

# FOX FORESIGHT™

WHAT'S ON THE MINDS OF FOX MEMBERS

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## 2018 TOPICS

Trends Impacting Families

Voice of the Wealth Owner™

▶ **Future of Family Learning**

Evolution of Family  
Governance

Disruptions in the  
Investment Industry

Appeal of Direct Investing

Family Office Practices

Impact of Talent



# FOX FORESIGHT™

**FOX Foresight** keeps FOX members up to date on the latest thinking on matters that affect enterprise families. It summarizes what we have been learning from our members and our subject matter experts over the last year. Please share it broadly within your family and your office.



## Trends Impacting Families

Pg. 2

The three main forces that will have significant influence on the future of wealth management are distrust in all major institutions by individuals, the rapid pace of innovation, and people everywhere living longer.



## Voice of the Wealth Owner™

Pg. 11

The Voice of the Wealth Owner outlines what challenges and inspires the family leaders and family office executives in the best and brightest family enterprises around the world.



## Future of Family Learning

Pg. 19

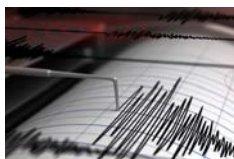
The Future of Family Learning addresses the need every family has to prepare its next generation to manage their wealth well and participate in the family enterprise by sharing examples of best practice programs in learning and development.



## Evolution of Family Governance

Pg. 26

As the family grows over time, the governance structures must evolve as the goals change in the family. This article traces the evolution of the stages of family governance over generations to give you foresight into the journey ahead.



## Disruptions in the Investment Industry

Pg. 35

Many investors are frustrated with the returns of a traditional, diversified portfolio and are reevaluating their investment approach. This article discusses the disruptions facing the investment industry.



## Appeal of Direct Investing

Pg. 41

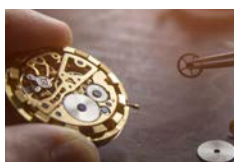
The interest in private company investments continues to grow stronger. This article tells the story of families who are pursuing this opportunity, highlighting the top themes from our recent research and ongoing conversations with FOX members.



## Family Office Practices

Pg. 50

Based on FOX's study of family offices, this article highlights key challenges that families are working on including: scope and cost of services, the value of family learning, the role of governing boards, as well as the role of trustees.



## Impact of Talent

Pg. 58

This article defines trends relating to finding talented advisors, reveals best practices to address the talent challenge, and provides a simple self-assessment for members to gauge their readiness to address these talent trends.

# Future of Family Learning

## Introduction

How do you prepare younger family members to manage their wealth well and flourish in their own lives and in the family enterprise? Every family is challenged to find creative ways to engage family members in the process of learning—about the family and what it values and owns, as well as what it takes to care for these human and financial assets. Since its inception, FOX has been committed to helping families prepare for the responsibilities of wealth. From the Learning Academy in the 1990s to the work with a focus group of families in 2009 and leadership of nine different family councils, FOX has been bringing

families together to leverage their resources and experiences on this topic to benefit the entire FOX community.

This year FOX invited a group of family office Chief Learning Officers and industry educators to discuss the state of the industry in family learning and talk about what is needed to prepare family members appropriately. FOX also hosted a three-hour workshop at the Fall Forum on this critical topic. The goal for this article is to share what we've learned about the state of the industry and what FOX members need, some examples of best practice learning and development programs, and the vision for a FOX Family Learning Network to help members with this important work.



*Author*

**Jane Flanagan**  
Managing Director  
Family Office Exchange  
[jflanagan@familyoffice.com](mailto:jflanagan@familyoffice.com)

## The State of Family Learning

When FOX members were asked what they want to provide in their learning programs, most want customized learning for individuals, by generation, and for the entire family. They want learning programs that can accommodate the geographic dispersion of the family (Zoom, Skype, online learning) as well as different learning styles or preferences; learning that meets each family member where she is (life stage and aptitude). They also want a directory of trained educators to help them deliver high quality content. Following are some examples of what members want.

