

Planning for Wealth

A comprehensive Wealth Management approach for business families

*Joseph Stephan, CFP®, Private Wealth Advisor
Stephan Independent Advisory*



Most family business leaders feel the weight and burden of being the key decision maker of personal wealth decisions and largely feel unsupported in this role.

In this paper I outline the key financial challenges and family considerations that can be a roadblock in transitioning from business success to enduring financial success. I will then walk you through a structure which ensures the wealth management needs of your family are addressed comprehensively.

Delving into the challenges

To understand the specific challenges of today's family business community fully, we conducted in depth interviews with several individuals, including family business leaders and related family business advisors within Melbourne and the United States of America.

We selected each for his or her ability to provide insights into the common financial issues and challenges faced by family business leaders today.

Scatter Gun Approach

Many family businesses have an inconsistent/ piecemeal approach to private wealth management and engage a diversity of advisors whom are working within their own silos with no wish to collaborate.

In the family business space these advisors foster an environment of inconsistent advice, unclear strategic direction and a lack of family 'buy in'.

Leaving it too Late

Family business leaders usually become attentive to private wealth matters during 'trigger events' such as unexpected illness.

Ideally, wealth management begins at the earliest point of the business cycle by projecting a post business life vision for the family group.

A unifying strategic roadmap is committed to by the family which ensures the necessary financial and support structures are established, goals are realised and succession challenges eased.



My Business is my Nest Egg

A family business focuses much of their planning and resources on business growth.

There is often a lack of appropriate private wealth planning which can leave the family reliant on the business as a source of income and can delay transition to the next generation.

The use of the business as a quasi 'pension fund' creates an environment where an ageing business leader feels compelled to retain control past the point where they may be capable (physically or mentally).

Taking a systematic approach

While these issues can pose significant challenges for many family business leaders, they can be systematically addressed to help increase the likelihood of achieving their goals.

Given their complex and varied financial needs, many family business leaders can consider using a wealth management approach. To define wealth management, I use this formula:

$$WM = IM + AP + RM$$

The first element of wealth management (WM) is investment management (IM). As I mentioned, this is the major focus of many financial advisors, and certainly astute investment management can be the foundation of physicians' ability to address their most important goals.

However, my interviews revealed that many family business leaders need more than just assistance in managing their investments. This is why I have the second element of wealth management, advanced planning (AP). Advanced planning addresses these four major areas of financial concern beyond investments:

- **Wealth enhancement:** mitigating tax burdens
- **Wealth transfer:** helping ensure that heirs are taken care of
- **Wealth preservation:** helping to protect loved ones and preserve assets
- **Charitable giving:** maximizing the impact of one's charitable gifts

Since no one person can be an expert in each of these complex areas, wealth managers work closely with other professional advisors, such as CPAs, attorneys and insurance specialists, to address these issues. Depending on the preference of their clients, they may do this in conjunction with the clients' current professional advisors.

This brings us to the third element of wealth management, relationship management (RM). To fully understand their clients' most important goals, values and challenges—both now and long into the future—wealth managers must cultivate trusting, long-term consultative relationships with those clients.

Taken together, these three elements comprise a systematic approach that can help many [niche members] to make informed financial decisions for themselves and their families.

Not everyone wants to work with a financial advisor. If you do choose to work with a professional, consider one who uses the wealth management approach.

See the sidebar for questions that will help you determine whether a particular financial advisor is an appropriate choice for your situation.

A systematic approach—one that addresses their entire financial lives—can help to increase many [niche members'] probabilities of achieving their most important goals.

Joe Stephan is a Director and Private Wealth Advisor at Stephan Independent Advisory. He may be reached at 9077-2906 or joe@siadvisory.com.au.

Five Questions to Ask a Financial Advisor

- 1. How do you work with your clients to help them reach their financial goals?** The advisor should be able to describe to you a clear, systematic approach for identifying and addressing client needs.
- 2. Do you help clients address financial goals beyond investments?** While many advisors provide only investment management, you may need assistance in the four advanced planning areas of wealth enhancement, wealth transfer, wealth preservation and charitable giving.
- 3. Do you specialize in working with certain clients?** If you are in a family business, the financial advisor should fully understand the specific challenges you and your family face.
- 4. Do you work with specialists?** The financial advisor should be able to access the full range of knowledge required to address your concerns. This may be through a team at his or her firm or through an outside network of professionals.
- 5. Why did you become a financial advisor?** The answer should reveal whether the advisor has a true passion for what he or she does.