

Five steps to family engagement – an adviser’s guide to family dynamics

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Multigenerational wealthy families have a distinguishing characteristic that sets them apart from other families: one or more of their family members have generated wealth that far exceeds their lifetime needs. Families often preserve this excess wealth for future generations by creating shared assets that bind family members together: family businesses, trust structures or pooled investment vehicles. Once wealth hits a certain mass, it begins to grow exponentially, necessitating the structuring, reporting and tracking that can be the impetus of a family office. As it grows, advisers and professional staff are engaged to help manage the wealth that may have the ability to impact multiple generations. Those multiple generations naturally expand in number, diversity and geography. Over time, distant family members with potentially competing interests may be sharing resources. Shared resources can strain any relationship, and in a far-flung multigenerational family there is an elevated need for healthy communication patterns and decision-making skills to maintain family harmony.

Family advisers offer their clients expert technical advice on how to transfer their wealth through tax-efficient and reporting-compliant structures, but few are trained with the skills needed to help families negotiate conflicts and overcome challenging family dynamics. Many families are challenging their advisers to go beyond transferring money by asking for their help in transferring values, alongside the wealth, to forge a path to family unity.

In this article, we will offer a time-tested, five-step

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approach that advisers can use to navigate family dynamics with their clients. By guiding their clients through this process, advisers can help them align around a common purpose, identify tangible action steps towards their vision of success, and develop healthy and repeatable communication patterns that set them up for generations of success.

The five-step process

Borderless in nature, we have observed the five-step approach to resonate with clients across the globe. We find that our clients often work through several of the steps independently but may miss one or get stuck on another. An adviser can add value by identifying which step they are stuck on and use this guide to help them dislodge obstacles and continue on their path.

This approach, though developed through experience, is mapped to empirical research as a means of helping families discover a practical way to build productivity among members. We will walk through these steps, mapping each with psychological and neuroscience research. In doing so, we offer practical advice for advisers to guide their clients through this process and achieve a productive estate plan while developing a lasting family culture.

Step one: reflect

Self-reflection enables a person to pay conscious attention to their inner states, such as their thoughts, feelings or actions.¹ By bringing our subconscious thoughts to a conscious level, we can then examine our motivations and goals, allowing us to validate or adapt them to best suit our current purposes. While self-reflection dates back a millennial – Socrates famously said “an unexamined life is not worth living” – it has not traditionally been a required step in the estate planning process. Some clients are intuitively self-reflective and have thoroughly considered what they want their estate plan to accomplish. Others, however, come in ready for action but have not fully stopped to consider the impact they want their wealth to have on their families. One way to potentially identify this is if your client is making fear-based decisions on what they want to avoid – unnecessary taxes, creating trust fund babies or demotivating future descendants – rather than what they want to accomplish. These clients also often prefer secrecy to transparency and may want to use

inflexible planning to enforce their wishes on future descendants.

In one situation a couple spent their lives following their passions, which ended up being surprisingly lucrative. With a liquidity event on the horizon, they were concerned about how to tell their adult children in a way that would not distract them from their current career goals. We coached them on their reflection process by asking them to consider the above questions. We asked that they take notes on each question, first separately, and then share them with each other to consolidate into one shared viewpoint. Once completed, they could use this to inform the conversation with their children. With their shared priorities top of mind, they were able to have a productive discussion with their children about how they could use their wealth to support their long-term vision of success for their family.

Reflecting will not only help your clients identify their goals, but it can also help them stick to them. A recent study found that by engaging in self-awareness, people increase their self-control in pursuing their goals as well as identify potential obstacles and plans to overcome them.² Thus, the exercise of reflecting on their own journey with money has the potential to strengthen your clients' commitment to reaching their goals.

