors. While the traditional process was very transactional, the refocused process is more *transformational*. Families today seek to increase empowerment, communication, transparency, and resilience.

WHAT APPROACHES ARE FAMILIES TAKING TOWARDS EDUCATION?

Barbara: There are a variety of approaches that a family can choose from, depending on their needs and where they are in the wealth creation process. One of the most common is working with a ***team of cross-disciplinary trusted advisors to craft a short series of education sessions*** based on requests from the family and relevance to the family enterprise. For example, an early session could focus on the history of the family and the source of wealth, often using a documentary-style video — I've even seen one done for kids as an animated cartoon. A second session could be devoted to how the family has reinvested the family's resources into other types of assets, such as real estate and the stock market. Along the way, family members learn about a number of topics that are important to them.

A second common approach is *hiring family governance experts* to conduct an *in-depth educational retreat*, often succeeded by virtual follow-up sessions. These can include multiple educational sessions combined with fun activities to create shared experiences and memories for the family.

A third approach — not quite “common” yet, but gaining in popularity — is *appointing a Chief Learning Officer (CLO)* as part of a family’s fiduciary structure and estate planning strategy to lead longer-term learning initiatives.

Laurent: A guiding principle of family education is to build affinity, which means that family members agree that they have a shared meaning and purpose. This entails growing a family’s human and intellectual capital through inclusion, respect for individuality, and the rising generation’s dreams. It also includes building self-esteem, confidence, and trust through learning. These elements become the basis for promoting responsible and lasting owners of wealth, as well as creating the foundation for family loyalty.

As Barbara pointed out, many families choose to appoint a CLO as a teacher and mentor. This concept is relatively new and has gained real momentum in the last two to three years.

The CLO’s objective is to help beneficiaries understand their roles, benefits, and responsibilities to family and society.

The CLO can be a member of a family office, part of a private family trust company (PTC), or a trusted advisor — and it doesn’t have to be a single person. Consider this simple example: for a family office and 25 family members that I know, the family office CEO has become the default CLO by leading education initiatives. One such initiative was teaching and coaching two rising generation members on investment management topics so they could serve as the family’s PTC Investment Committee leads.

WHAT EDUCATION TOPICS ARE MOST POPULAR?

Laurent: All topics should help a family foster responsible wealth owners. The most common topics include basic legal and financial education to help the family remove the “veil of secrecy” — whether real or perceived — around trust and estate plans, for instance. Most families need to be educated on the fundamentals of how trusts work and the roles and responsibilities of both trustees and beneficiaries. Conversations can encompass individual and family investment goals, needs, time horizons, and more.

Beyond technical subject matter, both older and rising generations should share and discuss their goals, intentions, and hopes with each other in family education sessions as well. Listening and the inclusion of all generations is incredibly important. By asking questions rather than simply telling rising generations what is important and what to believe, advisors can facilitate a conversation about values and help family members discover what they appreciate for themselves.

We often work with a team of advisors to lay out a comprehensive yet tailored educational plan that is interactive and participatory:

LEARNING AREA	COMMON SUBJECT MATTER
Educational Objectives	Agree that educational endeavors will revolve around increasing family competence, communication, collaboration, resilience, and transparency.
Family Wealth	How the family defines their spiritual, familial, human, social, financial, and structural capital.* History of family wealth.
Governance	The processes put in place to ensure accountability, transparency, responsiveness, stability, inclusivity, and participation.
Relationships	Family dynamics, conflict resolution, and relationships regarding in-laws, marriage, divorce, and death.
Financial Literacy	Sessions may include: <ul style="list-style-type: none"> ○ Investments: asset classes, risk assessment, policy statements, providers, makeup of family assets ○ Budgeting: needs assessment, planning ○ Taxes and accounting ○ Business creation, access to funds in the family bank and repayment, and risks ○ Cyber security, money laundering, black swan events (e.g., COVID-19)
Legal Literacy	Sessions may include: <ul style="list-style-type: none"> ○ A primer on trusts, trustees, and beneficiaries—including roles and responsibilities, communications, and expectations ○ Risk areas and fiduciary responsibility; i.e., acting in the best interest of the family and trusts

* **Spiritual capital** – What are the family’s core values and mission? What is the family’s history? How does the family define wealth? What beliefs and principles have influenced and enabled the family to be where they are today?

