

The Perpetual Dynasty Plan – Family Achievement by Design

By Tom Robertson

Several articles have been written about the unease many affluent couples experience concerning how to constructively pass wealth to future generations without damaging their heirs. Some have suggested the solution is to devote a large portion of accumulation to charitable purposes in order to “spare” future generations the burden of too much wealth. However, this philosophy can be carried too far and may improperly discount legitimate future needs of the family. Properly managed, wealth can be a positive influence and can set the foundation to foster many generations of achievement.

Certainly, the underpinning of any family dynasty is wealth. However equally important to the dynastic lifeblood is ongoing human capital to be provided by the heirs. Consequently, it is important that any multi-generational plan include a philosophy of continuity for the heirs to follow. Each heir must understand that their role within the dynasty is temporary and custodial in nature. First and second level generations of heirs are the most crucial in building continuity for the generations to follow. It is also beneficial to grow the line of heirs in order to provide a greater pool of talent for the family dynasty to draw from. Consequently, if the current wealth accumulation is very large, it may be advisable to include appropriate tertiary family, such as siblings or cousins and their heirs within the first generational plan.

The most successful non-royal family dynasty, in modern history, has been the European Rothschild family and their dynastic model is one that can be emulated. The Rothschilds did include tertiary family members from inception of their plan four generations ago, which resulted in a much larger pool of talent in the second generation of wealth. Essentially each individual heir is ingrained early with an understanding of their responsibility to the family, as well as an understanding that they are each open to choose either of two fundamental life paths within the family [plan](#).

The first path (and the one generally chosen by the vast majority of heirs) is to pursue personal talents in art, music, writing, teaching, medicine, etc. and to thereby further the human condition through personal contributions in their chosen field. Regardless of their selected life-path, they are assured of lifelong support from the family dynasty for a reasonably comfortable lifestyle. They can devote all their efforts to their chosen area of expertise with the knowledge that neither they nor their children will suffer want, and that their children will each enjoy a full and equal opportunity to participate in the family dynasty plan as they may choose, in the fullness of time. Imagine the freedom of choice this provides.

The second path, a very demanding life path, is to become actively involved in the management and growth of the family’s wealth on behalf of the dynasty at large. The objectives of this path are two-fold:

1. The first objective is to multiply the family wealth under management securely, with as little exposure to risk as possible. Ideally, the family’s wealth will grow at the same or faster rate than the anticipated income dispersal load from family growth. If not, it is understood all family income will be reduced until the corpus is secure. A formula of

investment is followed with no opportunity pursued that exceeds a defined level of investment risk for the family. That level of risk exposure can be limited by size (can the dynasty afford the potential loss inherent within the opportunity in question), and/or by synergy with the existing portfolio (can the family limit risk by diversifying within compatible arenas over which they have some level of expertise and control), and/or through diversified third-party wealth management guidance.

2. The second objective of the family management track is to provide guidance and support to family members who chose the first path, with the understanding that those family members have no participation in the management of the family wealth with one exception – the occasional selection of a new family Patriarch / Matriarch.

As one would imagine, it takes all kinds to make a family, and some are suited to business while others are not. A well-structured family plan is designed to support each individual's life choice without judgment, and allows all to thrive under the dynastic umbrella. No line of descent enjoys any advantage over another – ascension within the family management hierarchy is essentially a meritocracy with counter-productive inter-familial competition discouraged, and synergistic familial support strongly encouraged. Those who enjoy the exhilaration of the world of business must prove themselves as they mature, in order to grow within the family management hierarchy.

There will generally be a Patriarch or Matriarch as head of the family management team with a strong cadre' of family members providing support. The role of Patriarch is a position of service and oversight for the family and to assure dynastic continuity. Occasionally, a new Patriarch is selected with the support of adult family members and the votes are weighted based on various assumptions of competence to be defined by the plan. For instance a Sr. management family member would likely have greater voting influence than a tertiary non-management family member who chose to pursue a teaching career. Obviously, endorsement by an outgoing Patriarch or Matriarch is likely to have the greatest influence on this selection process.

A governing Trust document, a family constitution of sorts, should outline all aspects of the family philosophy while providing maximum flexibility for future generations to adapt to circumstances. Generally, the philosophy should provide guidance, without inflexible mandate, and should seek to bring honor to the family through the personal achievement of family members. The idea is to build and maintain an alliance across disciplines within which there is cooperation among family members to maximize the overall plan of achievement.

There is value in reducing these things to writing. It would be best for family members to be introduced to the writings at an early age such as 11 or 12 as part of an ongoing early curriculum of character-building instruction. This would include training to properly perceive the motivation of outside influences such as television & the Internet. I have always admired the Jewish tradition of majority at age 13 as an excellent practice to emulate, because 11 & 12 year-old boys and girls are generally idealistic, are open to guidance, and are actively seeking an understanding of their place in the world. This is a wonderful time to communicate this place in

the eyes of the family, so they can be armed to handle the inevitable trials of the vulnerable teenage years with less regard to peer pressure. Recognition of adulthood within the family at age 13 establishes a point of change in personal responsibility for each individual with full disclosure of the family's assets and dynastic responsibilities. With a secure future assured and fully understood, there is far less opportunity for negative external influence.

However, family casualties will happen. The world is filled with unseen forces that may derail a family member into drugs, criminal behavior, dependency as victims of crime or injury, etc. When this happens, the family will support that member by providing therapeutic counseling and/or legal services, medical services, etc., as needed, and will assure access to food, clothing, and shelter, but will do everything possible to disrupt continuation of a lifestyle that is not beneficial to the individual in question. The Patriarch (or family majority) will decide the best course of action in each situation based on circumstances. The hope, of course, is that the family plan itself will provide a philosophical foundation for each family member that will help them avoid unwholesome activities or situations at the crucial time of choice. The plan should recognize a path for recovery to some level within the family after an error in judgment has occurred, and appropriate secular consequences have been suffered. It should also be understood that consequences of poor decisions should never be smoothed by family influence. Most mistakes teach lessons, and it is unwise to disrupt the flow of this natural process by further undermining a family member's character through secular intervention.

The goal is a strong dynastic plan that is scalable as the family grows, and is flexible through active management. This will allow the family to adapt to world changes that will inevitably happen, and which cannot be imagined at inception of the plan.

Great wealth is a gift of sorts to the heirs and it is reasonable that the creator of that wealth should provide some ongoing guidance of their wishes and expectations. It is my hope that this paper will provide a kernel of thought about what a Grantor may want for the family's future and how he / she may wish to move forward. Without a plan, the family's future is left to "chance" with a high probability that the wealth created may be squandered in just one or two generations. Through a well-constructed family plan document, grantors have an opportunity to provide positive guidance and to encourage pursuit of constructive interests for many generations to come.

Designing a strong yet flexible family constitution is not an easy assignment, but well worth the time and effort required to accomplish a multi-generational pattern of expanding accomplishment and self-worth for heirs, borne by the seed of good fortune.

Be well, and do good works, for many lifetimes.

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