ESTATE AND TAX PLANNING COUNCIL PRESENTATION

Evana Lithgow 19 September 2018

Intergenerational Succession and Transition Events

The work Evana does falls broadly into two categories. Half the situations are people wanting to do something starting with a clean sheet of paper and the other half of those situations where they have wanted to do something but it has gone wrong. Professionals often approach different situations with the same solution and we want to demonstrate our competence by doing something. Often it is better to recognise that people are very different and that we should first be questioning over time to learn about those differences.

Conversely we have to be wary to avoid the trap we get into when over a long time we make assumptions or get forced by habit to deal with a situation in a certain way. Those things can make it difficult to get updated data, particularly in a family situation, from the next generation. Often we have a primary contact, but we need more than one connection to learn the different perspectives in a family situation.

Evana outlined the effect of decisions delayed because of the Global Financial Crisis. Because of that people put off selling things or passing them on. In that time a lot of events have occurred in family situations and more information has become available. The known world has changed. We need and are expected to deal with those changes by doing things differently. The millennials get a lot of attention in the media. They are not people who will wait politely, they will ask for things.

As professionals we tend to try to offer solutions and hold back from telling a client that things are complex and that we need to involve others in getting to a solution.

Often there is protection around apparently successful families and no one wants to upset anyone. There are things which people are entitled to know but are not told. Bad news can create an opportunity, a learning. The question is how we communicate bad news. Somebody who is new to a situation will bring curiosity. Should bring curiosity rather than assumption or bias. We need to explore how and why things have been done, how an estrangement happened, why funds are invested with one person.

An interesting article was cited on malpractice suits in the United States. The hospital subject to the suits investigated how these were caused and found that most often the patients believed the doctor involved did not care about them personally. The hospital introduced a process to improve that, to create a sense of connection, by ensuring the doctor took one item of personal information from the patient's file and use that in conversation. The impact of care shown in that way significantly reduced malpractice suits over time. Often an apparent absence of care drives problems with professionals. No one gets out of bed to do a bad day's work or be difficult. We should make the effort to connect with more than one party in a family grouping to evidence professional care to the wider group.

Those perspectives are important because a good outcome depends on what you see. Most usually those outcomes do not happen overnight. The expectation of that needs to be set early so that, amongst other things, the parties listening are willing to confront what is going on rather than expect a quick solution and decide that it is "nothing to do with me".

Professionals can bring a lot of assumption, loaded information bases and bias. The experience of unpacking situations, playing forward the consequences of a position or belief to the next generation or two can be quite powerful. Ask what would someone feel if they (the other family member) knew this?

Examples of solutions delivered included: a suicidal 10 year old got the help they needed; family members showing up, having done pre-work; a matriarch and patriarch realising that after sale planning was more difficult than they had assumed, it isn't simply a matter of dealing with a lot of cash; fair treatment for a daughter where otherwise equity between siblings was an issue; a son being able to explain why he did not want to succeed to managing family business; a son explaining to his parents the triggers of his depression. These were not outcomes sought from the original retainer.

Mostly people do not know what the source problem is because they have not shared perspectives. The outcome desired might change in the course of an assignment.

Evana talked about thinking versus perception versus perspective. The further one investigates perspective, the more emotionally deep-seated and, potentially, violent feelings can be. It is best to deal with things when there is no fact or context, well before they happen. For example, talk about estate planning before someone gets cancer. In the thinking mode better decisions can be made.

Professionals need to be deliberate about why they are there and what they are paid to do. Otherwise, other family members can see them as ‘the father's friend' and disengage. Check for understanding because people get distracted. Be proactive to get the fullest concentration, discuss scenarios, consequences and unintended consequences, the effects of fast forwarding. In time, discuss how similar situations might be dealt with in other parts of the world.

If 'solutions' are already documented then often people see cost as a barrier to further work.

Addressing the 'Why bother?' illustration in Evana’s presentation, actions can be taken today when most options are available and the risk of adverse consequences is least. With the passage of time the options reduce and the risks of getting it wrong increase. The investigation by a professional psychologist helps to identify the 'native tongue' which is preferred by the client. That may be status, recognition, wealth, or a number of other factors. The dimensions of the legacy can include: community, career achievement; family; friends; and professional associations.

The psychologist will investigate what's preventing the client from talking to their family now. People arrange their estates based on beliefs which in Evana’s experience signal trouble, such as: "*I think*"; "*Bob's says*"; "*Helen agrees*"; "*I've already promised*"; "*I have already told*"; "*Dad told me*"; and "*Mum would be upset if I don't*". These things indicate that the subject hasn't found a voice for themselves, that they are cognitively not involved in the action to be taken. They indicate complexity and that the considerations operating won't have featured as an action or conversation in the life of the subject person. There needs to be in alignment between what people say and what they do day-to-day.

It is important to avoid the element of surprise. For people who inherited a situation, particularly following a death, the grief is added to by that surprise learning and the moment is gone where the cause of that surprise could have been resolved. Using the present moment enables questioning, involvement, and advice.

On average it takes 3 to 15 years to align a person and a business entity with a market, and other circumstances. That is because circumstances can change, the competitive position of the business can erode, expected wealth can collapse and, most often, the knowledge people carry around which has made their business successful is not passed on.

A test for the approach to succession in a family enterprise would be if it is not clear today what a third party would see as an investable business then great care should be taken in planning for succession. If the plan cannot provide a way out for the members of the family who are intended to succeed to that wealth then those factors should be dealt with first.

Four Components of Wealth:

Human – values, feelings and emotions which drive the business;

Intellectual - the skills and ability to operate;

Social – the relationships between the entity and others, what's going on or not going on in the family;

Financial

Tips and tricks

‘The village' is an important association (such as ETPC) of like-minded people who provide support for professionals who work individually. Wealth is often a lonely phenomenon and the professional might be the only trusted person the client will talk to.

Stay in your area of expertise.

Change is the biggest opportunity to be curious, so if something bad happens seize the opportunity to establish and resolve causes rather than just dampen down the immediate consequences.

Paper is your friend – set out the purpose or agenda of an intended meeting or conversation before that happens so that the participants can think about the issues from their perspective.

Align what you say and do, treat everyone the same. Unless those things are done trust is not built, longevity and impact are limited. Be interested, particularly in the next generation.

Evana discussed the problem of an apparently unmotivated younger generation. It is important to understand the difference between confidence and motivation. They can look the same but they are different things. Our role is to help grow confidence, notice and comment to support the progress of the next generation.

The rhythm of meeting regularly and letting people know what to expect supports progress.

Within a family it is important to create rites and rituals so that people understand how to celebrate and why it matters.

Some of the best work will be done by realising the contribution of others in the family who emerge to help solve problems.

Tell stories – clients love them and they are powerful for engaging people and building confidence. In today's language things like Instagram are powerful because they are ways of telling stories.