Roy Williams is the acknowledged Dean of Post-Transition research and planning. He is a pioneer in the art of assisting high net worth families to meet the challenges of transferring wealth from one generation to the next. Roy is the author or co-author of four books, the most recent of which is *Philanthropy, Heirs & Values*, released in April 2005. In 1995, Roy was privileged to speak before The House of Lords in London, and he has been quoted in *The International Herald Tribune* and *The Financial Times* regarding his work in the wealth-transfer field. In 1994, he was awarded a doctorate (*honoris causae*) by CSPP (California School of Professional Psychology), the largest graduate school of professional psychology in the nation. The honor was given in recognition of Roy's 30 years consulting with families on the crucial role of trust and communication in a successful family business and the transfer of wealth. Also in 1994, in conjunction with Professor Michael Morris of the Miami of Ohio School of Business, Roy completed the largest research project to date on family wealth transfers, studying 3,250 families to determine why only 1/3 of the families succeeded in retaining their wealth and family harmony into the next generation. Mr. Williams may be reached through the website of The Williams Group, www.thewilliamsgroup.org

Welcome…

INSTITUTE FOR PREPARING HEIRS

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"Family Philanthropy and Estate Transitions A hidden Connection To Success?"

The Planned Giving Council of Palm Beach County

March 9, 2010

Roy Williams, President of The Williams Group

Available For Philanthropy*

Transitioning In The Next 50 Years….

- 88 Million Estates
- $5-$10 Trillion "Charity-Philanthropy" designated funds
- As much as $40 Trillion Directly to Heirs ?

60% of Charity $ From 1% of Transitions

* Boston College Social Welfare Institute, April 2001, Schervish et al, period 1998-2052

The Good News
The Bad News

GOOD News

$500 Billion to
$1 Trillion Transferred
EACH Year For
The Next 50 Years

BAD News

Only 30% of
Wealth Transfers
Will Succeed *

* *i.e., **HEIRS** retain control of the assets in a unified family*

And, When Estates Fail…

– Philanthropy Shuts Down

– Other Families Become More Conservative

– Advisors Shift Focus to Tax Benefits (of Philanthropy), Instead of the Public Benefits

VALUE (ASSETS)
Usually Transitions Successfully

Lawyers, Accountants, Financial Advisors Do Their "Transition Task" Well.

But ASSETS Do Not STAY Transitioned:

- Heirs Often Go in **Separate Directions**
- Become More **Overtly Competitive**
- Grapple With **"Life Forces"**
    - Marriage, Divorce, Birth, Death, Illness, Investments
- 90+% of Heirs Promptly Change Advisors

Transitioning VALUE Without Transitioning VALUES Is A Recipe For Failure

Lawyers, Accountants, Financial Advisors
Are Not Skilled in This Domain

But They CAN Become More Competent By…

- Asking Whether the Heirs Are "Ready"
- Seeking Opportunities for Evaluation
- Developing Other Professionals Rolodexes
- Using Philanthropy More Fully

Estates Experience A Physical Transition

Photo by Ens. John Gay, USN July 1999, CV Constellation

TWG's Research Priorities

What's Behind the **70% Estate Failure Rate** (Post-Transition)?

What Role Can **Philanthropy** Play in Success or Failure (Post-Transition)?

What **Can This Mean** For Philanthropic Advisors?

