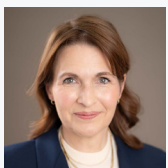


The journey to family enterprise succession: 5 steps from intention to action

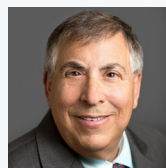


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*“The best time to plant a tree was 20 years ago.
The second-best time is now.”*

~ Chinese Proverb

This paper defines the practical action steps that an enterprising family must take to accomplish combined family and family enterprise succession. It focuses specifically on how the family can establish effective mindsets and work together to develop a dual family and business/financial journey across generations.

This paper draws from ideas in *Borrowed from Your Grandchildren: The Evolution of 100-Year Family Enterprises*, Dennis T. Jaffe, Wiley, 2020.

Preparing for succession— An expansive mindset

WHAT IS SUCCESSION AND WHY IS IT SO DIFFICULT?

The longest journey a successful family enterprise can take is from the first to the second generation.

This toolkit is designed to speak directly to first-generation families who want to design cross-generational succession to sustain their family enterprise and wealth. We address the family, especially the family wealth-creator who after initial great success now stewards the effort. Our message is, bluntly, that the whole family needs to begin to act, and that begins now.

After building a successful business or creating significant wealth, many wealth creators naturally want to pass this treasure to their children. Only then will it become a real “family” enterprise. This challenge is different from creating financial wealth; lessons learned in building a business will only be slightly useful to this new task. It cannot be accomplished on one’s own.

Succession is not a simple choice or decision; it is a far broader task of envisioning the future and taking steps to realize this vision.

The focus on succession is primarily on family elements of succession, and how they are conducted. We believe that if the family is not an active part of the conversation, succession will be limited and only marginally successful. Succession is as much about the future strength and coherence of the family as it is about business continuity; that is the primary motivation for this working paper.

Multiple research studies¹ have produced evidence of what we call the succession gap. The gap stems from the fact that most wealth creators state that they intend to pass their business and some of their assets to their children and grandchildren. However, study after study finds that when asked whether they have taken steps to plan for this outcome, very few elders have begun, and if they have, they often do this with limited family engagement. What are the thoughts of those who have not begun to plan? That succession will just happen, or they can wait, and it will all work out? This magical thinking does not bode well for the future!

It is tempting for the wealth-creating generation to say, “it’s too early to decide, let’s wait and see.” But this is a form of avoidance of tough choices. Yet study after study highlights the issue: family elders expect to pass the business to the rising generation, but they are not ready to begin planning for that to happen. This is a good example of the **Succession Gap: intentions without action**.

IT ADDRESSES TWO CONTRASTING BUT FOUNDATIONAL CHALLENGES:

How can the family put in place a process to develop new leaders and pass ownership and control?

How can we keep the family vital and successful across generations as both a family and a business or financial enterprise?

¹ Succession planning, what the research says, Harvard Business Review (2016)

Why is this succession gap so common? Perhaps what needs to be done is so enormous, and the consequences so great, that the wealth creator finds it easier to put it off or avoid getting started. As we will see, succession raises anxiety and disrupts what is working right now, to invest in new practices for tomorrow. *It is time to overcome reluctance, avoidance and delay and initiate shared planning for the future of the family and its enterprises.*

DEFINING SUCCESSION

Let's begin by clarifying what we mean by "succession." It is more than a simple choice of naming next generation business leaders and dividing ownership, filling chairs for positions that already exist. Rather it is about change, redefining the best enterprise for the rising generation and new roles of family members as they become adults and owners. Every generation must redefine and rethink the nature and operation of an effective family enterprise.

Family members have different questions and concerns about the future, and come to it with different expectations and mindsets, all of which must be treated seriously and balanced. Rising generation owners must become knowledgeable and responsible as they prepare for their new roles. But they can't help in preparing unless they are informed and invited to participate, and the older generation makes room for their full engagement.

Succession might be better labeled **design for family and business continuity**. It is not a single choice or replacement but rather the thoughtful, collaborative building of the framework for a complex and growing family with multiple assets and enterprises, that wants to continue to thrive and develop together.

The whole family must know, understand and accept the principles, intentions and practices to guide their future. These choices are not just about future business leadership, but also about the future family and what family members want to create. Succession is often mistakenly seen as appointing a new generation to continue the work that has been done; this is a limited view. Success means the family must prepare itself for a new generation and new economic world, one that the older generation may not clearly understand.



PIVOTING TO CONTINUITY

Succession begins when a business founder or wealth creator enlists the family to take action to sustain and build a family enterprise for the future. It contains several activities carried out by the family:

- **PURPOSE:** Finding shared purpose and values for the unified family enterprise
- **VISION:** Creating a vision for a future that everyone can commit to
- **STRUCTURE:** Creating governance structures to organize and make decisions
- **CAPACITY:** Developing skills, commitment and direction of new generation leadership
- **LEADERSHIP:** Getting new leaders in place to implement the new direction

This toolkit envisions a fresh, practical approach for a family to anticipate the future and design entry into a new family generation. It includes several key questions that make up family enterprise succession:

Why?	Who?	When?	How and What?
<p>Succession is about a family enterprise creating its future</p> <p>Optimize success by creating a coherent set of choices about the future enterprise and family</p>	<p>Entire family</p> <p>Not a solo activity for wealth creator</p> <p>Can't be outsourced to advisors alone</p>	<p>Begin at once!</p>	<p>Meeting, sharing ideas, planning, taking action</p>

This roadmap proposes action steps to help you and your family get there more smoothly, thoroughly and sensitively. It offers practical frameworks and key choices to help pursue generational succession and family continuity.






Succession poses difficult and consequential questions for the family to revisit and reconsider:

 WEALTH PURPOSE	 OWNERSHIP	 LEADERSHIP	 MANAGEMENT
<p>Do we want to sustain, renew, or reconsider the businesses we are in?</p>	<p>Who will be owners? What sort of control do they want? How can we best involve non-owner family members as stewards?</p>	<p>How are decisions made? Who will make them (e.g., who has control)?</p>	<p>Who will run the business or shared family entities?</p>
<p>How much do we save and reinvest in our business, and how much do we use to enjoy our lives?</p>	<p>Should we give discretion over financial wealth to our children directly, or limit their choices with oversight by trustees?</p>	<p>How do we grow the next generation of leaders?</p>	<p>How can family members work for or within the business in a way that is fair to others?</p>



FIVE STEPS OF THE SUCCESSION JOURNEY

This paper will not focus on the business, tax and financial aspects of succession, but on the personal and family dynamics of a five-step journey across generations.

1	2	3	4	5
Reflect	Align	Design	Develop	Execute
				
Begin with yourself— Look at who you are and what you want	Convene the family— gather to explore the situation	Design policies, structures and activities that enable the whole family to make good decisions	Develop awareness, skills, capability and commitment of the rising generation to the enterprise and working together	Create a clear roadmap of steps toward a new generation of ownership and leadership

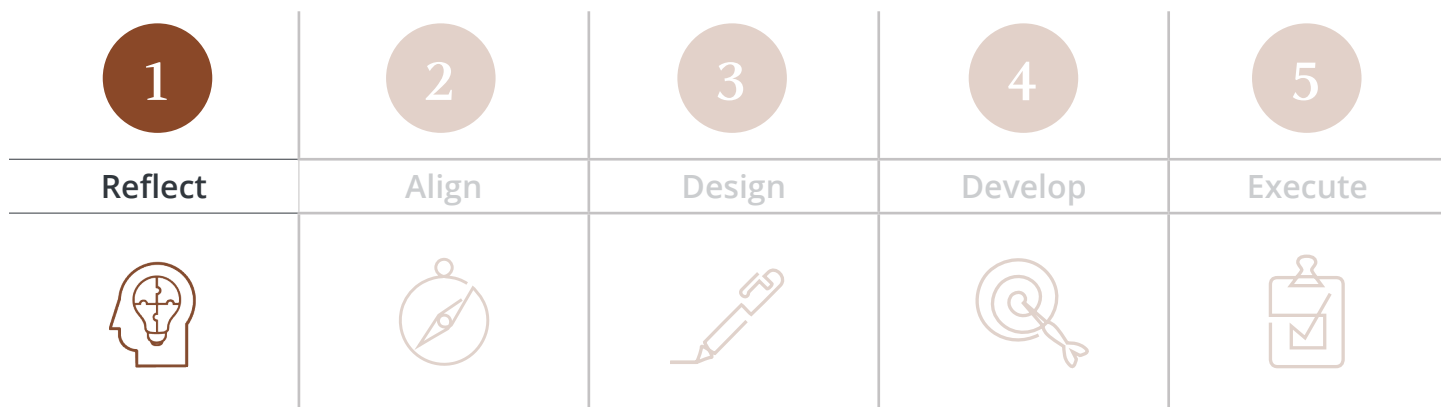
MAIN SETTINGS FOR PROGRESS

<p>1:1 COACHING</p> <p>Step one is often done with a combination of individual reflection and 1:1 Coaching²</p>	<p>FAMILY MEETINGS</p> <p>Steps 2 – 5 are tackled through a combination of Family Meetings, thoughtfully including facilitators and family advisors where needed.</p> <p>In between family meetings, progress is made with smaller working groups supported by family advisors.</p>
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² For those who prefer to tackle Step One—Reflect on their own, see *Self as Coach, Self as Leader: Developing the Best in You to Develop the Best in Others*—2019, Pamela McLean.

STEP 1—REFLECT

Begin with yourself



Start this important journey slowly, with careful planning. Before rushing into action and making decisions, you (we address “you” as a family leader) need to prepare yourself. A thoughtful journey begins by reflecting on what you expect and want to happen. Before you get together with the rest of the family it is helpful to take some time and assess where you are and what you want. If you yourself are not ready and open, you will be unable to move forward. To start, here are some personal questions to consider.

This is especially critical for the older wealth-creating generation, because they face the greatest change—stepping back from a comfortable position of control and leadership. Succession will mean a deep change in their role and position in the family.

The journey begins with your own needs and those of your immediate family:

- What do you want in your life; what is important to you?
- How do you expect the family’s means and resources to help you?

This is a collective issue for the whole family. You must consider the needs of other family members and understand where they are coming from. While there may be a great deal of wealth, there is one pot to divide.

Step 1 invites each family member to conduct a reflective self-assessment about what is important and what they expect from family succession, to prepare everyone to participate in a family exploration. It asks each family member to look internally at themselves, what they want and externally at what others want. These two activities—self-reflection and understanding of others—are part of emotional intelligence (EI). Having greater EI (often referred to as EQ) is helpful in guiding your family through succession.

The family leader—who is also the owner/operator—initiates the process (although sometimes this is in response to messages of concern and questions from a spouse or the rising generation). But everyone must change their roles and behavior as a new generation assumes leadership. Before starting out, everyone can reflect and consider what they want and how they want to be part of the activity.

Engaging the whole family across generations

A family contains several groups of stakeholders (those with a “stake” in the outcome of the process): business founder/leader, founder’s spouse (and maybe ex-spouse but current parent), adults in the rising generation and their professional advisors. Each one has different questions, concerns and needs and a different view of what succession should contain. For successful succession, all of these questions, concerns, needs and views must be addressed, not just those of the wealth creator and business owner. Each family member requires reflective preparation to prepare for the journey.