Family capital – Why being a “family of affinity” matters. What are the key elements for nurturing the concept of family (e.g., listening, learning from one another)?

Human capital – Within the family system, what tools are given to members to help them grow, develop as individuals, and lead lives of purpose? How does the family foster a sense of responsibility for wealth?

Social capital – How does the family express its values through philanthropy, and what are the key factors by which success is measured?

Financial capital – How does the family treat financial wealth and why is this important to stewardship? How does the family define its core values about money (noting the importance of age-appropriate conversations about money and expectations)?

Structural capital – Helping family members understand the ownership structures and why they exist. Having discussions about governance, constitutions, councils, PTCs, and boards and family offices.

DO DIFFERENT GENERATIONS HAVE DIFFERENT LEARNING PREFERENCES?

Barbara: Each generation requires a different approach, in both education methods and topics. As a rising generation matures, the methods and topics can shift over time. For example, we can begin by simply helping 20-year-olds appreciate that their family's wealth is a resource rather than a burden. More detailed sessions around estate plans and trust structures can come later.

There have been a number of major developments in the way we communicate. With the pandemic, most generations are very comfortable with video learning, and younger generations are sending questions and communicating with us via text. Unlike our communications with preceding generations, most young people aren't going to respond to a mailed newspaper clipping.

Laurent: Family education agendas should consider these learning differences and preferences. Members of rising generations are often independent learners, and do lots of preparation and online research. That said, it remains critical to physically get people together. Peer group sessions are hugely successful, especially for rising generations.

At a recent retreat with 10 family members, after the first day, a family member in her 20s said she would like more educational sessions without G1 and the family office CEO. We honored this preference in subsequent sessions. Empowering the rising generation—and allowing them to drive the conversation when desired—helps them crystallize and communicate issues and concerns.

Barbara: Similarly, when advisors know a family very well, they can meet each generation where they are and facilitate conversations. For instance, I sat down with family members after a complex annual investment report to recap important themes in a more accessible way. The point wasn't to "dumb down" concepts, but rather, to tailor the delivery of the information so that it could be better understood.

WHAT'S MOST IMPORTANT TO CONSIDER IN FAMILY EDUCATION SESSIONS?

Barbara: It's critical to create a "safe place" atmosphere, where everyone feels comfortable asking questions and admitting areas where they lack knowledge. Education must be approached with sensitivity, listening foremost, and using experiential learning when possible — with a focus on transformation. If the rising generation believes there is genuine interest, sincerity, and competence, they'll be more receptive and engaged.

It's also critical to ask family members what they *want* to know. One pitfall we often see is advisors and families — especially older generations — entering this process with preconceived notions about what everyone needs to learn. We see families trying to educate younger generations about complex investment strategies and the more technical aspects of capital markets. Yes, some members of rising generations will be interested in that, but a large portion will not be. We encourage advisors or G1 setting the education agenda not to simply tell rising generations what they need to know. Instead, allow them to weigh in on what's important to them.

As advisors, it's our job to help G1 understand that allowing rising generations to participate in the creation of a learning agenda goes much farther and is much more productive than simply dictating. The learning agenda must also be age-appropriate and tailored to every generation in the process.

Laurent: In fact, before constructing a learning agenda, the CLO should consider a family meeting or retreat to set the stage. At the beginning of the meeting, conversations in a relaxed, private setting are aimed at introducing the subject matter. The CLO should discuss why the learning agenda is important for the family, and tailor it based on family culture and member input. This sets the stage for collaborative, transparent education.

KEY SUCCESS FACTORS FOR CLOs

- Keep an open mind: approach family culture, dynamics, and members with sensitivity
- Understand transitions and the impact they have on a family
- Explore and accommodate different learning behaviors
- Avoid sounding dogmatic and overly authoritative
- Focus on transparency and buy-in: ask questions and promote interactive dialogue among rising generation members
- Communicate respect, commitment, empathy, and mentoring
- Discuss risk appetite, adaptation, and resilience in the context of family and the individual
- Be inclusive by asking rising generation members to share their thoughts on all subjects—including their dreams, desires, fears, future goals, and definitions of personal success
- Prioritize joint decision-making, whenever possible

HOW DO YOU COLLABORATE ON FAMILY EDUCATION WITH AN ECOSYSTEM OF ADVISORS?

