Transfer or Transition: What Is Your Inter-Generational Wealth Plan?

By Timothy J. Belber

This is the first of three articles based on the notion that *wealth planners have a unique opportunity to help client families succeed over multiple generations.* In this installment, Tim Belber will look at the differences in thought and outcome between a transfer plan and a transition plan. The second article will examine how an advisor can become the bridge between the family's human goals and their concrete results. Finally, the third installment will look at the Pragmatic Advisor's practice and what is required to sustain services to clients.

The Premise

By their definitions, the difference between transfer and transition is very subtle. However, in action and result, the difference is anything but subtle.

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Merriam Webster On-Line:

Transfer: 1 a: conveyance of right, title, or interest in real or personal property from one person to another b: removal or acquisition of property by mere delivery with intent to transfer title.

Transition: 1 a: passage from one state, stage, subject, or place to another b: a movement, development, or evolution from one form, stage, or style to another.

Black's Law Dictionary, 5th edition:

> Transfer: An act of the parties, or of the law, by which the title to property is conveyed from one person to another. The word is of general meaning and may include the act of giving property by will.

Black's Law Dictionary does not even define transition.

If you Google the word "transition," most of the results revolve around the idea of smoothly moving from one state of being to another. This includes moving from one idea to another, one phase of life to another and one ownership structure to another.

Transfer on the other hand yields the idea of change from one state or place to another: *He transferred schools*; *the cargo was transferred from one truck to another*; and *the wealth was transferred from one generation to another*.

Transfer: The Traditional Model

Traditional estate planning has been built around the transfer model. For years we have been reading that the "greatest transfer of wealth" is about to occur as the Baby Boomers get older. In other words, financial assets handed from one generation to the next using both simple and complex strategies. Most, if not all, traditional planning focused solely on transferring financial assets from one generation to the next at the lowest tax cost.

The Structure

Wealth Transfer Planning has become big business. A Google search for "Wealth Transfer Planning" yields 14,900 hits ("Wealth Transition Planning" yields only 183 results). Software, books and document assembly engines all emphasize the myriad of ways to transfer wealth from one generation to the next.

As an example, many planners and advisors utilize the Irrevocable Life Insurance Trust (ILIT). Correctly implemented, an ILIT creates a pool of cash initially free of income and estate taxes. The money is generally used as method for funding estate transfer costs so as to preserve the "financial" value of the estate. ILITs will distribute trust assets at set ages or can be structured in many states to last virtually forever.

With few exceptions, ILITs are crafted as transfer vehicle. As such, they share the following characteristics:

- They effectively create a large, often in the millions of dollars, pot of financial wealth.
- Remove the first two pages and the signature page and you have no idea who the ILIT was created by or who it is intended to benefit. (Please read this again and think about the last few ILITs you have seen.)
- The beneficiaries have not seen or read the trust, nor had the trust explained to them.
- The beneficiaries have little or no knowledge of the trustee.
- The Trustee has not met the beneficiaries in his or her role as trustee.
- The Trustee is well instructed in how not to lose trust assets.
- The Trustee has had little or no formal training in how to be a good fiduciary.
- The annual administration of the funding can and oftentimes does get very sloppy.

Many wealth owners have a common intent for establishing an ILIT. It goes something like: "I want to leave something for my family and reduce what the government will get." Oftentimes it is not so politely stated. The gist is about leaving something of financial value and not letting it go elsewhere. Additional conversations tend to be governed by fear-based thinking concerning the murky threats of creditors, seeing it 'blown' because of bad decisions, potential divorces, bankruptcy and other so-called predatory situations. Just as often, wealth holders can also be very concerned that their heirs not view them as financial tyrants. "Give it to them at age 50: if they aren't responsible by then they never will be" is another typical theme that instructs the design of the transfer plan. Unfortunately, opportunity and potential are not always present in the discussion of the Wealth Transfer Plan.

The availability of the Perpetual, Legacy and 1,000 Year trusts have only compounded the issues around the transfer plan. Yes, you can secure financial assets from taxation (under today's rules!) for a very long time, but *should you do so* is the real question. In transfer plans, wealth owners often times fall into two camps when this issue comes up. In one, the idea of avoiding taxes and creditors and seeing the financial wealth of the family expand at even a small growth rate (*see* Table 1) is so appealing that the wealth owner will say "I must have this type of trust!"

Table 1. The Growth of Financial Wealth at Two Percent Using 25 Years As a Generation

	Asset Value
Year 1	$10,000,000
Year 25	$16,406,060
Year 50	$26,915,880
Year 75	$44,158,355
Year 100	$72,446,461
Year 125	$118,856,099
Year 150	$194,996,028
Year 175	$319,911,651

On the other side, many wealth owners get knotted up with issues such as, "How can I know what my grandchildren or great children will be like so I will leave it to my children! They can figure it out."

In the end the ILIT's role in the traditional "wealth transfer" plan centers on the financial wealth and those financial and tax issues the grantors chooses to or is guided to think about.

The Results

As a vehicle for moving financial assets in a 'sheltered' manner, the ILIT is very effective. However, that typically is not the only result the wealth owner had in mind. Under the pattern of "nothing is revealed until death" and "financial asset protection thinking," these are typical results:

- The beneficiaries have a lottery winner experience. At a very emotional time in their lives, the death of a parent, they now have "access" to literally millions of dollars. This is one form of "sudden money" about which much has been written. (*See* Susan Bradley's work with the Sudden Money Institute at *www.suddenmoney.com*.)
- The only thing standing between them and what they are "entitled to" is the trustee.
- The trustee rapidly becomes the enemy if there is any question about allowing a distribution for anything.
- The trustee is unclear about "gray areas" because most of his or her job is a gray area.
- The trustee is now charged with the investment and administration of millions of dollars, yet the trustee's only skill set may be that he is the wealth holder's brother.

Financial wealth, the center of the transfer plan, now becomes the center of the discussion, the competition and, unfortunately too often, the law suit.

Transition: Idea for a Better Result

Transitions are a fact of life for most of us and for most of our clients. Good transitions are generally planned transitions. In the best of circumstances the actual transfer event of a family's financial wealth is part of a much larger transition of the family as generations come and go. A well-implemented wealth transition can be identified by the way current generations describe *what* and *how* their predecessors passed along financial wealth, along with family stories and principles. Long-term success is founded on planning for the next transition.

Jay Hughes, author of the books FAMILY WEALTH and FAMILY, tells the story of his father attending an event for a close friend. The gentleman being honored had just been named CEO of a major corporation. Often this appointment was the culmination of a hero's journey. As they admired the gallery of CEO portraits, Jay's father asked his friend, "Who is the next CEO?" His friend replied, "I am." "No," said Jay's father. "You are the current CEO. Now your number one job is to find and prepare the next one." His friend's deflation was real and acute.

In business, transition is the effective way for leadership and management to be consistent and effective. In the family wealth environment, transition is about preparation, progress checks and sustainability.

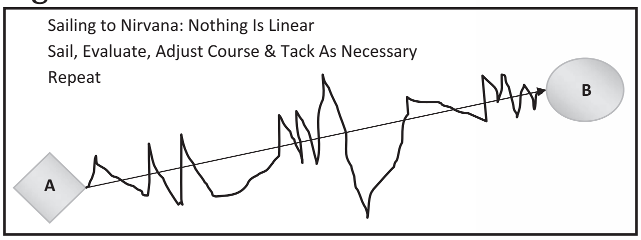
A Wealth Transition Plan begins with having a vision that you want to move toward. While you have to be aware of the potential risks and exposure, a transition plan is not solely about moving away from taxes, creditors, and "things that go bump in the night." In fact, often clients will actually be excited when their planning is about moving toward a positive possible future, instead of constantly watching over their shoulders to see what is creeping up behind them. The transition mindset requires the identification of limiting assumptions, such as, "My children will never be smart about money!" and working through them.

Below is an example of how a Wealth Transition Plan might be structured. In the next two articles we will dig deeper into the planner/advisor's role and work and practice structure. For now we will overview both.

Structuring an Intergenerational Wealth Transfer: Sailing to Nirvana

Bill O'Brien, a friend and colleague, loves to use sailing metaphors. When it comes to the "high view" of a Wealth Transition Plan, his metaphor (shown in Figure 1) couldn't be more applicable.

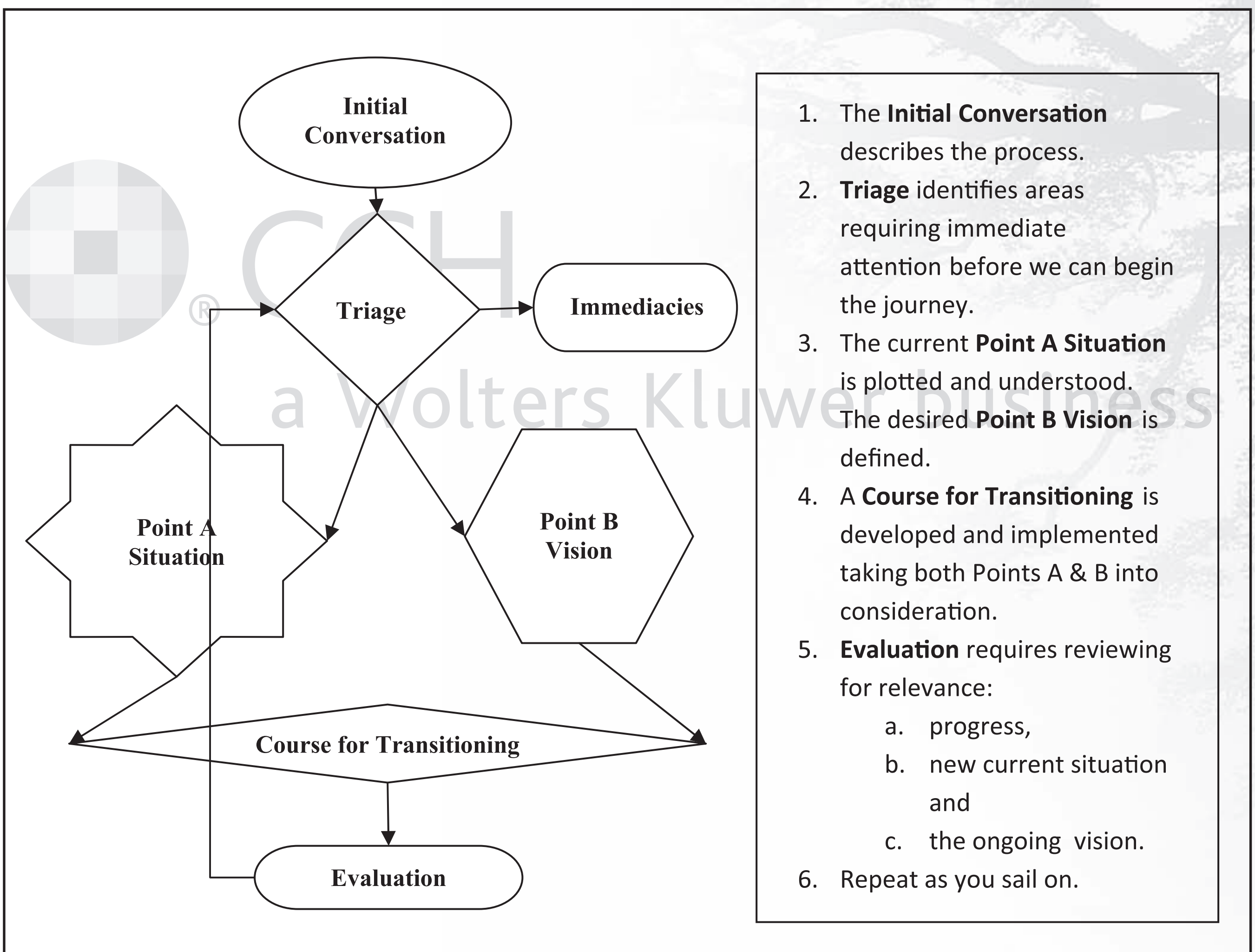
Figure 1.



