

**National Center for Family Philanthropy**  
**“The Practices of Effective Families”**

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An interview with Charles W. Collier  
Senior Philanthropic Adviser  
Harvard University

In working with families, I have come to the conclusion that asking probing questions is more important than providing quick answers. Here are six essential questions. The first question you might ask yourself is: What impact do I want to have? There are two parts to this question. What impact do I want to have on society? What impact do I want to have on my family? Should I invest in the individual pursuits of happiness of your cousins, of your siblings, of your nieces and nephews? I will add one more question you might want to ask yourself: What is my contribution to my family?

Second big question is: What amount of control around money works in your family? I have seen families where the patriarch or matriarch are on the controlling side. I can respect that because family members are trying to do best they can. There is great variation and there are levels of control that work or don't work in families. I am also asking some of my wealth holders: What accommodation would you have to make to let go of that inheritance, that money? What has been the cost to you of this control?

Here is a third question: What are you most proud of in your family? What are the strengths, the stories, the characteristics of your family that you are proud of?

We live in a society that is preoccupied with money, it's acquisition, it's maintenance and it's distribution. I like to ask the question: What is your non-financial legacy to your children? In fact, what is the most important gift you could give your children? An interesting question because in my charitable tax planning role, I help people transfer money to their children. Many families are preoccupied with inheritance planning to the exclusion of the growth of each family member.

My fifth question is: What is your experience working together as a family? Everyone has a different experience and their comfort level may change over time. There are families who simply cannot work together.

A sixth question: How are you the same or different from other family members? This is a wonderful question to use in a family meeting.

Finally, here is one more big question: What is your dream for the future of your family? Needless to say, these questions could be brought up in couples conversations or in the context of a larger family meeting.

The second part of the agenda today is to discuss the definition of true family wealth. In America we think of family wealth as the money in the family. But I believe that true family wealth has four components. This is a broader and more holistic view than just the money in the family. Indeed, I think that the true family wealth is not financial. There are four components to true family wealth: the human, intellectual, social, and financial capital.

In my view, the first form of wealth in your family is the human capital. That is who your family members are, what their character is, their values, their spirituality, their passions, dreams, and aspirations. All of you have an instinctive view of the human capital of your family. I believe that at 9/11 in New York and the Pentagon, America lost an enormous amount of human capital that day. Because we lost not only those individuals but we lost their dreams and their passions as well. The *New York Times* did a marvelous job with the vignettes for 18 months describing every individual who was lost that day. As you may recall, they didn't talk about who their parents were or where they went to college. They wrote about their passions and their dreams.

I think the human capital is the most important wealth creation capital there is in families and it needs to be nurtured over a lifetime. I like the theological word "calling" because calling suggests some wonderful questions with regard to our children. Who are our children called to be, what are our children called to do? There is not only the expertise of our children, they're finding a binding passion and turning it into meaningful work, but that inner work of self-introspection and self-definition. What am I going to dedicate my life to? What is worth doing over a lifetime? How you think about the human capital of family is a wonderful question. I have suggested that families begin a family meeting by asking these questions of your teenagers. Here is a question you can ask them after this conference.

When your children are young (and this question can be asked of your grandchildren as well) you could ask them: What are you good at and how can your mom and dad invest in it? A little later, you might ask: What is your talent and how can we invest in it? And then in later teenage years the question is: What is your passion and how can your mom and dad invest in it? I have two sons and I have asked them that question and I'm about to ask them the final one: What is your gift and how can your mom and dad invest in it?

The second form of capital in your family is the intellectual capital, what your family members know and how they learned over a lifetime. But it also has to do with family governance and every family has governance in the family even if it's only a small g. If you are business families, you have family governance with a capital G. Family governance means: How do you make joint decisions, solve problems, and manage conflict? Family governance is often unarticulated in many families. Many families either default to or don't articulate their family's governance but should consider addressing this issue.

The third form of capital in all families is the social capital, “civic engagement,” your bonds to society, your networks to community. Social capital is, of course, an academic term that has been studied in the academy since World War II. One of the experts on social capital in America is Bob Putnam of Harvard’s Kennedy School who wrote a book, *Bowling Alone*, where he chronicled the decline and hoped for renewal of social capital in America. A year ago, he and the executive director of the New Hampshire Charitable Trust, the Community Foundation for the State of New Hampshire, wrote a book called *Better Together*.