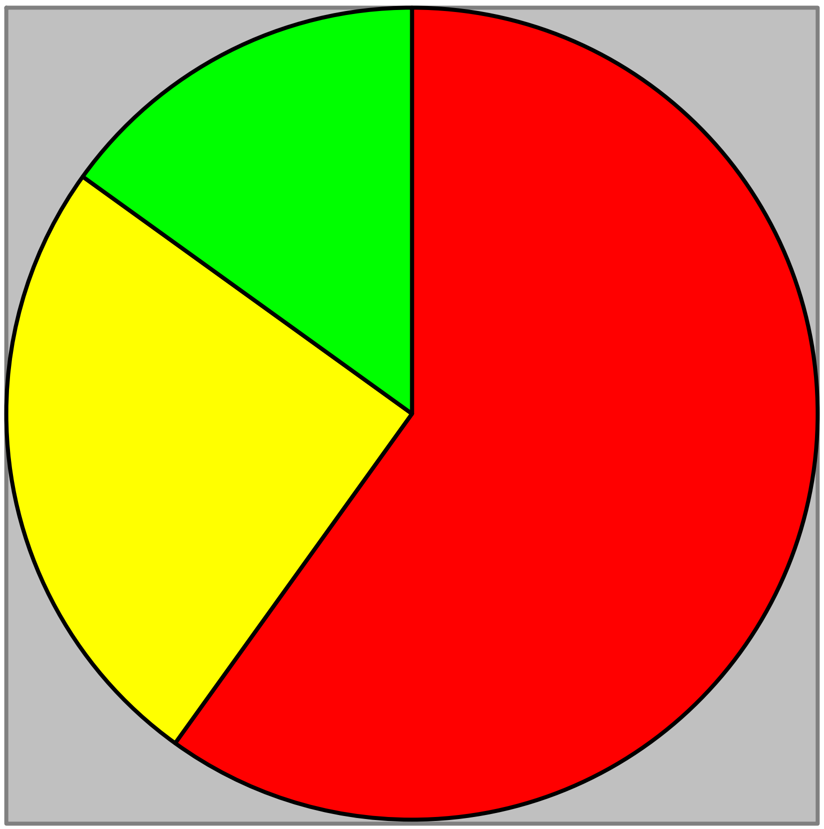
We Looked At 3,250 Transitions

30% Successful

70% Unsuccessful

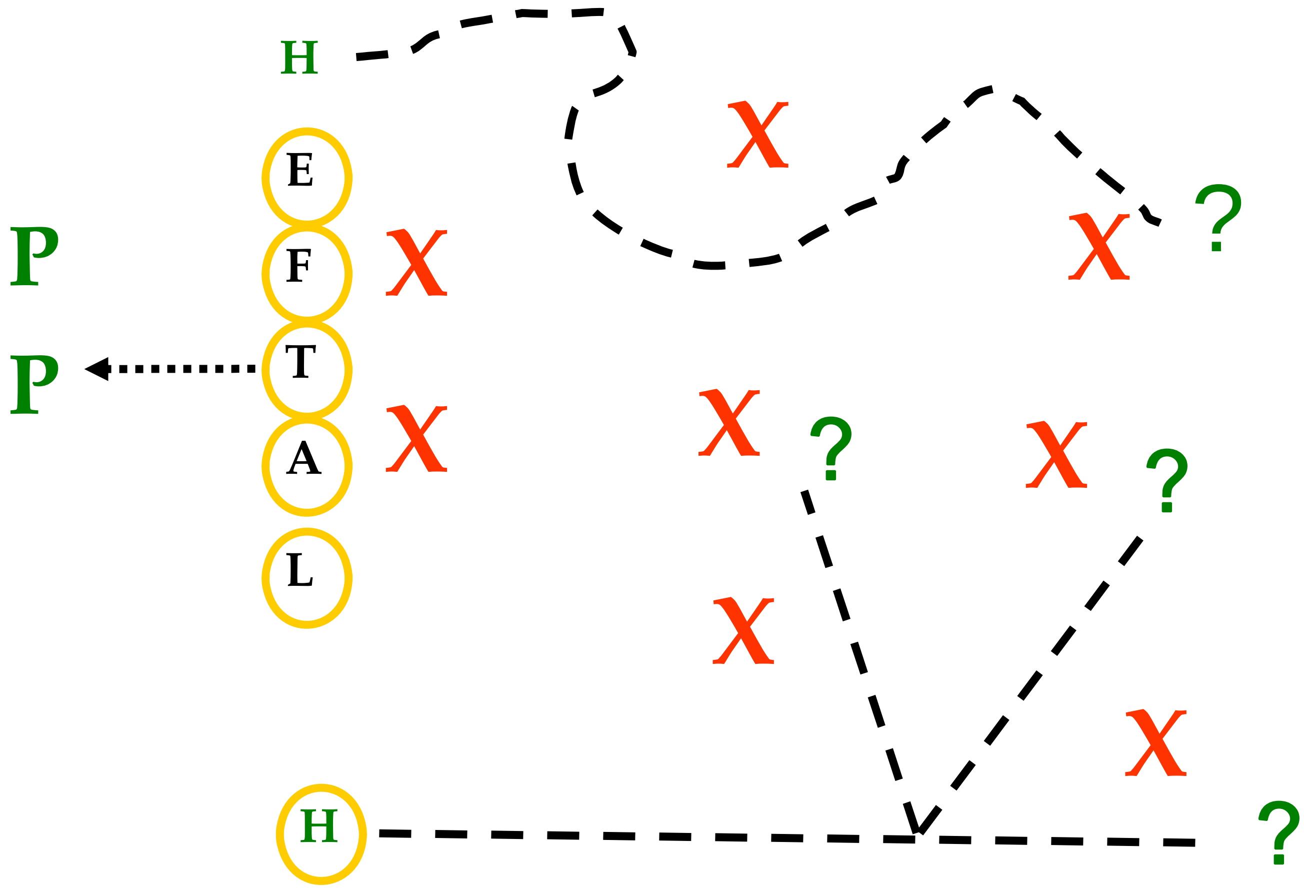
3 Major Differences…

3 Major Differences



- 60% = Breakdown of Communication and Trust Within Family
- 25% = Heirs Unprepared for Required Roles & Accountability
- 15% = All Other Causes

Without A "Prepared Receiver"



"Until You Have Prepared Your Heirs, Estate Transition Planning is Only Half Done"*

Can Philanthropy Help Prepare Heirs ?

* Based on direct interviews with approx
3,000+ families and 100 family foundations

Opportunity #1 For Philanthropic Advisors

Understand and Communicate

the Role That Philanthropy can

Play with Heirs, In Preparing For

Post-Transition Success

Philanthropy Does Prepare Heirs

With Respect to:

- – **ACCOUNTABILITY**
- – **MISSION**
- – **VALUES**

Philanthropy Develops:

ACOUNTABILITY
What Do I Accept Responsibility For? What Is Reasonable To Expect Of Others? How Do I Follow Up?
MISSION
What is the Mission of Our Family Wealth That Those of My Generation (and my Parents & Spouse) Have Agreed Upon?
VALUES
What is Important To Me, and My Family, and How Do My Values (not money) Determine Who I am and My Self-Esteem?

What A Child Can Learn

- Varies With **Age**
- Varies With **Maturity**
- Varies With **Opportunity**

Opportunity #2 For Philanthropic Advisors

Philanthropy Can Play a Major

Role in Developing

Accountability in Heirs, and

Helps to teach Heirs Attributes

That Are Important to Parents

Opportunity #3 For Philanthropic Advisors

Communicate To Parents The Role That Philanthropy Plays in Helping Evolve a Coherent **Mission** for The Family Wealth*

* “Wealth” Includes family assets, name, time, reputation, etc.