### What Members Want - Feedback on Learning Programs

- Would like to have it more customized and aligned with our goals
- Development of a long-term strategy based on generation, capability, and other considerations
- More content ideas and delivery methods, particularly as it relates to next gen
- Learning programs that can be delivered via Zoom or Skype
- Smaller, targeted sessions on specific topics
- Participation of the next gen in the development of the education program and materials
- Combing financial concepts and family legacy using team building as a learning approach
- Developing leadership and coaching skills internally
- Focus on multi-generational well-being

### The Role of the Chief Learning Officer

James E. Hughes, Jr. has noted that successful families recognize the value of their human capital and the importance of investing in the development of the people in their families and organizations. Jay believes that every family benefits from having someone serving in the capacity of Chief Learning Officer who is committed to growing great owners and beneficiaries who understand their unique gifts and opportunities to contribute to the collective family. In his view, family offices should be spending 50% of their staff time on growing the family's most precious asset, its human capital.

The reality today is that the average family office spends most of its time keeping track of and managing the family's financial assets, and the average budget for family education for the entire family is only \$30,000. It is rare for a family office to have a dedicated Chief Learning Officer (CLO). In most cases, this work is done in addition to another full-time role. The responsibilities of this role include:

- Developing a culture of learning in the family and the family office where learning activities and events meet each family member where they are (age and life stage) and engage them in the process in a fun and meaningful way.
- Providing learning opportunities that foster the qualitative and quantitative skills that each family member needs to responsibly manage their wealth and flourish in life.
- Growing great beneficiaries who are prepared to receive and utilize their trust assets in ways that have meaning for them and a positive impact on the world around them.

*"The role of the Chief Learning Officer is to ensure that each family member's 'backpack for the next 100 years' contains a map designed just for them, with the tools and resources they need based on their learning styles and preferences."*

– James E. Hughes, Jr.

## Successful Learning Programs

*What does a successful family learning and development program look like?* Following are three examples of different approaches to family learning.

### Case Study #1

One FOX member shared her family's lifelong learning framework. This team of "Ambassadors for Adulthood" works with the family's Lifelong Learning Committee to prepare next generation family members (G3) for their roles in the family governance system and to support them in the development of their unique talents, skills, and interests to thrive in their own lives and contribute to the family's human, intellectual, social, and financial capital.

Family members participate in an induction ceremony at the age of 16. The third generation includes 16 descendants and five in-laws ranging in age from 20-36 years old. Family members have access to learning tracks to prepare them for governance positions such as serving on the investment committee. The family CLO noted that the family has done a lot of work around documenting values and credits this and the support of the Lifelong Learning Committee with the great energy around learning in the family.

**Figure 3.1 - Lifelong Learning Events**



The office uses the [Trusted Family Platform](#) and administers a 99-question self-assessment they developed to evaluate each adult family member's interests and knowledge. They strive to honor where every family member is in their life and have developed an individualized approach that includes fun/experiential learning as a component of each activity/event.

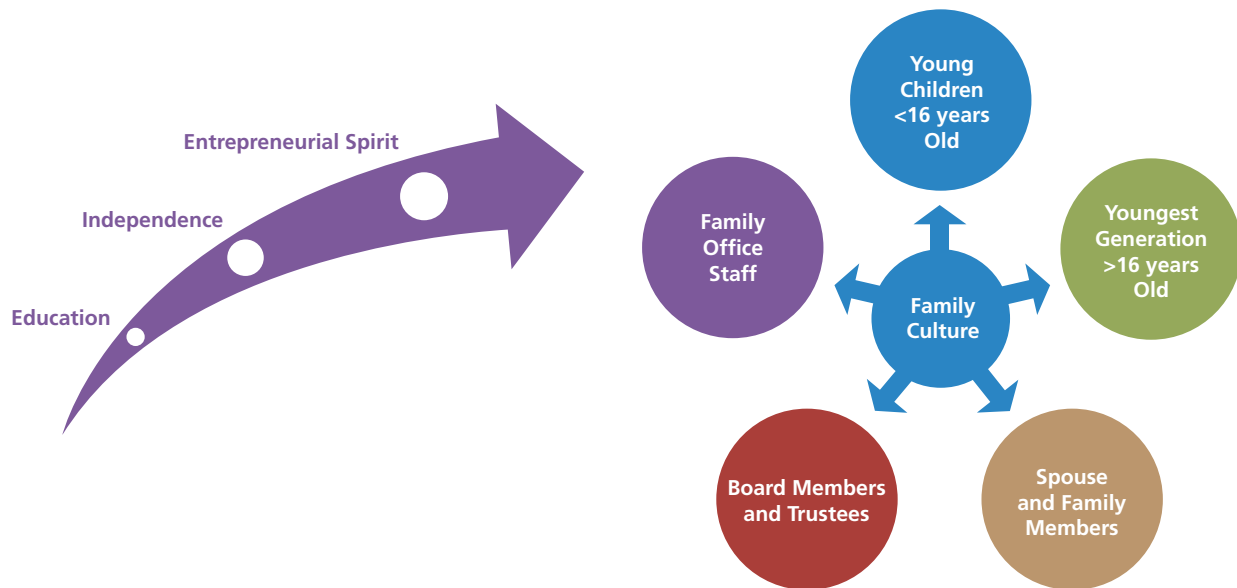
The cost of these learning events is covered by the Lifelong Learning Committee, which is funded by the entire family. The office is always seeking input from G3 about what they'd like to learn. Based on answers to the question, "Who is the family member you'd most like to have lunch with?" they hosted a well-received fireside chat with Uncle Bill (G2) at the annual family meeting where Uncle Bill shared family stories and experiences with the group.

