

# The International Family Offices Journal

Editor: Barbara R Hauser

## Editorial

Barbara R Hauser

## Can judgement be taught?

Darrell V King

## Strategic uses of family investment companies in Europe and the Middle East

Mustafa Hussain

## Classic cars as an asset class

Ronald Graham

## Family office master checklist

Håkan Hillerström

## I'm successful, but can't talk to my children about money! Help!

Maya Prabhu

## The progenitor's dilemma: avoiding entitlement when transferring wealth

Doug Baumel, Blair Trippe and Katie Spencer

## Raising digitally responsible kids: a family contract for digital devices

Amy Hart Clyne

## The art of giving: strategies for gifting art

Mary Elizabeth Klein

## Interview with Babetta von Albertini

## Book Review

*Upheaval: How Nations Cope with Crisis and Change* by Jared Diamond

Review by Keith Drewery of Drewery Consulting

## Luxury Corner

## Dazzlers: navigating the jewellery market

Ronald Varney

## On Wealth

## Our choice in wealth: from scorecard to wellbeing

Feisal Alibhai

## News section

Selection from STEP News Digests

# Interview with Babetta von Albertini

**Babetta von Albertini, Co-Founder and Chair of the Institute for Family Governance (IFG), discusses the origin and mission of the institute.**

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**Q: What is the mission of the Institute for Family Governance (IFG)?**

The mission of the Institute for Family Governance (IFG) is to implement strong governance that endures. This is achieved by empowering beneficiaries through intergenerational planning. IFG is a membership organisation devoted to serving families and its members in a confidential setting to develop and implement research-based, practical governance solutions for families.

**Q: What gave you the idea to create IFG?**

Research suggests that a staggering 70% of all wealth transfer plans fail. When evaluating these failed plans, 60% are due to a breakdown of trust and communication within the family,<sup>1</sup> and an additional 25% are due to a failure to prepare the next generation for what is to come (which is arguably also a symptom of failed communication). Only 10% of failed wealth transfer plans cite taxation as a key factor.

What can we learn from the above research? First, it demonstrates that tax issues have largely been mastered by families and their estate planners. Second, it highlights that with regard to communication and trust building among family members, there is substantial room for improvement. IFG provides a multi-disciplinary forum where families can discuss best practices with thought leaders. The goal is to involve the next generation and to obtain their buy-in, thereby increasing the chances of a successful wealth transfer.

**Q: Have you implemented wealth transfer plans where the next generation was empowered?**

Yes. One of the sources of inspiration for creating IFG was hands-on succession planning for global families where the next generation of beneficiaries were gradually empowered, in order to help them 'learn and grow' into the leaders of the future.

In 2017, *Estate Planning* magazine published an article that I wrote, "Empower beneficiaries to promote family wealth and harmony", which discusses some of the planning possibilities. One case study shows the planning we did for a next generation beneficiary who had been denied any rights (including information rights) to the trusts that had been established for her benefit. The next generation beneficiary was – quite understandably – very unhappy about this. When we looked into the

reasons for this lack of rights, it transpired that the senior generation had established the trusts under the erroneous assumption that giving the beneficiary any rights over the trusts would endanger the tax status of the trust. After this erroneous assumption was overcome, the family's focus shifted to devising a system that provided the beneficiary with certain rights that allowed her to 'learn and grow' (while maintaining all tax benefits). This was achieved through a carefully designed system of checks-and-balances that was 'heavily negotiated' between the senior generation and the next generation beneficiary. Effective communication was obtained and this understanding ensured buy-in from the next generation beneficiary.

**Q: Why do you think a multi-disciplinary approach is advisable?**

Global families with significant assets are in many ways like a jigsaw puzzle. There are numerous decisions that have to be made, ranging from the operating business to the family estate. Typically, there are a number of family 'stakeholders' – often from different generations – and each of them will have a view on how the family assets should be owned and managed. Legal rights, even if clearly understood, will vary. Regardless, each will want to have a voice and be heard.

Effective communication requires:

- understanding the legal context for each relevant family stakeholder;
- reaching out to the relevant stakeholders in a family;
- hearing their views; and
- coming up with a solution that either has the stakeholders' buy-in (ideally representing a 'win-win') or is at least acceptable to them.