In the above example, to sail from Point A to Point B there are several factors of which you need to be aware:

- What do you hope to accomplish by reaching Point B? What is it that makes Point B desirable? How will you feel when you have reached it? When thinking about family and financial wealth, what Point B would make you smile to know you gave your family a chance to achieve it? What is the vision for the family at Point B?
- Where is Point B relative to Point A? In sailing, you can look at a chart. In a Wealth Transition, you need to:
  - assess the state of the Family's Human, Intellectual and Financial capital;
  - create a map of existing planning and wealth designs; and
  - identify areas and strategies that will bring you closer to Point B.
- Understand that nothing works in a linear manner. In sailing (as well as many other endeavors in life), the shortest distance from Point A to Point B is a straight line. The reality is that the wind is never going to blow you straight there; you must always be "tacking." This requires that you sail, evaluate progress, change course if necessary, sail

Figure 2.



some more, evaluate progress and so on until you reach your destination. (Point in fact, if the wind blew you straight there you wouldn't acquire much in the way of sailing skills!)

The idea of tacking is critical to successfully implementing a Family Wealth Transition Plan. As we will discuss below, implementing a plan to transition from today to a vision of the future is not a stagnate, "that's all done," action. Instead, you are putting something into play that is subject to all kinds of wind variances. Vision changes, natural maturation of family members, tax and legal issues, health issues, financial and economic issues, and new family members are just some of the "winds" that can require us to stop, evaluate and possibly make course adjustments. Some, like economic, tax and financial factors, have obvious implications to Wealth Transitioning. Others, like family member personal growth and attitude development, are less obvious but often times more powerful. It is critical to do planned course reviews even if you feel that nothing has changed. Doing evaluations/reviews/reflections only on an "as needed" basis is likely to land clients somewhere they really do not want to be.

The Intergenerational Wealth Transition Plan

Designing and implementing an Intergenerational Wealth Transition Plan is based on a process. It has to be, because part of the idea is you are not sure, ultimately what every detail of the vision (Point B) will look like, so you have to trust the process. Many advisors are familiar with the idea of the process illustrated in Figure 2.

Let us see how it fits with an actual transition situation.

For this we will use the Wilde Family.

- G1—Wealth Holders
  - Dad, 60
  - Mom, 58
- G2—Next Generation
  - Sara, 35—Single
  - Josh, 32—Married no children
  - Naomi, 30—Single
- The family net worth is $38 million, composed of three homes and publicly traded securities.
- Their basic Family Wealth Transfer Plan includes Wills, Powers of Attorney and Irrevocable Life Insurance Trust

Step 1: Inquiry to See the Vision

In a transition plan, the inquiry/vision/Point B description will center on what the family will look like in the future. The questions for consideration will be both financial and nonfinancial.

- What do you hope the family financial wealth will mean to your children and grandchildren?
- What do you want your children, grandchildren (and maybe beyond), to think, feel and say when they hear your name?
- What do you want to see more of in the world? What do you want to see less of?

Common statements will be the following:

- "I want my children to be able to have conversations about financial matters without it breaking them apart."
- "I want my children to have happy, productive lives."
- "I want my children to be good stewards of the family assets."
- "I want my family to be sustainable for many generations."
- "I want to see my family have positive impact on society."
- "I do not want my children to act as if they are entitled to everything."
- "I want my children to appreciate what they have."

Using these answers we are able to "paint a picture" of Point B and begin to breakdown the individual elements of the vision.

At the same time we are building a two part, nonjudgmental review of the current family situation include:

- The Human and Intellectual Capital Family Balance Sheet
- The Map of the current Financial and Estate Plan for the Family

It is important to note that if we uncover a potential immediate threat to the health of the family in either of these current situation summaries, we will bring it to the attention of the wealth owner for immediate action.

Step 2: Creative Thinking to Design the Plan

The questions for each element of the Point B vision follow:

- What do we need to do to create the best chance for this to happen?
- How do we make it happen?

For example, one of the Point B objectives for the Wilde Family is:

- "I want my children to be able to have conversations about financial matters without it breaking them apart."

The wealth holders also want to act, as much as possible, in a tax-wise manner. Up until this point the family has had little in the way of 'robust' conversations around financial based topics. The job then is to create a current opportunity for financial conversations in a relatively low risk environment. We decided to use a family entity (LLC) which the parents would fund with approximately $2 million of investable assets. The plan was to use discounted gifts of nonvoting interests to each of the three children to affect wealth *transfer.* The development of the ability to meet and converse was the *transition* item.

We involved Sara, Josh and Naomi once the idea was formed. They participated in the following:

- A discussion of Wealth Transfer versus Wealth Transition and an overview of what was being done with the LLC,
- Deciding on a meaningful name for the LLC,
- Meeting with the attorney to complete the LLC and review the gifting strategy,
- Interviewing an Investment Advisor for the LLC portfolio,
- Discussing individual needs for income and growth from the LLC and reaching consensus,
- Quarterly reviews with the Investment Advisor, and
- Annual LLC member meetings.

Mom and Dad agreed to "audit" most of the meetings and then debrief what they saw and heard. This led to expanding the roles of Sara and Josh to the point where today they "own" the entire LLC. Naomi requested that her interest be redeemed so she could pursue outside investment opportunities. She prepared a detailed proposal which was reviewed by three members of the family advisory team and approved. Ultimately, the LLC decided to take part of its funds and invest alongside Naomi in one of her real estate opportunities.

Mom and Dad learned about their children's increased level of maturity and their willingness to learn and be empowered. Sara, Josh and Naomi had experiential learning which included the following:

- Wealth planning,
- Working with advisors,
- Joint decision making, and
- Appreciating the value of diverse thinking.

All of this transition planning was accomplished, along with a tax-wise wealth transfer.

Step 3: Implement or Build It!

A vision followed by creative thinking will only go so far when it comes to results. As seen above, the Wilde Family actually achieved part of their results in the Implementation phase of the process as Sara, Josh and Naomi worked alongside Mom and Dad and the advisors to create the family investment LLC. The subtle or not-so-subtle difference in this scenario is that the primary focus was creating an experiential learning opportunity for Sara, Josh and Naomi, rather than just implementing a tax-smart strategy. This required the advisors to keep that in mind when it came to all communications, decisions, *etc.* rather than just default to, "I'll call Mr. Wilde about this."

In a Wealth Transition environment implementation takes on new meaning. Consider the value Mom and Dad Wilde not only saw but felt in the family LLC strategy. They had been very concerned about how financial wealth would affect their children. Now they were engaged in doing something about it. Further, they felt safe in that, initially, they would continue to hold the "voting" interests in the LLC until they could observe the interactions between the children.

Step 4: Use It or Be Ready to Tack!

In the Wilde Family scenario, once the LLC had been implemented, membership interests gifted, the advisor hired, and investments made, it became time to monitor outcomes. For Mom and Dad, this meant the following:

- Listening to how Sara, Josh and Naomi interacted with each other and identifying both the positives and negatives. Then, along with the appropriate advisors, developing strategies to improve the communications and appreciation for the differences in thinking and acting styles.
- Observing how Sara, Josh and Naomi individually related to financial assets. As a result, this led to some additional financial education for Sara and Josh (the two who ultimately retained ownership of the LLC).
- Being willing to empower and support well thought out experiences for Sara, Josh and Naomi. Before the real estate investment opportunity was supported, Naomi researched and reported much as she would have if she was trying to raise private equity money. In her presentation, she

openly said the skills she developed as part of the process were eye opening.

Sara, Josh and Naomi also had outcomes to monitor. In a big-picture sense, the outcomes were about being aware of what they were doing and understanding how it will serve them in life:

- Learning the role of wealth owner versus the role of wealth manager and being comfortable with the role they like. At first, Sara, Josh and Naomi felt they were not equipped to manage investments. They learned they did not need to be. Just like lawn care, some people enjoy doing it themselves, while others will hire a landscaper. The trick is learning how to hire and oversee the results of both the landscaper and the investment advisor.
- Learning how to meet and make decisions together. To do this, each member had to 'learn' how to show up and be effective.
- Learning that their desired outcomes and the desired outcomes of a bigger group can be aligned.

This type of proactive monitoring is better described as sustaining the relevance of the strategy to the family. Too often reviews have centered on only the technical compliance aspects. For a transition to be effective, the review for relevance inquiries have to go to the human and intellectual capital components, and center on how are they responding. How are the winds blowing? Should we let out more sail, raise the jib, tack, or maybe go to motor?

The Results of Transition Planning

Wealth Transition Plans center on developing the succeeding generation to be both:

- the next wealth owning generation, and
- able to prepare its own successor.

It is about developing a sustainable relationship to financial assets and having a clear understanding of the role financial capital plays in the family system. Working in a Transition Environment is no guarantee of success, but it can help "stack the deck" in favor of the family's vision.

The potential results of having and implementing a Family Wealth Transition Plan include the following:

- Greater clarity of what is likely to occur when the transfer portion of the plan actually occurs,
- Increased peace of mind for all family members,
- Increases in the family's intellectual capital,
- The rise of empowerment over entitlement in all generations,
- An increase in the stewardship abilities of succeeding generations,
- Greater awareness of the importance of sustainable communities,
- Increased long-term growth of the family's financial capital, and
- The real chance for the family to be intact for more than five generations.

The Role of the Advisor: Transition Catalyst and Artist

As the earlier reference to Google hits indicates, advisory services across the spectrum have supported the Wealth Transfer Model. There is a large opportunity for advisors willing to help clients think differently about long term wealth designs. Most specifically, advisors who understand the power of constructing a Family Wealth Transition Plan will act as a "guide," rather than as an "answer person." As a guide, your task is to ask the right questions for the client to reflect upon. Most clients are not qualified to decide whether they want laddered testamentary CLATs or how long should the QPRT run, but given the right thinking environment, they can deliver clear marching orders to their advisors.

Advisors working in the Transition Plan space need to bring both art and science to the table. For example, if you wanted a family portrait painted, the artist would first seek to understand your vision. The questions might include the following:

- Do you see this as formal or informal?
- Will it be outdoors or indoors?
- Which season would be your favorite?
- How do you see everyone arranged?
- Is there something you want to feel when you look at the painting?
- Do you see this hanging in a sunny spot or a shaded hallway?
- What type of frame do you see when you envision the painting?

The artist could both plan the look of the painting and which materials will deliver the best result. Contrast this with an artist who says, "I have six options for your painting. Which appeals to you?" The former question-based approach is client-centered and requires design. The latter approach is advisor-centered and requires only a set of preset forms. This is *creative value* versus *commodity*; *custom* versus *off the rack*.

In the next two installments we will consider each of these ideas from a pragmatic approach. Pragmatism, as philosophy, centers on the notion that something is true only if it can generate a positive result. We will "go deep" into how to use these ideas with clients as well as how a pragmatic practice functions.

Five Key Elements for Assisting Clients in Transition Thinking

1. Bringing Meaning Back into the Equation

As was described earlier, if you take the first few pages and the signature pages away from many estate planning documents it is almost impossible to identify the maker of the document. This is fine if all the document is designed to do is effect a financial wealth transfer. However, most clients are passing wealth to other people and have some ideas as to what they hope it will mean to the recipient. Values-based planning, ethical will statements, etc., are not a new phenomena. Look at this excerpt from George Washington's Last Will and Testament:

> To each of my Nephews, William Augustine Washington, George Lewis, George Steptoe Washington, Bushrod Washington, & Samuel Washington, I give one of the Swords or Cutteaux of which I may die possessed; and they are to choose in the order they are named. These swords are accompanied with an injunction not to unsheath them for the purpose of shedding blood, except it be for self defense, or in defense of their Country & its rights; and in the latter case, to keep them unsheathed, and prefer falling with them in their hands, to the relinquishment thereof.

