

Family Wealth Education Workshop



Education is the key to managing
family wealth for future generations.

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Introduction

Today, a staggering 70% of first generation wealth is not purposefully transferred to the next generation,¹ rendering family wealth education a crucial and timely topic. Among the concerns that families with significant wealth face, the biggest fears confronted by the affluent parents are issues surrounding the wealth transfer process; how to tell their children, how their children will behave once they receive the funds and what will happen to the family fortune once it is no longer in their control.

Talking about money is typically viewed as a faux-pas; thus important issues surrounding wealth are not addressed among family members openly. When children aren't adequately educated and prepared for their inheritance, it should come as no surprise that a large proportion of wealth is lost once transferred to the heirs. This workshop is a resource providing guidance for educating affluent families. Proper family wealth education is essential to help families preserve their assets and enable the heirs to lead purposeful, fulfilling lives.

¹ *IMPACT 2011*. Specialized Publications, InvestmentNews, 2011.

The Family Mission Statement

What is a Family Mission Statement?

A Family Mission Statement is a combined, unified expression from all family members of what your family is all about - what it is you really want to do and be - and the principles you choose to govern your family life.²

Why is it Important?

The act of creating a Family Mission Statement helps to strengthen the family bond. In order to create a Mission Statement, all members are required to participate in family meetings. These gatherings facilitate an environment for family members to discuss personal concerns, goals, values and priorities. Discussing intimate issues together works to unify the family and creates a roadmap to keep the family headed in the same direction.

How Do You Write a Family Mission Statement?

No two families are alike and your Mission Statement should reflect your family's uniqueness. It is up to your family collectively to decide the exact approach you will take to write a Family Mission Statement. That being said, every Statement should include the values in which your family wants to live their lives by, the family's goals and the way in which everyone plans to achieve these goals. It is essential that every family member is an active contributor.

As people, relationships and families grow, so do their perceptions, values and priorities. An effective Family Mission Statement should be updated at least annually to keep the Statement relevant and to encourage the family to reconnect with one another.

² *The Seven Habits of Highly Effective Families*. Stephen R. Covey, 1997.

When composing your Family Mission Statement, consider the following as a guideline:

1. Define your family's:
 - Goals
 - Priorities
 - Values
 - Strengths
 - Weaknesses
2. What is most important to you about your family?
3. What are each family members most important values?
4. Describe important qualities and characteristics that members of the family should possess.
5. What characteristics do you want your children and grandchildren to have as they grow up?
6. How do you want to build relationships in your family?
7. What is the main purpose of your home?
8. How can you support each other? Others outside your family? Society?
9. Name three things you think you could do better as a family.
10. What would people say about your collective family today?
11. What would you like people to say about your collective family as a whole in 30 years? 100 years?
12. What is the legacy your family would like to leave?

The Philanthropic Philosophy Statement

The Philanthropic Philosophy Statement is a unique annunciation of compelling, sustaining reasons to give. It should capture the vision, ideals, values, purpose and intent underlying a giving strategy. In addition, the Statement should articulate specific donation goals and anticipated impact. It should state causes and specific charitable organizations that are the beneficiaries of current and intended donations.

The initial Statement should be brief and refined over time; refined to capture evolving intentions, goals and actions.

In many ways, the Philanthropic Philosophy Statement serves the same purpose of overall guidance as an Investment Policy Statement for managed money activity and a Family Mission Statement for general family wealth matters.

A sample initial Philanthropic Philosophy Statement is presented below.

The Masterson Family Philanthropic Philosophy Statement*

We belong to a remarkable family that has been quite successful. Much of that success is based on our living in a country that is a democracy. The privilege of living in our nation comes with a duty of responsibility to the community; a responsibility to give back and to help others.

For these reasons, our family will include in our definition of success a commitment to a giving plan and fund that plan with a portion of our financial resources and with our time to make the appropriate charitable decisions. Our vision is to make choices that truly benefit chosen causes and that lead to a productive and fulfilling experience for our family.

Towards this intention we will support programs focusing on education and social issues. Our initial examination, donations and review of results will be directed at The White Plains Education Coalition, The Clayson Point Academy and The Westchester County Community Services Association. These choices and additional causes will be periodically reviewed-in-brief and fully reviewed annually.

