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Family Roles and their Interaction with Investment Goal Formation

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ABSTRACT

An earlier treatise [Brunel Gray 2005] introduced the concept that family members have multiple roles, some of which may be partially hidden, which affect the formation of investment goals for the family. Inadequate knowledge and understanding of these roles can make a traditional asset allocation difficult, if not impossible. This article digs deeper, uncovering the basis for goal formation by showing how the roles family members perform identify the needs and goals of the family and of the individual members within it. The author will illustrate the impact of generational perspectives on the way family members view each others' roles—as well as how family members view their own roles—and, thus, how these perceptions initiate a continuum of role assignment and needs identification through the family governance system which significantly influences the formation of wealth management and investment goals and, ultimately, the strategic goal-based asset allocation.

Introduction

Any attempt to understand the process through which families of wealth set wealth management and investment goals may be greatly enhanced by exploring more fully the roles family members perform. By noting the differences in outcomes when family members operate within the family system in certain capacities [Brunel Gray 2005], it becomes clear that roles are critical components in the goal-setting process. Furthermore, an examination of family members' perceptions of both their own roles and the roles of others is critical in achieving sufficient depth of understanding of the optimal way advisors may work with individuals. Only by accurately identifying the roles family members should perform may the family's needs be determined in a way that enables meaningful satisfaction. When appropriate goals are set that match the family's authentic needs, effective strategies can be designed for successful achievement. It can be established, therefore, that there is a continuum for family and individual investment goal setting and, ultimately, for the entire wealth management process.

The author believes there are biases and prejudices grounded in generational perspectives which influence the perceptions of family members' roles. Such perceptions color a person's view of a role, causing decisions to be made based on information or criteria which may be merely assumed. Needs identified based on role perceptions rather than authentic roles may result in the setting of goals that do not match the actual needs of the family or of the individuals within. This potentially throws the entire goal-based asset allocation mechanism off kilter, causing every investment strategy built upon the goals to become at best unsuccessful and at worst completely irrelevant.

It is the objective of this article to examine a more specific aspect of the impact that roles make on a critical component of the relationship advisors have with family clients; that of goal formation and its interaction with goal-based asset allocation. In exploring these concepts, we will traverse an overview of the continuum of family wealth goal setting, individual segments of which either cognitively or subconsciously flow within the family process as follows:

1. The influence of generational biases and prejudices on role assignment
2. Identification of needs based on family members' roles and the motivation to satisfy them
3. The manner in which goals are set for achievement

4. The connection to goal-based asset allocation,[1] asset location issues, and investment selections

We begin by briefly examining the various elements of the goal formation continuum and their influence on decision making. The interaction of these elements with the process of setting investment goals as illustrated in a case study will lead to a discussion of the integration of those goals with the goal-based asset allocation model.

Generational biases and prejudices toward role assignment

Depending on the particular set of generational perspectives at work within a family at one time (i.e., the family's "generational maze"), roles are assigned to family members and their performance judged (or pre-judged) by every other family member according to his or her generational frame of reference or generational template. These roles, either accurately identified or inaccurately imposed, are foundational components in identifying the needs of the family through the family governance system.

Goals are set for the purpose of satisfying these needs on multiple levels. Since the foundation from which these goals are formulated is comprised of perceptions grounded in generational biases, the resulting goals may or may not serve the family on the path to optimality.[2] The influence of generational viewpoints on the roles family members perform cannot be ignored. Although these biases and prejudices often are subconscious, they are real and have great impact on the ability of the family wealth to regenerate itself. Mannheim [1964] speaks of experiences throughout life gaining their meaning through the initial set of impressions of the world formulated during the mid to late teens, creating a predisposition "for a certain characteristic mode of thought and experience, and a characteristic type of historically relevant action."[3] These impressions create a generational lens which colors our natural view of the world. Everything we experience after this natural view is formed derives its meaning through this lens, regardless if that experience serves to verify or negate our particular world view. "Even if the rest of one's life consisted of one long process of negation and destruction of the natural world view acquired in youth, the determining influence of these early impressions would still be predominant." [4]

One's generational lens is shaped by the social backdrop and economic events which occur during the formative years of youth. People born within a specific period of years or "birth spectrum™" who together experience the primary impacts of events occurring

in their formative years develop "a collective persona" as described by Strauss and Howe [1997] which becomes a frame of reference or a generational template which influences decisions made throughout a lifetime.

