

# VALUABLES

Ideas, Systems and Strategies for Managing Family Wealth to Fulfill Your Greatest Values.

## About VALUABLES

Many financial advisors focus on communicating with clients to provide complex analysis of the investment markets and economies. However, we have learned that most clients are not particularly interested in this complex analysis. Most clients hire an advisor for their knowledge of the markets, not for their ability to explain that knowledge. Most want to know what time it is, not how to build a watch.

Experience has taught us that wealthy families care most about using their wealth as a means to a desirable end, which is to achieve a more satisfying, fulfilled and impactful life, and to fulfill their most important Life Values.

**VALUABLES** is a periodic article series focused on the concepts, systems, and habits which we have observed among families who have been successful in this quest to use their wealth as a tool to live a life of significance. The most successful families share a set of habits, systems, and insights which enable them to use their wealth as a tool to fulfill their Values and what is most important to them.

We are naming this article series **VALUABLES**, because it will provide an exploration of those habits, systems, and insights. We hope it will help you to consider your assets and possessions which are most valuable to you, and how you can use your financial wealth to enhance and cultivate your true "Valuables".

## A Legacy of Significance

By Erik Strid

*"A couple of years ago I found out what "you can't take it with you" means. I found out while I was lying in a ditch at the side of a country road, covered with mud and blood and with the tibia of my right leg poking out the side of my jeans like a branch of a tree taken down in a thunderstorm. I had a MasterCard in my wallet, but when you're lying in a ditch with broken glass in your hair, no one accepts MasterCard.*

*We come in naked and broke. We may be dressed when we go out, but we're just as broke. Warren Buffet? Going to go out broke. Bill Gates? Going out broke. Tom Hanks? Going out broke. Steve King? Broke. Not a crying dime. All the money you earn, all the stocks you buy, all the mutual funds you trade—all of that is mostly smoke and mirrors. It's still going to be a quarter-past getting late whether you tell the time on a Timex or a Rolex....*

*All the possessions you have are on loan, anyway. **All that lasts is what you pass on.** Giving is a way of taking the focus off the money we make and putting it back where it belongs—on the lives we lead, the families we raise, the communities that nurture us."*

- Stephen King

### What is your True Legacy?

The purpose of our **VALUABLES** article series is to provide readers with specific insights about the habits and values which we have observed among families who have been successful in their quest to become financially wealthy, and to use their wealth as a tool to live a life of great meaning and satisfaction. We hope to share common principles which may enable you to use your wealth as a tool to enable a fantastic quality of life, and to fulfill your values and the things that are most important to you. In that light, I'd like to take a moment to discuss "What you Pass On" - the legacy of significance that you will leave here on earth.

In over 20 years advising wealthy families, I have found that "leaving behind a positive Legacy" is a universal aspiration, but one which is commonly misunderstood. When wealthy families or their advisors talk about "leaving a legacy", they are usually speaking in code. What they are really talking about is **estate planning**, or in other words:

*"Using sophisticated tax and insurance strategies so that we can leave a whole bunch of money to our kids and grandkids."*

Most people think of their Legacy as the amount of “Wealth” they can leave behind for their heirs, but you may consider a definition of “Wealth” that moves beyond the traditional concept of material assets on your balance sheet. When you think about ALL of the possessions which are valuable to you, you may not only name your house, stocks and bonds. You would probably think of the health and happiness of your family, your heritage, values and morals, your spirituality and faith, or even your talents. We call these your “Human Capital”. You might also think of the “Intellectual Capital” you possess – your education, wisdom, experience, knowledge and contacts. Finally, you might also value your “Social Capital”, which is your commitment to philanthropy and giving back. Genuine Wealth is the combination of all of these – a holistic vision of your wealth, and all of the things that are meaningful and valuable to your family, not just your financial assets. Most families intuitively understand the importance of all of the categories on their “Family Balance Sheet”, and understand their “Wealth” as the accumulated value of all four of these important categories of possessions.

In the quest to live a life of meaning, and to leave behind a powerful legacy for your family, it is our belief that it is most important to focus on the cultivation and preservation of your family’s **Genuine Wealth** for future generations. We believe that a transfer of your *Financial Capital*, without a corresponding transfer of *Human and Intellectual Capital*, may lead to dysfunction and a dissipation of your family’s wealth. Future generations may inherit your money, but unless they also inherit the skills, character and traditions to handle the money, you will have done them a great disservice, because it is likely that the money will dissipate due to the lack of strong skills and values.

Unfortunately, many families and their advisors fail to cultivate and preserve their family’s wealth in these terms. Traditional estate planning is focused strictly on the least important category on the family’s balance sheet: the *Financial Capital*, which is the one place most families would identify as least important. By focusing so much time and attention on the *Financial Capital*, many families risk losing sight of the most important assets they own, and the *Human and Intellectual Capital* of the family suffer and decay over time and generations. Ironically, this often leads to a decay of the *Financial Capital* as well, as inherited wealth is dumped on unprepared heirs, who do not possess the necessary skills, experience, relationships and character to perpetuate that wealth.