A multi-disciplinary approach is recommended because no one family and no one single adviser has the answers to solve this complex jigsaw puzzle by him or herself. Hence, multi-disciplinary collaboration and know-how exchange among families and their trusted advisers is crucial.

The objective of IFG is to create a confidential setting where family members can meet thought leaders, share their experiences, discuss crucial ideas, publish research, and ultimately develop and implement practical solutions that endure. IFG

members include thought leaders from influential families as well as the legal, consulting and academic professions.

**Q: Who benefits most from attending an IFG conference?**

IFG is about practical solutions and know-how exchange for decision makers. Often, our attendees include:

- families (could be the patriarch and/or matriarch, the head of the family council, the head of a next generation council, and/or the head of the family office);
- family office executives;
- trustees (ie, legal owners);
- trusted advisers (such as the estate planning attorney in charge of drafting a multi-generational estate plan); and
- academic thought leaders.

**Q: What is your own multi-disciplinary background?**

I am a dual qualified civil law/common law attorney and have been advising global families with their cross-border and governance planning for over 20 years. I learned about the field from my father, a prominent lawyer and tax court judge in Zurich, Switzerland, who was a trusted adviser to a number of global families. During law school I often worked in his office, as did my mother who acted as the head of the family office for a number of these families. So, you could say that I grew up learning about family governance.

Currently, I serve as IFG Chair and as General Counsel of a New York-based single-family office. I also assist a handful of global families with their strategic governance and succession planning. This often starts with what I call a 'beneficiary audit' to help families understand the planning that is currently in place for them. You would be surprised at how few people really understand their existing planning, and how much families struggle to achieve even minimal engagement by their beneficiaries. The good news is that there are real solutions that are practical and implementable. These practical tools serve to empower beneficiaries by enabling them to 'learn and grow' into the leaders of the future. Assisting multi-generational families with their strategic governance and succession planning is something that I truly enjoy.

**Q: When did you start and what are your future plans?**

Our inaugural IFG conference was in New York in January of 2017. We initially thought this would be a local phenomenon and were surprised by the level of global interest. We presently have conferences in New York and Zurich. In the spring we will launch in Miami in response to requests from Latin America.

Overall our goal is unchanged: to build an international community to share know-how, best practices, and ideas about family governance. In fact, the focus of all three conferences is similar: effective governance for families and how to 'empower beneficiaries' to increase the chances of a successful wealth transfer. Importantly, the local nature of the conference enables personal collaboration. We also take into account local considerations at the request of our members when designing the programme (eg, IFG Europe and IFG Miami/Latin America will discuss cross-border governance planning for families with civil and common law jurisdictions).

As for totally new initiatives, in response to a request from our IFG members, we will take the research, relationships and know-how we have assembled over the past four years and 'curricularise' some of the most valuable learnings into workshops that are hopefully both actionable and transferable for the families we serve.

**Q: Who were some of the key speakers and what were their topics?**

We have had many amazing speakers and are extremely grateful to all of them for sharing their significant insight. It is difficult to name only a few, so naming several by category may be more representative. Family speakers included Justin Rockefeller, Jason Ingle (G5 of Ford), Mitzi Perdue, Whitaker Irvin Jr, Doug Box and Justin Kamine. Family business consultants included Dennis Jaffe, Ivan Lansberg, Gregory Greenleaf, Stephen Salley, Kelin Gersick, Josh Baron and James 'Jim' Grubman. Attorneys included Barbara Hauser (ACTEC Fellow), David York (ACTEC Fellow), Caroline Reers (ACTEC Fellow), Edward Vergara, Mark Haranzo (ACTEC Fellow), John Ambrecht (ACTEC Fellow) and Michael Whitty (ACTEC Fellow). Family office executives included Carol Hannigan, Daniel Bowman and James Ruddy.

