# COMPLETE Family Wealth

## Wealth as Well-Being

SECOND EDITION

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*To my father, James E. Hughes, Sr.,*
*an extraordinary adviser to families*
*and the wisest man I know;*

*to my mother, Elizabeth Sophie Buermann Hughes,*
*who first taught me about family*
*and who keeps creating family;*

*to my professional partner Anne D'Andrea,*
*who after 32 years still keeps me sane and helping*
*and for whose help I am beyond grateful;*

*and to my partner in life and learning, Jacqueline Merrill,*
*who put her arm through mine.*

*James E. Hughes*

*To my mother, Viola, for giving me a vision of what a*
*complete life, well spent, is. Thank you.*

*Susan E. Mazzenzio*

*To my family, my friends, and my loving partner—my complete wealth.*

*Keith Whitaker*

*What is very easy? To advise another.*

*What is very hard? To know yourself.*

*Thales, the first philosopher*

# Contents

# Preface to the Second Edition

This new edition of *Complete Family Wealth* contains a number of noteworthy changes.

We have updated the first chapter's discussion of qualitative capital to reflect the latest thinking in the field, which distinguishes among five types of non-financial wealth: human, legacy, family relationship, structural, and social. We have also included in this chapter our thoughts on ways that families can invest in this most important form of capital and measure the impact of their investment.

Upon much reflection and discussion with beneficiaries, we have included a new chapter on the subject of "The Big Reveal," the moment when recipients are supposedly introduced to their present or future financial wealth. This moment looms very large in the minds of parents, but in practice it is what happens next—the flight, fight, freeze, or flourishing—that makes all the difference. We offer recommendations on how to increase the likelihood of the lattermost of those possibilities.

Among other additions, because it comes up so often, we have included a chapter on preserving a beloved family vacation home, and we have added two appendices: one detailing a "Fiduciary Course Curriculum," for families who wish to enhance the learning (and living) of their trustees and beneficiaries, and a second that discusses "Key Practices for Families During Challenging Times," which sprang from our work with families during the pandemic but whose lessons apply to any sorts of challenges that families may face.

Finally, perhaps the biggest change to this edition is also the smallest: the inclusion of the word "well-being" on the title-page and at strategic points in the text. We have long believed in the importance of learning from the etymology of the word “wealth,” which derives from “weal,” with the original meaning of “well-being.” Our decades of experience helping families have convinced us that perhaps the most beneficial step a family can take is to shift their understanding of wealth from finances to well-being—all else that we write about, speak about, and do stems from this reorientation in consciousness.

# Preface to the First Edition

This book culls the essence of our prior books: *Family Wealth* (1997 and 2004), *Family: The Compact Among Generations* (2007), *Cycle of the Gift* (2014), *Voice of the Rising Generation* (2015), and *Family Trusts* (2016). It also captures insights that we have shared in dozens of articles, white papers, and blog posts, as well as in presentations to hundreds of audiences. We deeply appreciate all that we have learned from our many reviewers, our respondents, and the participants in these events.

Each chapter of *Complete Family Wealth* connects to others through themes and concepts; each can also be read on its own. Please feel free to pick and choose among them, based on the topics of greatest importance to you and your family.

In *Complete Family Wealth,* we have sought to present *enduring ideas* and *practices*. These are the insights and the activities that we have seen make a truly positive difference in families' lives over the long-term.

Following are some of these enduring principles, which are reflected more fully in the chapters that follow:

> *The* goal is not "beating the 'shirtsleeves to shirtsleeves' proverb" in the sense of keeping only *financial* capital in the family. Financial capital is important. But references to "the proverb" have caused many readers to think that we advocate attention to qualitative capital *for the sake of* financial capital. The opposite is the truth.
>
> Though our subject is "family" wealth, this wealth resides in *individual* family members. Their relationships are crucial, but the health of relationships and the family depends on the prior health of the individuals who are related.
>
> While "governance" (shared decision-making) is important and sometimes overlooked, too much emphasis on governance ends up imposing "forms" on the family under which it cannot "function." Sometimes it is easier for advisers to hand a family a draft constitution than to help them to live well together. But the former, if ever adopted, should serve the latter.

# INTRODUCTION

# An Invitation

Welcome to the journey. We hope that in reading *Complete Family Wealth* you will discover new ideas and practices that will enable your family to grow its qualitative and financial capitals long into the future.

*Complete Family Wealth* marks a stage in the journey of we three coauthors, at times individually, more recently together. As we invite you to join us, we begin with a short description of our paths thus far.