Each generation has its own dispositions toward family life, gender roles, institutions, politics, religion, lifestyle, and the future; each generation thus "possesses its own personal biography." The aging of generations connects the "rhythms of the past" to the "rhythms of the future. It explains why each generation is not only *shaped by* history but also *shapes* later history…In all these ways, the generation lies at the root of the saeculum."[5]

Whatever the generational frame of reference of family leadership, it will color leadership's perception of the roles family members should perform. In turn, each family member's generational template will shape his or her own role perception. As leadership imposes its own template by consciously or subconsciously assigning roles to family members, the manner in which family members interact with each other also is determined. Hidden rules become part of the family's framework or "personality." The degree of openness and communication among family members is determined. These dynamics are the framework through which roles—either authentic or imposed—are assigned based on generational perceptions.

Once assigned, needs associated with the role are identified and motivation enters in to satisfy them. For example, a family member who is viewed as the "black sheep" may cause leadership to identify a need to "protect" the material wealth from the "irresponsible" actions of that family member. Whether the family member is indeed an irresponsible black sheep or if this is merely a perceived role assigned by leadership seems irrelevant to leadership's—and to family members other than the black sheep—identification of the need to protect the material wealth. Leadership is subsequently motivated to set certain goals, either alone or with the help of other family members or external advisors, designed to fulfill the need to protect.

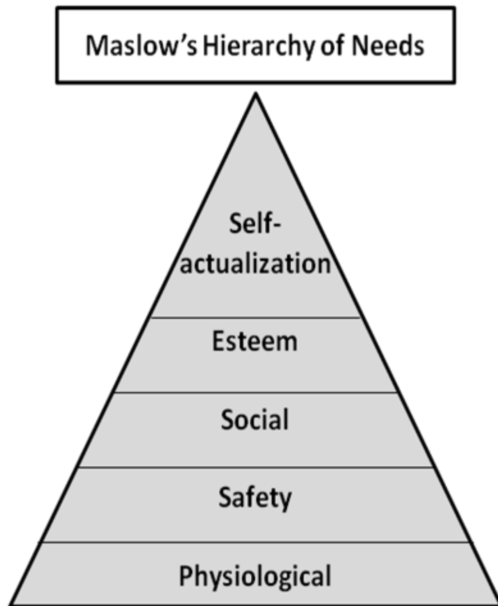
Or one adult child may be viewed as more competent than another to take over the family business simply based on leadership's perception with no effort to understand either child's true passions or abilities. Needs are identified, goals are set, and mechanisms put in place to segue control of the family business to the adult child who is perceived to be the most appropriate person to fill that role.

This phenomenon seeps into the client/advisor relationship. These are the points at which relationships are initiated with advisors. Clients come to advisors with a predetermined set of goals based on needs they perceive as critical at the time. Although this is the point at which the advisor is brought into the picture, it is not the beginning of the wealth management continuum. Why is that important? The inaccurate assignment of roles contributes to a relationship between client and advisor that is based on assumptions rather than genuine roles and, subsequently, genuine goals. When roles are misunderstood, communication and trust break down among the family members and they have problems identifying with and contributing to the achievement of the goals that are set. This results in an inability of the family to make decisions around wealth management issues which everyone supports and, in turn, makes it impossible for advisors to have an effective relationship with the family client. Any effort to design a workable allocation strategy also becomes unsuccessful from the standpoint of directly achieving family and individual goals.

