



Part One: Who We Are

# The Family Mission Statement

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O ITS HUMAN CHARACTERS there is salvation in nothing else in the universe," wrote Baroness Karen Blixen in the 1950s. "For within our whole universe the story only has the authority to answer that cry of the heart of its characters, that one cry of the heart of each them: Who am I?"

For Blixen, the story was indeed her salvation.

The author of *Out of Africa*, daughter of an aristocratic family, found her true vocation, after the failure of her coffee farm in Kenya, writing tales inspired by the adventures of her grandfather—a soldier and landowner who knew Hans Christian Andersen—and her father, Wilhelm Dinesen, who, under the nom de plume "Boganis," wrote of his travels in 19th-century French Canada and the American Far West. Intensely proud of her father and conscious of her heritage, she listened at her father's knee to accounts of his exploits, and this identification with the Dinesen legend would manifest itself in the name under which she published her writings, Isak Dinesen.

The past can be a powerful resource for meeting challenges. Franklin Delano Roosevelt often remarked on the qualities he shared with the risk takers, entrepreneurs, and deal makers of the Delano clan. He loved to hear his grandfather, Warren Delano II, who made his fortune in the China trade, talk of seafaring ancestors, such as Amasa Delano, who circled the globe three times and who was the first to copy down an account from the mutinous survivors of the *Bounty*. Roosevelt's fascination with this history influenced his later decision to seek the post of Assistant Secretary of the Navy (one his cousin, Theodore, had held decades before); but more importantly, the values and traditions he carried with him from these sagas gave him the strength of character, the moral fortitude, to stand his ground during the most difficult hours of his presidency.

The stories of our families—the aggregate of ours and our predecessors' experiences, knowledge, beliefs, and accomplishments—are the raw materials from which our own identities are hewn. The family mission statement is at once the expression of this identity and a means of fulfilling the common goals that will enable us, as a group, to prosper and learn. The term derives from the often-employed metaphor of the family as a business; yet the analogy continues to be

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**The most valuable  
treasure we pass  
down to the next  
generation is a sense  
of their own worth.**

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## Top view

The family mission statement articulates the essence of our families' shared experiences, our history, and our beliefs, giving expression to a set of values that identifies us as unique. These shared values, organized into a statement that sets forth our group goals, arms us with the appropriate tools to make decisions about how wealth is allocated, which charitable pursuits best reflect the family's beliefs, and what each member can contribute personally to the preservation of the family legacy.



a useful one, for the object of the family mission, in most cases, runs parallel to that of the well-managed enterprise: to organize our financial, intellectual, and human assets for the purpose of preserving and enhancing each of these in succeeding generations.

How our families accomplish this goal is predicated on our values and history—who we are. The process we follow will depend, too, on the stage our family is at in its development—its complexity, the number of generations represented, and their relationship to the businesses or structures that comprise our finances. A family with young children just starting out has as much need of a mission statement as a family five generations old, yet the missions themselves and methods for executing them will necessarily differ. A couple in their 30s with toddlers will elaborate their mission themselves, involving the children at different stages of participation; a very large extended family will require more formal processes to engage its members.

Amy Braden of the Family Wealth Center at JP Morgan Private Bank cites the example of the Mogis of Japan, whose family has owned Kikkoman since the 17th century. “This family has flourished for hundreds of years, not just 100,” she says. “Their assets are very diversified at this point, and there are many, many family members and branches of the family. The more complex

and larger the family and the assets become, the more the vision and mission come to be very simple. Three key principles the family keeps coming back to are peace within the family, prosperity for the family, and progress in the business.”

As Braden notes, our missions adjust to our needs, becoming either more complex or streamlined as our situations change. Still, when honing them, all of us should clarify three key points:

- Our families' shared values
- The quality of communication
- Rules and procedures for interacting.

#### A VALUE SHARED IS VALUE EARNED

A common history presupposes certain common values in all of our families, and—as with individual fingerprints—no two sets are identical. But discovering those common values within our family group (even if it consists only of husband and wife) sometimes takes effort. “Before you can even do a mission statement, you have to be able to

be aware of what your value system is,” observes Judith Stern Peck, director of the Family Wealth and Family Life program at the Ackerman Institute for the Family in New York City. “We work with people to help them become more aware of what their values are.”

One of the exercises that Peck employs with her clients involves prioritizing “thought” cards that enumerate ethical, relational, philanthropic, and economic values, such as honesty, justice, and fairness, family, friends, work associates, and so on. Once the client has done this, she then asks a series of questions designed to highlight discrepancies between values and behavior. A person who prioritizes family in the exercise, but who is constantly absent

## Family History: Tell It

Video journals recording the family story are becoming more popular as adjuncts to estate plans. “Once it’s digital, it’s there forever,” says Thomas Handler, a trust and estate attorney with Handler, Thayer & Dugan in Chicago, who believes that future generations should hear in the patriarchs’ or matriarchs’ own words the vision, wishes, or even sense of family they hope to pass on. “It’s something that goes beyond the language of the will. It can give a sense of who they are, and that’s powerful stuff.”

