

# Developing a family education curriculum

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**I**n practice family offices in Asia tend to start off with a focus on preserving family financial capital. They may be organized with an investment committee. The natural next step is for the FO to start to assist the family members with the family's social capital, i.e. with the family charity and philanthropy. There might be a family philanthropy committee.

Families set up FOs to help preserve family wealth. It is common to refer to "family wealth" as going beyond the financial and the social capital of the family to also include family human capital and intellectual capital. What role can the FO play in relation to human and intellectual capital?

FOs that have as their mission the preservation of family wealth, in all of its forms, must also address the topic of family member education. Just like there will be an investment committee and a philanthropy committee, there should be an education committee. The first task for the education committee will be the development of a family education curriculum. The question is, "what should go into that curriculum?"

## Education on the family governance system

The well-known "three circle model" allows us to look at a wealthy family and its financial assets

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as a complex system comprising of the overlap between the family circle with its dynamics, the ownership circle (the perspective of the owner/investor) and the management circle (looking at how the financial wealth is being managed).

The key to managing this complex system is having an effective system of family governance. This includes having appropriate forums for each "circle" and well defined boundaries between them. The education curriculum has to include making sure that the family members are properly educated on their family governance system and the different roles that it entails.

## The ownership role

The three circle model also helps us to see that that family members need to be educated on the ownership role; they do not need to be educated on the management role (though they can be educated on how to select and use advisors). Over the long run ownership is more important than management. As owners the family members need to be competent to make any key decisions that have to be made at the ownership level. The curriculum has to deal with the topic of how to be an effective owner.

## The trustee beneficiary relationship

Another key topic is that of trusts, or more specifically the trustee beneficiary relationship. The SFO does not own the family financial wealth. The most common ownership vehicle will be one or more family trusts. A trust is fundamentally a relationship between the trustee and the beneficiaries. If you look at the US experience, the trust relationship can often be one that is harmful to the beneficiaries. We have all heard of the term "trust fund babies". To avoid creating such a negative scenario, it is critical that the parties to the trustee beneficiary relationship are properly educated as to the roles that the relationship involves. How can you possibly have a good relationship if the parties involved do not know the roles the relationship is based on?

A simple starting point in this area is to include discussion of the terms of the family trust structures as an agenda item at family meetings. This can be done in age appropriate ways.

Authors Hartley Goldstone and Kathy Wiseman in their new book, *Trustworthy*, believe that one of the best ways to encourage positive trustee and beneficiary relationships is to show families stories of times when these kinds of relationships have been at their best. *Trustworthy* is filled with stories of successful trustee beneficiary relationships and is an essential text for the family office library.

For a family to be successful for at least five generations, they have to develop a system for making slightly more good decisions together over



the long term, than bad ones. If the mission of the FO is to help the family to preserve its wealth for generations, then the question is how can the FO assist the family members to make the best decisions that they can? Another critical element of the education curriculum is ensuring that family members are developing the skills to be effective joint decision makers.

## Skills for effective joint family decision making

Family wealth expert, James E. Hughes Jr. in his book, *Family; the Compact among Generations*, recommends that four specific issues should be addressed for each family member in order to help them fully participate in their family's joint decision making system. First, they need to know how as individuals they learn and take in information. Second, they need to know what is own unique calling in life. Third, they need to know their individual work style; i.e. how they prefer to work in a group. Fourth, they need to know their own personality type. Hughes' book, which is another essential addition to the family office library, can be referred to for more detailed information on how to approach each of these four steps. Finally, as a fifth task, Hughes recommends that each family member must be taught the skills of having difficult conversations.

Family education is a topic that many FOs in Asia know is a critical issue but perhaps they are not sure where to start. A recent survey of over 35 family offices in the Asia Pacific by UBS & Campden Media stated none of the FOs surveyed had an education committee; but that 28% of them were thinking of having such a committee in the future. By addressing each of the above areas in a family education curriculum, a family education committee will be ready to go to work.

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