Needs-based motivation for satisfaction

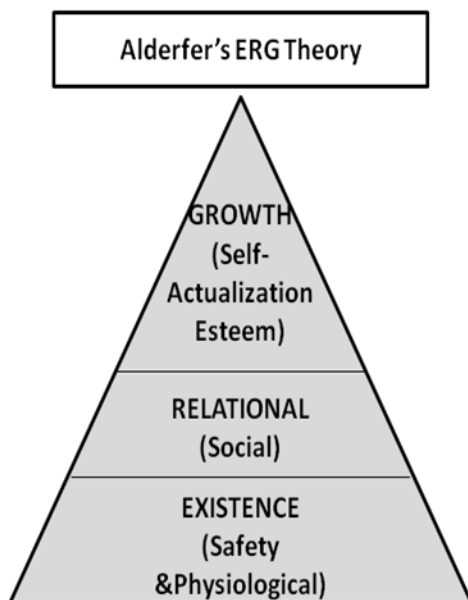
We saw in the black sheep example above the manner in which needs manifest themselves based on the roles (or perceived roles) performed by family members. The concept that need inspires motivation to set a goal follows two modes of thought which are illustrated in Maslow's Need Hierarchy Theory and Alderfer's ERG Theory, the latter of which was a revision of the former. To review, Maslow's theory is dependent upon the satisfaction of a hierarchy of five levels of need, each of which must be met in succession. The five levels are depicted in a pyramid as shown in Figure 1.

Figure 1



The first three levels are further categorized as deficiency needs and the top two as growth needs. Growth needs belong to a higher order which people attempt to satisfy after their deficiency needs have been met. The theory states that deficiency needs provide motivation as long as they remain unmet; once they are met, growth needs inspire the greatest motivation for fulfillment. There is no reverting back to the deficiency levels.

Figure 2



Alderfer's approach employs a simpler structure which has received greater empirical support [Kanov 2003]. As shown in Figure 2, Alderfer's ERG Theory is also based on a hierarchy of three types of needs: existence (the combination of Maslow's physiological and safety levels), relational (Maslow's social level), and growth (combining Maslow's esteem and self-actualization levels). Unlike Maslow's model, Alderfer's theory recognizes that the fulfillment of different levels of needs may be pursued simultaneously. It also recognizes that the order of fulfillment may be different for different people. People may 'regress' from a higher level need to fulfill a lower level need to which an easier solution may be found.[6]

This coincides with Brunel's [2006] observation that individuals have multiple goals with a different risk level for each, the achievement of which may be pursued simultaneously although with different priorities. He points to Statman's observation that people who buy insurance may also buy lottery tickets and, therefore, be risk averse when buying insurance and risk seeking when buying lottery tickets.[7] If the purchase of lottery tickets proves successful, they may abandon the regular payment of insurance premiums based on the assumption that their good luck will continue (overreaction to chance events). From this, we can draw an implication that people may overestimate their tolerance for risk in setting certain goals (overconfidence) and overlook or assign a lower priority to goals with more acceptable levels of risk which may actually be more effective in satisfying their needs. Investors also may identify multiple needs and set goals to satisfy them, yet their true concerns may be less obvious. They may feel powerless to address these underlying concerns and may compensate by setting goals more closely aligned with an inappropriate role they are performing and which, inadvertently, introduces more risk than their overall tolerance would bear.

In the second case study cited by Brunel and Gray [2005], the key to unlocking the authentic needs of the family (and, therefore, the advisor's ability to design a workable allocation strategy) hinged on the fact that the patriarch was performing a role that was inappropriate for his stage of life. Therefore, his "need" to continue building the wealth within the perceived CEO role he was carrying over to the family office produced an inauthentic goal. It introduced greater risk from the standpoint that he was pursuing aggressive growth strategies at a time in his life and the lifecycle of the family wealth when he should have placed more emphasis on capital preservation and income. His underlying concern was that the three pools of wealth within the family would spoil his grandchildren—certainly not a concern that would be addressed by continuing to build the wealth. This concern was masked by his focus on performing the CEO/build wealth

role as head of the family office. He felt powerless to do anything about this underlying concern because of his disconnected relationship with his daughters, the mothers of the grandchildren who might be spoiled. This disconnect was the result of his misperception of their roles and their lack of support for the goals he had set.

Through the process of the advisor's asking the right questions and uncovering the patriarch's authentic needs, the patriarch was able to see and accept his new and more appropriate role of educator and mentor. This allowed the identification of the family's authentic needs, subsequently enabling joint decision making by the family and a workable goal-based allocation to be designed with more appropriate risk levels for the family's goals. In the process, the patriarch was able to move beyond his generational biases to see the authentic roles of his children and to give their needs the validation which had long been withheld. This motivated his daughters to give the patriarch the support he had always sought for the goals he had set, giving those goals a greater potential for successful achievement.