Instead of just bequeathing his personal possessions he told a story with each one. Each of his nephews now became the steward of his uncle's spirit and beliefs about his country. Most of the personal property memorandums used today would allow for a brief "here is why I'm giving this to you" statement. Most people who have tried it claim that it is a moving experience to write a quick note with the gift of a personal item that has had meaning to the owner.

In CREATING THE GOOD WILL, Elizabeth Arnold points out a very basic truth: heirs, particularly children, want to know why the plan was executed in this fashion. Absent a direct statement, the transfer of money and items become the measuring stick of a parent's love. As advisors, we owe it to our clients to give them the opportunity to fully develop their legacy and communicate it at the highest level possible.

2. The Three Capitals and the Idea of a New Vocabulary Conversation

Wealth Transition Plans begin with being able to think separately about financial assets and the human assets in every family (or business, for that matter). It can be very liberating for a client to engage in a discussion about the wealth of family, framed in terms found in Jay Hughes' FAMILY WEALTH. Every family's wealth is composed of three capitals:

- **Human capital** is the people who make up our family system: all the family members and their individual talents and unique abilities, and who we are individually and collectively.
- **Intellectual capital** is what we all know: our special knowledge gained through our own life experiences, educations and relationships.

  The true Family Balance Sheet includes recognition of the human capital and all its power. A simple exercise to stimulate thinking in this area is to have everyone in the family write a list of all the other family members. Next to each first write what is unique and special about that person. Next to that write down the one thing they know more about than anyone in the family. Victoria Labalme, a performance coach in New York City, in her presentations makes the point that too often we see people, particularly our own family, for what they are not, rather than for what they are. Helping clients see the power of the human and intellectual components of their family wealth is an important step in developing a Family Wealth Transition Plan.
- **Financial capital** is everything the family owns: investments, real estate, businesses and all material assets. It is the fuel that can drive the growth and flourishing of the human and intellectual capital. It is the source for investing in the Family Wealth Transition Plan. A key point with financial capital is it has no intrinsic value of its own. Only when it is deployed does it become powerful. Financial capital has the

best opportunity to grow if it is deployed in a wise manner to create stronger, empowered human and intellectual capital. When the family wealth, all three capitals, is consistently transitioned in an intentional generative manner, it will remain healthy and growing.

This is the new vocabulary. Defining wealth beyond financial assets. Recognizing the power in the individual differences in family members. Understanding the importance of healthy, intellectually stimulated, and empowered humans to growing financial capital. Instead of protecting the financial assets from the coming generations, transition it to them with the skill set to effectively deploy and grow it.

3. The Roles Discussion

Every member of an affluent family has many roles. Understanding the various roles is essential to have an effective transition plan. This is particularly true in a family business setting. Too often the true value of someone's real role gets lost when the focus is on transferring financial assets. Possible roles for one individual could be:

- Son
- Father
- Brother
- Family member
- Wealth owner
- Mentor
- Business executive
- Investment manager
- Fisherman (very important!)

In the Wilde family situation, we looked at earlier which role should Dad act in when sitting with his co-owners of the family LLC? How should Sara, Josh and Naomi interact with each other? Absent some help in understanding roles, they will probably revert to the role with which they are most familiar—their role in the family system. This will bring all the brother/sister and parent/child issues into what should be a discussion between owners interested in the success of the business entity. The growth and learning opportunity that might exist if all were unrelated is at risk of disappearing. In no way should dealing with role confusion and application be viewed as simple. It is a large undertaking but it begins with awareness of what is possible with different thinking. As advisors, we are uniquely positioned to bring the idea to the table and then, through thoughtful questions, keep the concept front and center as the family works on Family Wealth Transition.

4. Understanding Governance and Communication

Most families have at one point or another heard or been exposed to the word governance. As with much of vernacular in the wealth planning space it is not a word that rolls off the tongue every day. Understanding that at the core governance is about a very basic question:

> How do we make joint decisions about issues that affect us?

This is a question critical to successful transition planning. If there is no model for joint decision making then, if and when a transfer occurs, the chance for serious in fighting is large.

Joint decision making revolves around both being heard by others and hearing others. As advisors we often facilitate decision making meetings for clients. *Should we purchase this life insurance? Which attorney should we use? How do we communicate with our children?* These are several of the common questions that require joint decision-making. In each of these small settings we have the opportunity to begin to model how a successful decision making session can occur. The key is to have a process everyone trusts. Even if a decision goes against what you were advocating, if you believe in the process then it is possible to work with the decision and not feel cheated, disrespected or marginalized. While we will explore this in greater detail in the coming articles, here are the factors to a quality decision-making meeting:

- A written agenda stating:
  - The purpose of the meeting
  - The goal for the meeting
  - The issues under consideration expressed as a question
- A process for giving everyone respectful time for opinions.

Nancy Kline, in *Time to Think*, outlines a process that these ideas are based on. Leonardo DaVinci and Thomas Edison, among others, stressed and re-stressed the importance of getting all the ideas on the table before doing filtering, arguing or discussing. This requires space for everyone to speak. At the start of the meeting, a chair for purposes of facilitation should be named. (In a small meeting this will generally be whoever prepared the agenda.) The topic is positioned and then in set order everyone has some set time, generally two to three minutes, to give their thoughts and ideas around the topic. There are only two rules:

1. **Respect the speaker.** No one interrupts anyone who is speaking. Interrupting includes raising your hand to speak while someone is speaking. This promotes listening at a high level.
2. **Respect the listeners.** The speaker agrees to be succinct and respect the time.

This initial process is referred to by Nancy Kline as a round. Once everyone has had a chance to be heard then open discussion, again with no interruptions, begins. The chair ultimately may call a vote or maybe another round if the decision comes down to a set number of options. An important note is to acknowledge that there may be a need for additional information before the right decision can be made. The process itself works but there is room for 'art' in its application.

Clear "next steps and actions" for accomplishing what has been agreed upon.

Joint decision-making tools are a cornerstone piece of successful Multi-Generational Transition Plans. Advisors are uniquely positioned to model this behavior for clients in even the smallest of gatherings/meetings.

5. The Sustainable Community

The idea of reviewing/monitoring was discussed above. However, there is a larger component that should enter into the conversation. If a family is going to transition over many generations they will need to adopt a view they are a sustainable community. This view is simply stated in the Native American concept of seven-generation thinking. The questions become:

- When our descendants sit at the council fire seven generations from now will they honor the decisions we are making today?
- Are we acting in a way that will help our family sustain itself for seven generations?
- Are we transitioning all the stories, principles and virtues that are important to the idea of a sustainable community?

For example, the family vacation home is often described as a legacy asset. It is envisioned as a place where future generations will gather. Besides the financial strategy to keep it in tact, what is being done to create such an honored space for it?

Sustaining things of importance has driven the creation of many great national treasures, both in this country and abroad. Grand Teton National Park owes much of its grandeur to John D. Rockefeller, Jr. who, between 1928 and 1943, bought up 35,000 acres of land at a cost of $1.4 million and donated it to the National Park Service. After touring in 1924 and 1926 he became passionate about sustaining it for future generations.

A starting point for many families is remembering to honor the decisions that put them where they are today.

- The generation that emigrated here from far away.
- The courage to open a business.
- The dedication to save to provide an education beyond what was traditional.

We all have stories and principles that should help in making sustainable decisions.

Final Thoughts

In the end, the difference between a wealth transfer and a wealth transition lies in four principal areas:

Intention. What are we really trying to accomplish? Is it solely the preservation of financial assets, the reduction of taxes, and the continuation of the family business, or, is it an attempt to foster and support a sustainable family community?

Creativity. The basic tools involved in estate and business planning are the same for both transfers and transitions. The difference is how and why they are put into play as part of the overall plan.

Commitment. A transfer plan can be implemented and reviewed based on great technical attention by experienced advisors. A transition plan requires ongoing thinking and vigilance by both clients and advisors. Seeing how the winds are blowing, how the crew is improving (or not) in seamanship skills, how new members add to the voyage, and the changing vision for the destination become key focal points.

The measure of success. In transfer only plans, technical excellence and the ability to withstand challenges to the plan have been the critical measures. In a transition scenario the transfer strategies need the same level of technical expertise, but they also must serve the higher goal of a flourishing family composed of flourishing members.

In the next installment we will go into detail how the catalytic planner/artist can pragmatically serve as the bridge between the human goals for transition and concrete measurable results.

The Pragmatic Planner: The Bridge Between Human Goals and Concrete Results

By Timothy J. Belber

In the first article in this series we looked at the difference between a wealth transition plan and a wealth transfer plan. One of the critical differences lies in the type of planner facilitating the plan. In this article we will examine the idea of being a "Pragmatic Planner" and how that approach can lead to the accomplishment of important human goals through the use of excellent technical planning strategies. We will look at who the Pragmatic Planner might be, and then continue to use the Wilde Family to illustrate the planner as the "bridge to action."

What Is a Pragmatic Planner?

"Pragmatism" is often thought of as purely a concern with the practical. For the purposes of this discussion we will use the philosophy of pragmatism as described by William James paraphrased below:

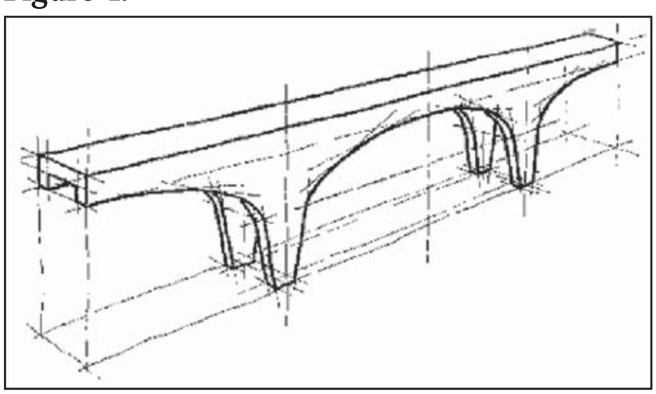
> The function of thought is to guide action and the true value of an idea is only found in its results.

Pragmatism in this view concerns itself with the measureable value of a concept separate from its attractiveness as a statement. If the idea of a values based or purposeful estate plan being beneficial for the long term health of a family and its members is to have merit it must generate a meaningful result as defined by the client family. The Pragmatic Planner accepts this proposition and becomes the bridge from articulating the goal to creating the result.

The Pragmatic Planner is:

- an artistic strategist,
- nimble minded,
- accomplishment-based,
- an effectual thinker,
- a seeker of appropriate simplicity, and
- authentic.

Figure 1.



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An Artistic Strategist

The historical artist, whether it be Michelangelo or Da Vinci, sought to serve their patron. They were the bridge between the idea of the masterpiece and the actual creation. The painter begins with brush, canvas, paint and the idea, as articulated by the patron. The skilled artist facilitates the patron's thinking. The patron is unconcerned with the type of brush, exact method used to create the depth of expression (*e.g.*, Da Vince used a process that has been called Sfumato to create the effect of light coming from within the painting) or other techniques. The Patron's excitement is the promise of a creation of wonder and fulfillment.

