

Education in a family office: Strengthening the family legacy

When family members understand why and how their family office serves them, they position the enterprise to strengthen the family's legacy.

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This could mean knowing how to interpret financial statements in the context of strategic investment goals, or understanding how the family office manages the transfer of wealth. It entails recognizing the core values that helped the family create its wealth, or comprehending any other foundational or operational element of the family office. This knowledge helps align family members with the family office's mission and enhances the family's objectives, which will help the enterprise prosper through future generations.

It is beneficial, then, for a family office to develop some form of education program for family members. The curriculum would likely depend on family characteristics, especially the different degrees to which family members engage with the family office. Generally, though, incorporating the following three topics into a curriculum helps preserve the family's legacy and succession plans by ensuring that family members understand, respect and reflect the enterprise's mission and goals.

1. Basic financial literacy

Given that wealth is central to the objectives of most family offices, an understanding of wealth management and related topics enhances a family member's ability to contribute to the enterprise. Knowing how to interpret a financial statement, for example, helps form a base for strategic conversations and decision-making about the investment program and business operations.

Of course, a family member can enhance their financial literacy through traditional schooling. Within the family, however, the senior generation can train and mentor younger relatives about the family office and its purpose. Doing so is another investment in the family's legacy.

Senior family members can start by determining a level at which they are comfortable talking to younger family members about facets of the family office, various business and financial concepts, and what it takes to run the enterprise. Families should also consider the appropriateness of training based on members' ages.

Financial literacy needs to be tailored to each family member because there will be a range of interest and aptitude among members. Consider a core curriculum—which can be developed by family office leaders, advisors or a combination of both—and optional training for members interested in becoming more actively involved in the family office or in developing a deeper understanding. Family office leadership can monitor the literacy program with an eye to how the rising generation might fit into the family office's structure and operations.

2. Security and privacy

By educating all family members about the levels of security, privacy and confidentiality the family has agreed to uphold, the family office reduces the risk of incidents that have outside ramifications.

Clarifying best practices and, conversely, potential consequences of irresponsible behavior—regardless of intent—will hopefully equip and compel family members to avoid actions that conflict with family values or undermine the family office's mission. Best practices could range from good cyber hygiene to financial responsibility to ethical personal behavior.

For younger family members, consider documenting the consequences of irresponsibility into trust documents. When someone joins the office through marriage, counsel the family member and their partner on what it means to be a part of the family, and how behaviors and actions could affect the family office's mission and family legacy.

Family members should be advised about and reminded of public decorum and its relationship to privacy and security. For example, do not flaunt wealth or personal details on social media, such as expensive purchases or the location of a vacation stay.

To that point, privacy and security are interconnected in the digital realm. A family office can strengthen its cybersecurity profile and protect sensitive data by teaching family members best practices for email, passwords and other cyber activity.

Preventive measures are not always sufficient, though. Educating family members about emergency resources and crisis plans could prove invaluable if they ever find themselves in a compromising or dangerous situation.

3. Lessons and legend

Educating all generations about how the family built its wealth and developed the family office's mission will extend the longevity of cherished values and the family legacy.

This can start with senior generations telling stories to younger members about the sacrifices made by the wealth creators as they built a business. Emphasize to younger members that the privileges they enjoy today are the product of their predecessors' hard work, creative thinking, entrepreneurial spirit or other traits that apply. Documenting the original mission and plan for the family office can help younger members and future generations internalize them and align their own activities to that mission.

Consider the benefits of storytelling using various media, and find the most effective approach to teaching a particular family member a certain lesson. Print, audio or video channels are among the ways to pass on an office's principles and priorities to new and younger members. A first-person activity, such as a tour of a production site, might bring the lesson to life.

Committing time and effort to charity work can show family members the benefits of giving to others and crystallize the family office's philanthropic mission. Indeed, philanthropic experiences can be fostered at an early age and evolve over time. As family members come of age, perhaps they either get a say in where charitable dollars are directed or begin overseeing their own charitable fund.

By cultivating an understanding of family values through various experiences and formats, family members become more likely to embody those values and commit to the family office's mission.

Education for a stronger future

Whether knowledge is shared around the dinner table or in a boardroom, starting family member education early puts a family office in a strong position for an enduring legacy. Ensuring every member has a basic understanding of office business, best practices and family values means more collaborative investment meetings, and respect for and understanding of the family office's mission.

Family member education in a family office should always be evolving, and will vary from one family to another. Using different forms of communication promotes knowledge sharing among members, and enhances the family office's objectives and succession plans—allowing future generations to become more involved, active and successful within the family office.

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