

KENDRIS

Family governance & succession planning

“Rags to riches and back again in three generations” - this adage has proven true for many families. With the right guidance, today’s families can overcome this curse and create lasting legacies for the generations to come.



UNDERSTANDING THE PROBLEM

There are many reasons why families fail to preserve wealth over generations. The wealth per person naturally decreases with the increase in the number of family members as the family grows over generations. But in most cases that is not the main cause: The wealth is often lost through mismanagement due to the inability of individual family members to work together effectively, or due to conflicts within the family or a combination thereof. Families will struggle where their situation causes predominantly negative emotions such as greed, envy, suspicion and fear. Even with very capable family members, which itself is not always the case, the family will struggle to work together for a common goal and resolve disputes. To be successful, the planning must be built on a foundation of primarily positive emotions: enthusiasm, confidence, affection and trust. How this is achieved depends on the circumstances of each family.

LEARNING FROM OTHER FAMILIES

Every family is unique in its composition, be it in the countries of residence and cultures involved, the circumstances of the first-generation entrepreneur, family relations, the number of family members or the nature of the wealth - active businesses as opposed to passive investments. Despite these differences, there are issues common to all families. By learning from other families who have experienced wealth transfers, whether successfully or not, others can better understand the issues they will face. These insights allow us to reflect upon what works and what does not. They also provide ideas which can be adapted to each family’s circumstances.

DEVELOPING A PLAN

It is important to develop a planning objective: What legacy does the family wish to create? Thereafter, key planning elements including family values, entitlement, incentives, decision-making, conflict resolution as well as checks and balances should be considered.

The elements will be manifold and intertwined. In order to progress in an organised manner, it is necessary to isolate each element and consider it in detail, but always within the context of the overall planning objective.

Relevant laws must be taken into account. Those include succession laws and taxation which may be relevant due to the residence and/or nationality of family members and the type and location of entities and assets. Once the family has clarity on its planning objectives, key planning elements and relevant laws, the legal solutions can be developed. Typical legal solutions include companies, partnerships, funds, trusts, foundations, shareholder’s agreements, family constitutions or any combination of the above.

Involving the next generation in the planning and implementation of the plan can not only bring different perspectives and resources to the process, but also helps to ensure that the next generation understands and accepts the planning.

PARTNERING WITH KENDRIS

As advisers, trustees, board members and administrators for international families across generations, KENDRIS is ideally positioned to assist and guide you in creating and implementing your own family governance plans to ensure a lasting legacy.

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