“The ultimate responsibility of the donor is to express a clear mission that will protect and carry out their intentions.”

The Philanthropy Roundtable

*The Masterson Family Philanthropic Philosophy Statement is a hypothetical example for illustrative purposes only.

Charitable Planning Worksheet

Many wealthy families and successful organizations have an interest in supporting charitable causes about which they are passionate. However, the task of identifying specific charitable goals and selecting organizations to support out of the myriad available choices can be daunting. This worksheet is designed to assist families and organizations in this task.

The following activity is designed to help individuals determine what values and causes they are most passionate about and how they can to apply this to their philanthropic goals.

The table below requires each family member to define 3-5 of their core values in the first column. In the second column individuals must express the reason(s) why these values are important to them; this could be past experiences, interests, etc. In the third column, the charitable cause related to these values in column 2 is determined. In the last column, individuals are asked to list specific charitable organizations which support the charitable causes identified in column 3.

| Core Values | Reason Important | Cause | Specific Charity |
|---|------------------------------------|-----------------|--------------------------------|
| Example | | | |
| Everyone should have access to excellent healthcare | Family Member is a Cancer Survivor | Cancer Research | Rush University Medical Center |

1.

2.

3.

4.

5.

Creating a Family Facebook Group

Creating a family Facebook group is a great way to easily and informally keep in touch with family members across the globe, while having the ability to apply the desired amount of privacy from the Facebook community.

Establishing a personal group allows members to:

- Control who has access to the page
- Contact all members simultaneously
- Create and share documents
- Ability to converse, share stories, pictures, videos and updates with members of the group
- Create private events and send out invitations
- Easily keep in contact with all members

To create a Facebook group, all interested parties must follow these steps:

1. Create a Facebook account if you do not already have one. All you need is an email address.
2. Make sure you check your privacy settings on your personal account to control who can see your personal information, activity and updates.
3. Designate a family member to be the “administrator” or creator of the group.
4. Go to Facebook.com/Groups and click “create group”.
5. Select a name for the group and set security preferences accordingly. The privacy level of groups range from 0 to 100%. An “open group” allows everyone on Facebook to see the group and all of the group’s activity, a “closed group” allows everyone to see the group, but only members can see the group’s activity. A “private group” does not show up on any Facebook searches, and all members must be invited to join the group.
6. In the members section, you have the ability to add any of your Facebook friends. Every member in the group can add members, unless the option is manually turned off, and members can be added or deleted at any time.

Family Wealth Education Checklist

The following checklists are for educational purposes only. They do not represent legally binding agreements of any kind.

| | YES | NO | Important | Not Important |
|---|-----|----|-----------|---------------|
| Our family has a mission statement that spells out the overall purpose of our wealth. | | | | |
| The entire family participates in most important decisions, such as defining a mission for our wealth | | | | |
| Appropriate family heirs have the option of participating in the management of the family's assets. | | | | |
| Heirs understand their future roles, have "bought into" those roles, and look forward to performing in those roles. | | | | |
| Appropriate heirs have actually reviewed the family's estate plans and documents. | | | | |
| Our current wills, trusts, and other documents make most asset distributions based upon heir readiness, not heir age. | | | | |
| Our family Mission includes creating incentives and opportunities for our heirs. | | | | |
| Our younger children are encouraged to participate in our family philanthropic grant-making decisions. | | | | |
| Our family considers family unity to be just as important as family financial strength. | | | | |
| We communicate well throughout our family and regularly meet as a family to discuss issues and changes. | | | | |

Source: "Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values," Preisser and Williams, 2003