Broadly, succession entails the older generation stepping back from power, control and ownership in the family enterprise and the younger generation stepping up to become responsible new leadership. Each generation faces a mirror image of the same challenge:

THE WEALTH CREATOR: LETTING GO

The business founder and wealth creator must give up control and ownership of what they feel they have rightly earned. Family members expect to gain control and ownership that they are due as family members. These volatile issues make succession a hot, contentious and emotionally difficult process.

The elders, for example, must deal with some deep issues that they may not fully expect. If they give up ownership or control, for example, they must act differently than they have in the past, stepping away from a powerful, satisfying and comfortable place they have earned. They will not be in control and need to learn to let go and be open to others. While they can’t control the future, they can create an environment that makes it possible. That is why careful preparation and planning for succession takes time and is so delicate.

Sometimes stepping back does not mean leaving, but defining a new role as elder, mentor, or advisor where they can offer their experience and wisdom, but not as the controlling leaders.

THE RISING GENERATION: STEPPING UP

Succession is not about naming one person as the leader of not only the business but of the family; it is also about how the family prepares to develop competent people to sustain the business, cooperative people who can manage differences and make important decisions and a heart and soul to animate the family.

While the first generation may have had one overall family and leader, these tasks are now too complex and varied to be the responsibility of just one person. Succession is then about preparing everyone in the rising generation to take on active roles.

The family needs a different kind of leader than the business, and the family may in turn need another type of leadership. This provides opportunities for more than one family member.



Expansive mindsets for effective succession

To prepare for the succession journey, each family adopts four new mindsets that orient the family toward a wider, more comprehensive mindset for what is to be done:

MINDSET 1:

Succession is a journey taking a family from a familiar, comfortable place into the unknown.

MINDSET 3:

Succession entails a deep shift: a change in the whole family/business culture.

MINDSET 2:

Ownership is not a prize or a reward, it's a complex responsibility.

MINDSET 4:

Succession must balance the family and the business (or enterprise).

MINDSET 1

Succession is a journey taking a family from a familiar, comfortable place into the unknown.

The journey begins where you are now. It is often too late, but you must start somewhere. It happens because, due to the biological realities of human life, the successful ways of the past can no longer continue. A family faces crucial choices:

- Do you want to wait until there is a tragedy or disruption, or anticipate and prepare in advance?
- Do you want to leave the planning to others, take a few token steps, or prepare yourselves as best you can?

Succession is not a plan, it is an **outcome** of activities taking place over time where members of each generation redefine and adjust their roles, responsibilities and relationships with each other. It is not a single event or step but many. If the earlier changes have not taken place, the threat of ineffectiveness of later changes or too little/ too late becomes greater.

Preparation does not guarantee any outcome; but planning and shared conversations create an environment that makes success and collaboration more likely. At first owners imagine that this is a simple choice—who will inherit the family's assets and wealth, and when? But the choice is more complex than that. It involves a revision of the family's purpose and practices.

Succession is uncomfortable and creates anxiety. You can expect that this disruption—even if it is just imagining and planning—will be uncomfortable, raising difficult

issues about emerging differences. The comfortable, predictable, settled practices of the first generation must give way to diverse views, new possibilities and different visions of the family future. What has been hidden and often unspoken now surfaces within the family, as they create a new way of working together.

Those who want to prepare must anticipate and wonder: what will happen when I leave my comfortable current reality to pass on ownership and turn to new leaders, who must redefine or renew the family's business? They must face their fears of losing their place, hurting their children, letting go of control or adopting an inflexible plan that is not working. They must be open and ready to accept new ideas and enter paths that are not of their own choosing. This is more difficult than it seems at first consideration.

Succession is not a linear journey from one generation to the next. It is at least a three-generational evolution. The traditional view of succession is that the founder finds the person closest to him (or her) in the family and passes leadership to the successor to largely continue what was previously done. More realistically, succession includes a founding couple, their children and their grandchildren, who are also adults. In addition to passing ownership to two new generations, succession involves planning for many households and many leadership roles. It is tempting to avoid or put it off, and this is the major threat to succession.

MINDSET 2

Ownership is not a prize or a reward, it's a complex responsibility.

By the second generation, ownership is largely held not by individuals, but in a variety of trusts, that divide ownership between controlling and beneficial roles. The emerging family owners must understand what it will mean to become an owner, and the nature of the role they will be assigned. Every owner does not have the same level of control and authority; but every owner has certain rights and responsibilities that he or she must learn and be aware of. Owners must learn what it means to be an owner, something that is not always clear to the inheritors who are focused on the rewards.

Trusts and other vehicles can divide ownership so that the person who has the responsibility for decisions and control over how the asset is used is not the person who receives the benefits. In a family, a trustee can have that control, or one sibling can have the control or majority vote while others share in the benefits. Different assets can be passed on and owned differently. New roles and responsibilities must be learned. So, succession is more than a single choice, it is setting up a system of roles, decisions and benefits for everyone in the family.



MINDSET 3

Succession entails a deep shift, a change in the whole family/business culture.

Crossing generations is not passing control and ownership from one person to another; the rising generation has more people who must make decisions together and manage their differences. Power and control cannot be delegated to just one person; other family members who share ownership have their own rights, responsibilities and desire to be heard. Therefore, the rising generation must develop practices to listen to each other, make shared decisions and create a common vision that inspires them.

The family shift in succession is from a paternalistic, one-person centered culture to a partnership among several households and families. Since founders have never faced this situation, they can find it hard to envision. So, the work of culture shift often falls on the rising generation. They take the gifts given by their elders, but they create and revise new ways to work together, sometimes redefining their business and financial entities. They must learn and practice cooperation, define fairness, listen to each other and make shared decisions, all practices that are quite foreign to the wealth creator.



MINDSET 4

Succession must balance the family and the business (or enterprise).

When a business leader has created a successful business, it is not yet a family business. They may have the intention of passing it on and starting a multi-generational family enterprise, but that is just their wish. It must be matched by execution. The wealth creator has the power to decide for the future. But to do this effectively, the current owner must realize that his (or her) now or soon-to-be adult children have a voice and own the future. Some of their wishes may be different than the ones you have right now, and your current assumptions may need to change.

It takes a family to prepare for the future, not just an advisor.

There are many steps to create continuity, so it is not one action but many. Succession takes place gradually, with the passing of ownership, authority, influence and control from the elders to the rising generation in small steps. For many years, generations work together with gradual shifts in roles. Since everyone in the rising generation is concerned about the future and where they will fit, the process must be transparent and inclusive. Unless there is a tragedy or catastrophe, it does not happen quickly, and the best path forward is to take the time to prepare.

Succession is a conversation where family elders balance their needs with those of others; succession is the plan and the path by which the resources are shared by each family member in the future. Many business owner-managers assume that for the business to continue, the future must mirror the past as much as it can without the vision of the founder. The model that there will be one business leader who is in charge, and the rest of the family will be beneficial bystanders, is probably not one that is desired or expected by the rising generation. The family must first look ahead to what it wants to become and then what sort of leadership and ownership activities will be needed.

Succession involves planning with the family, not for the family. This is an approach that may not be comfortable or familiar to the wealth creator, who is used to doing things for people.

Family relationships are eternal and must be respected. The choices about succession take place amid the emotional history of people who grew up together as a family. They are not just about sharing assets. They also involve power and control. This is more than an emotional issue, it is an existential one.

Both family and business roles and practices must be reenvisioned. The family enterprise is both an extended family and a business partnership. Each one runs by different rules with divergent priorities and goals. A business cannot run like a family, nor a family like a business. Succession means changes in the business and the family. Succession must work on both levels.





Business and family have concerns to address.

BUSINESS	FAMILY
What sort of business will it be?	Do we want to work together as partners?
Who will be in charge?	What do we want to do with our assets?
How will ownership be distributed?	What do we want to do as a family?
Do we want to continue?	How can we engage the rising generation?
Sale to family or buyer?	What will be the role of spouses and other stakeholders and influencers?

With all this change, it is no wonder that a family business founder avoids or puts off planning for succession. But too often that is a tragedy, because the family does not even begin the journey from the founder to the successors and redefine itself so that the family can continue to create and use its wealth for the benefit of generations to come.

Looking inside the mindsets and perspectives of stakeholders

Four primary groups of “stakeholders” make up the extended family enterprise:

FOUNDERS/ OWNERS	SPOUSE/ PARTNER
CHILDREN/ RISING GENERATION	ADVISORS/ EXECUTIVES

Each family member has a different perspective based on their place in the family. The first step of succession is for members of each group to define what they want and prepare themselves to be an active participant (not necessarily decision maker but having a voice).

Here is a look at how each of them views succession in their own “voices”, with our observations (lessons) indicated after each one:

WEALTH CREATOR/BUSINESS OWNER:

My life has centered on the business, I have been in total control. I want my successor to be like me in having the control to make decisions and steer the business, someone, hopefully one of my children, who can continue the business mostly as it has been. Of course, there will be some changes, but I want to impart to him my experience and have him continue the path I have set.

- This intention may mean that the succession will leave the successors feeling obligated not to make changes, rather than empowered to do what is needed.

But it is hard to see how this can happen. Nobody can be like me; and I know full well the flaws and limits of each of my children. Who could possibly measure up? For this reason, I am not rushing to make an immediate selection, and I certainly do not expect to give up control until I am sure that my successor can do the job.

- That is why studies show that while founders want the business to outlive them, they tend to avoid active steps to plan succession.

I have not given much thought to the role of my other children in the family or their spouses. I expect them not to be very involved; they should accept my choice of leader and continue in their passive roles.

- But that is not the reality and does not consider the needs, perceptions and desires of other family members.

My spouse and I share a concern that my children feel they are entitled to income and ownership from the family wealth. We want them to become responsible owners and stewards of the wealth. In our estate planning, we want to limit their inheritance and control over their wealth, with rules and oversight that continue even after we are gone.

- Since the business founder is the decision maker with the deciding vote about succession, the challenge is for that decision to consider the views of others and accurately evaluate how many limits should be placed on inheritance.

SPOUSE/PARTNER:

I have tried to be a quiet influencer to business decisions. But I have many concerns about succession and the future for each of our children. For many years I have been the main link between my husband and our children when it comes to addressing problems and raising issues. Sometimes I feel caught and like each of them is pulling me in a different direction. I think sometimes they miss really communicating and have some strange ideas about each other, that I try, as much as I can, to moderate. I know that I have been somewhat in the background and there is a lot that I don't know, so I include myself as needing more information and education.

- Spouses often participate in decisions but may not feel confident in stepping out and speaking for themselves to the whole family. Family members may not be ready to listen and respect the non-working spouse's position. Spouses need to experiment with speaking out and get ready to step into a new role when needed.

