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The Carter Center Presents: *Preparing Your Heirs*

With Guest: Amy Castoro, President & CEO The Williams Group

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&

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Amy Castoro

- President and CEO, The Williams Group
- Specialist in preparing high-net-worth families and their next generations for successful wealth and values transfers
- Co-Author: *Bridging Generations*
- Contributor to the *New York Times*, *Wall Street Journal* and *Harvard Business Review*



Preparing Your Heirs

- Please tell us a little bit about your background and how you came to be so involved with the work of preparing families and heirs



A Uniform, Consistent Problem

- **70% of family estate and wealth transfer plans fail, according to two studies by MIT and *The Economist***
- **What is a successful transfer?**
- **What is an unsuccessful transfer?**
- **Is the 70% failure rate unique to the United States?**

Source: *Organizational Dynamics*, Managing Continuity in the Family-Owned Business, Beckhard, Gibb, p.5; *The Economist*, The New Wealth of Nations, p.3



Examining Contributing Factors

- Is “traditional” wealth and estate planning contributing to failed transitions?



Examining Contributing Factors

- Traditional planning typically revolves around getting the best advisors and sophisticated planning to help manage taxes, protect and preserve assets, and avoid conflicts among heirs
- Essentially planning for who gets what, when
- Advisors are usually very good at maximizing wealth transfer, but transferring maximum wealth is not the measurement of success with respect to future generations



Examining Contributing Factors

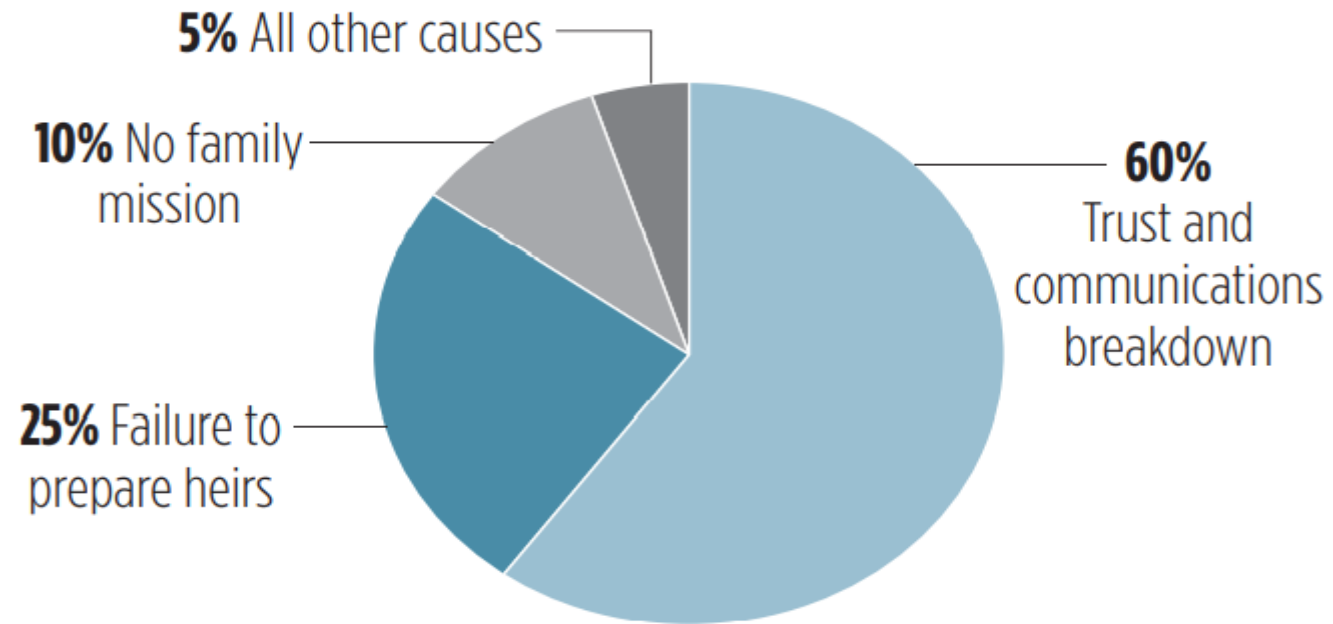
- Is there enough focus on the impacts (benefits and responsibilities) of an inheritance on heirs?



Failure Factors

Reasons for **Unsuccessful** Family Wealth Transfers

Seventy percent fail within three generations



— *The Williams Group*



Failure Factors

- What effect does the family dynamic have on a transfer's failure or success?



Failure Factors

- **Trust and communication breakdown causes 60% of transition plan failures**



Communication and Trust Breakdown

- Marked by lack of reliability, follow through and commitment
- Perceived lack of sincerity causes mistrust
- Over promising when ability is lacking
- Breakdown of trust and communication can set heirs up for failure in their self-preparation efforts



Failure Factors

- **Inadequate preparation of heirs causes 25% of transition plan failures**



Inadequate Preparation of Heirs

- Largely a consequence of broken communication and trust
- Preparation should begin early, teaching healthy attitudes toward money and responsibility
- Lack of heir preparation increases the chance that an inheritance will be a negative/disruptive force in the heir's life



Failure Factors

- Do tax, legal and financial planning errors cause the remaining 15% of transition plan failures?



Successful Family Transition Plans

- What do successful families do to minimize the failure factors we discussed?
- How can families prepare their heirs so that an inheritance is a force for good in their lives, not a burden?



Successful Family Transition Plans

- Total family involvement in estate and philanthropic planning
- Process for integrating family learning and input from all members
- Learning and practicing: communication skills, openness and trust, accountability, team consensus building



Successful Family Transition Plans

- Unifying behind a common mission/vision
- Using philanthropy as an additional catalyst for learning and heir preparation, but also to model values in support of the mission



Failure Factors

- **Lack of a mission developed by/through family consensus causes 10 % of transition plan failures**
- How does the mission give advisors guidance and clarity to better support families and the heirs?



Successful Family Transition Plans

- What can families do to ensure their plans successfully transition more than property or things to the next generations and the people they love?



Tools for Successful Family Transition Plans

- Have a written mission statement defining the purpose of their resources
- Come together to participate in making important decisions about family resources



Tools for Successful Family Transition Plans

- Give heirs the option to participate in the management of family assets and philanthropy
- Identify necessary roles for heirs and help them prepare to be successful



Tools for Successful Family Transition Plans

- Have heirs review the family planning documents
- Be more intentional about including incentives for heir accomplishments or readiness in family plans
- Meet regularly as a family to openly, honestly communicate about progress and changes



Successful Family Transition Plans

- What should future heirs be doing to prepare themselves for an inheritance and the associated responsibilities?



Thank You!
Questions?



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