Your social capital has to do with caring for others beyond your family. I think social capital can come in many forms. Taking your grandmother out to lunch is a form of social capital. Giving your employees a stock ownership plan is a form of social capital. And so is making a charitable gift. Philanthropy is a form of social capital. In fact, philanthropy is financial care. I like the definition of philanthropy by Paul Schervish, professor of sociology at Boston College, who says, “Philanthropy is the social relation where you expand the horizon of your self interest to include caring for others.”

Finally, there is the financial capital of the family; the stocks, bonds, and real estate that most people in America think of as family wealth. Financial capital is simply one form of family wealth. And, it too, needs to be well thought about with a shrewd asset allocation both across asset classes and across generations. These four capitals make up your true wealth of a family.

I want to be clear about a family’s financial capital. The most important question surrounding the preservation and enhancement of the financial wealth of the family is: how do we grow great owners? How do we prepare our children who are not in the financial services to be responsible owners around the money they will inherit? These are the most important question that can be raised with a family with regard to its financial wealth. The question is not how do we get into another tenth asset class? Or how do we increase this year’s total return by an additional 2%? The most important question I think families, who want to be multigenerational families, have to address is: What are the core skills and competencies that the each family member (including the artist in our family) needs to learn with regard to money and philanthropy?

The “four capitals” can change the goal of the estate planning process. For many advisors, the estate planning process is to pass on as much money as possible at minimum tax cost. If you think as I do that the four capitals may be a more effective way to look at the real wealth of the family, then the goal of the estate planning process changes. The goal might be this: to transfer an appropriate amount of inheritance to each family member that will enhance their life course.

Let me suggest seven practices of successful families. I think effective families make decisions based more on thinking than on emotion. That is, they base decisions and actions based more on thoughtfulness, principles and facts in the family rather than on making a solely emotional decision. They think more about thought-directed behavior

than automatic-driven behavior. Of course, this idea applies to all families—with or without substantial financial wealth. I work with an alumnus in New York told me that daughter is an investment banker and that his son is a windsurfer in Hawaii. And then there was a pause and he said, “he is finding himself.” His remark impacts his estate plan because he is not sure how much to give his son and in what form, trust or outright.

As I thought about our conversation, it seemed to me that he was making a decision regarding the inheritance for his son based more on emotion rather than on thoughtfulness, principles, and facts. The truth was that his son had no intention coming back to New York to be the lawyer his father thought he should be. The son loved what he does and was a co-owner of windsurfing store out in Hawaii.

Let me be clear. I am not saying that emotion or emotion-driven decisions are ineffective. What I am suggesting is that it may be helpful to be an observer of oneself while making an important decision. Am I making this decision based more on emotions or on thinking? How should I think through this issue, this problem, this transition?

The second practice of effective families is to form relationships with as many family members as possible. Stay in contact with family across the generations. I know many families, including my own, where there is little contact with cousins, nieces, and nephews. I am trying to reach out to mine and am spending more time with my 93-year-old father to get the family stories and facts right before it's too late. I am spending more time with my siblings. My older sister's husband died of kidney failure a year ago and she moved into my hometown. I see her more now and as a result I have come to know her better. My conclusion: contact with one's siblings is key to our wellbeing because we share with our siblings contextually and genetically than anyone else in the world.

Third, foster an open and inclusive family system. Are you a family based on blood or based on affinity? Jay Hughes, a family business consultant on Colorado, has a chapter in his new book on “families of affinity.” Are you going to bring in your son-in-law, your daughter-in-law, your step-children, your adopted children into your family? Are you going to be a family based on affinity or based just on blood relations? Can you welcome the differentness of these other family members? Over the last ten years, my own family has evolved in ways I could never imagined. My father is remarried, now with step-children. He has 10 grandchildren one of whom is gay with a lifelong partner. He has seven great grandchildren, three of whom are adopted, one each from Russia, China and India. This is the new look of our family. It is difficult but we are trying to be a inclusive family based on affinity.

