



Matters of the Family

By Fredda Herz Brown

Fights over money can tear families apart. But often, money isn't really the problem.

I have spent most of my career assisting families who manage a shared asset, to develop ways to do so with a stronger sense of harmony. Along the way, I believe that they have often taught me more than I have taught them. However, I have developed a sense of the basics, the underpinnings of maintaining relationships in spite of sharing the asset, of being both financially and emotionally wise.

Let's begin with an example of the kind of conflict that can arise and then consider what we mean by conflict and the interrelationship between money and conflict.

The Lewis Family

The office was established by three brothers in the 1940s after selling their second generation business. As was intended, it now serves the financial needs of their grandchildren and great grandchildren adding to a total of 19 households. The office offers the family a variety of services including investment management, concierge and education for an overall fee. The 19 households utilise the services differently on the basis of the family development and other needs. Several of the families utilise all the services while a few, especially John's family (a grandson of one of three brothers) utilise only the investment management service.

At one of the family educational and business meetings, John became more aware of the extent to which his cousins

and their families were using the other services of the family office. After some consideration, he decided to ask the question: "Should each of the families be charged the same fee or should the fee be determined by the usage of the services?"



Most of the other households answered 'that's the way we've always done it'. The households that also did not fully utilise the services were not happy with that response either. Now that the issue was out in the open, the makings of a 'money' conflict were in the offing, especially since the households who did not fully utilise services were the descendants of the eldest of the three brothers. The family lore, which threatened to be reawakened, was that the eldest brother could be depended upon financially (in fact some called him frugal) while the other two spent money more avishly. Thus the old and seemingly latent sibling rivalries of past generations were waiting to reappear around this new issue.

A View of Conflict

It is important to distinguish between issues and conflicts. We all have issues with other people, in family enterprises such as foundations, offices and operating

companies, as well as in all aspects of daily life. Differences in viewpoint, interests and lifestyles are inevitable even among siblings who grew up together and who might be expected to share certain similarities in these areas. Most of these differences can be resolved or forgotten after a certain amount of time, effort and/or mutual goodwill. Those that cannot be resolved, become "conflicts." The term conflict applies to situations that cause tensions among people. There may or may not be an outright observable struggle, but usually the issue becomes emotionally charged with different unmovable 'camps' or positions being taken over time.

Conflicts can seem interminable when they are carried from one generation to the next. More and more people in the family take sides. They may argue or refuse to speak to one another. Or as in our example, the conflict becomes part of the family's stories, with the full emotional intensity below the surface waiting to be launched anew around another subject. Family relationships can suffer as can the management of a joint family enterprise, threatening the family's financial as well as emotional wellbeing.

Once people become caught up in their own viewpoints and are unable to see the other parties' view, it becomes difficult to prevent a conflict from escalating. Generally speaking, the greater the emotional intensity, the more likely it is to become a conflict and once that happens, the situation involves more than just a twosome. At a minimum, conflict is triangular and unless one or the other party is interested in devoting energy into shifting that, the conflict becomes self-perpetuating.

Family Dynamics: The Issue of Money and Conflict

Sometimes family conflicts seem to revolve around money. However, an issue that is truly about money can probably be resolved in a purely financial way. Money is almost always symbolic of other issues and when a money issue develops into a conflict, it is rarely about money. That is, money is not usually the underlying cause of the conflict. In most families, but wealthy ones in particular, money is a charged issue which tends to become connected to the issues of power, control, and love.

Money is a charged issue which tends to become connected to the issues of power, control and love.

When family members must make decisions together about assets, the field becomes a fertile pasture on which these connected issues can take hold and grow. Lifelong emotional connections tend to call up old issues, patterns and alliances in a different context. Family members who manage their money and/or work together deal with the intensity of shared activities and decision-making. Old issues such as who should be in charge and who was/is the parental favourite may move to centre stage unwittingly. Old structures that helped to manage the family relationships earlier may no longer be effective and thus the old issues collide with the new.

While there can be challenges, managing shared assets can provide families with

immense opportunities. Family members who must work together can build strong lifelong relationships. It provides them with the opportunity to know their family members in a very different way in adult life. Family enterprises can provide effective means to educate the next generation about the importance of family relationships, philanthropy, human and financial capital and of working together with others toward a mutually beneficial goal.