### Case Study #2

Another veteran family office executive shared his integrated approach that incorporates the best of both academic and practical approaches to family learning. This executive has worked for decades to foster a culture of learning in the office where every interaction with a family member is an opportunity to educate the owner. The office staff currently spends 40% of its time on qualitative/non-financial activities devoted to developing successful, independent family leaders. The ratio of qualitative to financial learning at family meetings is 3:1. The office has written education and communication plans for every family household.

The goal of this integrated learning approach is to ensure that every family member is an empowered leader who has the skills needed to thrive independent of the wealth. G4 ranges in age from 18-47. The group began working together on an investment partnership at an early age. They selected their own leader and rotated leadership of the partnership annually so that everyone had an opportunity to lead. G4 has also planned and served as host/emcee for the annual family meeting. All of these experiences have provided tremendous learning opportunities and have helped them better understand the investment process, recognize what is really involved in leadership, and learn how to make decisions

**Figure 3.2 - Our Approach to Family Education**



***Our goal is to have an education topic every time we meet with a family member.***

together. This approach has allowed them to be ready to transition leadership of the family from G3 to G4 at any time.

One measurement of success for this program and holistic approach to learning is that three members of this generation have earned more from their careers than from their inheritance. He has prepared and encouraged several members of G4 to present at industry conferences.

### **Case Study #3**

Finally, an education consultant shared her experience developing a learning program to help a 70-year-old founder prepare his family for sudden, extraordinary wealth. She began working with him to try to ensure that his estate planning aligned with his true intentions for the wealth and its impact on his children and grandchildren. She worked to establish his children as both beneficiaries and trustees of their wealth and to begin to teach them how to receive this wealth.

The mission of this learning and development program is to prepare the founder’s children to receive this sudden wealth well by educating them about the key quantitative and qualitative competencies required to do so.

*“A learning organization is skilled at creating, acquiring and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights.”*

– David Garvin,  
Building a Learning Organization,  
Harvard Business Review,  
July - Aug 1993

Her challenge was to “make the complex accessible for creative people.” She developed a program, in collaboration with the family, to address the following competencies:

**Administrative, Investment and Technical Competencies (Quantitative):**

1. Knowledge of trusts and fiduciary duties
2. Understanding of investment and management of trust assets
3. Wealth life skills (e.g., understand the structures that hold the wealth, the function of the family office, all legal documentations, etc.)

**Qualitative Competencies:**

1. Individual and intrapersonal life skills
2. Interpersonal and family skills
3. Governance skills
4. Wealth life skills (e.g., live well with wealth you have created and inherited, parent children of wealth, etc.)
5. Philanthropy
6. Mentoring

The keys to success for this family include beginning with a foundation of complete transparency and buy-in from all parties; working with the family to develop meetings/programs that resonate with them where they are today; clarity around their priorities (wealth as a positive force, desire to preserve relationships, philanthropy); and goals for learning.