Opportunity #4 For Philanthropic Advisors

Philanthropy Plays a Major Role in Defining **Values** Held By Heirs, Filling In a Gap Not Currently Addressed By Estate Planners

What We Discovered About Heirs Involved In Philanthropy

- Confident About Regaining Lost Wealth
- Involved Youth = Involved Adult
- Eventual Spousal Involvement
- Values Are Quickly Assimilated
- ***"Money Does Not Define Me"***

Parents Are Seeking Help In Preparing Their Heirs

- Not Concerned about How **Much** More Money Can Be Passed On To Their Heirs

- More Concerned About The **Impact** Of Money On Their Heirs

- And, The **Values** Held By Their Heirs
- And The Success/Unity of their Heirs

…Surveys Confirm..

Primary Parental Concerns

- 60% “Too Much Emphasis on Material Things”
- 55% “Naïve About The Value of Money”
- 52% “Spend Beyond Their Means”
- 50% “Initiative Ruined by Affluence”
- 49% “Won’t Do As Well Financially…”
- 42% “Hard Time Taking Financial Responsibility”

*…**Values**, Not Just Value*

Historically INCORRECT Parental Assumptions

- *"Our Family Psychologist Can Handle…"*
- *"My Diagnoses = Their Remedy"*
- *"Communication is a Problem Of Kids Listening More, Not Me Talking Less"*
- *"When I Die, The Problem Is Theirs"*
- *"I Can Teach My Kids To Drive"*

Three Steps To Clarity

AWARENESS of the risks

ASSESSMENT of the problem

ACTION on the problem

PRE-TRANSITION POST-TRANSITION

Photo by Ens. John Gay, USN - July 1999, CV Constellation

New Tools Are Available For Affluent Families

To **Assess The Gap** Between

Assets Transferred

(The "Front End")…

And The Heirs Readiness to Receive

(The "Back End")

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Ready For Estate Transition?