Succession is not just about naming one of our children to become a leader. I want to see everyone in the family find their place and be part of our enterprise. Not only does the business need leadership, but each of our children must be treated fairly. If one person becomes the leader, the others must have a voice and must be treated fairly, in relation to their roles and inheritance. We need to share more information than we are used to as our children become owners, so that they can be responsible stewards. I know that our kids are somewhat competitive and that we need to face these feelings openly and find a way through them, not avoid them.

- The spouse often sees both the business realities and the family dynamics and may have a clearer sense of how to balance them, that can anticipate and overcome potential conflict and misunderstanding.

RISING GENERATION:

We feel a bit sad and misunderstood when we hear our parents talk about our being entitled and having our hands out for our inheritance. We are better than that, and we wish our parents would realize that. We want to make a difference. We were raised to be aware that we will become responsible for the stewardship and preservation of the family's wealth. Some of us want to make a difference by adding to the wealth, while others want to pursue a social mission to make the world better.

We fully agree with our parents that our inheritance should not make it possible for us to do nothing; we view the privilege of inheritance as offering us many choices and options that others do not have; we are deeply appreciative and grateful for that. But we want to chart our own ways in life, and our choices may be different from those that our parents would make.

We want to be more informed, have advance notice to react to family plans, and have a voice in the succession process. We fully realize that our parents are the "deciders," but we want to be part of the conversation. We have our own views about fairness and who should inherit leadership, and they should be considered. Since we are siblings, with our own new families, we do not want or expect one of us to become an absolute ruler who controls access to wealth. We also do not want this to be exclusively in the hands of advisors and trustees who do not really trust us to make good decisions. We do understand that inheritance will entail working together, and they need to understand the reality and the rules about what we can do.

- These viewpoints may not be clear to the parents, so the parents' "intention" does not connect with the rising generation concerns. Rather than being concerned with what they will get, their desire to know and be part of the decisions is their focus.

ADVISORS:

We want to help our clients to pursue their goals, but sometimes we feel that their initial expectations or choices need to be modified. We also sometimes feel caught in the middle between parents and their offspring. We can help the wealth creator take a broader role and mediate the many perspectives of family members. Some family members want to avoid making choices or facing differences, others do not know what there is or what is possible and others have a distorted view of their options. We face a difficult role. We cannot just listen to the business creator alone; we have a responsibility to help the older generation listen to and work across generations. We can help by slowing the process down, finding ways to engage the family in it and making them aware of options. We can also act as mediators and facilitators for the exchanges and steps that make up successful succession. But sometimes I feel that these new roles demand skills and behavior that is difficult and may not be expected in our role. We wonder how we can get help to manage our complex role.

- Advisors must go beyond their traditional role, to educate the family about what is needed and what is possible, to mediate potential conflict and to gently keep the family on a path forward.

For example, after going through Step 1—Reflect, one business owning couple realized that over the years, they had harvested plenty of financial capital out of the business; both their own and future generations' financial futures were secure. More meaningful than additional funds from a liquidity event, what they valued most was to provide ongoing opportunities for the employees who had been so loyal for many years. With clarity that they were ready to step back from full time management, they called in the rising generation (minority ownership in the company) and their spouses for a family meeting to understand their viewpoints and look at possible futures together. While the rising generation was proud of the family business, all four siblings had built careers outside the family business and no one wanted to take on a management position within the company. Together, they decided to bring in an outside CEO and the parents and two of the siblings opted to take on a leadership role on the board and committed to attend quarterly board meetings.

Dad, who wanted to be more involved, set aside one afternoon a week to go into the office to meet with the CEO and provide mentorship. Dad also moved out of his corner office into a much smaller office to support a clear message that the new CEO was in charge. Through an open dialogue, the family benefited from listening to all viewpoints and built a succession plan that worked for all. A few years in, with strong growth, they are now able to explore an Employee Stock Purchase Plan to transition the company to employee ownership over time.

WHAT FAMILIES WISH THEY HAD KNOWN

We have learned a great deal from families who directly engage succession and the future. We asked family members, especially the elders, “what do you wish you had known or done?”

Some of the regrets we heard include:

“We should have...

- » Done it earlier
- » Listened to our children more
- » Talked about what we wanted and made it clear
- » Made more flexible choices
- » Considered more options
- » Thought more about people and less about taxes.”

To bypass these regrets and move your family toward successful generation crossing, we begin with some foundational realities that organize the journey.

OUR OTHER IMPORTANT MESSAGE

These tasks are too complex and too important to be put off to the indefinite future. A family that wants to remain a family enterprise must begin at once to create the future. Succession begins now, not at some time when the elders think they or the family are “ready.”

Taking action for step 1: *Reflect*

Preparing yourself for succession

To prepare for the family succession process, each family member can begin with personal learning activities:

1	2	3
Consider what you want	Actively seek information to be informed	Consider what you need and expect from others and what others in the family want and need

This first step precedes convening family meetings where the family works together to design and carry out succession. Before the family gets together, Step 1, preparing yourself and considering what you want, is best done through individual meetings. The advisor meets with each person individually, both to learn what they have in mind and to ask questions to clarify what they want and get ready to meet as a family. This personal preparation helps each person reframe their mindset and sets the stage for working together. Individual meetings with the advisor can occur at other points in the process, which allow a person to look at concerns, deal with emotional reactions and consider further what they want to see in the future.

CONSIDER WHAT YOU WANT

Define your own personal goals, your interests for the future and how the business fits into the picture. Before your family begins to look at succession, you should look at yourself, your own new household and consider your own needs.

Conduct a self-inventory in each of these areas.

Ask yourself the following questions:

- What are the major goals of my household, immediate family?
- What do I want from the family's financial success?
- As a potential or future owner, what sort of owner do I want to be?
- Where does the family and its enterprise fit with my own life and career goals?
- How do I go about reaching my goals?
- What do I need and want in terms of help from the family to reach these goals?

Family members often create their own Individual Development Plans. These include not just preparing for your own career, but also developing the skills you will need to be a positive owner and participant in your family enterprise. If your family business is significant, as a responsible owner or future owner, you will need business and financial skills and knowledge whatever your career. Few people are in a position like yours, and you need to seek out your own learning. With your family wealth, you also have opportunities and resources available to you that enable you to realize your goals. But you can't assume what your family can offer, you need to prepare to negotiate and come to agreement about the rules and policies of the family for sharing support and assets.



ACTIVELY SEEK INFORMATION TO BE INFORMED

Understand what it means to own your business, and what that entails.

One of the major obstacles to getting started is that some participants may have unrealistic or confused expectations of what they want or what the process can be. Before the family begins to plan, in this step, every family member gathers information and gets clarity about what he or she wants from the process. If everyone does their homework and is prepared, the next steps can be easier and smoother. Everyone should prepare to engage in a positive way. The outcome is too important for anyone to come into discussions without thought, information and preparation.

Before your family begins to talk about succession, you can learn a lot. While you may not know much about your family business or investments yourself, you can seek out other families and learn what they are doing about succession (e.g., attend conferences and events). You can discover models and examples to bring to your family, that open new thinking and/or express and support your own ideas and preferences.

You can learn about the laws and practices of succession and ownership. For example, there are many forms of family enterprise. Your parent may have been an owner/operator of the business, but as generations evolve, the family may differentiate owner/operators from owners, or have owners who do not operate the business. They may also sell their business or have new entities that have separate ownership. By learning about these models before the family begins to meet, you can be a more informed family member and have some productive and useful questions and ideas to propose.

CONSIDER WHAT YOU NEED AND EXPECT FROM OTHERS AND WHAT OTHERS IN THE FAMILY WANT AND NEED

Balance your own needs with what is fair and expected by others, including your parents, siblings and children as they become adults.

EXPECTATIONS: Every family member should consider what they believe other family members want or expect about succession. Many people avoid such conversations and wait for the “succession conversation” to air their wants and expectations. But we find that preparing for succession might include seeking out others’ viewpoints—maybe your siblings’—and talking about what you want or expect. These preparatory conversations can help prevent misunderstandings and seed useful conversations later.

TRUST: The key element in a family for working together is trust: assuming good will and honesty of everyone, having empathy and understanding of what others want and working to make the best overall use of family resources. Family members have a long emotional history. They nurse many old hurts, and if they don’t talk, they can assume negative intentions or build resentment. Before talking about succession, it might be helpful to talk to others, maybe your parents or your children, to discuss (and work through) past difficulties and painful events. Otherwise, you risk carrying these hurts into later discussions about business, money or the future.

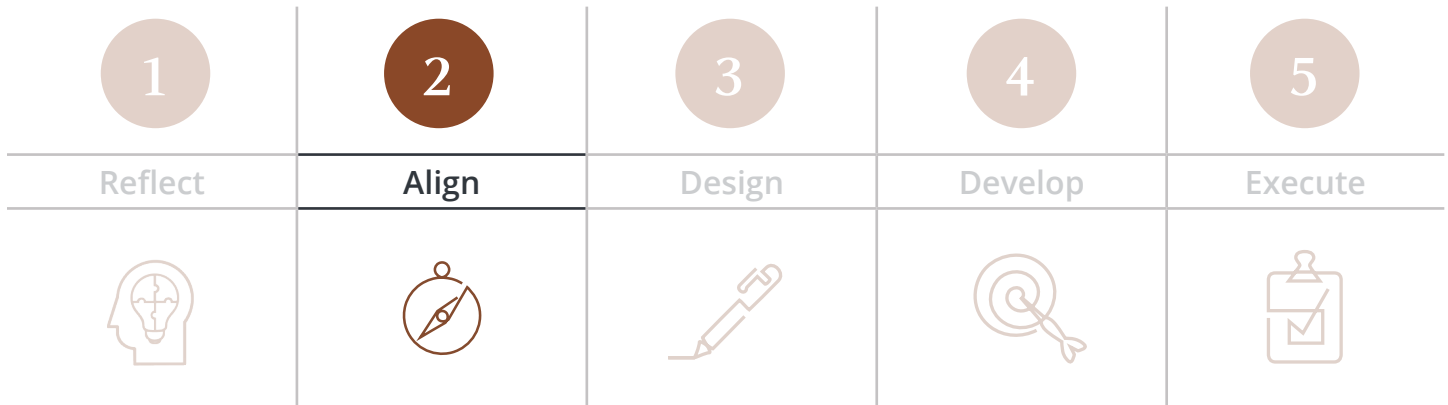
PERSPECTIVES AND VALUES³: You must sometimes balance different perspectives and values. *Given what you know about the others in your family, what can you reasonably expect? What will allow everyone to get what is fair and reasonable, given that people see values differently?*

REASONABLE AND FAIR: You may consider what you want from the family to be reasonable and fair. But your position is also based on principles that you assume and assumptions you make. For example, you may feel that the statement that the family wants is to be fair and equal among siblings, and that it means the sharing should be done in a certain way that you feel is fair and reasonable. Other family members may look at it differently. All stakeholders should consider their own expectations and make similar adjustments.

