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Four Common Family Stress Fractures and 5 Steps to Repair Them

Pandemic fatigue, the holidays and global uncertainty may turn mild dissonance into seemingly unsurmountable discord.

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The holidays may be different this year with so many of us unable to get together, but the complexities of family dynamics regarding wealth transfer haven't changed. If anything, pandemic fatigue and global uncertainty may be turning mild dissonance in family relationships into seemingly unsurmountable discord. This is further exacerbated by the inability of families to be together, fear of sudden wealth

transfer by a family member struck by the virus, impact on family businesses and career aspirations stalled by economic hardship. Finding ways to express genuine care for one another may just be enough of an antidote.

One Client's Experience

A client who recently sold their family business requested a family meeting, sensing increased discord and distance among family members. While the increase in wealth made their lives more comfortable and eliminated financial fears, it didn't isolate them from the strain of the pandemic or a scary health related diagnosis that developed for one family member. Familial historical patterns of not wanting to share their personal struggles for fear of getting a lecture, or fear of adding to another's burden the conversations, became increasingly common. With no hope of getting together over the holidays, the mood devolved into despair, and they were suffering independently.

When the family came together on a Zoom call, they shared feelings such as "I feel lost," "I'm losing my spirit" and "Nothing is providing meaning in my life." It became clear they had lost their personal and collective north star. Worse, they were hindered by the increasing distance that was developing in their relationships. Unspoken interpretations of each other's actions and the consequences on generational wealth, fear of judgement and gossip were increasing the dissonance and reducing the possibility of finding solace in the support of their family. When they were able to give each other the generosity of authentic listening, each member of the family felt cared for, and supported, without being judged. Simple statements like "Tell me more" "What else is on your mind" and "How can I support you" sent messages of really wanting to listen as opposed to offering advice.

Four Common Stress Fractures

Despite the increased urgency the pandemic has placed on families to engage proactively on preparing the family for wealth transition, many are still reluctant to get the conversation started. We work with families to diagnose the "stress

fractures” in their family relationships by assessing their current levels of trust, sense of a shared purpose and clarity around decision making.

Here are four common stress fractures that can damage family relationships and lead to a failed wealth transfer:

Cordial hypocrisy: Conflict can be expensive, not just financially, but also for relationships. Solomon and Flores define cordial hypocrisy: “the strong tendency of people in organizations, because of loyalty or fear, to pretend that there is trust when there is none, being polite in the name of harmony when cynicism and distrust are active poisons, eating away at the very existence of the organizations.” Families will kick the difficult conversations down the road, until it’s too late to have them. Avoiding these conversations breeds resentment and increasing dissonance. Unheeded tension may jeopardize the successful implementation of estate plans as intended.

Lack of being honest with each other: Only 30% of family businesses survive into the second generation. This means that in 70% of family businesses, the family loses control of the assets, and relationships are potentially destroyed. A lack of trust and communication are responsible for 60% of that failure rate. Trust is built by learning to have honest conversations and well managed promises and commitments. The more promises that are fulfilled, the more trust is built. Learning to manage those promises and commitments will help align expectations.

Fear of entitlement: Family leaders worry that talking with their kids about the estate plan may derail their motivation and direction, and so they avoid the conversation. In our research, 25% of the reason for a failed wealth transfer is due to unprepared heirs. Discussing the plan for estate transfer can be done without providing amounts. Providing specifics of amounts can set up unrealistic expectations as those amounts will change, in some cases dramatically, as witnessed by the impact of Covid on some family businesses. Inviting the next generation into a conversation about how they can contribute to the family wealth may produce innovative opportunities not previously considered. Setting clear expectations on

their role as a beneficiary will offer them the guideposts they yearn for. For example, require them to hold a full-time job for three years before joining the family business or to maintain a 3.3 GPA to have your education paid for.

Lack of a shared purpose: This can lead to misalignment of expectations and fractured decision making. Although family members in different generations may have different values, a shared purpose can help family members align their values and interests in support of a common mission. Articulating the balance of individual autonomy and authority inside a collective purpose provides more ownership and sustainability. Alignment doesn't always equal agreement, but it does mean understanding the other's perspective and choosing to go forward together.