- Mom & Dad Can Evaluate
- The 10Q Transition Quiz
- Not Evaluative, Comparative

KEY: *You Can Compare Your Family*

to 3,250 Families

Ten Comparative Questions…

- Understand Each Question
- Credible Data (90% accuracy)
- Privacy of Usage
- Privacy of Scoring
- Non-Evaluative

Be Able to Answer the Question:

"What are My Next Steps?"

The First Three Questions

1.	Our **Family** has a Mission Statement that spells out the overall **purpose** of our **wealth**	**Set Strategic Direction**
2.	The **entire** family participates in **most** important decisions, such as defining a **mission for our wealth**.	**Involve Everyone**
3.	**All** family heirs have the **option** of participating in the **management** of the family's **assets**	**Set Observable & Measurable Standards**

If Families Have NOT Prepared Their Heirs

- Their Planning Is **Incomplete**
- They Are In The **70% Group**

  (Heirs Not Likely To Make It)

- **3,250 Families Recommend:**
  - **Complete** Your Planning
  - Involve Your **Entire** Family
  - Do It **Sooner**, Rather Than Later
  - **Philanthropy** is a Great Place to Begin!

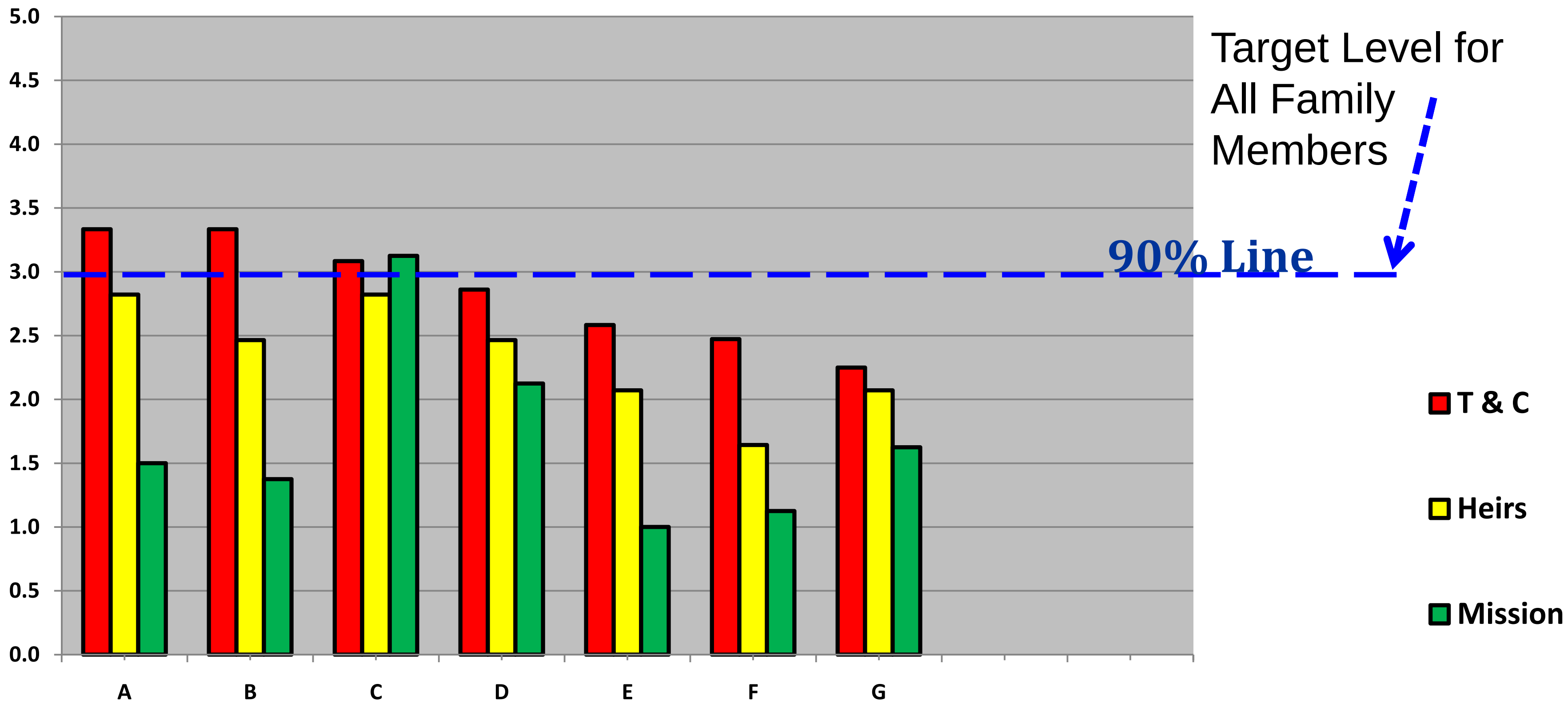
Finally, A Family-Wide Readiness Assessment Survey