So when you think about your “Legacy” with this framework in mind, you may conclude that leaving behind a whole bunch of money for future generations may not be your most important goal. You may find that it is equally important to preserve and

*When you think about your “Legacy”, you may conclude that leaving behind a whole bunch of money for future generations may not be your most important goal.*

pass on your heritage, character, morals, and experiences, and to leave an “estate” that reflects the value of your family history.

### Family Gatherings & Oral Histories

In last month’s **VALUABLES** article, we discussed the value of family meetings or retreats in helping manage the family’s wealth and business interests, and educate future generations of family leaders. However, these retreats and meetings also provide a wonderful opportunity to nurture the family’s human and intellectual capital. Retreats help family members connect and build cherished memories together, as well as share experiences, connections, knowledge and family histories.

Oral histories are a key way that all families “Pass on” their Human Capital, and gatherings such as holidays or family retreats can provide a golden opportunity for the “elders” of the family to share the history of the family and their own life experiences. It may be invaluable for a grandson to hear the stories of how his grandfather or great-grandfather forged his success in life, or how the family business began. Such storytelling, made an annual tradition, will perpetuate an “oral history” of the family over many generations, so that the family’s values continue to thrive.

### The Written Family History

Some families may wish to move beyond the concept of an “oral history” and create a written history of their family and its ancestors. This can be an extremely rewarding way to document and preserve the family’s genuine wealth for those who have the time, talent and motivation.

To share a personal example of this, my siblings, cousins and I are very fortunate that my mother decided to undertake the project of writing a detailed family history. My mother has a calling to be a writer, so it was exciting for her to document her family’s story, and in the process to become our family’s “Chief Archivist”.

My great grandfather was one of five Ortlieb brothers who moved to Philadelphia from Germany just after World War I. The Ortlieb brothers were brewers by trade, so when they arrived here they started a brewery and beer company to make a living. My mother's book details the stories of the brothers, the growth and development of their beer company, and the expansion of their families over the years. Her research and memories have woven a rich tapestry of our ancestors' lives: their triumphs and failures, and the experiences that make up the fabric of our family heritage.

The story of the Ortlieb family has given me and my siblings a sense of history, heritage and pride in my family roots, which is knowledge that cannot be replaced or duplicated. I feel fortunate to have this written history, and to be able to pass it down to my own children as a reminder of their own place in the world. My mother's book is counted as one of our most valuable family assets, and a possession that we would not trade for any amount of money.

Writing a family history can be time consuming and difficult, but it can also be an extremely rewarding way to preserve the family heritage – and your genuine wealth -- for generations to come.

### The Electronic Scrapbook

Technology and social media provide wonderful new ways of creating and preserving your family history and experiences. These online histories are much easier to create, maintain and update than a traditional written family history. Hundreds of websites or other technology platforms can help you create an online "scrapbook" or repository for pictures, videos, essays or other important pieces of your family history, which can be shared and preserved within your family. These social media and web services can act as an online repository, or archive, where you can capture your important family history to preserve your genuine wealth for generations to come. With a little work and organization, you can set up a family website that everyone in the family can help build and share.

Although we often take for granted the power of these online resources, think of the impact on your family and future generations to have a secure place where you can store old family photos or videos of birthday parties, milestones, or

vacations throughout your life. This can be a place where family members can contribute written memories of their experiences, successes and failures and what they have learned in life. It can even be a place to post video interviews of the family elders, reflecting upon their lives and what they have learned.

These scraps of family history may become your family's most cherished possessions, and the primary means for you to preserve your family's genuine wealth. Consider how wonderful it would have been if your great-grandparents had this kind of technology to preserve their memories, enabling you to understand their lives, character and values more deeply.

This repository can act as a family history to ensure that future generations will have access to the experiences, knowledge, and character of those who came before them. Whether it's on paper or online, creating a long-term family history gives all family members a constant reminder of their ancestors' experiences, as well as a respect for the wealth their skills and hard work helped create. This knowledge and appreciation of their heritage and unique family capabilities make it easier for future generations to preserve and build on that heritage.

### What you Pass on

Regardless of which of these strategies you undertake, we encourage you to strive to collaborate with family members to depict your history and preserve your family archives. That means focusing on your human, intellectual and social capital along with how the family fortune was built. Once you transcend money and begin to view your genuine wealth more broadly, you will also be able to give your heirs the tools to cultivate and perpetuate it. We encourage you to build your own plan for capturing and preserving the unique heritage of your family, to pass on to future generations.

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### Disclosures

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