Laurent: As wealth typically consists of multiple asset classes with varying tax and legacy implications, it's often best to work with a team of advisors. This ensures that a family understands exactly what their wealth and legacy comprise, and the optimal fiduciary structure to make sure their vision and goals are fulfilled.

Two big elements are essential for advisors to work together effectively. First, establish governance over the relationship among the advisors and how they will communicate with the family. This prevents any one advisor from *assuming* the lead, and risking that other advisors are not heard. Second, clarify the process and manner in which education will take place. Advisors need to come together and agree on both the education process and method of delivery—whether that’s Zoom lectures, in-person peer exchange, full family retreat, or a combination.

HOW DO FAMILIES CREATE A CONDUCIVE LEARNING ENVIRONMENT?

Barbara: It’s important to make topics personal, giving family members a connection to their original source of wealth. For multigenerational families, this can happen through G1 sharing their story. It can be easy for rising generations to lose sight that their family founded a groundbreaking company or invented a life-changing product. Families that continue to tie themselves to their history tend to maintain a stronger, more successful vision for their legacy.

The younger a family member is, the more uncomfortable they can be with their family’s wealth. Families can foster a positive learning environment by giving members an emotional connection to the story of their legacy. Educating them about their philanthropic power can help ease discomfort and spark engagement.

Finally, make room for divergent views. Not all family members will feel the same way about concepts and values.

Laurent: Sometimes a family member—particularly in the rising generation—simply isn’t interested and doesn’t want to participate in family education. In these cases, it’s important to have a few conversations to try to engage them, but if that doesn’t work, families should let them go, but leave a door open for them to return to the conversation at a future point in time.

HOW DO YOU SEE FAMILY EDUCATION EVOLVING IN THE COMING YEARS?

Laurent: There are a lot of interesting things happening in the field. Inclusivity, sharing, listening, transparency, and building affinity are all gaining prominence. Open communication between G1 and the rising generation is often a challenge: each generation has its own characteristics and beliefs, but one area that has gained momentum is philanthropy. The rising generation is committed to making the world a better place.

There is a growing and visible appreciation among the generations that the intergenerational transition has arrived. The challenges pertaining to how a family deals with this evolution are many. Families are developing a deeper understanding of the importance and the *urgency* of education and governance.

Family meetings have become a norm. The approach to facilitating meetings is also changing. Rather than an advisor or facilitator leading the conversation, family members are empowered to raise and lead topics, which increases engagement and commitment.

The role of the advisor is also evolving; they have learned that families are complex and require an appreciation for their unique cultures. Merely serving families on a transactional basis misses a key point: trust and relationships are a complex function of listening and considering a more holistic approach to advisory.

Barbara: Career coaching has become a frequently requested topic — one that can have a double impact — both by helping individuals identify true passions and by giving them pathways through which they can pursue them. Other increasingly popular topics include parenting and raising thriving children, the impact of U.S. and foreign elections on a family's wealth, and how to foster ambition and initiative in rising generations.

Laurent: Family expectations for younger generations are evolving, too. Governance has become fairly sophisticated, and widely accepted. I recently worked with an ultra-high-net-worth family that owns a large business and is very philanthropic. Their family education plans outlined in their governance that the rising generation must go to college or vocational school, work internationally on a philanthropic endeavor for at least three years, work for *another* business for at least five years, and then go through the same hiring process as any other applicant for their family business.

Another family I worked with established a protocol to access their “family bank” — itself a family funding source. If, for example, a 29-year-old family member wants to launch a start-up, they have to present their business plan in a VC-style pitch to the family bank. The family bank then requires that the start-up perform and deliver, just as any other investor would mandate.

FAMILY EDUCATION: THE BUILDING BLOCK TO A LASTING LEGACY

Family education is a cornerstone to a thriving, lasting legacy. Building relationships, trust, and inclusivity helps to ensure that family members across all generations feel valued and informed. At its core, the goal of family education is to establish, communicate, and strengthen shared values while respecting each family member's individuality. Just as no two families are alike, there is no one singular approach to family education. The structure, topics, and educational methods all depend on the needs, wishes, and preferences of the family members.

Willow Street assists families and their advisors with family education programs in various capacities. We can help clarify objectives, develop an appropriate plan, and identify implementation resources. At Willow Street, we work collaboratively with families and their advisors to understand and implement trust structures, so that current and future generations may benefit from these gifts as they lead lives of purpose. Please contact us to learn more.