Roles and the Translation of Personal Goals into Investment Goals

Needs—and the goals formulated by the motivation to satisfy them—are properly identified through the family governance system during the process of analyzing the family's current situation, the heritage of its ancestors, and the contributions being made to the family wealth by living family members. Many families are not cognizant of or do not understand this very important function of their governance systems; therefore, they set goals which may miss the mark in satisfying their authentic needs. Advisors often do not understand the impact of a family's governance system on their ability to serve individuals and family clients. If they did, more time would be invested in uncovering the authentic needs and assisting families in developing strategies to fulfill them. When clients and their advisors begin working together at the moment of critical concern, which is in the middle of the wealth management continuum, the vital components at the beginning of the process are completely left out.

Once individuals and families reveal the goals they have set, advisors must uncover the source of the goals to determine if their formulation is indeed based on the authentic needs of the family or, if the goals are based on assumptions, presented through the lens of generational biases. Brunel [2008] speaks of "defeasing each goal in a way that makes sense to the investor." How better to defease goals in a way that addresses

investors' concerns "where they live" than to match them directly to the fulfillment of accurately identified needs?

In describing the roles of family members and how they may affect the family's future, Williams and Preisser [2003] state that "The careful assessment of an heir's *interests,* and the proper match-up with the family's *needs,* is important to the heir's long-term satisfaction and performance in the job. In addition, where heirs "bought in" to their roles, the necessary preparations, and the heir's active participation in developing their own competencies seemed to follow." This implies that heirs are aware of their roles and that those roles match the talents, passions, and stage of life of family members, serving as a solid foundation from which needs are identified and effective goals may be set.

The ultimate role for every family member, according to Hughes [2007] is that of dynamic stakeholder owner. Every family member performs the role of an active owner of the wealth with a personal stake at risk. This personal stake, in fact, looms larger than a single person since the combined energy of a family of dynamic stakeholder owners is much greater than the energy of any single family member.[8] Such an owner is aware of the roles he or she should be performing, accepts the responsibility of carrying out his or her respective performance, and voluntarily contributes to the regeneration of the wealth over multiple generations. He or she helps the family form goals which are aligned with the needs, values, and desires of the family as a collective entity as well as of each individual family member. This indicates a level of relationship among the family's goals which allows individual family member's goals to be realized without jeopardizing the ultimate goals of the family. It also points to the necessity for all advisors to the family to be fully aware of these goals and to have them uppermost in mind to facilitate relevant and meaningful service.

Thus, the roles family members perform have a direct bearing on the investment goals the family develops. If the roles being performed indeed are not well suited to the family member's talents and passions or to the appropriate function within the family, they can cause the formation of the family's goals to be faulty. This can lead to a misunderstanding of the true risks the family faces. Hughes [2007] notes that "no family can manage risk of any kind—financial, personal, or familial—if it can't manage the risks of its own life. If family members don't understand fundamentally who they are, how can they answer the questions about how much risk to take?" Further, if the family perceives its risks to be of one nature when, in fact, its true risks lie in less obvious

areas, the risk parameters accompanying the multiple goals of the family become impossible to effectively manage.

The generational perceptions of the roles other family members perform or should perform along with the family members' perceptions of their own roles feed into the formation of goals which are brought to the advisor at the commencement of the advisor-client relationship. By educating clients to the possibilities of their own generational biases, we can create awareness of the authentic roles family members should be performing by employing the concept of dynamic stakeholder ownership.

A robust understanding of what makes a stakeholder an owner and the difference in a stakeholder who is dynamic and one who is not enables families and their advisors to understand family and individual needs and goals more clearly within the current maze of generations alive in the family as well as for future ones.

Goals set by family members who understand their roles as dynamic stakeholder owners inspire themselves with further motivation for achievement by setting meaningful goals. Vroom's Expectancy Theory [1964] tells us that once a goal has been set, the likelihood of satisfactory achievement is linked to effort, performance, and motivation, expressed as three variables of valence, expectancy, and instrumentality. Valence has to do with the level of importance placed on an expected reward or result; expectancy operates on the notion that the greater effort extended, the better the performance; instrumentality is connected with the belief that a valued outcome will be received if a high level of effort is expended.[9]

Therefore, individuals change the level of effort they put toward achieving a goal according to the value placed on the outcome they expect to receive and the satisfaction they get from achievement. The work of L.W. Porter and E.E. Lawler [1968] expanded Vroom's theory, adding the dimension that motivation is not the only force behind the achievement of goals and noting the impact of individual abilities, traits, and perceptions of roles.[10] Of course, this circles back around to the beginning of the goal-setting continuum.