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- I would like to highlight our Vice Chair, Dennis Jaffe, to whom we are deeply grateful. Dennis has been with us from inception, speaking at every IFG conference. He is a practising family business consultant and a prolific researcher. His research paper, “Good fortune: building a hundred year family enterprise”, is a building block for IFG.
- One family speaker that I would like to recount is Doug Box, because his family story exemplifies the need for multi-disciplinary planning. Doug Box’s family inspired the highly recognisable eighties’ soap opera *Dallas* with lead character JR Ewing. This was a family with a very strong patriarch that had completed comprehensive estate planning (all the necessary trusts and shareholder agreements had been drafted by top attorneys). However, one mistake was made – he never obtained the buy-in of the next generation. After his death, litigation ensued and the family fortune was largely lost. This shows that even a bullet-proof estate plan can be challenged by unhappy beneficiaries. The Chinese proverb for this is “win lawsuit lose money”. Hence, it is always better to: (i) communicate during the patriarch’s lifetime; (ii) assess the strengths of the individual family members (ie, are they up to the task that is envisaged for them); (iii) allow them to ‘learn and grow’ (possibly by serving on a family board); and (iv) obtain their buy-in before implementing legally binding estate plans.
- Two next generation family speakers that are leaders to continue to watch in the future are Justin Rockefeller and Jason Ingle (G5 of Ford), because they are both engaged next generation family leaders that also serve as an inspiration for the IFG community. Justin spoke at our inaugural conference in 2017 and Jason has attended all

but one IFG conference in New York and recently spoke on 21st-century philanthropy.<sup>2</sup>

**Q: What feedback did you receive from those who attended?**

The best feedback is from attendees in their own words so here are some testimonials, two from family members and one from a trustee.

Jason Ingle (G5 of Ford family and attendee of the last three annual conferences):

*As a next gen member of our family it is essential to gain knowledge and insight from other multi-generational peer families and expert advisers in the family governance field. There are many great events and resources out there, but IFG provides a unique resource that I have found isn’t replicated anywhere else. I look forward to participating in this great event ... and look forward to [the IFG conference] every year. You’ve organised a terrific group of speakers for the guests to hear from.*

Mitzi Perdue, member of the Perdue and Henderson families:

*It was a privilege for me to be part of a such a brilliantly organised, brilliantly insightful, brilliantly enjoyable, and brilliantly useful conference. There were a 1,000 touches that made it wonderful.*

Rick Mylin, CFP, managing director, global family office practice, Northern Trust:

*I found the conference to be of great value for any family office, family member or adviser ... This conference [is] a must attend for both the new family office trying to get their arms around the complexities that come with generational wealth as well as those families that at this point haven’t found the time and/or importance of putting structure around generation shifts and education for their families.*

*Babetta von Albertini, Esq. is an expert on family governance, tax law and has advised large domestic and international families on their governance and succession planning for approximately 20 years. Babetta was elected representative of the United States for STEP’s Global Council, currently serving on the governance committee, and is a dual qualified common law/civil law attorney with a PhD in law from the University of Zurich and a Tax LL.M from NYU.*

1 Ian Marsh, *Culture, Communication and Conflict, Family Offices: The STEP Handbook for Advisers* (2015), p19. See also RBC Wealth Transfer Report (2017), prepared in cooperation with the Scorpio Partnership: “People are generally unprepared to give or inherit wealth. Only twenty six percent of respondents have a full strategy in place to transfer their wealth to the next generation, and only thirty five percent of inheritors report they were prepared by their benefactors before receiving wealth”. See also JW Ambrecht, H Berens, R Goldwater and T Gorman, “Managing the Family Dynamic During Planning” in *Business Succession Planning: Strategies for California Estate Planners and Business Attorneys* (CEB, 2010).

2 From Jason Ingle: “This is a major factor with all multi-gen families and the power dynamic between the older generation and rising generation – with the consideration of revisiting how we do things and why. As a fifth-generation member of the Ford

family we must consider how can we maximise our impact by taking a more systems-approach to utilise and harness the various assets and resources across our family enterprise. For instance, how do we work with our family office investment team on integrating impact investing that aligns with our collective and personal values; within the family’s charitable vehicles how do we move beyond just cheque-writing philanthropy to become more intentional and less reactive; with our family business – how can the Ford Fund (the philanthropic arm of Ford Motor Company), continue to integrate strategic philanthropy and impact investing to magnify its impact on behalf of the company, and importantly, for the fifth and sixth-generation family members – how do we come together as a growing and geographically diverse group around a set of collective causes that are tied to our legacy but also can support some of today’s exciting emerging solutions and opportunities.”