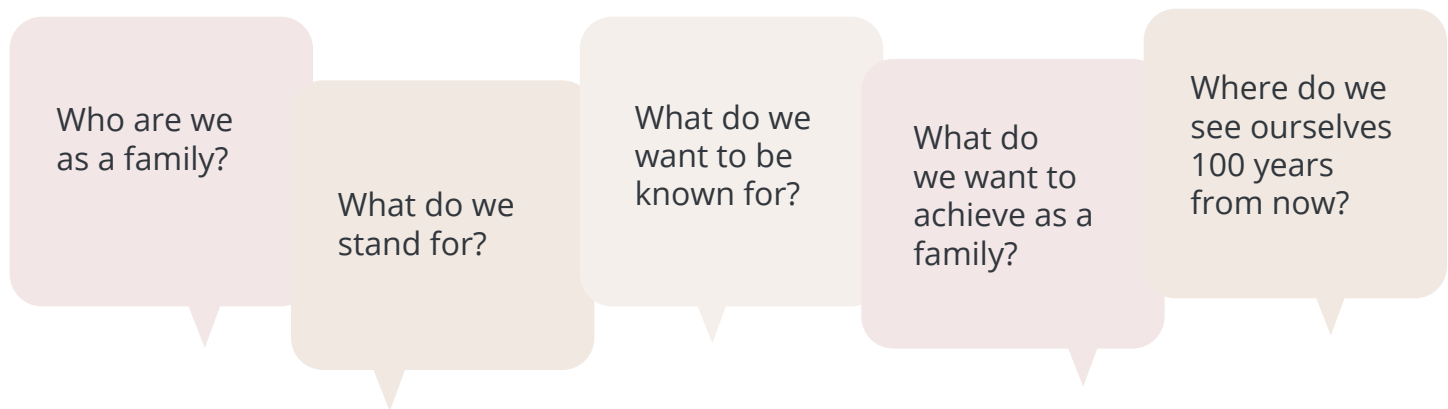
³ For a deeper exploration of values, see *Living Your Values: Connecting Personal, Family and Organizational Values to Build Purpose and Clarity*, Cynthia D. Scott & Dennis T. Jaffe, Family Business Press, 2025.

STEP 2—ALIGN

Convene the family to look at the future



Gathering family to explore (or revisit) the big questions around vision and values and getting clear on your shared “why” is the core of Step 2. Here, the “family” (defined in different ways) convenes family meetings to explore basic values and principles about business, money, family and future direction:



Family meetings: The major setting for succession planning

Step 2 (and subsequent steps) are tackled through a combination of Family Meetings, thoughtfully including facilitators and family advisors where needed. In between family meetings, progress is made with smaller working groups supported by family advisors. If needed, create opportunities for individual meetings with an advisor. The family meetings are not typically voting or decision-making sessions. It is clear that major decisions about inheritance and leadership are made by the owners of the older generation. But family meetings are a place to share ideas, listen to concerns and build alignment and common purpose.

In previous eras, succession planning was a private affair between the wealth creator and the advisor, where they made key decisions about the future of the family. This toolkit presents an evolving process for succession based on shared conversations and meetings of the family. While the primary decisions are still made by the elders (wealth creators), the use of meetings, with transparency and sharing of perspectives, is a more effective way to ensure that the whole family works together to make the plan a success.

What are the Common Focus Areas of Family Meetings?

These common types of family meetings are each closely tied to a particular objective, with a theme developed for each meeting. Make progress on succession and continuity planning of the operating family business. Meetings will focus on different steps of succession, as indicated. In Step 2 the meetings will look at the core values the family holds about wealth and begin to define shared goals for the rising generation.

STEP 2	STEPS 3-5			
Align	Design	Develop	Execute	Execute
Wealth and values	Inheritance, ownership and stewardship	Build knowledge and skills	Plan for the future family enterprise	Resolve conflicts and issues
Build governance and collaborative decision making				

Convening a family meeting

WHO TO INVITE

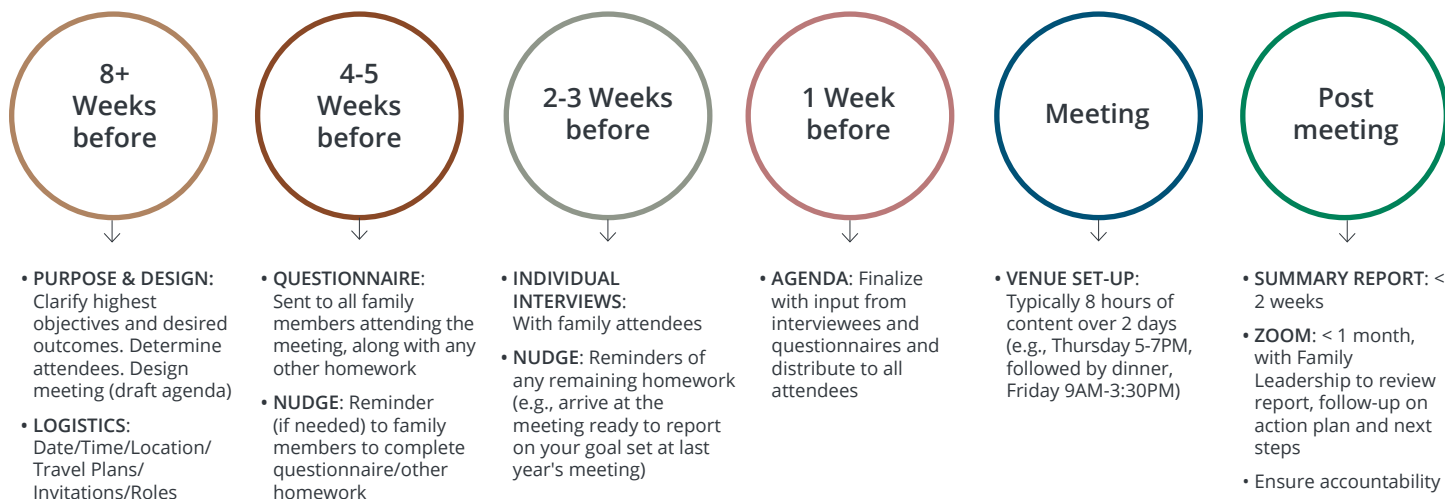
While each family will thoughtfully decide who should attend the meeting, a few general guidelines include:

- **IMPORTANCE OF INCLUSION:** Shortly after hurricane Katrina hit, citizens voiced their frustration with spray paint on a brick wall: “FEMA: Decisions that are about me, that don’t include me, are not for me.” Embedded in this graffiti, ripe with emotion, is an essential message for families: invite your family into the process. This is often done with the practice of holding family meetings.
- **YOUNG FAMILY MEMBERS:** While based more on emotional maturity than chronological age, family members are often invited as young adults, with tweens and teens brought into parts of the meeting appropriate for their participation.
- **SPOUSES/MARRIED-IN PARTICIPATION:** This is often a “both/and” approach, spouses are invited in to hear the information firsthand and contribute their perspective, and for longer meetings, a sibling only breakout is also built into the agenda to allow more intimate dialogue with a smaller group.
- **TRUSTED ADVISORS** are included with a clearly defined role, often limiting the number of advisors in service to family participation.

PREPARATION

Grappling with much to explore in a transition process and limited time and attention, the theme and agenda must be carefully constructed. Take a page out of renowned event planner Priya Parker and “let your purpose be your bouncer;” clearly define your purpose and say no to some items to allow a deeper yes to others.

The quality of your family meeting depends directly on the level of thoughtful preparation, including reaching out in advance to bring the voice of the rising generation into the room. While the level of preparation and timeline are scaled for each family meeting, here is an example based on one family meeting in building a succession plan. The planning began three months in advance, incorporating questionnaires and interviews.



Foundation of values to define culture and focus

The first conversation a family holds is usually about values and purpose. The family reflects on what their wealth and success mean to them, and how they see the future. Each person also looks at his or her personal values, and what values they want to share as a family.

Values tend to look different for different entities. Individuals have values, as do families and businesses. Businesses have a values statement; generative families do as well. Family enterprises have different values statements for the family and for the business. They are related and complementary, but as each entity is different, so are their values.

Values are not static, and they certainly are not defined by a single word. Each value must be given substance, a personal definition of what it means and how that value is to be expressed. Values are also not necessarily complete; they are statements of aspiration, what people want to see. Often, they can be viewed as difficult, placing pressure on family members to act in different ways to reflect what the value expresses. And while values are often conveyed as statements of aspiration, they provide achievable projects with which to be involved. Ultimately, values are living, motivating ambitions by individuals, families and businesses: they define actions, directions and goals.

Too many families start and stop with a statement of several worthy but ambiguous values that they and their business represent. But creating values is a process, and so is putting them into action. Here are insights from the families with whom we've spoken.





Explore viable futures by creating stories that have “already happened”

A possible second family meeting is about what the family wants to create together out of the business and wealth. The family looks at its legacy and history and considers their future story.

Enter the scene in the movies where the cast is in a hospital, the patient is lying on the operating table, recently deceased after something has gone terribly wrong. Medical staff gather around to learn in a ‘post-mortem’ discussion, with everyone benefitting except for the patient. Instead of waiting until the operation (or in our case, the transition of a family business), has already occurred, is there a better way?

Many families find it powerful to start with a shared understanding of the past⁴ and present, including what happened, how we got here and who we are today. Building this shared understanding can be an important priming exercise to develop a shared vision of the future. This can be done as pre-work to the family meeting, gathering stories and viewpoints of all family members.

One creative rising gen family member, helping with the meeting, decorated the meeting room with a visual timeline of the family history along the walls and led the family through a gallery walk as a grounding exercise to start the meeting.

In thinking about the future, start by going broad, asking:

- What’s possible?
- What’s plausible?
- What’s probable?
- What’s preferred?

Research shows that using our natural ability to tell stories that have “already happened” increases our ability to make better decisions.⁵ Gary Klein dubbed this the Pre-Mortem (the hypothetical opposite of a postmortem) and it’s a valuable exercise in the family meeting.⁶

⁴ The Futures and Foresight community suggests going back as many years as you are looking forward. Thus, if we are looking 20 years into the future, look back 20 years (or more).

⁵ Research conducted in 1989 by Deborah J. Mitchell, of the Wharton School; Jay Russo, of Cornell; and Nancy Pennington, of the University of Colorado, found that prospective hindsight—imagining that an event has already occurred—increases the ability to correctly identify reasons for future outcomes by 30%.

⁶ For additional detail on how we use the pre and pro mortem exercise in family wealth, see Tom McCullough & Keith Whitaker, *Wealth of Wisdom: Top Practices for Wealthy Families and Their Advisors*, Chapter 53, Stacy Allred, Wiley, 2022.