Heir Readiness Checklist for Parents

| | YES | NO | Important | Not Important |
|--|-----|----|-----------|---------------|
| Has a FAMILY MISSION STATEMENT been developed with the involvement of the entire family and spouses? | | | | |
| Has a STRATEGY to implement the Family Mission Statement been decided on? | | | | |
| Have the ROLES needed to carry out that strategy been defined? | | | | |
| Are there specific observable and measurable STANDARDS in place to determine qualifications for each role? <input type="checkbox"/> Education <input type="checkbox"/> Experience <input type="checkbox"/> Family Relationship | | | | |
| Has a FAMILY MISSION STATEMENT been developed with the involvement of the entire family and spouses? | | | | |
| Has a STRATEGY to implement the Family Mission Statement been decided on? | | | | |
| Have the ROLES needed to carry out that strategy been defined? | | | | |
| Are there specific observable and measurable STANDARDS in place to determine qualifications for each role? | | | | |
| Has the COMPETENCE LEVEL required for each role been clearly defined? | | | | |
| Are the heirs and the current family leaders in AGREEMENT on the applications of “Standards” and “Competencies” for the defined roles as essential to the success of the Family Mission? | | | | |
| Have heirs selected specific roles and DECLARED THEIR INTEREST in preparing for and serving in those roles? | | | | |
| Have conflicts between heirs who may be ASPIRING TO THE SAME ROLE been amicably resolved? | | | | |
| Has a specific PROGRAM OF PREPARATION been designed and accepted by heirs designated as candidates for identified roles? | | | | |
| Is the program of preparation under way, with agreed-on ALTERNATIVES for each candidate-heir, in the event his/her preparation timetable or completeness for a role is unmet? | | | | |

Source: “Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values,” Preisser and Williams, 2003

Readiness Self-Checklist for Heirs

| | YES | NO | Important | Not Important |
|--|-----|----|-----------|---------------|
| Have I worked with my parents and other family members to define a clear long-term MISSION STATEMENT for the family wealth? | | | | |
| Have I actively worked with my family to develop the STRATEGY for achieving the mission of the family wealth? | | | | |
| Have the various ROLES for the management of the family assets been identified, and do I support filling those ROLES with fully competent individuals? | | | | |
| Do I know what my PERSONAL INTERESTS are, and understand my ABILITIES well enough to identify a specific role for myself? | | | | |
| In preparing for a particular role, am I willing to be evaluated against specific observable and measurable STANDARDS ? | | | | |
| <input type="checkbox"/> Education (formal and informal) <input type="checkbox"/> Experience (task, competitive, charitable) <input type="checkbox"/> Family Relationship (building, strengthening) | | | | |
| Have I selected a MENTOR whom I respect, who cares about my personal fulfillment, but who will be honest with me with respect to my contributions to the family mission? | | | | |
| Have I developed, with my Mentor, a specific plan to become COMPETENT for the family mission role that satisfies my interests and talents, within the mission staffing timeframe? | | | | |
| Am I EMOTIONALLY OPEN to the communications requirements and the continuing learning and evaluation that is required of each role-occupying individual within the family mission structure? | | | | |
| Do I clearly understand the difference between KNOWING (what needs to be done) versus DOING (what needs to be done) and to discipline myself to act in the best interests of the mission? | | | | |
| Have I assumed personal responsibility for learning from the unavoidable " BUMPS IN THE ROAD " as demonstrated by developing (and maintaining) the skills to strengthen my family during difficult times? | | | | |
| Have heirs selected specific roles and DECLARED THEIR INTEREST in preparing for and serving in those roles? | | | | |
| Have conflicts between heirs who may be ASPIRING TO THE SAME ROLE been amicably resolved? | | | | |
| Has a specific PROGRAM OF PREPARATION been designed and accepted by heirs designated as candidates for identified roles? | | | | |
| Is the program of preparation under way, with agreed-on ALTERNATIVES for each candidate-heir, in the event his/her preparation timetable or completeness for a role is unmet? | | | | |

Source: "Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values," Preisser and Williams, 2003