**Figure 3.3 - Components of Every Retreat/Meeting**

Roundtable Check-In:	Balanced Content:	Best Possible Advice:	Continuous Improvement Mindset – Review/Reflect/Reform:
<p>Share any problems, issues, concerns, achievements, milestones etc. since last meeting. Family is here to support and help each other and these scheduled check-in's create a structure for asking for support and sharing achievements, lessons learned, etc. so everyone can help each other and learn from each other.</p>	<p>At every meeting, there will be an equal balance of technical (quantitative) sessions and “getting to know oneself” and deeper understanding of each other so we can better support and help each other (qualitative) sessions at every meeting. The overarching purpose of these sessions is to build “wealth skills” and competencies needed to live well with inherited wealth.</p>	<p>Experts will be invited to deliver specialized content as necessary. The rationale for this is that we want the best possible advice and expertise being provided at all times.</p>	<p>Each retreat/meeting will be followed up with all participants being asked for feedback. The purpose is to continually improve the retreat/meeting and ensure that these sessions are achieving the learning goals effectively.</p>



## Best Practices for Family Learning

While every family's learning and development program will be unique and reflect the needs of its students, there are several best practices to which all can aspire. This list is culled from conversations with family leaders, industry educators, office executives who are struggling to find the time and resources to do this well, and next generation family members who want to learn.

- 1. Invest in the family as much as you invest in the business, your financial assets, and broader family enterprise.** Your family's human capital is your most precious asset; make sure that your budget allocation for learning reflects this.
- 2. Use a programmatic approach to learning** that incorporates opportunities for individual, family group, and generational peer group learning. Learning is a process, not an event.
- 3. Recognize the different learning styles** in your group and provide opportunities to learn in different ways (e.g., classroom, hands on/experiential learning, field trips, project work with opportunities to present learning/outcomes to the group).
- 4. Involve your students/learners in the development of the learning program** to ensure that it resonates and meets them where they are (life stage, aptitude, and interest).
- 5. Work with the family to outline the quantitative and qualitative core competencies that every family member needs** to flourish as individuals and within the family enterprise and include training on these competencies at every family meeting.
- 6. Include time at a family meeting to complete an assessment** and have a trained facilitator work through the results with the group. Families who have used assessments report increased self-awareness, greater understanding and appreciation of their family members, and better communication across the family.
- 7. Invite trained educators to lead the learning components of your family meeting** to enhance the learning.
- 8. Make it fun!** Include fun activities and time for bonding as a group in every family meeting.
- 9. Incorporate the following into every family meeting:**
  - Time for a roundtable check-in where family members can update the group on their progress and share successes and challenges
  - Balanced mix of quantitative and qualitative learning
  - Qualified, trained experts to teach the content and engage the family
  - System for soliciting feedback to improve future meetings and ensure that the meetings are achieving the learning goals effectively
- 10. Measure and report on your progress.**

