

P I M C O

INVESTOR EDUCATION

# The Importance of a Family Meeting





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It's often challenging for families to have conversations about succession and estate planning. Using the construct of a family meeting helps many map out the family's desires for the future while generations are still active and before issues arise.

When discussing succession and estate planning, investors often find it beneficial to have a professional facilitate a family meeting. At a minimum, a financial professional along with his or her clients, can help develop a family philanthropic philosophy or write a family mission statement that articulates the family's unique values when executing a family meeting.

While family meetings can be held for wealth, ownership and inheritance discussions, they can also be used to facilitate conversations around successes, challenges and new opportunities. Partnering with a financial professional to have these conversations can help, too.

# Keys To Hosting A Successful Meeting

Every family meeting should be customized and designed to accommodate a family's particular needs. Here are a few guidelines to help you run a successful meeting within your family:



## MEETING PLANNING

- Get input from the entire family when setting the agenda. Topics may include: family traditions, educational goals and philanthropic objectives
- Consider the amount of time allotted for the meeting and what's reasonable to cover in a meeting given the time constraints
- Appoint a meeting director for each meeting, and consider rotating that role among various family members for future meetings
- Establish meeting engagement rules, such as "the importance of an open discussion" and "the need to respect everyone's participation." Ensure the meeting director reiterates these rules, as needed, during the session



## MEETING EXECUTION

- Hold the meeting in a neutral location. While the setting does not have to be formal, the meeting should not be misconstrued as a social gathering
- Consider that notes on the meeting should be taken by parents, if possible, and then circulated to family members
- Close the meeting on a positive note with a regular schedule for the next meeting (e.g. monthly, quarterly)
- Develop an action plan, including timelines and individual responsibilities

# Family Activities

As a family, you may also consider activities that promote togetherness and complement the meetings. Examples include:



## SAMPLE ACTIVITIES

- **Create a family mission statement** that captures the essence of your family and the principles that govern your family's life
- **Craft a philosophy** around your family's philanthropic activities (i.e., establishing a charitable fund; then meeting to discuss regular distributions from the charitable fund)
- **Schedule regular educational experiences** that incorporate field trips (i.e., ancestry/heritage tours, religious affiliation facilities, New York Stock Exchange, etc.)
- **Consider skills-based activities** that the family can attend together. Compare skills that multiple members would like to acquire and/or improve upon and find courses/workshops that the family can attend together
- **Create a shared family space online (Facebook/Google/website)** to stay connected. Encourage sharing of family photos, events, etc.

# Family Meeting In Context

## SUCCESSION AND/OR ESTATE PLANNING MEETING TOPICS:

### Topic 1: Parent(s) retirement goals

- Overview of retirement goals, planning, and implications
- Consideration and implications on younger generations
- Location of primary residence as one or both approach retirement
- Anticipated estate size needed to have financial security during senior years vs. potential wealth to pass on

### Topic 2: Financial situation

- Personal scope and issues to be addressed in succession planning and estate planning
- Business scope – multiple entities and entanglements
- Philosophy of when and how the family might share “blessings” – some considerations:
  - The last generation’s model
  - Equal vs. fair distribution
  - Helping others achieve personal goals

### Topic 3: Succession planning

- Staffing for essential human resources – in-source vs. out-source to achieve excellence?
- Transferring the ownership capital – reality of future generations “buying out” assets from the last one
- Need for future governance in the business – management, ownership
- Buyout understandings and funding mechanisms

## PLANNING FUTURE MEETINGS

Family meetings are usually one step in an ongoing process. Keep in mind the following points when wrapping up the first meeting and planning for the next.

- Do not assume that the first family meeting will accomplish every goal.
- Set small, attainable goals for each subsequent meeting.
- Make sure everyone agrees on next steps and identifies topics that need further conversation.

# Focus the Conversation

Considering different needs of the family will help focus the conversation. Use the list below to start the process:

## GOALS AND EXPECTATIONS ALONG THE WAY

- How do the needs of children, adults, and aging parents influence the conversation?
- For younger family members, are there significant expense that must be considered by the family (i.e. education, first-home purchase, wedding(s), birth of future generations)?
- Are there nuances for aging parents regarding retirement, estate planning, or end-of-life care?
  - Potential estate tax exposure and liquidity to fund (insurance situation)
  - Family living, health care, traveling, ongoing philanthropy, etc.
- How are you considering wills:
  - What should you leave in estate vs. transfers to trusts
  - Methods of distribution: Undivided interests vs. unique transfers
  - Trustee or Executor: family member, non-family trustee or combination?
  - Durable powers of attorney? Living wills?
- Gifting options
  - Potential amounts and to whom
  - Current generation or generation skip, 529 trusts, etc.
- Philanthropic goals and options to consider

## FAMILIES WITH A BUSINESS OWNER

- If there is a business owner in the family, consider the following:
  - Is maintaining lineal family member involvement important?
  - What are your thoughts on potential roles each family member might play in the future of the business? As contributors of labor/management/board? As providers of capital or ownership. If absentee, who will oversee maintenance, capital improvements, landlord/lease relationships, financial affairs?

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