START HERE:

Catapult _____ years (select a time period that makes sense) into the future and create future stories:

	STORY ONE: The Pre-Mortem—The "Disaster" Outcome	STORY TWO: The Pro-Mortem—The "Brilliant" Outcome
OUTRIGHT SALE	<p>You sold your family business, and it was a spectacular failure. The things you feared most came to fruition.</p> <p>Q: What did go wrong? List every plausible reason.</p>	<p>You sold your family business, and it was a brilliant success! The family, new owners, business and employees are all thriving. Impact on the community has been positive.</p> <p>Q: How did that happen? List every plausible reason.</p>
INSIDE TRANSITION	<p>You retained your family business within the family, transitioning management (C-Suite), leadership (board) and ownership over time.</p> <p>It was a spectacular failure. The things you feared most came to fruition.</p> <p>Q: What did go wrong? List every plausible reason. Be specific, what was the process of transitioning management, leadership and ownership within the family?</p>	<p>You retained your family business within the family, transitioning management (C-Suite), leadership (board) and ownership, thoughtfully, over time.</p> <p>It was a brilliant success!</p> <p>Q: How did that happen? List every plausible reason. Again, be specific, what was the process of transitioning management, leadership and ownership within the family?</p>

Create as many stories as makes sense, but at a minimum, bookend alternatives by creating the two extremes—sale and hold—above. Given the uncertainty of the future, it helps to explore multiple futures. To paraphrase the late renowned management guru Peter Drucker, predicting the future based on extrapolating from the present is like driving down a road at night while looking out the back window.

“Instead of developing in a nice straight line, the road to the future twists and turns. It’s forked, bumpy and full of potholes and unexpected dead ends. The guardrails are flimsy. And there are very few road signs to guide you.”⁷ While vision and values provide a compass, build in agility and actively reassess.

One family who decided to hold the business long-term, asks themselves at least once a year: do we want to grow, or do we want to sell? While to date, they have decided they want to grow, it is an active decision every year and bolsters energy into the growth plan.



SELL 100%

Family transitions fully from the business in an outright sale and now has marketable securities

CREATE ALTERNATIVES

Create other alternative as you see fit, such as partial sales, loans and sharing equity

MAINTAIN LONG-TERM OWNERSHIP

Family ownership, management and leadership maintained long-term within the family, individual family members transitioning at different life stages

⁷ Scenario Planning—A Field Guide to the Future, Woody Wade, Wiley, 2012.

Taking action for step 2: *Align*

Convening a family meeting about wealth and values

Succession begins not with a plan but with the family getting together to look at the future. The plan is the outcome, not the first step. While help can come from advisors, much of the real work is done by the family together. Here are some action steps for convening the first of many family meetings.

Come together across generations to explore and define mission and value

The first step is for the family to come together to consider what matters to them. They must share and explore each person's individual values, as well as the values of previous generations that have led to their success. This exploration is not a quick process; it requires taking the time to get to know each other and to discuss the past, present and future. It often takes place over several meetings or in small groups.

Cross-generational dialogue about values and purpose is the foundation for family engagement in creating their future. By inviting each new generation into this discussion, the family initiates conversations that anticipate change. To hold these discussions, the family must get together regularly, strengthen relationships and integrate different agendas of new and growing family members. Heirs to significant wealth become generative when they shift from being primarily consumers to taking on the responsibilities and opportunities that their resources provide.

Increase nonfinancial "family capital"

There are not only financial resources and value within a family, but nonfinancial sources of value, too. These include human capital, capabilities, energy and motivation that can be contributed from family members; social capital developed by the family's involvement and contribution to the community and environment; and

relationship capital of the family's trusted relationships and organization. A generative family must create a plan not just for business and financial development, but to develop their nonfinancial capital.

Share personal values

The family must respect its diversity to include all the new members and get to know what they can contribute. A family discussion of personal values, and how each person's individual values can contribute to the whole family, is necessary before considering what values are shared. A great family allows everyone to be part of it without sacrificing their individual values.

Remember, affirm and celebrate the legacy value that have guided the family and the enterprise

Each new generation gets further away from the example and philosophy of the founders. While the family will adapt and redefine its values with each new generation, they must learn from and begin with the values of the founders. Telling the story of the founders and learning from their example is a way to acknowledge how the family and its heritage are special. Families sometimes grapple with the question of how to balance honoring and learning from the values of their founders and past generations while allowing openness for new emphasis and concerns of each emerging generation. This is a subject for family conversation that should not be an either/or conversation, but a more inclusive one.⁸

⁸ For a discussion on balancing tradition and innovation, see *Hug of War: How to Lead a Family Business with both Love and Logic*, Cathy Carroll (Koehler Books, 2024).

CREATE BOTH A FAMILY AND A BUSINESS VALUES STATEMENT

The extended family can work with the legacy values and individual values to develop a values statement that tells who they want to be and what they want to express as a family. These are separate from those of the business, which build upon the legacy values of the founders and express what the legacy business stands for and aspires to. The family group defines its own values, but the business values incorporate input from nonfamily business leaders. Ideally, the statements should not be single word values, but should express more clearly, in a few sentences, how those values are defined, seen and practiced.

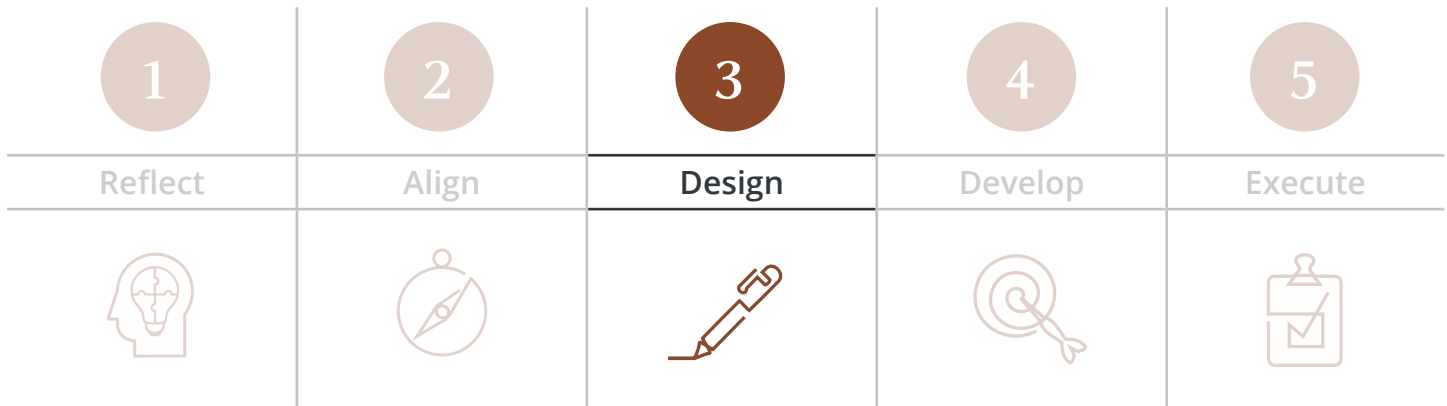
INITIATE SPECIFIC ACTIONS TO REALIZE EACH VALUE

Values are living entities and guides to action. They must be lived to become realities. They are aspirations because sometimes they are hard to live by. The family should have periodic conversations about how they are living their values and how they can do better. These can be tough conversations, as the family must be honest about its challenges and even shortcomings. However, values affirm and inspire the family to reach higher. This activity of aligning behavior with values leads to changes that excite and motivate the family toward higher and higher achievements.



STEP 3—DESIGN

Design policies, structures and activities that enable the whole family to make good decisions



With the first family meeting the succession conversation in the family begins. Step 3 continues by organizing the family conversation for active engagement and defined results. In this step you create a family and business/financial organization that will enable the emergence of future leadership. The future is not going to be like the past; so the family must organize itself to realize its goals and undertake the actions to create a future for the rising generation. With Step 3, the family creates a structure to plan and carry out the work of overseeing the family enterprise, creating a lasting and durable family with a new generation of leaders.

The wealth-creator generation is aware that since the future is about their children, they cannot conduct the planning process on their own, or in a closed room with their advisors. While they are the decision-makers, planning should include those who represent the future: the rising generation of siblings and if they are old enough, their own children. Even if they don't have a vote, their input is welcome; they have a voice. Since they are the family's future, they should be part of planning for it.

Planning does not mean producing a precise, written plan. Rather, it is about creating an organization, policies and practices that will carry the increasingly large and complex

family and family enterprise forward. The succession plan organizes the family into a culture that is open to share and make decisions as the older generation steps back and the rising generation steps up. It is not a single plan, but a series of steps that continue family conversations that move from ideas to concrete actions. The first step in designing is not to set up **roles and rules**; it is to create **working groups** with the capability to make decisions and carry out desired actions.

The family organization must evolve from that of a single owner-operator who makes major decisions to a collaborative culture with several owners and participants who each have defined roles and authority. To achieve this, a succession plan sets up **governance**. Family meetings raise issues and begin to focus attention on the future. Now the family must make it happen, not wait for someone else to do it. When the family meets, they discover that as a family, there are things they need to do, and additional tasks they want to do. The family has many complex parts, and many capable and talented individuals who might take part in them. The older generation's estate plan may define clearly how the ownership will be apportioned, but there are many other ways that the family can prepare for its future.

In Step 3 the family sets up an organization to carry out and oversee the family’s business and financial enterprises, as well as their non-financial activities. This family organization should be inclusive, as well as productive, practical and professional. The family has much to do as it looks over multiple business and financial entities, and family activities.

Governance includes a clear, explicit set of goals accompanied by practices that define what will be done, who will decide, how decisions are made and what the family and business will do. The business family can be a huge entity, containing many households and overseeing significant assets. In Step 3 the family defines how they will organize themselves to include the old and new generations. While future ownership is part of this, succession is much more. There are many areas that need to be defined and organized, many policies and practices that need to be implemented.

FROM TALK TO ACTION

After a family has one or more family meetings, ideas, possibilities and challenges are raised that need further study or action or they will not happen. Some family members must take responsibility for organizing and carrying out these tasks, and these family members must communicate with the family, ask the family to agree and sometimes allocate funding for that activity. Step 3 of succession planning sets up family policies and practices that allow the family to advance its agenda for the future.

Governance is necessary because the wealth-creator who previously was the sole decision maker is beginning to step back and allowing other family members to take responsible roles in various family leadership positions. This does not happen in one step; it is a series of small steps and changes over time.

These small steps mark the shift from a family with one decisionmaker and leader, to a more collaborative culture that includes greater transparency, multiple leaders, different functions and new directions. To achieve all of this, the family must reorganize itself to support this new culture.

The family enterprise system has three major parts:

- Groups of individuals and households that each have their own life goals and plans
- An extended family that does things together and has personal goals, and
- A portfolio of business and financial assets where decisions must be made.

Governance begins when the family sets up two interconnected “councils” that chart the course of the family into the next generation. These two “pillars” of family governance are an owner’s council to oversee the business, and a family council for the family. The essence of this activity is that the family, as both a family and a business, organizes two core governance entities not one. Each entity will have different membership and take on different tasks. Each entity has its own leadership, and its own goals and tasks.



FIRST PILLAR

The Business/Ownership Council: Organizing the family for business succession

The family must set up the business/financial organization for the growing and complex family businesses and financial assets. Since the family is moving from the solo control of the wealth-creator to a system where several family members are involved in leadership roles, the new leaders must learn these roles over time.

The next generation will inherit the family assets, but not all equally. There will be trusts that divide control and decision making from benefits, there are some assets like foundations where the family will be on the board, shared assets like companies that have boards that represent the owners, shared property for family use and investments. Who owns something and what that means is not simple. While the elder generation will make decisions about ownership, the family will have to organize an owners' group for their major asset, learn about the roles of trustees and set up boards (that may contain family members) for their major enterprises. Family members may also work for family-owned businesses and foundations.