Reflection can be even more critical for *inheritors*, who have received versus earned their financial wealth. Unlike the wealth-creating generation before them, inheritors begin life with elevated financial means without having to overcome the common financial struggles most have to solve to reach financial security. This can give inheritors the *appearance* of financial success without necessarily having the opportunity to build the corresponding skills and confidence to have achieved it independently. In turn, inheritors may experience discomfort with reception of this wealth, rooted in part to the human tendency to value one's own creation (which may include the created wealth) over that created by another person.³ This may lead to adverse reactions to or disengagement from receiving wealth. However, the reflection process offers a caveat to this human phenomenon: people appear to value things they co-create with others just

as much as those they create by themselves.⁴ As the purpose of the wealth is to serve the needs of the family for generations to come, through self-reflection inheritors are able to use their values to create a new path for the wealth going forward, imparting their own ownership onto this shared wealth by co-creating its path for the family future.

Advisers can help their clients map their own journey with money by asking questions that challenge their assumptions and confirm their motivations.

- What has been your relationship with money, and how has it evolved?
- What was the biggest money challenge you have had, and how may that be impacting how you view your wealth today?
- How did you learn about money, and would you want to reproduce that experience for your beneficiaries?
- What is the best-case scenario for how your wealth could impact your current and future generations?
- What is the most important outcome to you?
- What are the values you want to share with your family?
- What are the actions that you would like to encourage?
- What might you want to avoid?

Step two: share

The historical practice of reading the will after the wealth creator passes makes a great movie plot but is not an effective practice in real life. Sharing an estate plan is more than just giving facts. Creating transparency nurtures trust, builds confidence and allows each family member to digest the information in a way that resonates with them. It enables them to ask questions and gain clarity. Importantly, it sets the stage to convey a *meaningful* message by grounding the estate plan around a set of goals for the family, whose significance has been clearly defined and whose language is understandable.⁵

Although the family adviser can provide the technical reasoning for the estate plan, nothing can replace an explanation from the grantor on why one child was treated differently or how they made the

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decision to liquidate the family business.

A client had a great relationship with his daughter. He and his attorney had spent hours on his estate plan, but he died unexpectedly and had never discussed it with her. He trusted her implicitly; however, when she discovered it was all in trust, she felt rejected. She assumed he didn't think she could manage her own affairs. Nothing the attorney could say about the importance of creditor protection or tax efficiency could replace a conversation with her father. He lost the opportunity to explain the 'why' behind the 'what'. Even if he had not shared the details but had shared the purpose, there could have been a much different outcome.

Sharing sounds simple but can be challenging. Money is an especially difficult topic for many cultures across the globe. Widely held beliefs about the negative effects of money, social norms and old adages such as "shirtsleeves to shirtsleeves in three generations" can all contribute to our clients' hesitation to talk about a topic that plays an important role in their lives. In fact, a study of married couples found that money was the most likely topic to be swept under the rug, leaving the unresolved conflict to fester over time.⁶ However, keeping silent robs the grantors of the opportunity to transmit values along with their wealth and robs the receiving generation of the opportunity to prepare – for what is to come or what is not to come.

What information should be shared?

Start with core values and guiding principles to find common ground. Once established, share the information that the adults in their family will need to do their own planning. After a few productive conversations that build trust between the parties, grantors are often relieved to move towards age-appropriate full transparency.

With whom should they share?

They should share with those whom the wealth impacts. Multigenerational wealth can have a wide span, including multiple generations of adult partners, children, nieces, nephews, grandchildren, etc. There is often concern about bringing in such a wide range of perspectives, but if they will have either direct or

indirect access to the wealth, they will need to understand and adopt the purpose so the wealth can be used accordingly. Suggest they start with a smaller group to get comfortable with the process and then expand as needed.

How do I manage diverse opinions?

The short answer is to embrace them. Business and philanthropic boards across the world strive for diverse perspectives, yet the natural diversity that arises as a family grows is often seen as a problem. In multigenerational families, every member has a unique perspective to offer, naturally contributing to the *cognitive diversity* or the variability in the perspectives and problem-solving approaches of the group.⁷ This point is important, as decades of psychological research has suggested that diverse perspectives can help reach better decisions because they broaden the range of possible outcomes as each individual can draw on his or her different life experiences and expertise.