Dynamic stakeholder owners have a clear concept of their roles, the needs those roles present to be fulfilled, and the rewards that achieving the goals set for that fulfillment will provide. So if the original motivation is created by the identification of needs based on the authentic roles family members perform, appropriate goals are set, and the goals

themselves subsequently reinforce the motivation for achievement. This translates into sound joint decisions made by the family for the management of its wealth.

It logically follows that investment strategies may be formulated with the objective of achieving goals based upon fulfilling the needs of roles or perceptions of roles. Family members and/or advisors to the family are then charged with implementing these strategies and are assigned actions of strategic execution.

When the family and its advisors fully understand the components of the wealth management continuum and how they influence each other, matching the goals to authentic needs clarifies the amount of risk required to achieve the goal. This level of understanding also equips both the family and its advisors in understanding and educating against the influences of behavioral finance. Behavioral biases may be used as a tool with which to gauge the authenticity of a goal, enabling the advisor to open the door to an examination of the roles family members are performing and the resulting needs which the goals were identified to fulfill. For instance, the founder of the family in the black sheep example may carry his fears of the risks he perceives relevant to the black sheep over to a decision to invest a disproportionate percentage of assets in the capital preservation bucket. As in the example cited in Brunel's book in the chapter on goal-based allocation,[11] he may view real estate as a capital preservation asset and, in our example, become overly concentrated in real estate as a "safe haven" from the "recklessness" of the black sheep. The risks of short-term fluctuations in the real estate market are completely overlooked and the ability to satisfy the founder's need for income may be compromised.

An advisor well educated in the effects that perceived roles can have on goal-setting would be able to ask appropriately diagnostic questions to uncover the founder's real concerns and also to open channels of communication within the family which may overcome generational biases. This discovery would lead to the identification of personal goals which then need to be interpreted as investment goals. At this point, behavioral finance serves to translate the family's goals into a financial language[12] which may ultimately be utilized to correctly position the family's authentic goals within Brunel's goal-based allocation model. Not only may goals then be appropriately categorized within a goal-based investment framework, but the appropriate risk tolerance for each goal can be readily measured and the assets located in appropriate ownership vehicles.

Figure 3

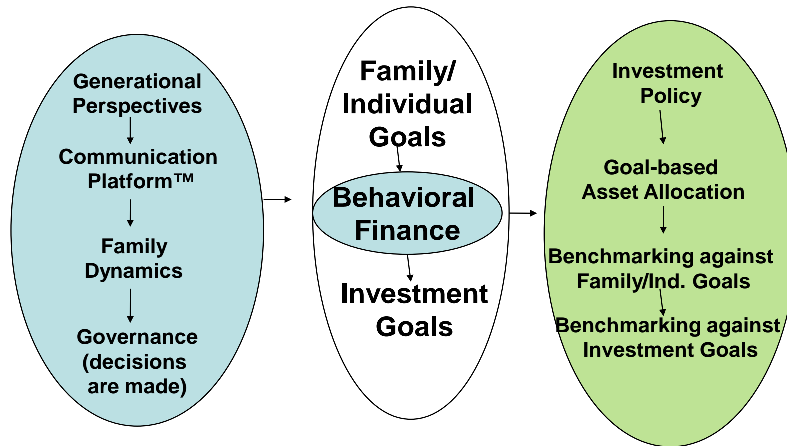


Figure 3 shows the entire wealth management continuum beginning with generational perspectives which, through the Communication Platform, identify the roles family members perform and, subsequently, the dynamics at work in the family. The family governance system identifies the needs required to fulfill those roles. Decisions are made, goals are set, and strategies are identified to achieve them. In the second phase, the family's and individual family members' goals are translated by behavioral finance into the investment goals. An investment policy is developed which prioritizes the goals and identifies the risk profile associated with each. The goal-based asset allocation is designed and progress is assessed by benchmarking against both the achievement of both the family/individual goals and the investment goals. In this manner, a streamlined, continuous process is employed which directly addresses the needs of the family and its individual members, using the tools of investment management to achieve the goals that have been set.