- A **50Q** Transition Quiz
- Involving The **Entire Family**
- **Anonymous** & Private

KEY: Identifying Problem Areas Within The Family

*"Does the **family** share **Dad's** assessment ?"*

Remember Family "C"– (Pre-Coaching)??



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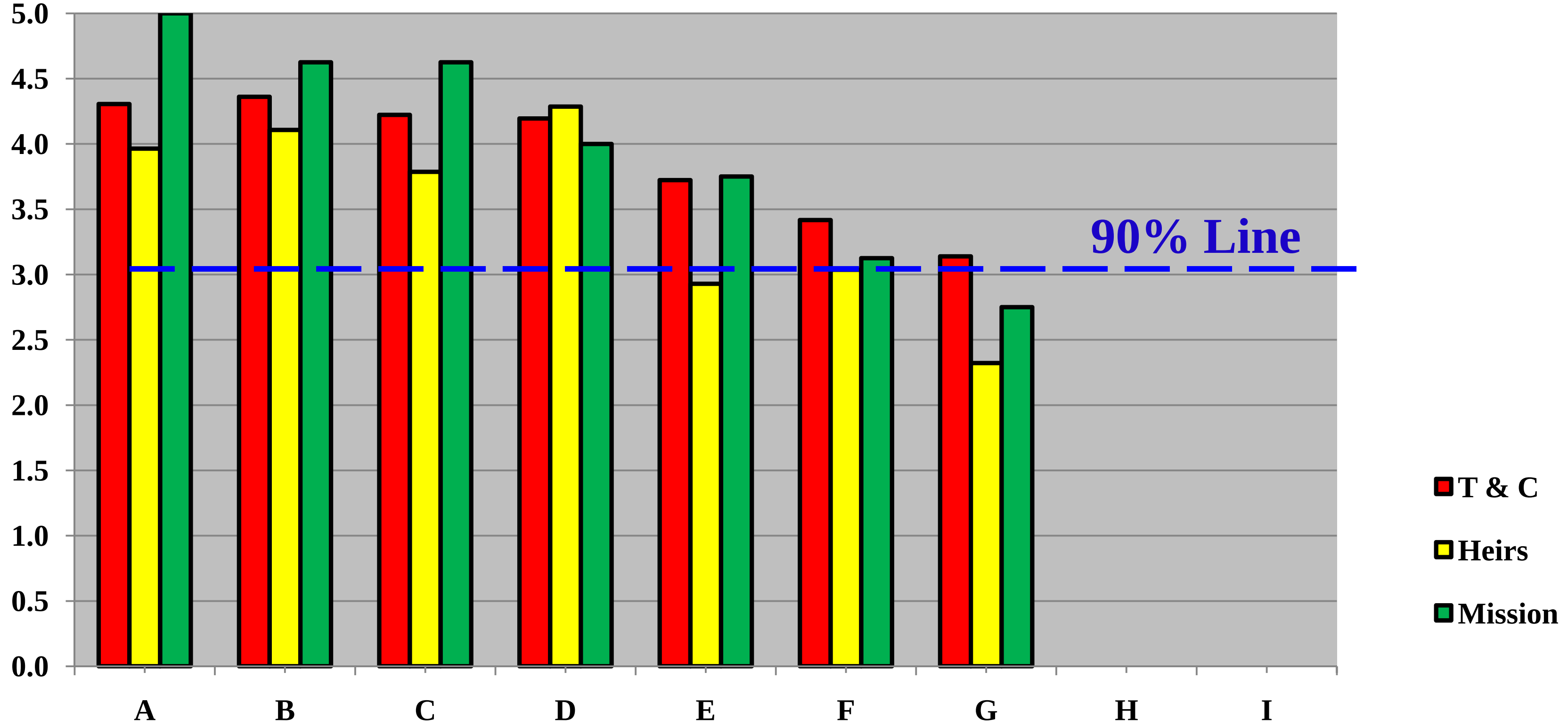
Family "C" After Family Coaching