He cites the example of a fifth-generation family in Napa Valley, Calif. The family recently contemplated a sale of their vineyard, but through the course of the sale, discovered their lost family history. The vineyard was begun with grape vines that their great-great-great-grandfather brought over from Italy. “When it got down to it, they couldn’t do it, they couldn’t sell,” Handler recalls. “That made them part of something.”

The family culture is something that can be articulated directly to heirs through the video, a journal, or a book. Handler notes, too, the personal statements can be formally added as an adjunct letter to an estate plan. A set of family bylaws or constitution also can be created. This, Handler says, sets the framework for the structure utilized in the estate plan: family office, dynasty trust, family limited partnership, family limited liability corporation, family foundation, or offshore trust.

### Bill Gates on Stewardship

“I am the steward of a share of society’s resources,” says Bill Gates, chairman of Microsoft Corp. “Eventually, I’ll return most of it as contributions to causes I believe in, such as education and population stability.... Giving away money effectively is almost as hard as earning it in the first place. I’m many years away from wanting to divert a lot of my attention in that direction—and I don’t want to presuppose today what my thinking will be then.... One thing is for sure. I won’t leave a lot of money to my heirs, because I don’t think it would be good for them. So my children...can dream of being rich. But if their dreams come true, it won’t be because dad gave them a lot of money.”

from home, has not necessarily internalized that value. "The greater the discrepancy between what one says and what one does, in terms of the family business, the greater the dysfunction." What is important, Peck says, is that the family initiate a constructive conversation on these topics in order to find their commonality and resolve tensions.

This resolution is critical in that all generations of our families need to buy into these values. While the head of the family is often the one to articulate its mission, each individual must internalize these ideas if they are to be acted upon, and so there must be agreement among members. Another useful practice in framing a mission statement is to ask individual members to write their own life missions—to describe, in other words, their own personal and financial goals; these can then be used as talking points in developing an overarching document for the larger group.

## Four Types of Assets

"The first time we discuss assets [with clients], the initial response is financial," says Lee Brower, founder of Empowered Wealth, a system designed to clarify and translate values among family generations. "Then we ask if there are other things they consider assets. And that's when values come up."

Brower divides assets into four categories, which he calls quadrants: Financial assets, human assets, intellectual assets (life's experiences, good and bad), and civic (philanthropic) assets. These four quadrants become a point for all the family's planning and decision making, right down to a family vacation. Brower encourages families to record their values and intentions in documents to be shared with each other. An ethical will, he suggests, should be created, and a Family Empowered Bank<sup>®</sup> be devised in which all human, financial, and intellectual assets can be accounted. Ceremonies and traditions in families are also important. Some of the families he works with have ceremonies wherein, at the age of 17, a member will get a seal-crested ring, designed and passed down to new members of the family, including in-laws. One family he works with has carried on this ceremony for centuries. Games too are important. "Anything that is unifying and encouraging of communication, we suggest," he says.

retreats, at which the entire group engages in team-building projects, much like an executive retreat strengthens dialogue and forges bonds between managers. The form of communication is as important as the specifics of what is being shared, he says. "We've found that family members who feel that their opinions are heard are more likely to support the group's decision, even if it's not their own position."

## On Land and Legacy

"It is worthwhile to have a long range plan," observes Thomas J. Meredith, the former CFO of Dell Computer and member of the Forbes ASAP 100 list. "As someone once said: 'Failure to plan is to plan to fail!' But Lynn [his wife] and I have concluded that it is largely an impossibility to assume that you can correctly keep some large amount of land in one estate over more than three generations—ours, our children's, and our grandchildren's. Look at what is happening in the West and Southwest as we speak.

Today's generations have inherited vast amounts of ranch and prairie lands, many of which will be fragmented during the next five to 10 years. The fragmentation is a huge environmental issue. Equally important, to benefactors at least, is the fact that they have inadvertently created a monster in terms of family relations. As many as four to five generations now own the land: Imagine trying to get 40 or more of your relatives to agree on what to do next, how to use the land, who handles taxes. You can limit their rights by subjecting land to conservancy easements, etc. You can have your children be obligated to participate in foundation meetings and also have responsibility for donor advisory funds, etc.

Despite best intentions, however, some are charitably inclined and others are not. Additionally, future generations may have differing interpretations of your desires."