The same must hold true for the planner. If through skillful discovery we can assist clients in "describing the ideal future" or "articulating their dreams" then whether we use a qualified personal residence trust (QPRT), a grantor retained annuity trust (GRAT), an irrevocable life insurance trust (ILIT) or a charitable lead annuity trust (CLAT), is mostly of no concern as long as the human dream is realized. The Pragmatic Planner has the developed the mind set of first, the dream to be accomplished, and second, the strategies to be implemented. Much as a great architect will ask: "How do you want to feel when you turn into driveway, open your front door and look into your home?", the Pragmatic Planner will have a set of artistic questions such as:

- What do you want your family to think, feel, and say when they hear your name?
- What do you want to see more of in the world? What do you want to see less of?
- What are the important values/virtues that contributed to your success?
- If you had thirty minutes to write a last letter to your children and grandchildren, what would you tell them?

The use of strategies then is about skillful combinations rather than individual vacuums. For example, individual mosaic tiles are often quite beautiful. However, when combined by an artist to accomplish the patron's vision, their beauty grows geometrically as the Ravenna Mosaic of Emperor Justinian illustrates. (Reproduced courtesy of Stanford University).

Figure 2.

While the skillful use of colored tiles creates timeless art, just throwing all the same tiles together creates nothing more than a complex mess. So it is with clients who implement "one off" (not to be duplicated) strategies presented to them as "timely ideas." The same can be said for the inclusion of important functions such as disclaimers, limited powers of attorney, age based distributions, merely because they are in the document engine. Every element of the plan should add to the accomplishment of the patron's vision.

Nimble Minded

In Family Wealth, Jay Hughes describes the ideal advisor as having a mind that can move like a grasshopper; able to jump among various ideas and projects quickly and easily. The advisor should be someone who has the ability to work on a variety of questions and can bring this broad experience to bear on the client's situation. This also translates to being a systems thinker, looking at the whole, while at the same time focusing on the task hand. For example, the execution of any strategy, whether it involves life insurance, a collar strategy for a concentrated stock position, or the creation of a family limited liability company, has unique benefits, as well as an impact on the overall long-term position of the family and its members. The ability to see both is critical to acting as the bridge between long-term family goals and strategy implementation.

Accomplishment-Oriented

When an estate planning client says: "I want to eliminate Federal Estate Taxes," the Pragmatic Planner will ask: "What do you hope to accomplish by doing that?" The creation or preservation of family financial assets is only the bridge to the realization of a human based goal. The truth of the idea that saving estate taxes is a worthy goal lies in whether the results are beneficial or not. Impeccable execution of a strategy is not the same as assisting a client accomplish something really meaningful. Execution is a critical part, but much like the curious child, Pragmatic Planners will always be asking: Why?

An Effectual Thinker

In very simple terms this means that we should begin by working with what we have and then think about what we need to add. Too often, planners overlook the utility in an existing strategy because of our natural bent to review to find problems and then heroically solve them. In a wonderful article for the Harvard Business Review entitled *What Makes Entrepreneurs Entrepreneurial?*, Saras Sarasvathy describes effectual reasoning:

> Effectual reasoning, however, does not begin with a specific goal. Instead, it begins with a given set of means and allows goals to emerge contingently over time from the varied imagination and diverse aspirations of the founders and the people they interact with.

For the Pragmatic Planner who wants to be the bridge between human goals and concrete results this means understanding the starting point and having an awareness of the reality of change overtime. In most cases this requires understanding the state of health of what Jay Hughes describes as the family's four capitals:

- Human Capital—Who are the people in the family and what is unique about each of them?
- Intellectual Capital—What wisdom has the family built over time, both individually and collectively?
- Social Capital—What is the current role of the family and its members in the community and world?
- Financial Capital—What are the resources and what planning has been done to date?

A Seeker of Appropriate Simplicity

We should be able to explain to our clients how our recommendation will help them accomplish their human goals—period. This applies to any and all "complex" legal, tax, insurance, or investment strategies. This does not mean we avoid complexity, but rather we manage it. The artist's techniques with brush and oil only matter if they generate the result that matters to the patron. The Pragmatic Planner adopts the same approach. The planner is able to explain why a recommended idea, no matter how complex, is integral to achieving the client's human goals. For example, in describing the Family Investment LLC, a planner might say:

> By creating a limited liability company, we can begin transitioning financial assets to your children. At the same time, they can all serve on the investment committee with you, which will start them on the path of becoming empowered owners of wealth. You and I will meet regularly to make sure the plan stays on track, but just as importantly to see how you are feeling about the interactions you are experiencing with your children.

Not only does this discussion address how the strategy is tied to one of the human goals the client has for his or her children, but demonstrates effectual thinking by the planner. Lastly, complexity is not ignored, but dealt with effectively. Clients value having complexity managed but only if there is accompanying peace of mind instead of angst.

> *"I wouldn't give a fig for the simplicity on this side of complexity; I would give my right arm for the simplicity on the far side of complexity"*
> Oliver Wendell Holmes

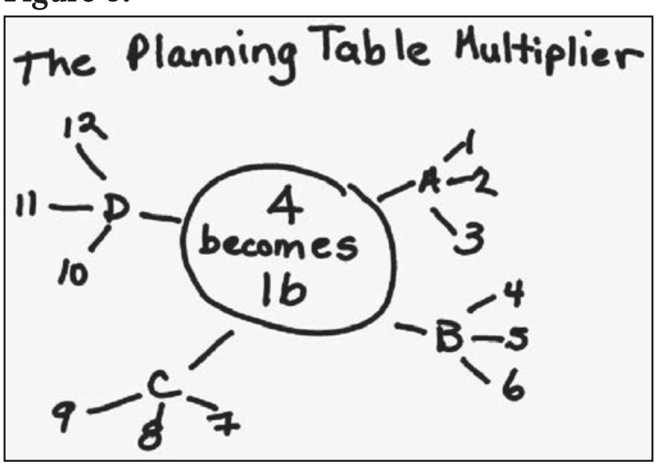
Authentic–In Business or Practice?

Pragmatic Planners are authentic in understanding who they are and what they deliver. At the core of this is the question of, "Are you in business or do you have a practice?" We all will have a core competency, such as law, investments, accounting, or life insurance. The critical question is: Do we act as if we have products seeking transactions, or as an artist seeking to create for our patron?

There is no right or wrong answer, merely an awareness of who we are and how we best serve our clientele. Much of the balance of this article will be focused on the "artist"; however, the pragmatic approach serves every advisor. Using the idea of real accomplishment will create better transactional relationships for both the client and the advisor. Being in business only means you seek a larger market for your products and services. Being in practice only means you seek to serve a smaller number, but in a more holistic manner. "In practice" advisors need "in business' advisors, and vice versa. Clients need both as well. The only thing that matters is to be authentic in the role you are or want to play with clients.

The Pragmatic Planner is at the table to be with the client rather than to perform. For example, if four advisors gather at the planning table to focus on a client's situation with no concern about posturing for individual position, the potential for solid outcomes exists. This is because they will much more readily be able to tap into their wisdom for benefit the group. Let's call this the "Planning Table Multiplier Effect." When individual egos are put aside, all the best resources come into the room. Wisdom from say, the top three influencers in each participant's professional life is easily accessed. This would turn four people into 16 sources of ideas. Open exchanges and reflective responses become the norm. It is no longer about being the star performer, but about having as much wisdom as possible brought to the table.

Figure 3.



The Pragmatic Planner brings both technical skills and a client-centric, accomplishment-based, mindset to every client engagement.

The Pragmatic Planning Engagement

In the first article the Pragmatic Process was outlined and we met the Wilde Family. To recap:

- G1—Wealth Holders:
  - Dad, age 60.
  - Mom, age 58.
- G2—Next Generation:
  - Sara, age 35—Single.
  - Josh, age 32—Married, no children.
  - Naomi, age 30—Single.
- The family has a net worth of $38,000,000, composed of three homes and publicly traded securities.

Let's now take the family and detail how a Pragmatic Planner can be the bridge between the family's human goals and measurable results.

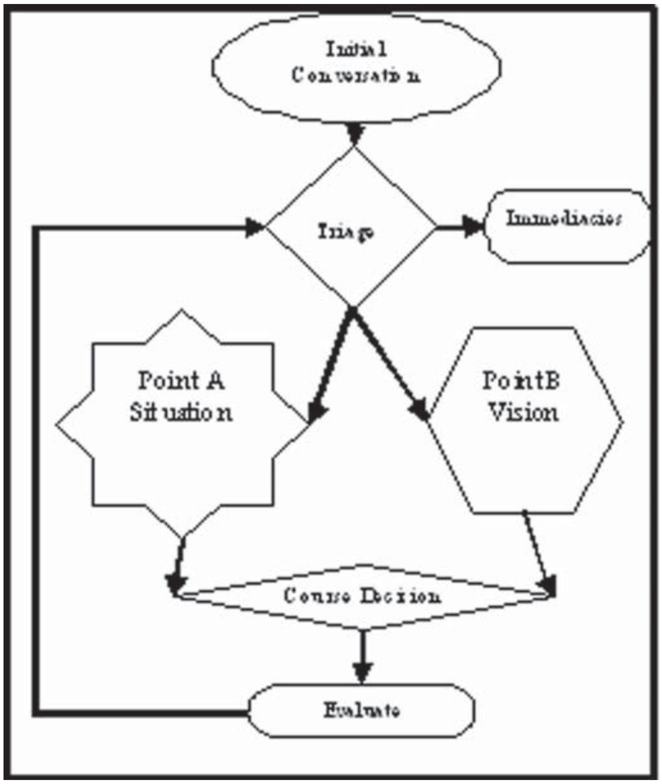
The Initial Conversation

The introduction to the family was made by their attorney, John. Dad expressed some worry about how the family's wealth was going to work for both generations. He felt that he had good investment advice, but not really a solid overall financial plan. The family attorney suggested a conversation with a planner whose practice focuses on thoughtful generational wealth planning. John arranged an introduction.

The planner (let's call him Tim), met with Mr. and Mrs. Wilde to talk over their situation and lay some groundwork for thinking about wealth and family. Being a Pragmatic Planner, Tim believes that three important concepts are critical for the initial conversation to be meaningful, useful, and, most importantly, not compound the angst Mr and Mrs. Wilde are feeling about their financial wealth and family.

Tim has no answers and does not expect any. The sole focus of the Pragmatic Planner and the clients in the initial conversation is to consider what questions are appropriate for the family to be considering. Tim's focus is to promote thinking around the family and its four capitals (human capital, intellectual capital, social capital, and financial capital). If the Wildes begin to understand that there are many possibilities rather than a few, and that Tim has a process that may help, the conversation will be successful.

Figure 4.



The power of the idea rather the person presenting it is what matters. Instead of a lot of material about how good Tim is at creating financial and estate plans, the discussion of family is front and center; their vision, goals, stories and the thinking that underlies who they are is front and center.

Tim has no attachment to any outcome. This may be the hardest attitude to adopt. We all want to be engaged, as our business requires clients. However, if we enter the family's space with no expectation other than a conversation about them it actually allows us to be more authentic and less of a performer. This in turn will lead to more long-term meaningful client relationships.

The ideas that are usually presented in the initial conversation include:

- The four capitals: human, intellectual, social and financial;
- Accomplishment-based planning rather than purely tax/financial ideas;
- Inquiry into what they expect or hope for from advisors and the current communication strategy;
- The concept of wealth transition versus wealth transfer;
- The concept of Tim's role as facilitator of thinking, guiding action leading to results; and
- The concept of an organic, sustainable process for planning for wealth and family.