Fourth, I think effective families rally around family members who are going through life's transitions. All of these life changes (births, deaths, marriages, inheritances, relocations, for example) are transitions that can generate anxiety—in a family member or, indeed, the family as a whole. Anxiety is part of life. I am trying to be aware of what is going on in my family and my response to those changes. For example, when my sister's husband died last August there was a drawn out period before his death. I

wanted to be presence for her and accountable during this time, but I didn't want to impose myself. I wanted to be respectful and responsible. I tried to think before I did or said something to her during the time as he was going downhill.

Ted's death was a major transition for my sister and our family. During the final week of his life, I decided I wanted to be a presence for Ted in his dying. I was grateful to be able to spend time alone with him a few days before he died. I said goodbye and acknowledge his courage in his fight and in accepting his death. Since then, I have been thinking about how death can deepen the respect for the attachments we have in the family. Perhaps we are not as separate as we think we are from some of our family members.

The fifth characteristic of an effective family is that they think creatively about responding to life's challenges. These transitions, changes, times of loss are difficult but some people are a little more resilient than others. How do some family manage themselves in these hard times? Somehow, if you can hang in there, life rights itself. One question I have asked families, including my own father in front of my two sons, is: can you tell a story about a time when you were resilient to a life challenge? For grandparents, this is a wonderful question and conversation to have with your grand children. Go easy on telling your grandchildren about your accomplishments! Tell your grandchildren about a difficult time or transition and how you worked your way through it. Effective individuals and families are creative about responding to life's challenges.

I think effective families are clear that the goal of parenting is to rear autonomous children. Autonomous children are those who are separate but stay connected to the family. Effective parents promote self-sufficiency in their children at every turn. The goal with my sons is to encourage them to lead their own lives while staying connected to the family. Hard to do. But it reminds of a quote from Albert Camus who said, "The purpose of all that love is that they shall separate."

Finally, the seventh trait of effective families. These families strive to have relationships with adult children that are open, separate, and equal. Open. We can talk about anything and we can even talk about the money. We can discuss the "differences" in the family. You can be different and still be a part of this family. I am trying to have an open, separate, and equal relationship with my two sons. I think about goal, but often I still act like the parent. I have come to the conclusion that as adults we ought to strive to treat our children as our peers (perhaps) by age 25. Maybe from birth to 25, the parent is the parent and the child is treated as the child. From 25 on, the parent stops parenting. Later in life, the roles can change. I am becoming the more of a parent to my 93-year-old father. But in that new parenting, I am trying to be responsible and let him do what he can do while still providing a new level of support.

Lastly, let me turn to the family stories. I ask this question of families with whom I work: What does your family want to preserve beside its financial wealth? Are there family rituals, family traditions, family lessons, family possessions, and family stories you want pass onto the next generation? I think the seminal family stories are important. Stories

shape our identity. We live in stories. The stories reveal the landscape of who we are and who we become. Stories are part of a family's web of meaning. In many societies there is a rite of passage, often at age 13. With this initiation rite, the initiate hears for the first time the sacred stories of the family, the clan, or the tribe.

I think the family stories are important for two reasons. First, they send a message to your children and grandchildren that they belong and their family is unique. It encourages family members to identify the "differentness" and the uniqueness of their family. All of you could tell a story of your family and that illustrates something about who you are as a family. Your family stories need to be told and retold over time.

The second reason family stories are important has to do with money. All of you know about the proverb "shirt sleeves to shirt sleeves and three generations." The first generation makes the money; the second generation lives off the money; and the third generation spends the money, being disconnected to the financial wealth, and the fourth generation has to then re-create the wealth. I think that one reason some families, and their money, do not survive to the third and fourth generation is because there is no connection to the source of the wealth or the wealth creator. The family stories are often the only way for the third and fourth generation to know the wealth creator. That is the way they stay connected to source of the financial wealth in the family.

Finally, the family stories are important because they are a way to integrate loss and deal with transitions. Family stories are a way to integrate new family members into a family. And family stories can surface at different times. When my mother died seven years ago, all of my siblings and spouses met to tell our most poignant stories about her. The stories were different because each of us had a different relationship with her. But the stories had a calming effect during an anxious time of transition.

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