## FORGING CONNECTIONS

In both apprehending our mission and carrying it out, good communication is essential. While this may seem obvious, sharing information in the context of our family finances can be especially challenging, since we must do so with the aim of building long-term cohesion and each member's sense that they are part of a team.

"Two parents with adult children—how they communicate and what they need to communicate—is very different than a fourth- or fifth-generation family with multiple family branches spread all around the world," says Braden. "A third-generation cousin who is asked to play a key management role in a family holding company quickly realizes that, unless there is communication among the other cousins, it's very difficult to get very clear directions and decisions made."

In first-generation families, Braden says, farsighted parents recognize that children, as they assume greater responsibilities, will have difficulty reaching consensus without some form of connection among themselves. This connectedness can begin with simple conversation around the dinner table, or it can take the form of family



## RULES OF ENGAGEMENT

**F**amily meetings, formal or informal, are obligatory tools for defining and implementing our families' missions; but these meetings need to be governed by rules that establish how information is shared and decisions are made. These rules are a byproduct of the family's structure of governance, which varies widely. A first generation family is usually headed by one or both parents; a larger multigenerational family, however, will need to have governing structures that enable its members to choose representatives from among their ranks to interface with the numerous institutions and

### Resources

Ackerman Institute  
for the Family  
212.879.4900  
www.ackerman.org

Bessemer Trust  
212.708.9295  
www.bessemer.com

Empowered Wealth, LLC  
801.397.3300  
www.empoweredwealth.com

Goldman Sachs  
Private Wealth Management  
877.GOLDMAN  
www.gs.com

Handler, Thayer & Duggan, LLC  
Attorneys and Estate Planners  
312.641.2100  
www.htdlaw.com

JP Morgan Private Bank  
877.576.6616  
www.jpmorgan.com

not just as a matter of convenience.

"You want to have clearly defined roles and balances of power," explains Braden, "but you also have to have the flexibility to adapt as needs change. If the family dynamics change, but you have exactly the same structures in place, then communication can break down. Conflicts break out, and family members don't speak to each other. The chances are that those conflicts will then be resolved by lots of lawyers."

financial entities that manage their resources—everything from the family office and private bank to charitable trusts—all the while maintaining the integrity of the group's mission. Because the participation of individuals is so crucial to team building, not to mention to the individuals' long-term contributions to the family wealth, most of us choose a representative system of family government, the family council. The procedures surrounding these councils should include:

- Timetables for family meetings—when and where they take place
- Guidelines for how issues are presented and decisions are made
- Divisions of responsibility with procedures for assigning each family member's role
- Accountability—methods by which members report back to the group on their activities.

Like our mission statements themselves, these systems must be flexible. Circumstances change, however only as a result of major shifts in the underlying values of the current generation,

## Fear and the Family Meeting

The room where families come together to discuss inheritance and wealth transfer issues is most often tense, says Rob Elliott, senior managing director at Bessemer Trust, which manages some \$38 billion in assets for hundreds of families. "Fear, I would say, is the emotion both sides experience. There's a fear on one side that they don't deserve it. And on the other side is the greatest fear, which is that there will be a damaging effect on current and future generations."

He says Bessemer's mission is to have wealth help, not hurt. Indeed, Bessemer itself is an exercise in wealth transfer education. The firm was begun in 1907 when Henry Phipps, a partner of Andrew Carnegie in the Carnegie Steel Co., founded Bessemer as his family office. In 1974, the family decided to take on outside money from other families and manage it much like their own, through a variety of wealth management services.

The fear of which Elliott speaks usually originates with first-generation inheritors who have not yet assimilated the responsibilities associated with wealth. And often matriarchs or patriarchs are reluctant to part with assets. "These people are often quite domineering," observes Elliott. "They fear they are losing a degree of control and may be giving away too much too early. For there to be an orderly succession, there has to be a dialogue."

A family business automatically creates a platform for dialogue. But, Elliott says, many privileged family situations are not built around existing businesses, so a surrogate has to be built. Indeed, this is the first obstacle for new wealth: deciding on how to structure money.

A family foundation can provide that structure through a mission statement for the family, the formation of a board, and regular meetings with third-party advisers. The result: a family vehicle that demands accountability and responsibility from its members, while affording protection.

The family office also replicates a family business and perpetuates a mission statement. The Phipps, for example, are in their seventh generation and still own all the voting stock of Bessemer. Family members are actively involved with the trust company. Even so, Bessemer still regularly holds seminars and educational workshops for both Phipps family members and other families. The topics, according to Elliott, are wide ranging, and a professional facilitator is usually brought in to moderate. "There is a lot of psychology involved," he says. "Wealth, values, and governance issues are all addressed." Advisers report on their various roles and expertise—philanthropy, banking, investment—and family members are encouraged to voice their opinions.