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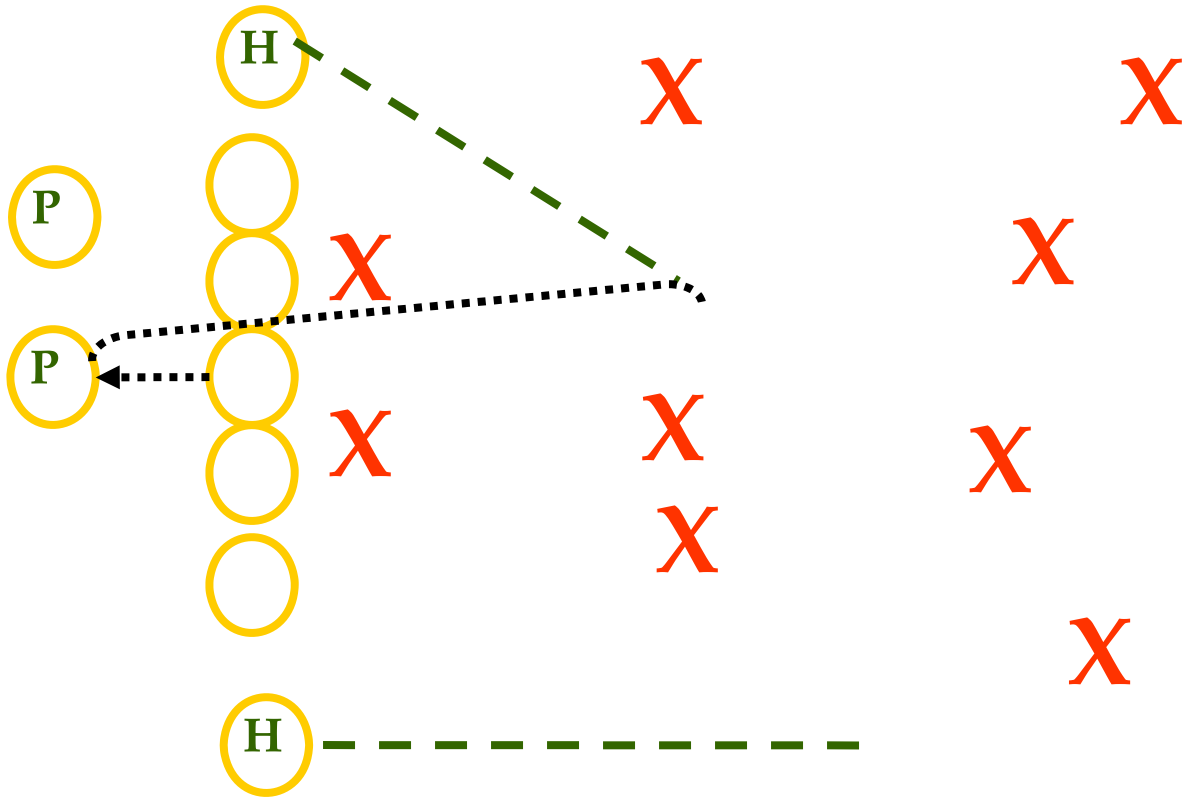
Opportunity #5 For Philanthropic Advisors

Alert the Family to New Tools That Evaluate the Family's Overall Readiness for a Successful Transition…

Because a Failed Transition =

A Failed Philanthropy

Recall The Football Analogy?



Preparation of The Receiver(s) Is Vital.

The 3 Major Findings:

- Philanthropy Is an **Important Tool**
  - For **Learning**
  - For Instilling **Values**
  - For Developing **Self-Esteem**
- Philanthropy Is **Underutilized**
  - As A Teaching Tool
  - Its Impact On Heirs is Not Appreciated
- Guidance for Families Is **Diffuse**
  - They Are not Sure WHAT. WHEN. Or HOW to Do….
  - Delight In Discovering an Internal "Benefit" to Heirs

Photo by Ens. John Gay, USN July 1999, CV Constellation

Institute for Preparing Heirs

We Manage NO Assets, Offer NO Legal or Tax Services…

…But We CAN Prepare Those Who Inherit Those Responsibilities !

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Thank you!

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