## A Welcome from James (Jay) Hughes, Esq.

Welcome back readers of our previous books, and welcome new readers! For those of you pilgrims wearing your scallop shells and round hats and carrying your staffs, walking with us to Santiago to discover how to help your families flourish, please sit down, take off your regalia, and join Keith and Susan and me in the next steps of our common *pèlerinages*. For those of you just joining, please ask those who are already on this journey for their help and their stories of success in overcoming the obstacles their families face to flourishing.

As many readers already know, my journey to help my family deal with the proverb of "shirtsleeves to shirtsleeves in three generations" began when I was four years old. I overheard my mother, Elizabeth Buermann, in an agitated state, explaining to my father, James E. Hughes, her concerns about money and her worries about the proverb. Her worries continued until her death at the age of 95.

Why? Because her father, my grandfather, had gone bankrupt in the Depression. She had come home one day to find a "For Sale" sign on the front lawn of her home in Newark, New Jersey. Her family until then had large financial resources inherited from her grandfather, a German immigrant, an inventor, and a successful industrialist. Not knowing why that sign was there, she went into the house and found her mother. Her mother told that her father had gone bankrupt by virtue of depositing his money in his father's now busted savings and loan company. Then her mother shared with her another terrible truth. My grandmother had only a high school education, had been the single cosseted child of devoted parents, and till that day had "help" in the house. She told my mother that, as my grandfather "did not know how to work," she was going to work the next day. My grandmother worked for 50 years, into her mid-80s, as a receptionist in a hospital to provide for her family. So it is quite understandable that my mother had these fears of the proverb: she had been living it every day since her youth.

My mother's recital of these realities to my father made me want to help her put those fears aside. It also made me appreciate how emotionally pernicious the effects of the proverb are.

As readers of *Family Wealth* know, I met the proverb again many years later, in 1974, when I was asked by the sons of an enormously successful businessman in Singapore to come visit their father.

I was naturally curious why I, a still very wet-behind-the-ears private-client attorney, was being invited to travel halfway round the world at substantial cost to the family when there must be excellent legal counsel available in Singapore. When the day of the meeting came, I still had no idea why I had been invited. After entering his office and solving, over tea, all the macroeconomic problems of the world, I was still wondering. Finally, this worldly-wise man said, "Mr. Hughes, you are probably wondering why I invited you here. We Chinese have a proverb, 'Rice paddy to rice paddy in three generations.' I don't want that to happen to my family. Can you help us using the techniques of families in America to solve this problem?" I was happy to discover that I could help him.

In the years since 1974, as I have traveled to meet with families around the world, I have heard the same idea expressed in varying ways. The shirt-sleeves proverb turns out to be culturally universal, capturing a great truth about wealth and human behavior.

As a result, the proverb has been the question that has dominated my personal and professional life.

One of the most wonderfully positive parts of my journey has been to be a part of my parents' creation of a flourishing family from the ashes of both of theirs. Today we are a family, including in my case, wonderful additions from my wife Jackie's family. We are a flourishing, tightly knit group of three living generations with a strong bond to the gifts of my parents' generation. Our tribe meets my test of a flourishing family: every generation has the contact information of their first cousins and, if they called any one of them, their voices would be immediately recognized. Do we face obstacles to continuing this flourishing? Yes, we do. Are we facing them head on? Yes, we are.

To face the proverb's challenges, I set out to meet, learn from, and befriend remarkable professionals who share my passion to serve families. These friends and colleagues are too many to name here. Two of them, Susan and Keith, joined me in this effort to produce *Complete Family Wealth*, and with them I wrote two other books, *The Cycle of the Gift* (2013) and *Voice of the Rising Generation* (2014). We came together, over 10 years ago, at a time when I had started to doubt whether I had anything more to say. Our conversations opened new vistas to me of ideas and of hope. I came to see myself in the true elder role: not leading or doing but rather convening those who wish to learn and encouraging those who seek to act.

I am now in my 75th year of life and 50th year of practice. I am deeply humbled to see that, over the past 20 years, our little books have taken on lives of their own. They have done so—and I hope that *Complete Family Wealth* will do so—because you, the reader, will, I believe, find at least one suggestion here that will prompt you to have the courage to believe that the shirt sleeve proverb can be avoided. I believe it can!

## A Welcome from Dr. Susan Massenzio

I was born into a family of second-generation immigrants to America. Resilience, hard work, and community were values that were woven into the fabric of my family as well as the families of many other immigrants.

I was fortunate to have loving grandparents and parents who led their lives with integrity and generosity. I learned at a very young age that money was a means to independence, choice, and the ability to be generous with people whom one loves. I was also gifted with good health, a good mind, and an adaptive attitude. I inherited much qualitative wealth.

My grandfather was very resourceful and made several good real estate investments, which he left equally to his four children. My father started a family business with his brother that had its share of success and hard times. I witnessed firsthand the realities of a family business: the challenge