Case Study

To view these elements from a multi-generational aspect, a case study has been designed which may further illustrate the impact of generational role perceptions on goal formation, goal-based allocation, and the ultimate success of the family. Although certain aspects of the family scenario are fictitious and the ultimate outcomes may be overstated, the family's situation is based on a conglomerate of real-life examples.

Consider the Skee family.[13] Marge, an engineering major, and John, an architectural design major, met during their graduate studies. Both had a passion for skiing. Together, they developed a line of ski equipment preferred by champion athletes and built a company with revenues over $2 billion[14] and multiple global outlets. The Skees have three children. Susan, age 35, and her husband manage one region of the firm located in an oil-rich area of the world. Mike, age 33 and the only son, is expected to take over the business in five years when Marge and John plan to substantially scale back their involvement. Mike is engaged to Swiss-born Zia, a top-line fashion model. He likes the attention he gets when Zia is with him and loves the prestige of representing the company at significant social events around the globe. Anna, age 22, spends most of her time jetting from city to city to meet up with her friends.

The family own the majority of the company's shares and also have extensive real estate holdings in addition to their homes in Aspen, Carmel, and London.

Generational Role Perspectives: Marge and John are workaholic baby boomers who value work ethic and immediate results above all else. They view Mike as the logical choice to lead the company because of his visibility which garners new business from each major event he attends. They feel he 'knows' the business and will quite capably lead the firm to the next level. Susan and her husband are viewed as steady workers who are reliable, yet with little business acumen and not tremendously resourceful. Both genuinely have a passion for the business, have extraordinary talent, and are driven to succeed. As Gen-Xers, they are independent thinkers and like to pose what-if scenarios to present ideas for growth. Marge and John listen but rarely go beyond complimenting them for their ingenuity and subsequently discounting their ideas. Anna is viewed as the black sheep of the family with little interest in anything but keeping up with her friends and spending uncontrollably. Her exploits are reported in the media on a regular basis.

Susan is a Gen-Xer who has always sought to please her parents and has intentionally wanted them to view her as reliable so that they would feel comfortable handing her the reins at some point. With Mike slated to lead the company, Susan and her husband are frustrated that their real talents have never been recognized or appreciated. The fact that they have doubled sales in the Middle Eastern region receives little recognition and is primarily attributed to the growth of luxury spending in the oil-rich countries.

Mike, another Gen-Xer, is essentially a playboy who revels in the limelight and enjoys doling out favors to his friends with little real basis for doing so. Zia has exerted her influence as a top fashion model to obtain invitations for him to exclusive gatherings attended by important ski enthusiasts. She has asked for shares in the company as a wedding gift.

Anna, a member of the Echo generation, would love to contribute but she feels no one really cares what she does. She figures the money will always be there and that she will start a business of her own one day and wants to spend time having fun with her friends while she can. Her secret desire is to become a microbiologist. Anna wants to make an impact and wishes to contribute to the family but she is given little information about the business and her efforts to be involved are consistently patronized. She constantly texts Marge and John asking how eco-friendly the business is and submitting ideas she has researched for going green.

Because of generational biases, Marge and John have been too busy building the company to spend much time genuinely listening to their children. They assume Mike and Susan, having “grown up in the business,” know as much as they need to know about the company and also about managing wealth. Susan and Mike felt abandoned as children since Marge and John were away quite often building and growing the company and have pursued their own interests in their own way with little coordination or input from their parents.

Obviously, little real communication occurs within this family. Trust among the family members is shaky at best and, although family members may be involved in the business, their potentially dynamic involvement is inhibited by the roles imposed upon them. Other family members are simply passive recipients of dividends with little opportunity for involvement of any kind.

Perceived Goals: As a result of Marge and John’s perceptions of the roles their children should play within the family and the family business enterprises, they have identified a number of goals they wish the family to pursue and they have expressed these goals in meetings with their advisors. Marge and John are obviously in leadership roles but they have never examined the quality or effectiveness of their leadership. They have never been good delegators yet their perception of Mike’s qualifications as designated heir of the business has made them feel confident in their ability to scale down over the next few years. They have created a succession plan for the business completely based on

this perception. They also have invested in multiple private equity concerns, all focused on the retail segment.