All these entities will need policies that make it clear to family members their rights and how things work.



Succession takes place when members of the wealth-creating generation pass on these roles, privileges and benefits to their children. For most families, that is not a single action, and does not happen when the wealth-creator dies but happens gradually in steps. The rising generation may inherit some ownership each year. They may be part of a trust that has significant ownership. And ownership has specific rights that are not the same as having decision power over the asset and is not necessarily related to working in the business. You can work in a family business whether or not you are an owner, but because you are seen and expect to be a future owner, the family often has rules and policies for employment. Family members must understand the difference between working in family businesses and ownership. Also, being on a board of directors for a foundation or business is another role, as is being a trustee. The family not only sets up a business structure but must also educate the successors about what each role means.

These choices may not be familiar to the older generation family leader, who is usually the owner, the CEO and the sole decision maker and he or she sees succession with an image of these roles all together. But the reality is different: in the rising generation, ownership, operating management and control (decision making rights) can rest with different people in different places. Step 3 involves working with the family to allocate these roles clearly.

Ownership is the first area of focus. If ownership is distributed among family members, what rights come with that? Owners will not necessarily manage or operate the business; the emerging owners may also be owner/operators, but not necessarily. The future owners must learn what ownership means, and what form ownership takes in their family. Ownership governance is where this is defined, and the roles of ownership are differentiated.

BENEFITS

Another aspect of business succession has to do with benefits, especially income from assets. When you grow up in a wealthy family, it may not be readily clear who the family wealth belongs to. The elders may assume that it is clear, but the family governance also must define exactly what ownership and inheritance means. A person can own shares of a business and see no income, or they may get a check every year and not really know where it comes from or what it means. This expectation can pose a real problem if one year the check does not arrive or is much less (or even much more) than expected. Part of succession

is to make clear what wealth means in terms of what a family member can expect. What can you expect and depend upon because you were lucky enough to be part of the family?

Families often have policies about support for education, child-care, health care, buying a house and vacations that create a safety-net from which family members can forge their life paths. These policies also make clear what each successor is responsible for and expected to do for themselves.



There are many resources to help families define what sort of owners they want to be. Different family members may become different types of owners, with different responsibilities and roles. This is one of the important conversations and choices a family must make about succession.

Family Governance typology of family business owners/stewards⁹

LEVEL OF INVOLVEMENT					
Operating Owner/ Steward	Governing Owner/ Steward	Informed Owner/ Steward	Proud Owner/ Steward	Passive Owner/ Steward	Investor Owner/ Steward
Actively involved (day-to-day basis) in management of: F. Business F. Office F. Foundation	Oversees functions of and holds board positions for: F. Business F. Office F. Foundation F. Trust F. Council	More remote to business and governance than operating and governing owners Attentive to issues facing operations Understands business' strategy Promotes the corporate culture	Not involved (may not understand strategy or governance) Strong emotional ownership	Not involved Takes no responsibility for the business Happy to receive dividends Low or neutral emotional ownership	Not involved Keeps or sells shares based on performance No emotional ownership
← "Steward" mindset				"Inheritor" mindset →	

A key question is defining what type of owner/steward does each family member aspire to be?

CASE STUDY

Real Estate Company Built Over Thirty+ Years

Like many families, the rising generation and their spouses had unique mindsets and various levels of involvement, and emotional attachment. During the family meeting, this framework on the six types of owners was introduced. Because the family ownership was continuing in the direct family line, the framework was expanded to bring in the idea that stewards could include rising gen spouses and acknowledge the important future role they can choose to play as non-owner stewards.

With this framing, each sibling and their spouse identified and shared the type of owner / steward they viewed themselves in currently and where they wanted to go in the future and why.

One sibling identified as a 'Passive Owner / Steward' and while grateful and flexible to receive any assets parents deemed appropriate, shared the preference to receive nonbusiness assets. While difficult for the parents to hear, this was an important insight to consider in designing the future ownership of the business.

⁹ Governance in Family Enterprises Maximizing Economic and Emotional Success Koeberle-Schmid, Kenyon-Rouvinez and Poza, 2014, adapted from Aronoff, C.E. and Ward, J.L., "6 Kinds of Owners," in Family Business Ownership: How to be an Effective Shareholder (Palgrave Macmillian, 2002, pp. 7-9).

SECOND PILLAR

Non-business Family Governance: The Family Assembly and Council

Financial inheritance is only a part of what it means to be part of a family with a successful family enterprise. The family can also decide to do wonderful things together with their wealth. These activities can be funded by the family but are not considered as direct inheritance. For example, having use of a family ranch for vacation, taking a family trip, having a family office to arrange your taxes and help you purchase a house, or being part of the board of a family foundation, are not business or financial activities that are part of inheritance. Yet as a family member they are part of who you are and what your life is like. You can live a modest life and yet spend summers or vacations in wonderful places with your family.

Because they have such resources, one central aspect of succession is what the extended family—the second-generation siblings and their own households and children—does together. One of the most meaningful and consequential aspects of the family design of succession is what the family decides to do together. The extended family can arrange and support an annual meeting, at a special family place, or a resort. This fun vacation time for the family also offers a time for the family to meet and conduct its business.

This business of the family is not about business but about what the family wants to do to create an engaged, connected, supportive and caring family. It is a regular time for young family members to get to know their cousins, and for married-in spouses to get to know the family.

The family sets up governance to plan and hold these events and make them happen. This is what we call family governance and is separate from business and ownership issues. If the family can fit around a table, they can plan and organize these events themselves. But as the family decides to do more things, they need to name committees or working groups to make them happen. When this begins, the family usually organizes a small group that

they call a **family council**, to organize their activities. The family council is not the board of directors of the family. It is not the same as the owners of the business because it contains young and married-in family members who may not be owners, and concerns activities that are not business-related. The work of the family council, unlike the business, is not under the direction of the wealth-creator and is not the responsibility of the elder generation. While the family council may request funding from the family, its work is not a business activity. Therefore, it is not part of the estate plan, but rather can be initiated and done by the family across generations. Often, the origination of family governance is by the younger generation. Sometimes the older generation, while they are invited to events, decides not to be part of the council.

Therefore, over time the family creates two “pillars”, a business and a family entity, that plan parallel activities.



Values that underlie Family Governance¹⁰

While there are diverse paths to governance, there are common elements to the cultures and values of actively governing families. To succeed, family cultures must become **inclusive, future-focused, transparent, learning-oriented and accountable.**

Look into the future by reflecting on how these five core values played out in global family enterprises that succeeded over more than three generations.

The following quotes from families illustrate qualities and values that emerge with family governance.

1 Inclusiveness: a unified voice of the family

It's an important value and one that has made us strong during difficult times. Where a lot of companies might have just blown up, we've been able to create processes where we ... give people the opportunity to voice their opinions at these meetings and try to work through stuff. They have an investment in the family as well as the business. There's a lot at stake if this doesn't work. We faced that a couple of times where some of the business decisions were very difficult. We weren't aligned. It's more about being proud of who we are that carries us through during those times.

2 Developing and recruiting family talent

We identify and support upcoming talent, identify people that have an interest to learn about the business even if it is just on a family-ownership level or if it's somebody, they think to themselves, "I might want to work at the company." How do we go about fostering that? One of the ways is getting them involved with the family council, then trying to have them learn about the business and see if it's something they might want to do later in life. The family council meets four times a year directly after the board meeting.

3 Communication and transparency

With regards to leadership, it's critical to our success that communication channels with family members remain open and two-way transparent because that's the only way to ensure that there's trust, harmony and support from the family. The day that that breaks down into mistrust and lack of transparency between the business and the family is the day we lose the support of family members to want to continue being shareholders. Things start falling apart if it becomes a widespread failing in the family.

4 Learning and development

Each family member must commit to continual learning and personal/professional development. With wealth comes responsibility for understanding, keeping up with changes and preparing for new challenges emerging.

5 Competency and accountability: saying "no" to family members

The board nominating committee is composed of family council and board members. I was the nominating committee chairman, so I know this stuff pretty well. People apply, and if you don't give them the position, then I've got to tell them why, and some people aren't happy about that. So, we constantly work on how to be clear about requirements for a position. You try to home in on that in the job description.

¹⁰ Borrowed From Your Grandchildren, The Evolution of 100-Year Family Enterprises, Dennis T. Jaffe, 2020, pages 218-219.

Taking action for step 3: *Design*

Designing governance structures and activities

The greatest task of succession is to build an organization that combines the work of the family and the work of the business or family enterprise and differentiates the roles and responsibilities of elder and younger generations. The family, now with more members across generations, must organize itself to carry out its work and meet its goals. The Step 3 design process consists of the creation of governance in the family and business. These two activities run parallel and can be done simultaneously, as follows:

Hold the family meeting to define the family's future mission and goals for the future. Then set up task forces to define policies, practices and goals for the "family" and the "enterprise" councils of the family.

Before preparing and selecting new leadership, the family must decide what it wants to become. The family—including the current owner/leaders and the "leaders-in-waiting" who are the future—should continue their family meetings with sessions that update the vision, mission and values of the family. They should clarify what they want to do together and define their shared vision. These goals concern their various assets and financial entities, and their non-financial family. Some families set huge visions, and major changes, others want more limited connection and development. Some families develop a new non-financial family agenda separate from their business. Other families want to protect their core holdings and develop security with limited risk if that is possible. Succession and future leadership begin when the family defines what it wants to become, not what it is today.

These family vision and values sessions can take place over several months to a year. They consist of several large whole-family sessions, punctuated by some work between sessions on gathering information and looking at legal and shareholder agreements. The family must have a good picture of what the current situation is as they extend their view into what changes they see, what differences they want to consider and how aligned they are on the vision.

At this time the family can name two working groups, or task forces, for each "pillar" of the family future—its financial/business enterprises, and its non-financial family activities. These task forces contain different family members, although in a smaller family they may have overlapping membership. They are best organized by volunteers rather than appointment, so those who want to participate, get to have a voice.

Family Task Force: Define mission, goals and practices that enable the family to build relationships and take meaningful action to engage the next generation.

This task force looks at the family vision and develops goals and activities needed to realize the vision. For example: our family wants to become great by focusing on gratitude, and leveraging our wealth to support each other, to develop lifelong learning, and make a difference in our community and the world.

The family looks at how it wants to develop its non-financial "capital", to add value by doing things together that make a difference. These tasks include:

- Expressing the legacy of the family by preserving the stories and vision of the elders.
- Building positive relationships and caring within the extended family.
- Caring for shared assets like vacation property.
- Educating and preparing the rising generation.
- Doing wonderful things together as a family.
- Supporting the needs and providing a safety net for young family members.
- Pursuing a social mission by shared philanthropy.

These activities don't just happen on their own, and since they don't concern the business, they should not be directed or led by business leaders. The family needs its own organization and leadership, that comes from the family. As the family grows in number of people and assets, the family organization becomes more responsible and has more to do. This family organization develops its own leadership and activities that diverge from the business. For a family moving from the founding generation, the development of a family organization is a new task, and one that the family business leaders have not faced before. This task is something new for the family, but its effectiveness defines the future for the family.