Through conversations, we can learn new perspectives, adopt fresh ideas, potentially expand our own sense of who we are⁸ and build stronger relationships among the parties. To maximise the positive outcomes of a conversation, it is important to achieve balance between listening and disclosing. That is, conversations with more role reciprocity (ie, where people have similar opportunities to disclose) tend to lead to greater experiences of rapport.⁹

Because family unity has no deadline, it is easy to put off. You can help motivate your client by sharing with them that people tend to predict that a conversation will be more aversive than it actually is. In fact, studies show that people simultaneously *overestimate* how awkward a conversation will be and *underestimate* how connected and happy they will feel afterwards.¹⁰ As advisers, you can help your clients overcome trepidation by ensuring they are well prepared.

Here are some practical tips that can be offered to help prepare for a conversation with their loved ones:

- Start with reflecting on what they hope to accomplish and probe into their optimal outcome. Playing out how the conversation may go in their minds can help prepare them for any eventuality.

- Distinguish between *voice* and *vote*. Clearly articulate what is open for debate and which decisions the wealth creator will own. Helping the participants understand where they have a vote versus where feedback is welcome can set the stage for a productive dialogue.
- Encourage storytelling to highlight the underlying values that can help cultivate a shared purpose. Unlike directives, storytelling encourages creative problem-solving by engaging across the sensory areas of the brain. It allows each family member to connect to the story individually while collectively emphasising specific themes.
- Having a prepared response to questions your client may not want to answer is also helpful in reducing any lingering anxiety about the conversation. Something as simple as “That’s a good question, but I’m not ready to answer it quite yet. Let me think about it and get back to you” can help smooth over any awkwardness.
- Share with your clients that research shows the anticipation of a conversation is typically more negative than the actual outcome. If they have relevant board experience, remind them that they already have the necessary consensus-building skills that they can now apply to their family.

Step three: align

Aligning around the purpose of the wealth is an often-missed but crucial step to a successful estate plan. The best practice is to engage everyone whom the wealth will impact to develop a common purpose. Yet, many wealth creators choose to start with a smaller group and then socialise the purpose with others. Successful families are able to simultaneously nurture both independence and a common purpose. A well-crafted common purpose embodies the guiding principles of their shared past, is applicable to their present situation, and enables them to identify a successful future.

In a recent discussion with a group of estate planning attorneys, one attorney asked, “How do I prevent the rising generation from dismantling the planning that their parents have done with me after the parents pass?” The others in the room all nodded gloomily and looked for the response. The tough

answer is to engage the children in the planning. If they have a voice, understand the benefits and have been able to ask questions, they are less likely to change their minds afterwards than if the plan was handed to them with no room for dialogue.

Never underestimate the power of a common purpose. A common purpose allows us to see past our differences and focus on our similarities. Western culture, which highly values independence, has a plethora of examples where a common purpose diffuses historic tensions and instils a sense of pride and teamwork. News of a natural disaster is full of stories of strangers helping fellow victims, often breaking through socioeconomic or racial barriers. On a global level, the Olympics is a perfect example. It draws people from diverse cultures and backgrounds who would ordinarily have little in common but are fused together by the value of athletic excellence.

Psychology and neuroscience researchers have been fascinated by interpersonal coordination for some time. Collectively, their research suggests that humans are predisposed to align their understanding of the world through social interactions. Social psychologists have shown that creating a shared reality with those around them can lead to strangers unconsciously coordinating their behaviours across time, and reciprocally people with established rapport, like family members, tend to synchronise actions during their interaction.¹¹ Neuroscientists have found evidence of a mirror neuron system, a system of neurons that is active when executing an action or when observing another executing that action. Interpersonal alignment tends to be a natural outcome of a conversation, even at the level of the neuron.¹² From a practical perspective, experience shows that as families adopt a common purpose, individual behaviours become more synchronised to support their common goal.