From Mr. and Mrs. Wilde, the following six major themes/topics came out in the initial conversation:

- They are somewhat concerned about how their investments are being managed. They often do not understand why they are in invested in particular portfolios. They sometimes feel they are not heard by all their advisors in a meaningful way. They "like" all the advisors, but the "most trusted advisor" is their attorney, John. He gave them a book on children and money, but all it did was increase their uncertainty about their current planning. This was when John suggested a conversation with Tim.
- They are somewhat concerned with the relationship their children have with each other, especially when it comes to constantly watching "who gets what from Mom and Dad."
- They have not had any conversations with their children about the role of financial wealth. They worry that if they leave each child a large sum of money it will negatively effect the child's personal growth.
- They liked the idea of "thinking first, then acting" when it comes to integrating the four capitals of family wealth.
- Their most immediate concern (elucidated by the question: Is there anything in your financial life that is top of mind right now that I may be able to help with?) is a trust distribution of $250,000 coming up for their eldest child. This is a result of some planning done several years ago with a prior attorney. It reflects how planning has been approached thus far—one off ideas presented by individual advisors.
- While they are not sure about a full project, they like they idea of seeing how their real thinking could be incorporated in their planning. Real thinking occurs when you can talk about the outcomes you would like to see and not be told what others in your situation usually do. Second, they are looking for some thoughts on handling the distribution to Sara. They agree to do an initial discovery process around vision and planning for a fee. (In the next article on the Pragmatic Practice, we will discuss compensation and the use of fees in greater detail.)

Triage: Lifting the Vellum to Read the Page Underneath

If you have ever tried to read through a sheet of vellum you know that even though there is valuable writing under it, you can't quite make it out. You need to remove the vellum to really see clearly.

Too often advisors are in a hurry to "get into their process." This comes from a historical "solutions-based" mindset. Unfortunately, this can lead to stalled planning or incomplete satisfaction of the client's real or true goals. Before moving into creating the bridge, it is imperative to deal with the client's vellum, the stone in the shoe, or the burr under the saddle. This takes patience as it maybe something that requires you to tap into resources outside your own office. In the Wilde's situation, dealing with the drop of $250,000 into Sara's lap is top of mind for them. It should be top of mind for Tim as well.

Based on the six key themes, Tim suggested creating a ritual for the distribution. This was done at a family gathering with the entire family (including Josh's spouse, Stella) present. The gathering agenda covered:

- An overview of the family's four capitals;
- A discussion of the role of financial capital in the lives of the family members;
- The purpose of using the trusts;
- A review of the meaning and terms of the trust;
- The presentation of the check to Sara, along with a request that at the next gathering she share with the family what she enjoyed and struggled with having direct ownership of a significant sum of money; and
- Contact information for Sara and anyone else who may want help or support with financial affairs.

Critical to the success of this initial meeting were three factors:

- There was no expectation of any outcome.
- There was nothing to generate a "fight, flight or freeze" response from any attendees. At an initial family gathering it is critical to keep the critical spotlight off all family members.
- The conversation was transparent; there was no hidden agenda.

Mom and Dad were very pleased with the conversation and felt they had established a new foundation for talking about financial assets and their role within the family. They were also ready to move ahead and build an integrated wealth strategy based on their vision of the future. They had now experienced and understood the concept of thought-driven action (more on this as the cornerstone of a Pragmatic Practice in the final article).

Transition Planning: Point A Situation to Point B Vision

The first step was to clarify what "family-based" results Mom and Dad were hoping to achieve. Expanding on the six major themes,Tim helped them arrive at the following desired results:

- Peace of mind through understanding why each element of their plan looks like it does;
- Peace of mind about their own security and that of their children;
- The ability to have conversations with the entire family about financial affairs, without explosions;
- A sense that their children were leading their own lives in a healthy and happy manner;
- A feeling that their advisors were all working together;
- A feeling that their children were being prepared to inherit what they will inherit;
- That their true Legacy (*that is*, what is felt, thought and said when someone says your name) was reflected in every aspect of their planning;
- Philanthropy done as a family supporting an individual member's concerns;
- As much flexibility as possible in all aspects of the wealth plan; and
- A feeling that they had done overall "smart" planning in terms of both family and financial asset preservation.

The next step was to define the current situation in terms of:

- The current and projected family cash-flow needs through a financial model;
- The estate plan and distribution through a flow chart or map;
- The overall investment strategy and investment policy statement;
- The level of "wealth education" of each family member, either from experience or education; and
- The personal characteristics of each family member via assessment tools such as Kolbe, Financial DNA or The Color Code tests for evaluating personal and financial behavior. These assessments (and others as well) do not measure one person against another. Instead they highlight individual strengths and opportunities.

To date, all of the implemented strategies had been built to serve the protection of the financial capital and reduce taxes. Mom and Dad had no idea how these would actually serve the family. Tim helped them begin by defining the bridge we needed to reach the vision, defined by the ten desired results. Mom and Dad were also aware that the results they desired were based on what they could see currently. As new data points appeared, the desired results would be modified or increased.

The "peace of mind goals"were addressed by first defining the overall human goals and second by relating them to individual planning areas. These statements were for the most part one or two paragraphs long, but they added a level of clarity around "why are we doing this" that is difficult to measure.

An investment policy statement was created that began with a statement about who the investments were to serve, what Mom and Dad wanted to feel about the investment portfolio, what were their views on short-, mid- and long-term investing, how they wanted to receive information, what risk meant to them, and how they felt about the global economy. Then the statement included more traditional goal, risk, and measurement of performance statements.

A risk management and insurance policy statement was created that outlined the role insurance should play in the family's overall multigenerational plan. This included statements on guarantees, company quality, policy review requirements, and overall views on risk management. This statement was utilized in determining life insurance for the multigenerational life insurance trust, the applicability of long-term care insurance, and appropriate liability insurance coverage.

A tax and accounting principles statement was prepared that addressed tax strategy comfort, audit risk comfort, and overall views on tax payments and planning.

An overall legacy statement presented Mom and Dad's view of the purposes best served by financial wealth. It included both comments on how they had achieved their level of success and what they hoped it would mean for future generations. It articulated what they believed to be important family values, such as overall health, education, experiences, family as a supportive community, balanced living, giving back to the larger community, and self awareness. Before any estate planning strategy was implemented, the advisor had to articulate how the strategy would promote the principles articulated above.

The preparation of heirs question was more complicated. Mom and Dad decided that they felt strongly that they wanted a planned transition of financial capital rather than a transfer. A two-pronged approach was agreed upon:

Continued family gatherings were held, focusing on valuing the different life experiences of each family member. As a result, more conversations and reflection on the true meaning of financial capital to a family occurred. The blueprint for the gatherings was FAMILY WEALTH by Jay Hughes. Deep discussions were held on the concepts of ownership versus management, the roles of beneficiaries and trustees, joint decision making (governance) and what to look for in family advisors. The meetings were held following the "family of affinity" principle. This recognizes the contributions of all family members, both blood and in-law. Stella and any future spouses will be equal participants.

Experiential learning opportunities were created. First, because the existing trust (remember Sara's distribution?) had a generous discretionary distribution clause, Mom and Dad created opportunity grants. Sara, Josh and Naomi were each allowed to request distributions for an opportunity that they otherwise would not be able to capture. They were required to complete a grant application which discussed:

- What the opportunity was in detail;
- How it would help them grow both as an individual and a family member;
- Why they felt they couldn't take advantage of it without a distribution;
- The cost to act on the opportunity; and
- How they needed the distribution to be made.

The grant committee was composed of Tim, John and the family CPA, who would help the beneficiary with the request. Once approved (and they all were, since the point was an experience in being thoughtful with financial assets) the beneficiary had to report back to family about his or her experience:

- What surprised you about the opportunity?
- What disappointed you?
- What advice would you give someone about to take advantage of the same opportunity?

Second, as we discussed in the first article, Mom and Dad formed a family investment LLC which gave Sara, Josh, and Naomi experiences in joint decision making (governance), working with advisors, and owning an unusual investment asset.

Third, Mom and Dad established a "1040 Foundation," which is another way to say: Let's just use the amount we already give to charity and deduct it on our Form 1040 individual tax return as a way to sample family philanthropy. Mom and Dad regularly gave $50,000 per year to various charities. They decided to have Sara, Josh, Stella and Naomi each have the power to allocate $7,500. Including Stella equally was an actual demonstration of the "family of affinity" inclusive they seek to foster. The conditions were:

- The allocation had to be based on either something you want more of in the world or something you want less of in the world.
- They had to give it all to one charity.
- The charity had to be local, so they could deliver the $10,000 check in person.

All three of these donations were empowering experiences that also become models that Sara, Josh, and Naomi could use with their own children in the future.

The estate and legacy plan took on new meaning now that Mom and Dad realized that there were ways to positively impact their children. With this new understanding they moved ahead with creating a long-term family security and opportunity trust funded with a significant amount of life insurance. This trust was unique in several ways:

- It was written in the first person, and
- It contained language such as:

> The Trust does not exist as an end unto itself. It is merely the means by which we have chosen to share some of our wealth with our children, and eventually our future descendants. It is a framework to help our family better govern itself, and to encourage our children and their descendants to strive to be the best individuals they can be and to seek joy by living in accordance with the values expressed in this Agreement. We hope that this Trust will remind our children to discover the personal growth and satisfaction that can be realized through sharing our good fortune with those who are less fortunate. We also hope the Trustee will offer positive encouragement and assistance to each beneficiary in their quests, crises and challenges.

- It had a possible long-term existence, but also the ability to be terminated at each generation.
- It had a very well thought and structured distribution and trustee succession plans.

The sustainability of the overall plan and individual strategies was also addressed. The clients' overall intentions, as embodied in the plan, will be revisited every twelve to eighteen months. Each strategy will be reviewed for both technical compliance and relevance to the overall plan intentions. Planning is never really "done." When a plan and underlying strategies are implemented, "things are put into play." Periodically, it is critical ask: "How are they playing out?", and "Are they still working for you?" This actually means checking in around the "feelings or sense" goals, such as, peace of mind questions, view of the children getting along, and the overall family ability to have conversations about financial wealth and their individual lives.

Remember the initial uneasiness with the investment manager? Once the investment policy statement was written in a way that was connected to important family goals, he became an important member of the team. He now understood what he was really "managing to," instead of trying to look comparatively good when compared to the market, other advisors, and his own sense of level of expected performance.

What Does This All Mean?

In practice (or business), the Pragmatic Planner is based in this concept: Thought guides action.

This is a very simple statement yet it is very complex. It requires first, clear thinking. This means we have to eliminate or reduce the noise around the client if we have any hope for clear or intentional thinking. As Nancy Kline, author of TIME TO THINK, says:

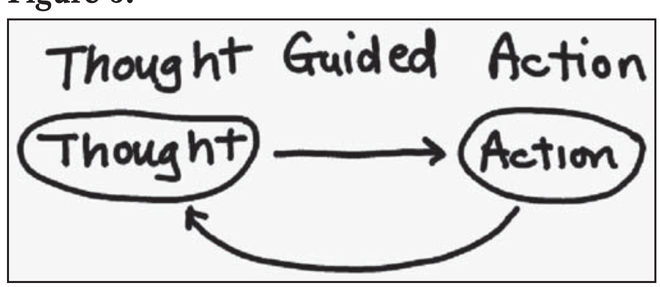
> … the quality of everything we do depends on the quality of the thinking we do first.

Using a deliberate triage approach helps create the best chance for clear thinking. Pragmatic Planners need to promote, not inhibit, thinking. Kline further says:

> The most valuable thing we can offer each other is the framework in which to think for ourselves.

We must not interject our ideas and solutions as replacement for client thinking. Instead we use questions to aid in the articulation of the client's best thinking and inquiry into important long-term goals.

Figure 5.



The second part of the statement is action. Every action we recommend and implement must tie directly back to the client's articulated goals. How does this increase peace of mind? How does it help my children become experienced in family and financial issues? The numerical and financial results are important, but so are the human goals.

The statement "thought guides action" is actually circular. Thinking leads to action, which leads to additional thinking because of attention to the results, which leads to new action. This is the sustainability of the drive to achieve the client's human goals. This is the chair occupied by the Pragmatic Planner as the facilitator of thought-driven action.