Enterprise Task Force: Define mission, goals and practices for business and financial entities, that include future ownership, family employment and business governance

The family often has multiple and changing business and financial assets. The family may decide to make a major change in their legacy business—taking on partners and diluting ownership, going public, undergoing a major expansion, or selling. All of this demands careful consideration by the owners, including impact on the family. The enterprise task force:

- Establishes a leadership structure of the major owners to make these business decisions.
- Is attentive to assessing impact on the family, looking beyond themselves to the family.

- Defines and communicates the business, financial and enterprise goals for the family.
- Makes plans to deal with the family impact of major business decisions.
- Clarifies how family resources will be shared: through creation of trusts and funds for family activities, allocation of profits for the family council, reinvestment, distribution to owners and philanthropy.

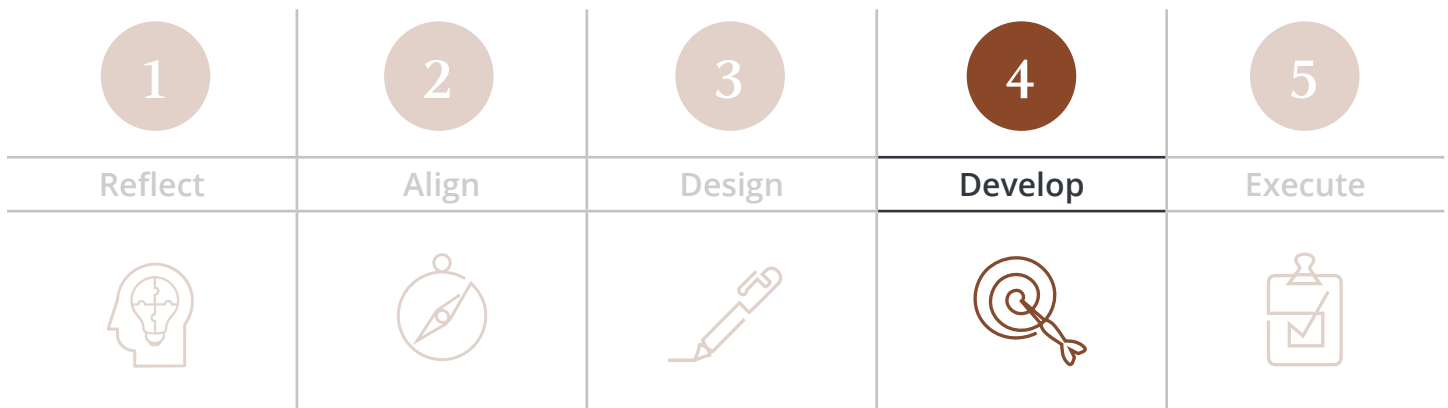
Re-convene whole family to review plans from each Task Force, agree and implement

The two task forces have created goals and agendas that are hugely impactful and important in that they define the future for the family and its family enterprises. As they define their agendas and goals, they must convene the whole family to share and communicate them, to lead discussion of what they mean and their impact and to align differences and set a course for the future. The family contains many households and perspectives, and as the family enlarges, regular whole family gatherings, usually annually, are needed to look at progress toward the goals, set new agendas and look for emergences of new contingencies. With annual whole family meetings, the enterprise and family task forces can align with family councils and meet regularly. With these entities in operation, the challenge of succession is preparing and naming new leaders not just for the business, but for the family.



STEP 4 – DEVELOP

Preparing a new generation of leaders



With a shared picture of the future and new structures in place to organize the family and business future, Step 4 is to develop a clear process for defining needs and preparing new leadership. The traditional view of succession is to appoint the next leaders for the business as it currently exists. We have advocated here that real benefit comes from defining future needs and then preparing and selecting leaders who are ready, willing and able to lead the emerging enterprise. The other principle is that the selection of leaders is not appointing a single leader for the enterprise.¹¹ A new type of leader is needed for new realities. The new generation, with more people, entities and complexity, has the need for multiple leaders, each with different skills and responsibilities.

Step 4 consists of setting up an active, ongoing, clearly defined, inviting developmental process for preparing the emerging leaders of the new generation. While many may be starting late, ideally, this process begins early in children’s lives, building understanding of what it means to have a family enterprise, and the potential role it can play in their lives. In their formative years, forge an

invitation for them to be part of it, with the caveat that they must prepare and work hard to be ready to take on these responsibilities. The mindset of what is expected forms much earlier than many wealth creators would like; children have a picture, however confused, of the family enterprise and the family wealth from the time they are very young. While it comes from many places, we have suggested in previous steps that you have a large hand in defining that picture.

As you have gathered, as a family, and shared information in previous steps, Step 4 adds a clear process for preparing young family members for positions of leadership. The process of preparing the rising generation for leadership offers a clear positive alternative to the competition and jockeying for power, and for their parents’ favor, that takes place in many wealthy families. Instead of a covert competition, young family members are invited to take part in the future of the family enterprise by learning to work together and preparing for a number of possible roles in the family, rather than just one.

¹¹ To explore the idea of going from one leader to multiple leaders, see “The Path from ‘One’ to ‘Many’: Building bridges for inter-generational transitions”, by Amelia Renkert-Thomas and co-authors for the UHNW Institute, February 2026.

Increasing transparency and education for all, with focus on future leadership roles and trusts

Young family members, at regular times, receive increasingly specific information about family enterprises, and learn more about the future needs of the family and what is expected of roles that serve the family—both working in the family enterprise, and serving on board, councils and other non-salaried positions.

A key aspect of this is education about trusts. In the new generation most wealth will be inherited indirectly, through trusts. Trusts divide ownership into roles of trustees, who make decisions, and beneficiaries, who benefit. Therefore, in a trust the rights of beneficiaries are limited unless they are trustees. A family member can be a trustee, as can a professional advisor; there can also be co-trustees. It is an important role and who occupies it and what they do is a central question for young family members. Trustees have enormous power over the family beneficiaries, and this can be helpful and generative, or oppressive and misunderstood.

The beneficiary is not a helpless child: the beneficiary has rights and should thoroughly understand the terms and conditions of the trust.¹² This education is nuanced and depends on the direction of the donor or settlor who creates the trust. If the donors, trustees and beneficiaries have a chance to meet and learn about their roles, the future of the family wealth will be much smoother.

Convene the rising generation and develop future focus in their generation

Too often the older generation is concerned with protecting the financial wealth. Fueled by anxiety, the leader spends little time thinking about who the best future leader will be and forgets to include the next generation themselves in those discussions.

The discussions must focus on the future. The rising generation should come together on their own, and with their parents, to consider the question—what do we want in the future, and how much do we want to be doing it together? Sometimes there is a need for the new generation to spend time together, to get to know each other and consider what they have as a family and what they want.

How well do they know each other and how well do they get along? Their parents can't just assume they want to work together and continue the family enterprise, and if they do, that they are able to take on that task.

Specify future leadership roles and the qualifications for each one and clarify how candidates are chosen for these roles.

A family can list and define the available future leadership roles, including:

- Board membership for various business boards
- Board committees like the investment committee
- Foundation directors
- Family council members and chair
- Trustees of family trusts, and others.

A family may find that there are more leadership roles than next generation family members, and that some family members may end up taking more than one role. There are usually enough for everyone who would like one.

Then, a family committee must define the competencies, skills and qualifications required for each one, and how they will be assessed, so that family members can know how to prepare for a role that attracts them. Potentially, instead of looking for a single business leader, the family will have a list of roles, responsibilities, qualifications and candidates, so that the selection of future leaders is not left until tragedy strikes, and the prospective leaders have time to learn and prepare for leadership roles. The more that is done before the elder leaders step down, the better prepared the family is for succession, and the less traumatic it will be.

¹² For a helpful resource to explain technical concepts in an easy to understand manner, see *The Beneficiary Primer: A Guide for Beneficiaries of Family Trusts*, Patricia M. Angus, (Angus Advisory Group LLC, 2020).



Initiate cross-generational leadership development process

One family governance group, that spans both financial and non-financial roles of the family, is a committee that has various names, including—Leadership Development, Successor Development or Next Generation Leadership. It may be only two or three people or contain just the older generation leader and a non-family advisor, but we find it's helpful to include at least one member of the new generation in this group.

The role of this group is to govern the process of defining, developing and having available family candidates for each future leadership role. This group can also help young

family members prepare for a job by helping them to seek educational programs, outside experience, or coaching. So, instead of coveting a role and working on one's own to be ready, or wondering how it can come to pass, a family member can actively set a personal goal and prepare for it. This succession and development committee is a key tool that can be called upon by the older generation of family leaders to work with a cadre of young leaders. Given the increasing lifespan, this committee can be very important. It can also be a place where young people who are ready for various roles can lobby or ask for a timetable to enter new roles.

Taking action for step 4: *Develop* Defining the need, preparing and selecting new leadership

After Step 3 defined the structures, roles and opportunities available, Step 4 contains the activities to prepare and develop the unique capabilities of a rising generation to be ready, willing and able to occupy these roles. Until they are ready, the new roles cannot be occupied. Here are the activities that set these steps and this process in motion:

Distribute awareness of what the family enterprise contains

Family members who generally understand the family's wealth, business and governance should begin more intensive briefings on the structure and workings of all aspects of the family and its family enterprises. With young people in school or starting families, it will be difficult to schedule these events, so sometimes they can be attached to holiday gatherings (though held separately and with clear boundaries) and scheduled well in advance. They should be attending learning sessions, where advisors present what is being done not in a lecture, but in a framework and setting, with give-and-take, discussions of why things are the way they are. As much as possible, these sessions should be in the presence of the older generation to be part of—but not lead or dominate—the discussion. The sessions should not become a defense of what is planned but a learning about what it is and how it works. Special attention should be given to trust education, as the implications and working of a trust are immensely important to how the family will work. A trust comes between informal family relations and adds a dimension that everyone should understand.

Define and plan roles, needs and competencies for rising generation leadership and stewardship positions

The family governance should contain, probably as part of the family council, a next generation development committee. It should contain representatives from

older and younger generations. They can compile a list of actual and potential positions, including leadership roles occupied by the older generation. For each one, the committee should define the nature of the role, what competencies are needed and when and how people are chosen for that role. This is the list for future family leadership, and it should be shared and communicated with the whole family.

Develop candidates and development plans for various roles

The family can invite family members to prepare to take on each of the roles. Some roles allow more than one person or might be time limited. Family members can indicate which role or roles interest them, and begin to prepare. As time goes on, there will be vacancies and opportunities to be considered for roles such as board or committee membership, or possible employment in one of the family businesses or family office. Some roles might even include a period of apprenticeship to develop skills and demonstrate competence. The committee may also be called upon to develop methods of performance assessment, so that family members receive feedback.

With all of this in place, succession will no longer be hidden, secret, or unclear. Moving leadership across generations will be less jarring and sudden, as the family has an open process and preparation to occupy future leadership roles.