They want the wealth they have created to last for seven generations and they have set up trusts that own company stock with their grandchildren as beneficiaries. Their primary goal is to secure the lifestyle they wish to maintain after they retire at age 60, hand over the business to Mike, and pursue their dream of conquering the most challenging ski terrain across the globe before they reach age 70. They also are concerned about protecting the family's assets from Anna and Zia whom they see as the largest threats to the wealth they have built. As certain as they are that they are placing Mike in the proper role of CEO, they are equally comfortable keeping Susan and her husband in their supporting leadership roles over the Middle Eastern region. Their goal is for Susan and her husband to create and lead a second headquarters there and report to Mike. They want the bulk of the company stock to remain in the family so that the family will always have majority control.

Marge's family recently left her $75 million. After having set up generous trusts for their grandchildren, Marge has decided she would like to leave more wealth to her children; however, she would rather have them receive the money at an age when she feels they will be more responsible. She decides to place her entire inheritance in a trust with distributions to be made to her three children as each reaches age 50.

Scenario 1: Results of Perceived Roles and Perceived Goals: Marge and John retire and Mike becomes the new CEO. Susan and her husband become increasingly frustrated that Mike has been given control; they sell their shares of the family business and build a rival company with substantially different line of ski equipment which they designed and patented. Meanwhile, Mike revels in the prestige that his CEO position offers; he cares primarily about maintaining that prestige regardless of its effects on the company's profitability or employee morale. He succeeds in damaging shareholder confidence and, on top of inept leadership, the family business begins to lose market share to its new rival. Zia leaves Mike after having sold the shares she received after their wedding to invest in Susan's and her husband's new company. She uses another part of the money to start the fashion design company of her dreams.

Most of the family's money is tied up in the company stock and other illiquid partnerships owned by the trusts. The value of those assets plummets by half and the family is virtually powerless to do anything but watch. Lawsuits begin to mount.

Continually on the sidelines, Anna becomes increasingly depressed because she feels her life has little meaning. She gives up on her dreams of becoming a microbiologist.

Meanwhile, Susan turns 50 and receives her distribution from the trust Marge set up with her own inheritance. Two years later, Mike turns 50 and receives his distribution which is larger than Susan's since the money has had two more years to grow. Susan fumes that this is unfair but her complaints fall on deaf ears. Increased discontent can be imagined regarding the size of Anna's distribution when she turns 50 eleven years later.

Family meetings become non-existent; even less communication exists between family members because of ill feelings on several levels.

The asset allocation Marge and John set up based on the perceived goals they identified works against them. By locking up most of their assets in the company and long-term, illiquid investments concentrated in the retail segment and in real estate, they have no access to the small amount of funds that are left. Their retirement lifestyle plans become moot and their multi-generational aspirations disappear altogether. They eventually divorce. John takes his portion of the assets that are left and invests in a new venture. It fails and John becomes homeless.

Scenario 2: Results of Authentic Roles and Goals:

If the family's governance process had correctly identified the roles of the family members and the goals for the wealth, and if the strategic goal-based asset allocations for achieving them had been based on those authentic roles, the results could have been quite different.

In this case, Susan and her husband's ideas are heard and considered. Some are implemented on a trial basis; others are kept for later consideration. Many prove beneficial, adding to the company's profits and enhancing value for both the family and public shareholders. When Marge and John retire, Susan and her husband are recommended and subsequently elected by the board to lead the company. Since Mike has consistently made less than wise decisions over his area of the company, his role is reevaluated. He becomes media and public relations head. He thrives in this role, manages the company's image and investor relations segments brilliantly, and loves the prestige of talking with media types and being recognized for his frequent interviews on investment news shows.

Susan and her husband improve upon the company's original ski design which is successfully tested by world ski champions and proclaimed, "the ultimate ski for ultimate athletes." Profits for the company soar. Meanwhile, having found ready listeners in her parents, Anna verbalizes and subsequently realizes her dream of becoming a microbiologist. Zia, realizing her beauty will one day fade, expresses her desire to become a major fashion designer. She and Anna team up to design an eco-friendly line of ski apparel, adding a new stream of revenue for the company.