Uniformity versus unity

A common issue is to mistake uniformity for unity, which present similarly but have vastly different outcomes. *Uniformity* is extracted through the suppression of self-expression. *Unity* is the melding of unique perspectives to create solutions that promote a common good while satisfying the needs of each participant. When the wealth generator is living, uniformity among family members can be a

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natural result of respect for the creator's hard work or, perhaps, an outcome of the commanding presence they emanate. However, when that grantor passes, the motivation to suppress one's feelings may snap under pressure, and uniformity can give way to chaos. Unity around a common purpose, on the other hand, gains momentum with small successes over time, building up the stamina to withstand challenges when they arise. *Unity cannot be created in a vacuum; it requires listening, building trust, and transparency, allowing each individual to intrinsically adopt the common purpose.*

In one case, a wealth generator reflected on his core principles, bullet-pointed them and emailed them to his children without any opportunity for dialogue or feedback. The email was met with very little enthusiasm, although they all continued to abide by his wishes. He had reflected and shared but failed to align, producing uniformity rather than unity. Discouraged, the grantor sensed his children did not wholly agree with his principles. A facilitated conversation was able to achieve alignment on a core set of principles on which all family members could agree. This transformed uniformity into unity and enabled them to co-create a family vision statement that was adopted by all.

Step four: engage

Once the family has successfully reflected on, shared and aligned around a common purpose, the next step is to put their plan into collective action. Every family engages differently depending on their independent and group goals. A natural benefit of including adult family members in the previous three steps is that the process has afforded them the opportunity to visualise how they might contribute to the common purpose.

Creating an environment where family members can work on agreed-upon objectives together allows them to practise making group decisions. Joint decision-making on an abstract vision of future success is an effective training ground for future decisions that may have immediate financial impact on the family. Through this process, families will begin to develop their own unique repeatable communication pattern that productively accommodates the various personalities at the table.

Clients might ask about the best way to engage.

Should they have a family meeting, take family vacations, involve everyone in philanthropic giving, or have them manage their collective assets? Yes – all of these are good options. Let them know there is not one right answer and encourage them to pick the most natural fit first and then move on to the others.

A client has a 10-year-old son and a 13-year-old daughter. He wanted them to build their decision-making skills and found a very modern way to do this. He created a joint digital music account that he funded monthly. His children are left to negotiate how to use the funds. Some months they each spend half. Other months, if one has a particular interest, they can negotiate to use more of the funds and allow the other one to do so the next month. In addition to joint decision-making skills, it also encourages delayed gratification. They are unknowingly being prepared to make joint decisions in an age-appropriate way.

Advisers can play a critical role by helping their clients identify tangible action steps that have worked for similar clients. Guided by their common purpose, you can help your clients sequence their action steps in a manner that plays to their strengths so that they can accumulate small wins that let them build momentum and confidence as they tackle larger issues.

Step five: reassess

Family unity is a journey, not a destination. Once a family has engaged on a few action steps, it is time to reassess, which creates a critically important feedback loop. A periodic reassessment gives everyone an opportunity to consider what is working well and identify areas of improvement. By allowing family members to offer and receive feedback on the status of their collective goals, it also bolsters motivation in maintaining commitment to the goal.¹³

One fifth-generation client had consistently held family meetings and had an exemplary process for feedback. An issue had arisen around transparency. The young adult family members wanted access to their documents and the senior generation explained they could review their documents at any time. A few open-ended questions revealed a long-standing open-door policy allowing the documents to be viewed at the family office at any time. The family office,

however, was in a remote location where the family had once lived. Generations later, it was not practical for the far-flung family to travel to the family office to physically view their trusts. They were still in agreement on the need for transparency, but the implementation needed to be reassessed. The simple solution was to identify a secure electronic format so the family members could view their documents from any location.

Creating a safe space for vulnerability and humility is especially important in this reassess stage. Remembering that the *process is more important than the outcome* can help keep family members engaged and motivated to identify next steps. Whether your client needs a simple fine-tuning or a complete overhaul, they are now prepared to conquer their

challenges. They have been through all the steps before.

Conclusion

As advisers, we have a unique opportunity to guide our clients throughout their estate planning process, empowering them with tax-efficient planning supported by psychological and neuroscience findings that encourage family unity. By guiding clients through these five steps, we can provide a missing link that leads families to a common purpose for wealth. That common purpose, in turn, can allow for a successful transfer of wealth, setting families on a trajectory of sustained success.

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