Resources

Websites

www.kids.gov

www.worth.com

www.teenanalyst.com

www.jumpstart.org

www.ncee.net

www.practicalmoneyskills.com

www.japersonalfinance.com

<http://life.familyeducation.com/money-and-kids/personal-finance/34481.html>

www.msgen.com

<http://teachkidsmoney.blogspot.com>

<http://life.familyeducation.com>

<http://teachingchildrenaboutmoney.com/blog>

Books

For Parents

Kids Wealth and Consequences,

by Richard A Morris and Jayne A Pearl

Preparing Heirs,

by William & Preisser

The Seven Habits of Highly Effective Families,

by Stephen R. Covey

Silver Spoon Kids,

by Eileen Gallo and Jon Gallo

The Financially Intelligent Parent,

by Eileen Gallo and Jon Gallo

The Ultimate Parenting Map to Money Smart Kids,

by Linda Leitz

Raising Financially Fit Kids,

by Joline Godfrey

Family Wealth,

by James E. (Jay) Hughes

Children of Paradise,

by Lee Hausner

Please Send Money!,

by Dara Duguay

Money Sense for Kids, by Hollis Page Haman

101 Ways to Give Children Business Cents at Home,

by Dr Cindy Iannarelli

Your Allowance,

by Margaret C. Hall

Money Matters for Kids,

by Larry Burkett and K. Christie Bowler

A Penny Saved,

by Neale S. Godfrey

Ultimate Kids Money Book,

by Neale Godfrey

Navigating the Dark Side of Wealth,

by Thayer Willis

The Ultimate Gift,

by Jim Stovall

The Wise Inheritor,

by Ann Perry

The Legacy of Inherited Wealth,

by The Inheritance Project/Barbara Blouin

The Experience of Inherited Wealth,

by Joanie Bronfman

The Inheritor's Handbook,

by Dan Rottenberg

Family Meetings,

by Craig E. Aronoff and John L. Ward

For Children (to be read by Parents first)

Budgeting Your Money,

by Stuart Schwartz, Craig Conley

Growing Money: A Complete Investing Guide for Kids,

by Debbie Honig

The Young Investor: Projects and Activities for Making Your Money Grow,

by Katherine R. Bateman

The Kid's Guide to Money: Earning it, Saving It, Spending It, Growing It, Sharing It,

by Steve Otfinoski, Kelly Kennedy

Everything Kids' Money Book: From Saving to Spending to Investing-Learn All about Money,

by Diane Mayr

Kid's Money Book,

by Jamie Kyle McGillian, Ian Phillips (Illustrated)

Make More Than Your Parent:

Your Guide to Financial Freedom,

by Kevin O'Donnell

Getting Down to Business,

by Lorraine Hursley

101 Marvelous Money-Making Ideas for Kids,

by Heather Wood

Street Wise: A Guide for Teen Investors,

by Janet Bamford

The Generation Y Money Book: 99 Smart Ways to Handle Money,

by Don Silver

Saving your Way to Success,

by Justin P. Ertelt

Wall Street Wizard: Sound Ideas from a Savvy Teen Investor,

by Jay Liebowitz

Young Wealth,

by Jon Swartz

Early to Rise: A Young Person's Guide to Investing...and Financial Decisions That Can Shape A Life,

by Michael Stahl

Stock Market Smart,

by Eileen Nixon McGowan, Nancy Lagow Dumas

Complete Idiot's Guide to Money for Teens,

by Susan Shelly

Motley Fool Investment Guide for Teens: 8 Steps to Having More Money than Your Parents Ever Dreamed of,

by David Gardner & Tom Gardner

Money Smarts,

by Lucy O'Neill

\$\$Cha-Ching!\$\$: A Girls Guide to Spending and Saving,

by Laura Weeldreyer

Girl Wise: How to be Confident, Capable, Cool and in Control,

by Julia DeVillers

The Totally Awesome Money Book for Kids,

by Adriane G. Berg, Arthur Bochner

Teenvestor: The Practical Investment Guide for Teens and Their Parents,

by Emmanuel Modue, Andrea Walker

Teen Consumer Smarts: Shop, Save and Steer Clear of Scams,

by Francha Roffe Menhard

Wiz Teens in Business,

by Danielle Vallee

Smart Money Moves for Kids,

by Judith Briles

Wealth Management Services

Articles

Trusts & Estates, August 2004,
"Teach the Children Well"

Financial Advisor Magazine, December 2006,
"Your Next Client May Be a Child"

Investment Advisor Magazine, September 2006,
"Heir Support"

Bank Investment Marketing, 2001,
"Talking About M(y) Generation"

Forbes, June 12, 2000,
"Who's Spoiled"

Wall Street Journal, August 10, 2001,
"Parents Use Board Room to Influence Family Meetings"

Wall Street Journal, August 15, 2005,
"Drawing the Line On Spending"

Chief Executive magazine, June 2005,
"Family Values...Passing On More Than Just Money"

Games

Monopoly

The Bottom Line

Deluxe Pit

Moneywise Kids

Stock Market Tycoon

Mutual Mania

Cash University

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