Pragmatic based planners then are the bridge between human goals and measurable useful results. The planner helps in every phase as guide and facilitator, including the ongoing relevance checks. Goals will change, and having the perfect bridge to a shore that is not relevant any longer is sometimes more harmful than not having a bridge at all!

In the final article we will look at some aspects of the Pragmatic Planner's actual practice. Tools, techniques, resources, and other elements will be discussed as well as the planner's personal development strategy.

The Pragmatic Planner and the Delivery of Accomplishment-Based Planning

By Timothy J. Belber

In the previous article in this series, dealing with the idea of being a Pragmatic Planner, we looked at the process from articulating the goal to creating the results. This final article in the series will discuss some of the strategies, resources and practices that create an environment for the delivery of meaningful, concrete results. A list of suggested resources is also provided.

Planner Vision and Mission

The most meaningful undertakings begin with a vision of something bigger than one's self. In thinking about your practice (business, if you prefer), what is it you hope to achieve for the clients you serve? For example:

> I have a vision of a society where individuals and families have healthier relationships with their financial assets. This will lead to healthier relationships with each other.

The mission describes how you plan to help the vision be realized:

> To support the vision, my mission is to be the bridge between human goals and measurable results achieved by the implementation of financial strategies.

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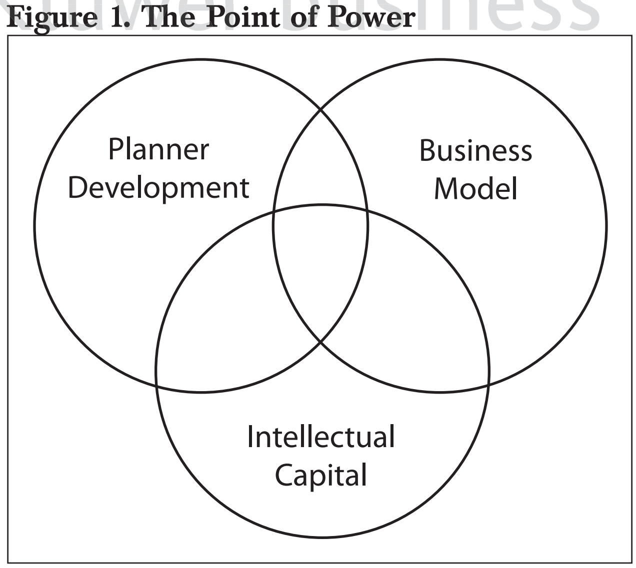
Now, we can look at strategically what is necessary to build the practice that is the bridge. It is important to note that this practice is not a "nonprofit." If your model is not economically sustainable then you will not be able to serve clients for very long!

There are three key areas that a practice must have to support the planner and deliver the type of service we have been discussing. As illustrated in Figure 1,

Figure 1. The Point of Power



they are "Planner Development," "Business Model" and "Intellectual Capital." Where they overlap is the "Point of Power."

This article will expand on each of these three key practice areas and will explore why a Pragmatic Planner should intentionally focus on balanced development of all three.

Think about your practice today. Regardless if you serve 25 families or 500 clients, your practice is effectively closed. At this very moment you have a practice that supports exactly your current number of clients. Let's call this number X. Your business model, your personal involvement with each client, and what you deliver is functioning to serve exactly the X number of clients you have right now. Your practice is a practice for that number of clients. It is closed. As soon as you add one more client you have a new practice that is serving X+1 clients. If you kept all your functions the same, then each client, regardless of how much excess capacity you believed you had, is being serviced slightly differently.

However, the +1 client may bring something new to your practice that will benefit all clients. More clients are not bad; their impact to your practice just needs to be understood. You will never know unless you have an actual way of thinking about not only how you bring onboard new clients, but also what is the impact on the existing closed practice. To do that, we need to look at each element and our strategy for each one.

Planner Development–The Path to Authenticity

> "It is one thing to study war and another to live the warrior's life."
>
> Telamon of Arcadia, mercenary of the fifth century B.C.

I do not believe you can effectively understand your own intellectual capital and how to utilize a business model for delivery until you have a deep understanding of your own thinking and what it means to have an authentic practice. The most valuable offering we, as planners and advisors, have is our ability to be present for our clients. Our technical tools are accessible to anyone. Google any form of legal strategy, life insurance, investment product, tax idea, or behavioral finance concept and you will get more "data" than you can digest. [For example, "Results 1–10 of about 15.5M for "behavioral finance." (0.30 seconds)]

Our value is how we bring meaning to the use of these ideas to the client's own world. In other words, it is about "them" not "us." It is the power of the idea to them; not the power of the person delivering the message. This sounds trite and obvious but too often is not the case. Unless a planner is truly comfortable in his or her own skin and in allowing a client to experience authenticity, the highest level of service will not be reached.

These objectives can only be reached when we "show up" both physically and mentally, ready to truly serve our clients. The physical component of "showing up" requires at minimum the integration of diet, exercise, and sleep. While we all know the importance of these three, it is not uncommon for them to be de-prioritized or ignored on a regular basis. As a serving professional, your mind and thinking are your most important tools. We need to properly maintain our physical self so that we can show up with the right level of energy, clarity, and mental focus, whether it is for a breakfast meeting at 7:00 a.m. or dinner at 7:00 p.m. Energy management throughout the day/week/month/year is critical if we want our most valued and important asset—our health—to support us consistently and sustainably.

If we relied on a machine for our livelihood and sustenance we would not hesitate to hire an expert technician to monitor and tune the machine for peak performance. In our personal and business lives we do this all the time. Our cars, our watches, our home appliances and heating and cooling systems, just to name a few, are kept at top running condition. We change filters, cover condensers, and turn off water valves in the winter. We need to recognize that our physical energy (health) is an, if not the most, important asset our practice or business possesses. We need to apply the same level of care and feeding to ourselves as we do our automobiles.

In the pragmatic sense, what is the value of the idea of good health? Is there any value in just having good health? The concrete results of good health are many, but in our context the answer is: It will increase our ability to function as the planner/artist we want to be.

It comes down to a simple question. Before doing anything (or not doing something) you ask yourself: How will this impact my ability to be effective and show up for the rest of the day?

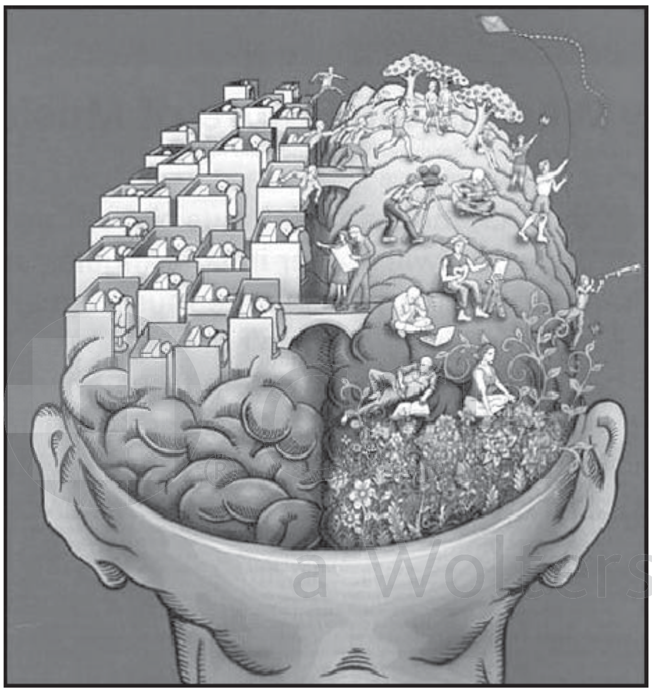
Suddenly, the food choice at breakfast takes on new meaning! After all, if you want your car to run correctly you do not put sugar in the tank. I have included some specific resources at the end to help with any additional inquiry you may want to pursue.

The other side of planner development is our mindset. This is another topic on which much has been written. For our purposes the focus will be on three concepts:

- The Planner/Advisor as Artist
- The Beginner's Mind
- The Mind Like Water

When we approach our work with these concepts as guiding principles, we are engaged with clients and colleagues in a very effective way.

Figure 2. Going Beyond the Technical



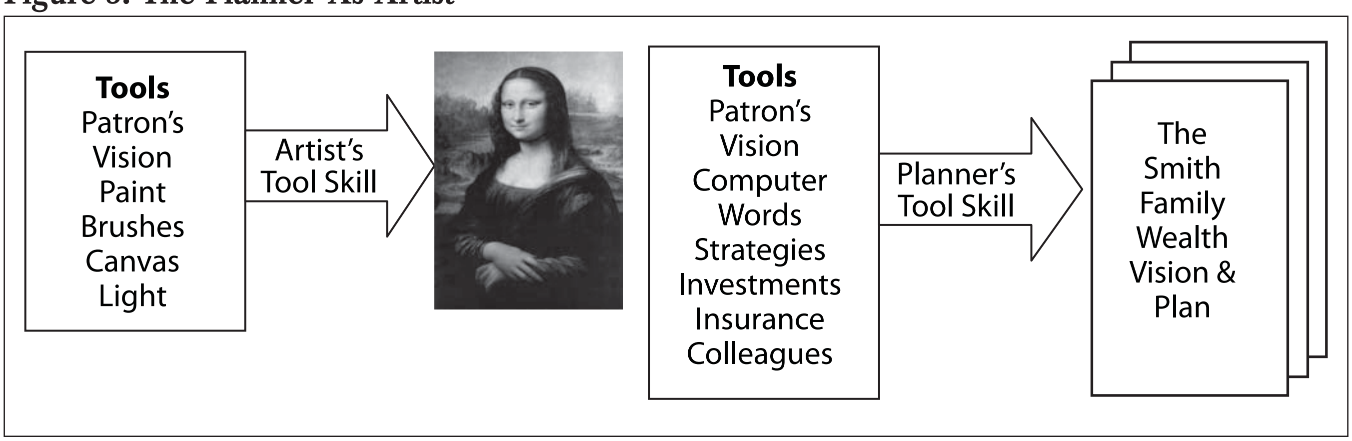
The Planner as Artist mindset says:

> I have great technical knowledge. I only bring it to bear to create or enhance my client's situation, as defined by the client. I spend more time gaining a deeper understanding of who my client is and what the client hopes to achieve than I do talking about my excellent strategies. I never present any opportunity or idea to a client that I cannot connect to the overall purpose of my engagement with that client.

The development of this mindset requires you to go outside the technical box. It begins with the understanding that you have tools you can bring to bear. Some of these tools may appear to be goals. The reduction of estate taxes, the establishment of an education fund, creating an investment portfolio, and the like are but tools that create an opportunity to serve a greater goal. The planner as artist must be an expert in helping clients think for themselves about themselves. Nothing will stifle this quicker than responding to the question "What do other families like ours do?" before an appropriate amount of qualitative discovery time has occurred. When a planner views the work to be done as an artist, the planner will need great qualitative detail so he or she can paint the picture, take the photograph, complete the mosaic, or implement a Family Wealth Transition Plan. To do this the planner must undertake the study of listening and interviewing. Suggested resources for this are at the end of this article.

The second concept is critical to the Planner as Artist. Every interaction should be approached with a "Beginner's Mind." Paraphrasing a Zen idea:

Figure 3. The Planner As Artist



In the mind of the beginner, the possibilities are endless. In the mind of the expert, the possibilities are few.

