

Best Practices of Successful Families

High-net-worth families face difficult decisions in managing family wealth: How should they talk to children about the breadth of the family's assets? How do they structure an estate plan that minimizes taxes but still accomplishes the family's objectives? Financial questions such as these deserve serious deliberation, but high-net-worth families also should devote considerable energy to maximizing the non-financial components of family wealth, according to Charles W. Collier, a senior philanthropic advisor at Harvard University.

Collier, a nationally recognized expert on and advisor to high-net-worth family groups, says a family's true wealth comprises four parts: financial capital, human capital, intellectual capital, and social capital. Only by developing and preserving each of these four elements can families create an enduring legacy of success, he says.

Financial capital is self-explanatory (though thoughtfulness is still required about how to communicate and manage this element within the family and across generations). But the other elements require some defining. Collier says human capital is realized when family members find careers or hobbies that are challenging and rewarding. Intellectual capital is measured by the effectiveness of the family's governance structure. And social capital comprises philanthropy and other efforts the family takes to improve local and even global communities.

Collier believes families should strive to preserve more than just financial assets for younger generations. He says successful families do a good job of passing family history, traditions, lessons, stories, and possessions from generation to generation.

Transitions are a fact of life for all families, and these times of change can put tremendous pressure on families, Collier says. Besides births, deaths, marriages, and divorces, some of the most traumatic transitions include career changes, children leaving for college, retirements, and inheritances. Collier says it is important for family members to support each other through these transitions. Regular meetings and open communication are invaluable in bringing the family a common understanding with a defined set of active points.



Charles W. Collier is the senior philanthropic advisor at Harvard University and a nationally recognized expert on planned giving, family philanthropy, and wealth psychology. He has also served Phillips Academy, Andover; Dartmouth College; Brown University; and Princeton. He is a senior fellow at The Philanthropic Initiative, Inc., serves on the boards of the National Center for Family Philanthropy and the *Family Foundation Adviser* newsletter, and is a member of the Committee on the Emotional and Psychological Aspects of Estate Planning of the American Bar Association. In 2004, the *Chronicle of Philanthropy* featured his work in an article titled "Gaining a Family's Trust," and he was also named to *The Nonprofit Times'* Power & Influence Top 50. He graduated from Phillips Academy, Andover, and holds an A.B. from Dartmouth College and an M.T.S. from Harvard Divinity School.

Practices of Effective Families

- Foster an open and inclusive family system
- Responsibly support family members through life transitions
- Think creatively about responding to life's challenges
- Rear autonomous children
- Base decisions more on logic than emotion
- Form relationships with as many family members as possible
- Strive to have open, separate, and equal relationships with adult children