Recognising an Impending Conflict

There are some telltale signs that we can all use to determine if money becoming a charged issue and therefore capable of being the focus of a familial conflict:

- Money is too central to the family members' sense of themselves; they focus more on their net worth than their self worth. Or their net worth becomes the measure of their self worth.
- Money is seen as a way to make up for the lack of connection between generations. It becomes a way of showing affection, love or caring.
- There is a sense of inequity in how family members feel they are being treated.
- The next generation's lack of productivity and ambition is being tolerated by the previous generation.

Skills for Resolving Conflicts

A family can utilise a number of structural and governance policies to deal with and or even prevent conflicts:

- Define a mutual understanding of family members' attitudes and values about money. What do family members use it for? How do they save and what are their views about giving? In what ways do the family's financial, human and emotional capital interact? Would they like to change the interaction? How would they like to handle their wealth in terms of their network of relationships, extended family, in-laws, friends and the community?
- Discuss the vision and mission of the family's joint assets. Once the family members clarify their mutual understanding regarding money, they can then examine their differences and develop a consensus regarding the enterprise's resources. In an effort to declare the primacy of family relationships, some families have even stated in their policies that if any family squabbles develop over the money, that all of the assets will be lost. Thus if one family member sues another, he/she loses all rights to the assets.
- Establish a system of governance or structure for the family to use in managing the shared asset(s). By defining how decisions will be made and a method of accountability for the process, families can decrease the impingement of old emotional issues into the current situation. Some families use an external board of advisors or even a board of directors to help deal with decision-making as a matter of course whether an impasse has been reached or not. Others use such structures just for impasse resolution.

There are also several interpersonal techniques which we have found important for resolving conflict:

- Seek to to fully understand the other person's viewpoint and their relationship with the issue at hand. In most conflicts, each person wants the other to hear and understand—and ideally accept his/her viewpoint. Most people will listen better when they feel they are being heard. In addition, the more one understands the other's position, the more one is able to think about how to deal with them on the issue.
- Figure out what is driving the conflict. One often gets closer to understanding this by trying to understand the person's relationship to the issue. But further, think how money might be used to resolve the issue at hand. If it could not resolve it, what is the issue that would remain?



- Focus on self-examination. The more you work towards changing the other person's viewpoint the more tightly that person will cling to and defend it. It is always important to spend time examining what the reasons are that you are holding on to your own position and what is the way in which you could resolve the situation. One can only change

one's self, so it is always important to focus on what you can do with yourself and your own viewpoint. Looking at your own position and motivation is difficult but essential.

Back to the Lewis Conflict

It was clear that until the current generation reached maturity, the office was serving a limited number of families who were interested in continuing to receive these services. As the family grew they had not re-examined the need for the range of services needed by all the households. There was no system of governance or decision-making to handle the changes in family needs over time. With John's insistence, the family established a task force to develop a set of guidelines to help the family deal with the varied uses of the family office. At the next family meeting, a fee for service method was presented for approval. Thus each family was free to use what services they wanted to and would pay accordingly and the use of these services could change yearly. They suggested a fee structure, which would continue to support the administration of the office. With such a structure in place the old family issues that

were threatening to come to the fore were again treated as part of the family history. Such structures, if in place early on, will often prevent such seemingly financial issues from becoming emotional ones.

The Bottom Line

The most important objective in resolving conflicts in family enterprises is to maintain family relationships and the family's financial assets. Sometimes it is difficult for the family to accomplish this goal alone and they should consult professionals who are experts at preventing or controlling potential conflicts or who can help defuse them when they have already developed. If a situation arises where it seems impossible to achieve the mutual goal of maintaining both the shared asset(s) and the relationships, it is important to preserve the emotional and relationship aspects of the family. Without a commitment to that first all else becomes less likely.

This article was first published in "Matters of the Family," Insight, Westpac Private Bank, Spring 2003

About Relative Solutions

Families who share assets must successfully manage the joining of their emotional and financial lives. Relative Solutions guides families through the difficult questions that emerge from the shared risks and opportunities that impact their lives together.

We provide a structured space that is neutral, objective, and conflict-free, so a family's best thinking can emerge to solve their most pressing challenges. Leveraging our proven process, families get the sense that change is possible, and are able to embrace tailored, practical solutions that have a substantive and lasting impact.