The family has worked with an astute advisor to diversify their holdings and set up capital preservation investments which throw off enough income for Marge and John to maintain the lifestyle in their retirement at a level to which they have become accustomed. The trust Marge set up for her children pays each child a pre-set amount, adjusted for inflation, as he or she turns 50. The family set up a family bank which funded the development of Anna and Zia's new line of ski apparel which they subsequently sold to the original business for additional shares, some of which are in trusts within the family LLC of which they are the beneficiaries.

With their retirement goals accomplished, Marge and John make headlines as they conquer the most challenging slopes around the world, breaking records in their age bracket.

Implications

Although the two outcomes are a bit overreaching, they illustrate how various family members' perspectives on the roles they and other family members perform directly affect the management of the family's wealth and the ultimate success of the family. By understanding the source of individual and family goals and not simply taking them for face value, advisors can offer a more robust form of integrated wealth management. The wealth management continuum basically connects the "warmer" issues of family wealth to the investment component in a way that makes sense and that also speaks to the client's deepest level of concern. This creates a new model of service that integrates both sides of the spectrum, within which particular areas of expertise may be more effectively applied. Such an approach creates efficiencies in wealth management, the ultimate objective of which is goal achievement.

[1] Any references to goal-based allocation throughout this article are based on Brunel's goal-based asset allocation model which identifies four basic goal buckets with which investors identify in their daily lives: income, liquidity, capital preservation, and growth. Other buckets may also be identified as opportunistic investments or trades, operating businesses, and collectibles.

[2] In his book, "Integrated Wealth Management: The New Direction for Portfolio Managers, 2nd Edition," Brunel notes that "individual investors will travel on the road to optimality rather than reach it in one fell swoop." He speaks to the need of individuals to learn and gain experience with markets and specific strategies over a sufficient period of time, focusing on their "individual needs, goals, aspirations, fears, constraints, and preferences." It is the responsibility of advisors to guide individual and family clients along the path that will lead to what may be considered an optimal strategy based on their particular goals, both as individuals and for the family as a separate, distinct entity.

[3] This is found in Mannheim's comments regarding the "tendency "inherent in" a social location." Strauss and Howe in their writings also speak of defining generations in association with a social, experiential location.

[4] The power of generational perspectives over the entire life of a person is further emphasized in that, "For even in negation our orientation is fundamentally centered upon that which is being negated, and we are thus still unwittingly determined by it." Strauss and Howe also point to the power of generational influences in political elections and world events in their book, *"The Fourth Turning."*

[5] Strauss & Howe compare the saeculum, the span of time covering a long human life, with the measurement of time called a century, virtually equating the two and illustrating the cyclicality of the four generational archetypes since the point that the century was first utilized as a measurement of time.

[6] These comparisons are sourced from "ERG Theory," a publicized comparison with implications for business management at www.netmba.com/mgmt/ob/motivation/erg.

[7] In this section of his book, Brunel offers an overview of "The impact of behavioural finance on wealth management" with a full discussion in Chapter 2.

[8] Hughes, James E., Jr., (2007) "*Family: A compact among generations*," pp. 8, 9, Bloomberg Press, New York.

[9] The particulars of Vroom's Expectancy Theory as summarized by arrod.co.uk at http://www.arrod.co.uk/archive/concept_vroom.php

[10] Chartered Management institute (2002), "Victor H. Vroom: Motivation and Leadership Decision Making, as published in *Thinkers,* March 1. http://www.accessmylibrary.com/coms2/summary_0286-25331792_ITM describes the work of Porter and Lawler as an extension of Vroom's Expectancy Theory.

[11] This section of Brunel's book illustrates how goal buckets may interact and cites an example using the income and capital preservation buckets. In this example, the investor viewed real estate as a capital preservation instrument. The point of the illustration is that, although different assets or structures may be used to satisfy multiple goals, it is important to keep the goal buckets separate in the view of the investor in order to keep him "on track."

[12] The author is indebted to Jean L.P. Brunel for the insight into the role that behavioral finance plays within the goal-setting continuum and its utility in translating personal family and individual goals into a language which may then be used by the advisor to develop a valid and effective goal-based allocation.

[13] Although based on a conglomeration of real life family cases, the names, monetary values, and descriptions of business enterprises, professions, and outcomes in this case study illustration are completely fictitious and have no intended or non-intended reference to real life persons.

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