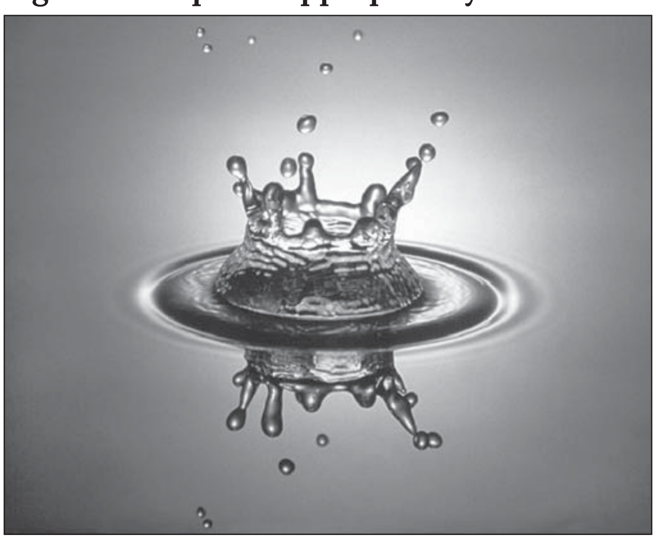
When we approach each client situation looking for what is new rather than what we already know, we are opening ourselves to new possibilities. As Albert Einstein said: "The only thing that interferes with my learning is my education."

This says we must be on guard not to be looking for similarities in one client's situation to others we have seen in the past. They indeed maybe similar, but they are all unique. We acquire knowledge and hopefully wisdom from all our clients. This increases the size of our tool box. If we are not careful it will also affect what we hear from clients. We can find ourselves listening with our prior experiences as filters on what we hear. Self awareness of this possibility is your best defense. Before offering advice you should be able to answer the question: How does this connect with the client's highest aspirations and goals?

The third concept is to have a Mind like Water. While this sounds "unpragmatic," it actually is critical to moving through the day effectively. The idea is expressed with great clarity by David Allen in GETTING THINGS DONE:

Imagine throwing a pebble into a still pond. How does the water respond? The answer is, totally appropriate to the force and mass of the input; then it returns to calm. It doesn't overreact or under-react ... Anything that causes you to over-react or under-react can control you, and often does. Responding inappropriately to your e-mail, your staff, your projects, your unread magazines, your thoughts about what you need to do, your children, your boss will lead to less effective results than you'd like. Most people give either more or less attention to things than they deserve, simply because they don't operate with a "mind like water."

Figure 4. Respond Appropriately



You control the space between stimulus and response, and can decide how to react to the words or actions of another. For example, I was working with a colleague on a new letter of engagement. After working for over an hour we showed it to the principal of the firm, he read it and proceeded to describe it as "dog meat." It was now my choice as to how to react. I asked him what he meant. He then gave us some excellent ideas on how to make the letter outstanding. By choosing not to be defensive I gained new insights and ideas. The effects of someone's words are what we choose them to be. The statement, "she made me so mad" describes a physical impossibility. Instead, I took her words or actions and chose to be mad. I gave the power to control or influence my emotions to someone else. By responding appropriately, or with control, the Artistic Planner is better able to truly hear what is being said rather than get lost in an inappropriate response.

Intellectual Capital–Your True Value

All planners believe they have intellectual capital. Unfortunately this is often only a technical skill. True intellectual capital is the bringing to bear creative thinking around the use of technical ideas and strategies. In other words, what is unique about you and your ability to serve clients? Intellectual capital is defined by several sources as "the value of a company's collective experience and knowledge at performing certain tasks or innovating for the future."

In the context of the Pragmatic Planning Practice, intellectual capital is how you think and integrate planning strategies into the achievement of client goals. It is your ability to bring simplicity, relevance, and confidence to the clients you serve. In the Artistic Planner model, it is the bridge you create between the tools and the achievement of the important goals. It is how you put the mosaic tiles together to create the image the client desires. Having the nicest tiles is not enough. You have to be skillfully responsive to the needs and desires of your patron.

Figure 5. The Skillful Application of Tiles

For example, helping a client think about the real wealth of the family using the "four capitals conversation" from Jay Hughes is bringing intellectual capital to the table. According to Jay Hughes, every family has four capitals:

- Human: Who are we?
- Intellectual: What do we collectively know?
- Social: What is our position relative to the larger world?
- Financial: What have we accumulated, or what do we own?

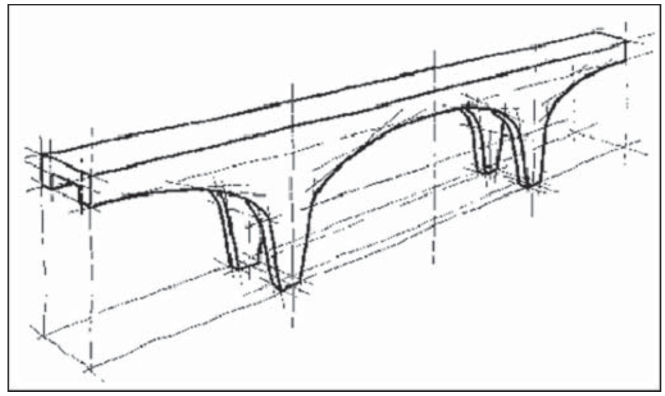
The application in a meaningful way is intellectual capital. In this case, the planner would help the client create a Family Balance Sheet listing:

- everyone in the family,
- what is unique about each family member, and
- what each one knows more about than anyone else in the family.

This will typically lead to an in-depth discussion about the family as a whole and the hopes for the future. With this information the planner can then apply artistic skill, think about the situation from all angles, and come up with a way to assemble a mosaic of strategies that meet the client's needs, goals, and dreams.

In the last article we focused on the idea of being a bridge between human goals and concrete results. The quality and depth of our Intellectual Capital determines the viability of the bridge we offer to our clients.

Figure 6. The Intellectual Capital Bridge



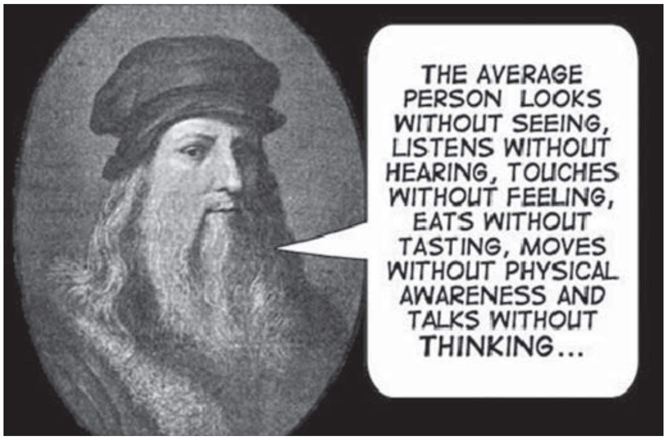
The development of truly unique Intellectual Capital does not occur in the same areas as the learning or mastery of technical skills. It is about thinking, conversations, and creativity. In the resources section, I have listed some of the more powerful influences I have found useful. Here are some general principles that apply to all:

The concepts are not limited to any form of planning or financial service. They are principles that can be applied in all manner of relationships and situations. For example, Nancy Kline, in TIME TO THINK, outlines how to conduct a Thinking Meeting. This methodology promotes listening, the free flow of ideas, mutual respect and, ultimately, quality decision making. This idea works well in one-on-one meetings, brainstorming sessions, or family discussions on vacations. The Intellectual Capital is the ability to take this tool and use it to generate a valuable result in a given situation.

Intellectual Capital cannot be purchased. Commodities and tools can be purchased. What is Intellectual Capital for one person when purchased becomes a tool for someone else. This has been a pattern particularly in financial services. The adoption of someone else's methodology (Intellectual Capital) is different than adapting an idea and creating your Intellectual Capital around the idea. As an example, there are innumerable books on methods to use with clients to achieve results. Planners have historically looked for the silver bullet that will get them a "yes" from prospects and clients. Sometimes it works, but more often than not it is the idea of the day/week/

month. When you develop your own Intellectual Capital, the "yes" will be to you not the process (commodity) you are promoting.

Figure 7. Awareness



Intellectual Capital is not stagnant. By its very nature, Intellectual Capital should grow organically. Every conversation around an idea has the potential to increase the depth of your Intellectual Capital. If as an Artistic Planner you adopt the Beginner's Mind, you will derive great learning with every client interaction. Growing your skill, both artistically and pragmatically (to get the concrete result), requires a commitment to a level of awareness that too often, as Leonardo says, is not present.

Intellectual Capital has to be practiced. Your Intellectual Capital should be a part of your regular conversations and deliverables to clients (patrons). You can divide your clients as far as tools and appropriate strategies. You cannot divide your practice around who gets Intellectual Capital and who does not. Your Intellectual Capital is part of you and what you do. If you divide your practice into "these clients get this" and "those clients get that," you have another commodity/tool. For example, if one of your unique abilities (Intellectual Capital) is the integration of planning strategies with the human goals, then for every client, no matter what "size" or "profile," you should have clarity around the human goals and how any recommendations fit. A new immigrant may have a dream (human goal) of a better life and more opportunity for her children. A simple 529 plan may be the solution, but it should nevertheless be based on helping her reach her dream.

The most powerful Intellectual Capital helps clients achieve:

- ongoing simplicity in a world of increasing complexity,
- confidence that they are acting in an effective way congruent with who they are, and
- peace of mind that their situation is top of mind for their advisor.

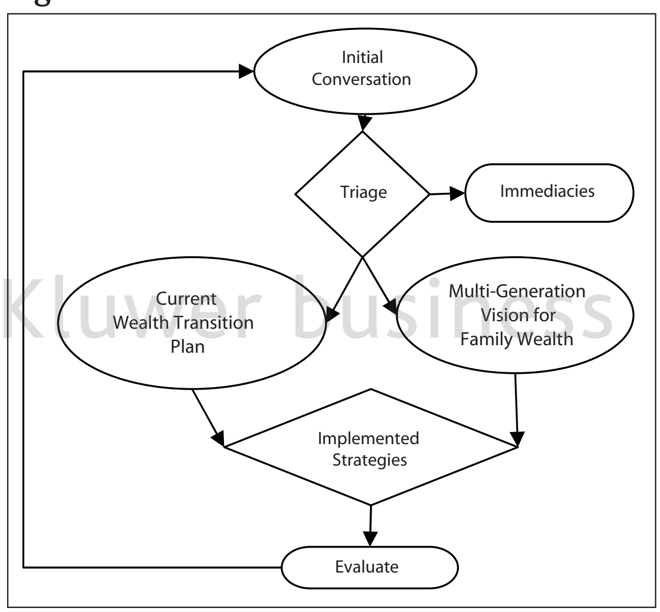
The Pragmatic Business Model

The Business Model is the platform you choose to use to profitably act as the bridge between human goals and concrete results. It is the strategy that will allow you be the Artistic Planner, while providing financial returns for you and your family.

The Basic Idea

In the last article we discussed a process for assisting clients in a wealth transition plan. A summarized version of this process appears below. The business model needs to support this process with tools and revenue. After a review of the key areas we will talk about how you can adapt available models to suit your practice. There are several organizations that can bring a lot to the table once you are clear on what you want to accomplish for your clients and yourself.

Figure 8. Process



For each aspect of the process there should be a documented procedure. This begins with the initial conversation, where you work to decide if there is the potential for an artist/patron relationship. Lengthy questionnaires filled out "just because" are not the answer. Every phase should be based on the accomplishment of an important goal.