Source: FOX Family Learning Focus Groups, 2017



## How FOX Can Help: The FOX Family Learning Network

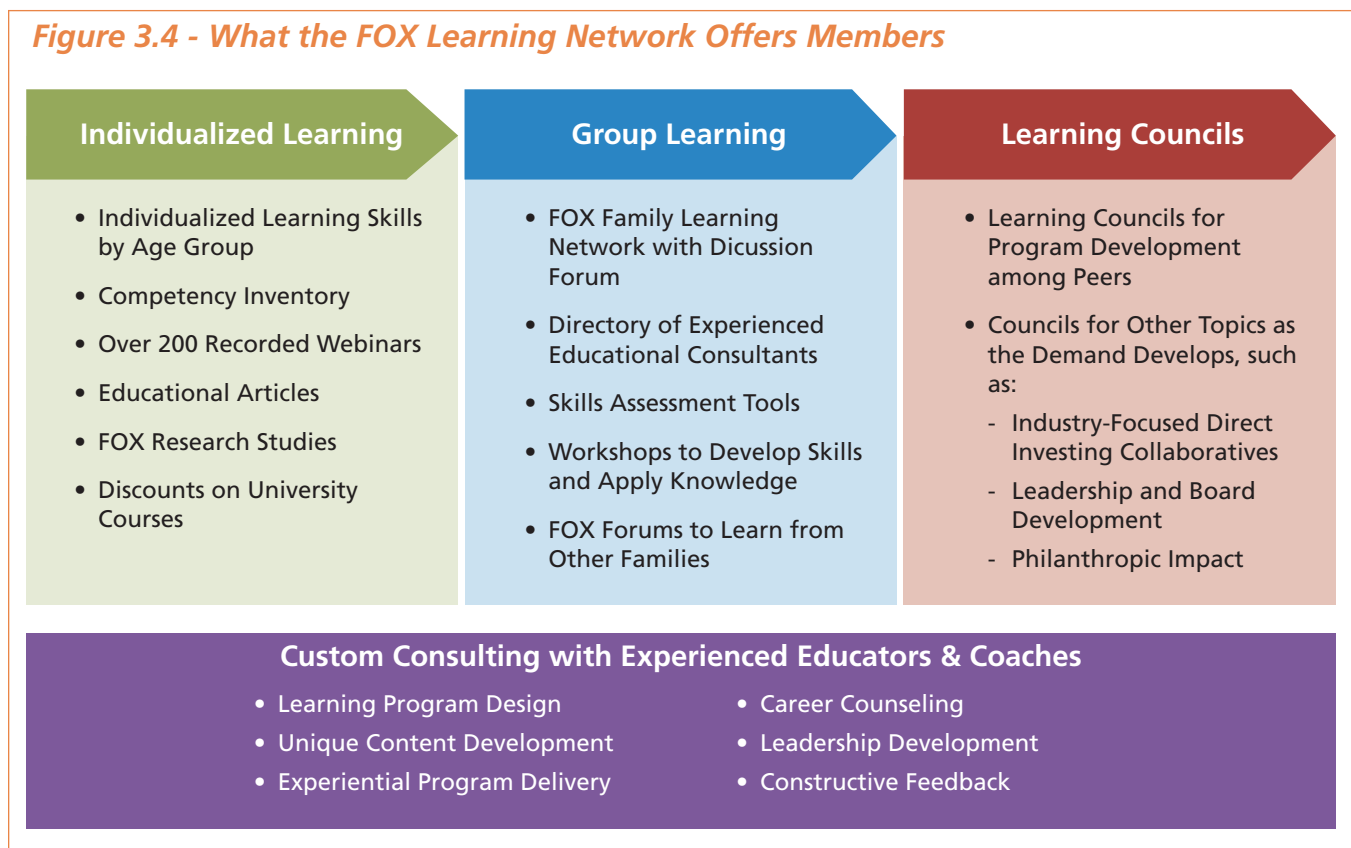
In an effort to respond to member requests and the needs outlined at the summer focus group and Fall Forum Workshop, we have developed a new phase of family learning by launching the FOX Family Learning Network.

This vision combines the online learning resources currently found on the FOX website with individualized and group learning that will be coordinated by a team of experienced educators and coaches. The goal is to provide a marketplace of learning options that members can use to supplement and enhance their current efforts.

The FOX Family Learning Network will be available to FOX family members in 2018. This network includes:

- A dedicated web page providing FOX resources and curated family learning content.
- Leadership from a FOX subject matter expert.
- Online discussions with other members for answers to your questions 24/7.
- Family learning webinar programming.
- An in-person meeting, at least once per year, so members have the opportunity to work together in real time.

**Figure 3.4 - What the FOX Learning Network Offers Members**



*Please let us know if you'd like to join the FOX Family Learning Network in 2018 to learn more about how to build an effective family learning program to project your family forward.*



100 South Wacker Drive, Suite 800  
Chicago, IL 60606 USA  
1.312.327.1200

New York, NY  
1.646.504.0776

San Francisco, CA  
1.312.327.1265

Madrid, Spain  
34.616.94.05.63

Sydney, Australia  
61.414.444.405

[www.familyoffice.com](http://www.familyoffice.com)  
[info@familyoffice.com](mailto:info@familyoffice.com)

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**100 South Wacker Drive, Suite 800 ■ Chicago, IL 60606 USA ■ 1.312.327.1200**

**New York, NY ■ 1.646.504.0776 | San Francisco, CA ■ 1.312.327.1265**

**Madrid, Spain ■ 34.616.94.05.63 | Sydney, Australia ■ 61.414.444.405**

**[info@familyoffice.com](mailto:info@familyoffice.com) ■ [www.familyoffice.com](http://www.familyoffice.com)**