Five Steps to Repair Fractures

Repairing the stress fractures is possible, resulting in even stronger relationships than before. It requires learning and taking active steps to balance the conversations. Here are five recommendations:

Make it safe to share: Learning to listen is the most effective way to build relationship and show people you care. Fear of judgment and bearing the brunt of a lecture can be barriers to open, honest communications. Listening while reloading your next question or offering a solution prematurely will quickly shut down a conversation. Learning to ask questions that invite the other to expand on their point of view allows them to trust the conversation will give them the needed space to be heard. We suggest that clients weave in statements like "Tell me more" and "What is the conversation running through your mind when that happens?" "What else?" These techniques will slow the conversation down and produce better alignment and understanding.

Balance the power dynamic: Power struggles when the next generation is stepping into adulthood can often be alleviated by learning to engage the next generation in meaningful dialogue starting with asking for their input. Genuine inquiry can be challenging for parents because they're ultimately responsible for a

successful transition and want to maintain control. Sincere consideration of the next generation's perspective can reveal powerful blind spots on both sides of the equation. In one family we worked with, the daughter who was relegated to designing the showroom of a car dealership was finally asked how she could contribute to the family wealth. Trained as an interior designer, she spearheaded the design of an entirely new line of automobile that people her age would be willing to buy launching an entirely new division for the family business.

Address the distrust: Learn to manage, repair and observe trust and or lack of it: Trust can be broken down into four primary components: Sincerity, competence, reliability and care. Generating mutually understood standards within the family regarding these four domains will provide a model that everyone can true to. For example, a sibling may be sincere about their desire to be a trustee, however they may lack the required competence to execute the role at the required level of expertise required for the estate. Perhaps a cousin is identified to lead a division of the family business and considered competent, but other members of their generation question their loyalty. Nothing will break trust faster than breaking a promise. Learning to manage commitments will increase reliability and, as a result, increase trust.

Open and honest communication practices: Family members can learn to give honest feedback, establish protocol to minimize gossip and judgement and clarify how decisions are made. With a reciprocal commitment to maintaining family harmony, family members can set a new standard that permits honesty without fear of negative consequences. For example, we invite many families to establish a protocol for what they need to be able to speak openly and honestly. Often, we hear requests to minimize interruptions, limit banter and only offer advice if it's asked for.

Align on purpose: Taking a moment to consider if individual actions are in sync with what's important to an individual can help reveal when they're out of balance. For example, in a recent family meeting, the family members all said maintaining family connection was essential, yet they were so swept up in the anxiety of the

pandemic that they weren't making time to connect. They also said their health was of paramount importance, yet they were caught up in the doom scroll of their social media and not making time to exercise. Once we identified actions they could take that would bring them back into balance with what they cared about, they felt stronger internally and more able to cope with the uncertainty around them. Disparate interpretations on the purpose of the family wealth can lead to fractured decision making, stalled ambition and inefficient management of assets. One sibling believes the purpose of the wealth is to steward it for future generations. Her brother believed it was to be enjoyed and spent large sums of money living large. Believing the family wealth was there to support family members, the more conservative sibling distanced herself for fear that she would have to take care of her brother and his family after they exhausted their resources.

A father called us to say his business had been negatively impacted by COVID-19 and was having to adjust his estate planning. Unable to continue paying his son's salary, he wanted to give him access to his trust earlier than planned. That invited a series of conversations regarding what "ready" means, what are the son's expectations and Dad's for that matter. How will the son contribute to the wealth as opposed to just a receiver? During a series of facilitated virtual conversations, we led the family through some of the unaddressed conversations that were limiting their level of trust and communication. We supported them in aligning on the purpose of the wealth, establishing expectations and standards, and navigating conflicting perspectives in a way that produced a generative outcome. The family now has a succession plan both generations are agreed to, a common understanding of the purpose of the wealth, and a shared confidence in each other to raise challenging topics before they become a larger issue.

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