The Initial Conversation

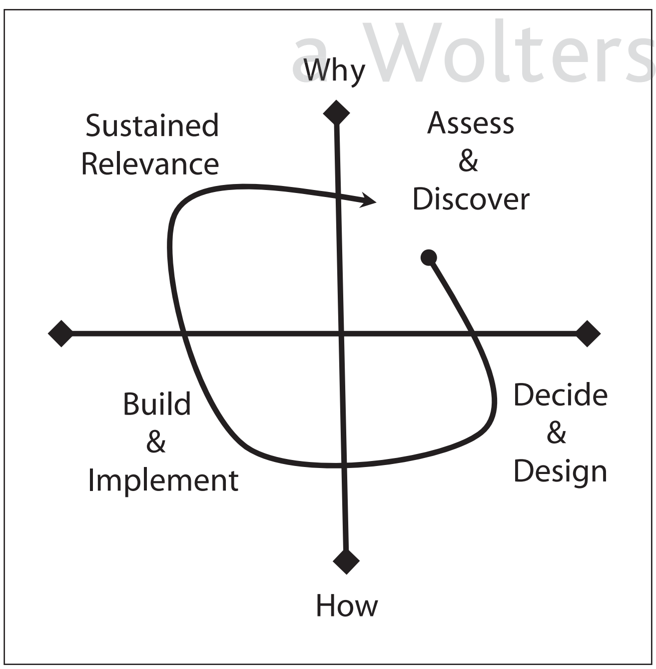
At this point you are in a mutual learning phase with your prospective client. You will want to demonstrate your ability to assist them in achieving important objectives. You will need to have a conversation about who they are, their prior experiences, and create the sense that you have a unique approach to long-term client relationships. You will also need to uncover any immediacies and assist in addressing them.

You will need to be able to answer their questions without focusing on your capabilities too early. How you are compensated should be clear to you and made clear to your prospective client.

Fees

It is impossible to know what to accurately charge as a planning fee without assessing and modeling the client's current situation. In many instances there are three fees as part of the process. First, an assessment fee is charged to cover building the models of the current situation, the vision for the future, and identifying the work to bring about alignment. This is generally a flat charge regardless of client net worth or complexity. It gives the client a chance to experience your unique Intellectual Capital at a low investment. Second, is the fee for actually seeing the plan through implementation. Finally, once strategies are implemented (put into play), there will be fees for the ongoing maintenance and sustained relevance.

Figure 9. The Quadrants



This graph was introduced to me by Scott Fithian of the Legacy Companies. It is very helpful in breaking the process down and helping clients visualize the ongoing nature of the work you are doing with them and positioning the various type of work needed to reach the concrete results.

Most planners have some core technical service like life insurance, investments, legal work or tax planning that can be delivered as part of the implementation of the planning process. As long as there is transparency and a connection between the service and the client's vision for the future, then the implementation and associated expenses will be a natural part of the plan. The planner has the most intimate knowledge of the client's situation and is therefore best suited to represent the client in the investment, insurance, or other strategy marketplace. Compensation for strategy implementation should always be separate from fees for advice and planning.

The Process

Each phase of the process should be done, as much as possible, without reinventing the wheel. Again, at the end of this article is a list of independent sources that are able to assist with an effective business model. There should be an internal strategy within your practice for the following:

Assessment and discovery. What tools constitute your way to learn about clients? A legal pad is good, but relying on it alone will often lead to inefficiencies (I need one more thing), and worse, missed information for lack of good questions. Every Values or Principles-based group I'm aware of has a Discovery Package which is easily adaptable to most practices.

Decide and design. Here you need several sets of strategies. First, how do you process technical information? Second, how do you present it with elegant simplicity to the client? There are several impressive graphic programs that work wonderfully. Third, how do you deal with technical needs outside your own specialty? If it is apparent that the client's daughter needs some personal coaching to help her in her role within the family, do you have a methodology to suggest a course of action?

Build and implement. This is where the concrete results come into being. It is not just about executing a trust, funding a life insurance policy, acquiring investments, or executing a wealth transfer strategy. It also includes structuring family meetings, getting each individual member the support he or she needs and preparing the next generation of wealth owners. This is impossible for one practice to handle. You need to have clarity around your area of excellence and have the ability to build a

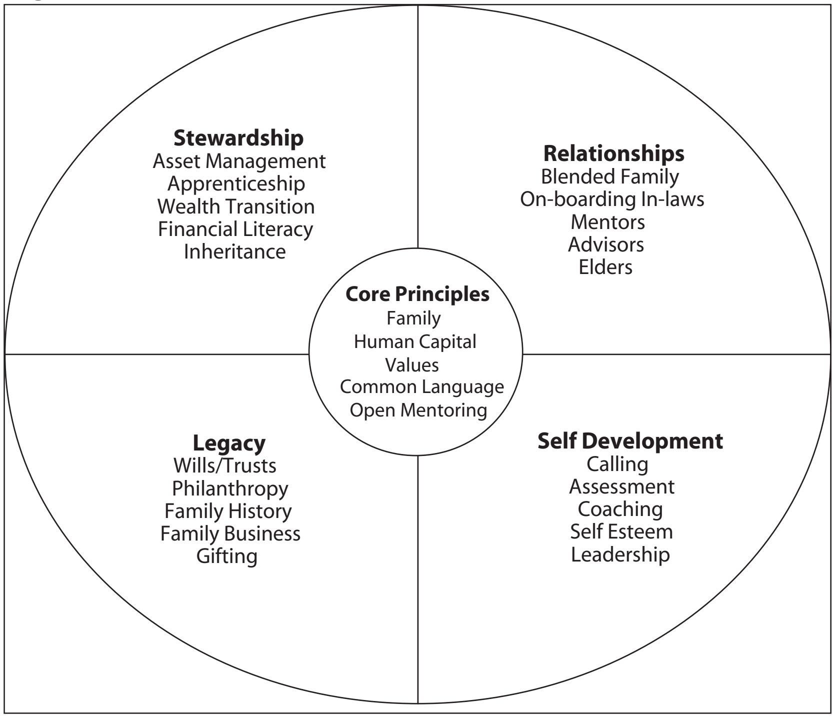


Figure 10. Plot Your Practice's Resources

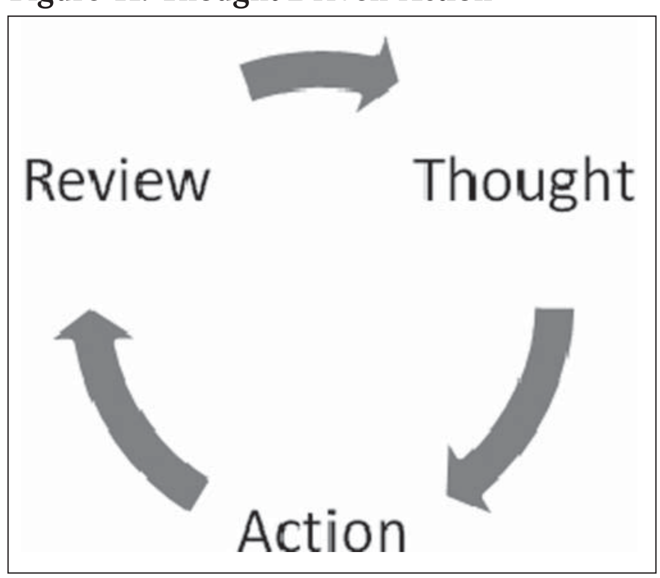
team for the other areas. One way to build this uses a concept developed by William O'Brien, who practices personal assessment and development in New Jersey. The Domain Map, as applied to a practice, allows you plot what resources you have in particular areas. The center contains core principles that all resources share. Thereafter, you have sources in each of the quadrants. The example below only lists a few in each quadrant. There are many other different areas that you may want to have in your arsenal based on the needs of your clients. But first, you need to plot where you are in your own practice. For example, you may be strong in Stewardship, have some ability in Legacy and knowledge of Relationship and Self Development. Who do you know to supplement your skill set in these other areas? Plot their names. Now you know who to have a conversation with at the next interdisciplinary gathering you attend. It may take some effort but it will make you a deeper resource and improve your stickiness with clients over generations.

Sustained relevance. For years, ongoing review and maintenance has been based on quantitative analysis of policies, investments, and legal/tax strategies. However, sustained relevance focuses on the relationship between the strategies that have been put into play and the Human/Intellectual Capital of the family. The practice focused on concrete positive results needs to have regular check in conversations on the observed impact of each strategy. This needs to be planned at time of implementation, and needs to be time-lined. For some strategies, it may be quarterly; for others, annually. This review does not replace the regular compliance/suitability work but should enrich it. New areas will be uncovered regularly, requiring the planner to return to the Domain Map for additional expertise. As the quadrant chart illustrated, the process is self repeating. The key is to have the Relevance Review as part of the overall process so you can concentrate on the discussion rather on trying to 'figure it out' each time. Every strategy should, at implementation, have a written/documented plan for what is to be reviewed and when it is to occur. From a profitability point of view this also helps secure future annual fees for value received.

Final Thoughts

When William James posed the question "what is the true value of an idea?" he believed it could only be answered by the quality of the results produced by that idea. In a planning context, the ideas behind creating wealth plans have been many, but few, when measured by the benefits to the Human Capital, have generated the quality of results that are actually possible. By starting with the question "what are we trying to accomplish for this family on a qualitative basis?" we can develop a new measure for results. When a practice is focused in this manner, as an artist

Figure 11. Thought-Driven Action



serving a patron, the satisfaction for both planner and client grows exponentially.

It is not necessary to overhaul your entire practice or business to develop a pragmatic approach. I also think of it as an accomplishment based practice. To be the bridge between human goals and concrete results, the practice needs to develop a culture that strives to discover what really matters to the clients, both prospective and current. For current clients, creating the new experience is about discussing the importance of relevance at the next review meeting and beginning an appreciative inquiry/discovery process.

There are several excellent organizations that support planners who want to deepen the work they do with clients, both business and family. They can supply help in developing your Intellectual Capital as well as assistance with a business model. I have listed them in the Selected Resources section, below.

Selected Resources

Planner Development

- Zen Mind, Beginner's Mind, Shunryu Suzuki; Trudy Dixon and Richard Baker, Editors (Weatherhill, 1970).
- The Seven Habits of Highly Effective People, Stephen R.Covey (Free Press,1989).
- Mastery, George Leonard (Plume, 1989).
- The Compassionate Samurai: Being Extraordinary in an Ordinary World, Brian Klemmer (Hay House, 2008).
- Brain Rules, John Medina (Pear Press, 2008).
- Kinetic Enterprises (*www.kineticenterprise.com*)—Kristin Wehner Keffeler specializes in helping Financial Advisors show up consistently. She is also a great resource for your Domain Map.
- Intuitive Eating, Evelyn Tribole and Elyse Resch (St. Martin's Paperbacks, 1996). Eating on the Run, Evelyn Tribole (Human Kinetics, 2003).
- The Pullen Consulting Group (*www.pullenconsulting.com*)—Courtney Pullen is an expert coach in finding authenticity. Another great resource for your Domain Map.

Intellectual Capital

- Family Wealth: Keeping It in the Family, James E. Hughes Jr. (Bloomburg Press, 2004).
- Time to Think: Listening to Ignite the Human Mind, Nancy Kline (Cassell Orion, 1999).
- How to Think Like Leonardo Da Vinci, Michael J.Gelb (Delacorte Press, 1998). (*www.michaelgelb.com*)
- The War of Art, Steven Pressfield (Grand Central Publishing, 2003).
- The Advisor Century, by Dan Sullivan and Gordon Arlen (The Strategic Coach, Inc., 2007).

Business Model

- Purposeful Planning (*www.purposeful-planning.com/home.htm*)
- The Legacy Companies (*www.thevalueofdiscovery.com*)
- The Sunbridge Legacy Builder Network (*www.sunbridgelegacy.com*)
- 360° Practices (*www.360practices.com*)
- Tribes: We Need You to Lead Us, Seth Godin (Penguin Group (USA)). (While I didn't discuss marketing, *etc.*, this book will change your view on how to think of your patron/client base. Read it!)
- Tom Kennedy (*www.kennedyccc.com*) (After you read Tribes, have a conversation with Tom.)
- Getting Things Done: The Art of Stress-Free Productivity, David Allen (Penguin, 2002). (*www.davidco.com/index.php*)
- Mind Manager (great mapping software).
- Smart Draw (great client presentation tool).