



THE FAMILY, THE FAMILY OFFICE AND THE FAMILY RESPONSIBILITY

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From a libertarian viewpoint, all families seek to ensure that their children grow up to become independent, self-reliant, socially productive members of society. In advisory discussions, our family clients and their family offices tell us that they are concerned by a number of issues in this regard and unsure how to resolve them. Below, we outline some of the concerns we frequently address in discussion with our family clients and family offices.

Uncertainty about the future makes it very difficult for parents to decide whether their children should be influenced to be educated to become engineers, lawyers, medical doctors or senior executive directors, or whether they should venture into the creative arts. It is a conundrum for many families and their family offices to define at what age children or young adults should be initiated into the secret of how wealthy they are.

Deciding on the appropriate age to impart this knowledge, and later even making all or part of the wealth accessible, is problematic, because this rite of passage also imposes a burden of responsibility on the recipient. Plato and Aristotle both were critical of wealthy people, and in my view they concluded that for wealth to exist, it must also be used. Wealth from a libertarian viewpoint must be invested in enterprise to bear fruit and eventually create jobs; its purpose is broader than satisfying the consumption needs of the next generation. How to go about this?

Many families have reservations about informing their

children about their wealth prematurely; they worry that doing so could nurture the growth of wrong values and undermine their children's character. The children might realize that they will never need to earn a living when they are adults, and this could erode their incentive to finish their education or induce them to study without achieving good results. A lack of motivation could turn them into idle 'trust zombies', who live in the hope of receiving their inheritance and simply live off the fruits of previous generations' labour.

So how is this conundrum to be resolved? How can families ensure that the next generation becomes as diligent and socially productive as the previous one, thereby increasing wealth instead of dissipating it? In our conversations with wealthy families and their family offices, we often find that the following actions and measures, organized by the family office or the family's advisors, may help set family offspring on the right course.

Lead the children early by example

If the parents spend their money extravagantly and live a life of conspicuous luxury, it is highly likely that their children will be accustomed to this lifestyle and remain habituated to it later on in their lives, even without a penny of self-earned income. It is therefore difficult, if not impossible, for such children to imagine a future that is frugal, where they have to work hard, if the previous generation has not led them by example. It may be hard for the senior generation to adopt this exemplary role, but it is essential that they assume this

responsibility in order to ensure that virtuous patterns of behaviour are passed on to the next generation. It is equally crucial that parents present these patterns of behaviour consistently from the beginning.

Live by the right values

Successful families often have family mottos that they live by, slightly different from the ones used by families with a heraldic title; for example, "Millers treat their customers fairly," "Millers invest and don't speculate," and "Brick and mortar are the best." This sounds rather pedestrian, but it can actually work like an algorithm that maintains family values over generations. For example, "We never sell real estate and never borrow money" can lay the foundation that secures the continued success of a family real estate portfolio for generations, as without debt, even a deep economic crisis can be survived, because no maturity dates loom.

Interestingly, these algorithmic statements do not only work for commercial strategies. They can also apply to a family's attitude towards life. For example, one family told their children: "You can become anything you like, but you must be the best in your field. If you become a musician, you must play at Carnegie Hall. If you become an architect, you must construct buildings that still impress people in a hundred years.

If you become a teacher, you must teach at Oxford or Cambridge." These pragmatic principles are about adding value to society at large and contributing as an individual and personally to the advancement of society or the community in a measurable way. Here, I refrain from using the clichéd expression "giving something back to society," because critical minds may ask whether something was taken from society without the right to do so before.

Let the children practice often

For every age group, there is an opportunity to help the child understand something about the responsibilities

tied to wealth. Some family offices that we know organize days where the youngsters come together and have to select a charity project that they will personally contribute to. This ranges from cleaning the city park to helping the elderly or handicapped for a day. It can also be something cultural, like performing a concert in a park frequented by elderly people or children and doing this to a demanding standard, thereby bringing joy to many others.

Later, especially when the family has a charity, adolescents are invited to rate and choose projects which should be funded. They become project leaders at an early stage. They learn how to spend money prudently by investing, at the same time contributing to a good cause. This trains them to assess actions and outcomes, which is an essential decision-making skill for entrepreneurial success in their later lives.

Lastly, family members are often brought together after leaving university by the family office or advisors for a day or week to be educated in crucial financial and managerial fields. These courses cover a range of topics: How does the stock market work? How does our firm or a bank earn money, and what are the drivers? What do other families do, and what makes them successful? This training can be accompanied by a banking training, an internship, or a strategic social training where young people learn to build professional networks with peers who share similar attitudes and values.

In conclusion, a great deal can be done from an early age to ensure that the offspring of rich families acquire the right family values and can calibrate their compass for the future in order to map out their careers as successful, independent, self-reliant and socially and pecuniary productive members of society. Successful family offices and their advisors, such as banks, support them in doing so from an early stage onwards.

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