Create low-stakes opportunities to learn joint decision making

There is no one right path, but rather many onramps to invite the rising generation into an experiential process of learning¹³ how to make joint decisions, ranging from philanthropy to shared investments, to a smaller company or division.

CASE STUDY

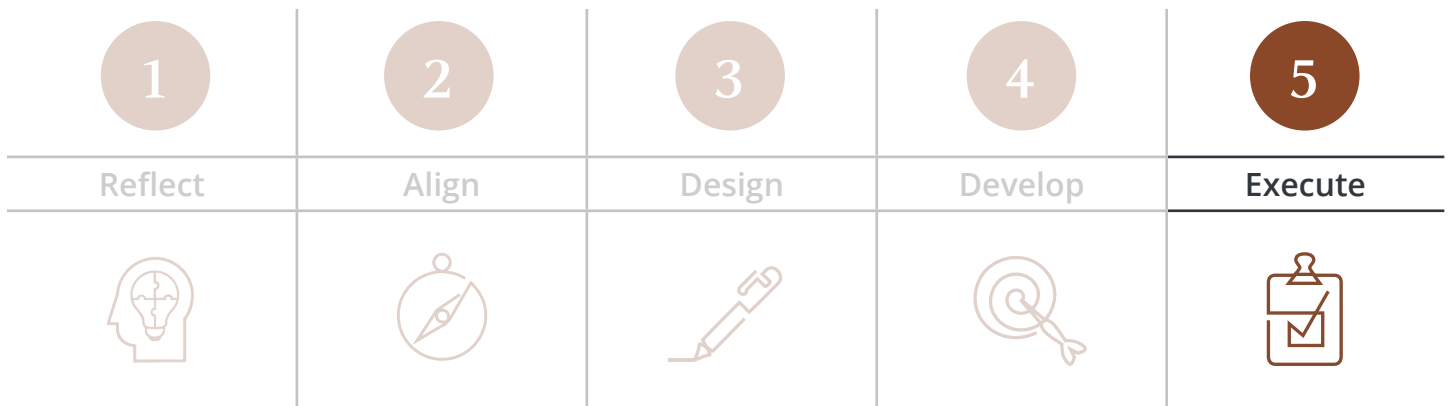
One family had a large operating business and while they were clear that they wanted to retain family ownership, they were uncertain if all four siblings would be able to operate as partners. Given the high stakes of this decision, they decided to “bring the future to the present.” They purchased a small passive business for the siblings to manage. With the help of a business consultant, they met quarterly for three-years to

experience first-hand what it was like to make joint decisions and operate as partners. Through experiential learnings, all four agreed that one sibling didn’t have the temperament or desire to be a sibling partner. With full transparency, the parents (with eyes wide open) adjusted their estate plan to provide an equal share of overall assets, while leaving the operating business to the other three siblings.

¹³To take the learning further, see The 10x10 Learning Roadmap: Advancing Flourishing in Families of Wealth, Stephen Goldbart, Stacy Allred, Joan DiFuria, James E. Hughes, Jr. Foundation, 2024.

STEP 5 – EXECUTE

Create a roadmap for the journey across generations



Preparing for a new generation of ownership and leadership—succession—is a complex process that takes place over many steps and many years. The journey includes preparing, inviting and developing a new generation to lead a family enterprise in a new direction. This toolkit has outlined activities that must be undertaken. The final step is to consider the situation facing your own family enterprise and set up a timetable for activities to get there.

If a family elder sees the transfer of power and ownership as several years away, it seems tempting to put things off. But even if the timetable is tentative and subject to change, setting it up is a useful and critical episode. There are many steps, and a family does not want to put off getting started only to find that when the time approaches, they are pressed to carefully do what is needed. Some tasks, like the development of young leaders, take place over many years. With the longer lifespan, the period where generations work together becomes longer and longer. As we have observed, it can last until a third generation has begun to grow up and think about their own roles in the family enterprise. We call this long period the intergenerational partnership, lasting many years. Part of the succession timetable entails setting up

processes where the older generation steps back, and the members of the younger generation take on more responsibility and often begin to become owners themselves.

There are many steps from where you are now, with an older generation of leadership, and where you want to be. For Step 5, a family creates a Roadmap of activities they want to undertake, places them along a timeline and sets priorities and action steps for the current year, and a few years more. A good succession process contains:

- one to three key goals for each year
- action steps and specific plan
- milestones and indicators of success

Each year, the family council and owners' council each set goals and plan. Every year can focus on a specific activity and achievement. This core goal is set by the family so that every family member understands that year's focus and opportunities for involvement.

The Roadmap is managed by a clearly defined family group. It can be a subcommittee of the owner's council or the family council. This Succession Steering Committee or Next Generation Leadership Group contains members that represent the older and younger generations. The group has a charter that defines its goals, responsibilities, membership and organization that comes from the family

owners, often with input from the council. Its existence means that crossing generations is not left to the older generation alone, even though many succession decisions are made by the current owners. The Committee is overseen by the owners but offers a place where the rest of the family can be involved in implementation.

No Roadmap can be foolproof. Traffic and unexpected detours come up along the way. No planning process can avoid unpredicted crisis—from changes in the business environment or changes within the family. Step 5 includes a process for making changes in the plan.

Taking action for step 5: *Execute*

Taking the journey across generations

The first four steps of succession started an intensive process of creating a family organization for the future. You have begun to meet, defined shared goals, set up structures for the business and the family's future, and developed capabilities of the rising generation to be the new leaders of the family. In Step 5, you place the next steps to implement these challenging and complex plans, by creating a roadmap with goals, tasks and outcomes clearly specified. Annually, review where you are and select a new set of goals, as your journey progresses.¹⁴

Setting up the steering committee

An intergenerational group of current and possible future leaders is selected by the owners. They will create the Succession Roadmap and timetable and set it in motion. In a small family this group can be quite small; for example, containing the two first generation owners, and one or maybe two of their adult children. But this group is responsible not just for coordinating but for communicating with the rest of the family.

The group begins by creating its charter, defining its role in implementing the will of the owners to create a new generation of leadership. The group should clearly define who is in it, what it does and how it works.

It should begin with a general Roadmap of where it wants to be in the next generation (defined as either when ownership and control passes to the new generation or as a time period of a decade or more). From the defined outcome, the Roadmap goes backward to see what must be done to reach that outcome, defining a series of key actions along the way. These can in turn be linked to more specific action steps and then arranged with a timetable. This can be a draft that is shared with the family and further modifications can be made.

Develop a shared picture of the future

Succession is selecting leadership and defining a path toward a future that will be very different. Since the future concerns the young family members who will make it happen, the whole family should be part of defining the picture, because part of its nature concerns what the rising generation wants. If they see themselves as future owner/operators of a legacy business, or as stewards of diversified

family wealth, the succession process will be different. The family together should define what sort of future they want and then how they want to prepare for it. Otherwise, the family risks the older generation making plans for something that is not wanted by their children, making it difficult for them to be motivated to prepare for it.

Create a roadmap of specific changes and date

The family should develop a long-term timetable and set of action steps that define the journey. The process of succession is rarely a one-time event (except in the cases of tragedy or great upheaval). Rather, the shift from one generation to another takes place with small changes whereby the younger generation begins to take on leadership roles, and the older generation steps back. It is best that this happens in steps. The Roadmap allows the family to create clear expectations for change, and to prepare for them.

Define annual goals and action

Each year the Steering Committee can report on the annual goals and what will be done. Many steps include requests for involvement in tasks like asking for candidates for upcoming positions in governance, and participation in learning activities.

Course correction

No succession goes as planned. New situations emerge—a buyout offer, an unexpected death, a business crisis, a pandemic, or a growing difference about goals or strategy—that unsettle the Roadmap. The family should have a process by which someone can request a change, or shift, and the family can consider it.

¹⁴ For a practical guide with exercises to move through the Family Journey, the Enterprise Journey and the Personal Journey, see Hamilton, Sara S. and Cox Vaughan, Margaret, *Build an Enterprise Family to Last: Proven Strategies to Thrive Across Generations*. (James E. Hughes, Jr. Foundation, 2024.)

Family succession journey checklist



A. SET UP THE STEERING COMMITTEE

- Owners select an intergenerational group of current and potential future leaders to create the Succession Roadmap and timetable and set the plan in motion.

In a small family, this group can be quite small (e.g., two first generation owners, and one or maybe two adult children).

- Define the committee's charter:
 - » Who is included?
 - » What are the committee's roles and responsibilities in implementing the will of the owners to create a new generation of leadership?
- Draft roadmap of desired future (from learnings in Steps 1-4 of the succession process).
- Clarify how the committee will communicate and coordinate with the entire family.
- Ensure the group is empowered to coordinate and lead the process.



B. DEVELOP A SHARED PICTURE OF THE FUTURE

- Engage the whole family, especially the rising generation, in visioning sessions.
- Ask: What kind of future do we want?
 - » Owner/operators of a legacy business?
 - » Stewards of diversified family wealth?
- Align aspirations, expectations and how to prepare across generations.
- Document the shared vision to guide the roadmap.



C. CREATE A SUCCESSION ROADMAP

- Start with the desired long-term outcome (e.g., generational transfer, 10+ year horizon).
- Work backward to identify key actions and milestones.
- Break down the journey into specific, actionable steps.
- Arrange steps on a clear timetable.
- Share the draft roadmap with the family for feedback and refinement.
- Revise as needed to ensure buy-in and clarity.



D. DEFINE ANNUAL GOALS AND ACTIONS

- Set clear annual objectives and tasks for the year ahead.
- Assign responsibilities for each action step.
- Report progress to the family at least annually.
- Invite family members to participate in:
 - » Governance roles
 - » Learning and development activities
 - » Candidacy for upcoming positions
- Celebrate milestones and adjust goals as needed.



E. COURSE CORRECTION

- Establish a process for requesting changes or adjustments to the plan.
- Remain flexible and responsive to new circumstances (e.g., buyout offers, unexpected events, business crises, shifting family goals).
- Regularly review the roadmap and update as needed.
- Encourage open dialogue about what's working and what needs to change.



HOW TO USE THIS CHECKLIST

Review these steps at the start of Step 5 of your succession journey and revisit them at least annually.

- » Use as an agenda for family meetings and steering committee sessions.
- » Adapt each step to fit your family's unique context, size and aspirations.
- » Remember: Succession is a journey, not a one-time event—keep the process dynamic and inclusive.

TIP: Keep this checklist visible in your family office or meeting space as a reminder of your shared commitment to intentional, generational planning.



In conclusion: three key takeaways

We developed this toolkit as a guide to help your family work together—with the older generation who created the initial family wealth or business, inviting in the new generation of leadership to co-create the future.

INTENTIONAL LEADERSHIP

Succession requires a clear, proactive plan led by a committed, intergenerational team.

This journey is far more complex than the older generation may initially expect, but achieving successful generational succession is not quick or easy.

ADAPTIVE ROADMAP

The journey is ongoing and must be flexible to accommodate change and new realities.

Successful succession involves a series of conversations, decisions and actions that extend over many years.

INCLUSIVE ENGAGEMENT

Successful succession depends on involving all generations and voices in shaping the family's future. It is not a simple decision by one person.

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