

Planning for your future: Creating cross-generational harmony

Karina Challons: My name is Karina Challons, I'm a Managing Director for the Private Bank working in the Wealth Planning team covering the Ultra High Net Worth clients.

Paul Bradshaw: I'm Paul Bradshaw, I'm a Director of the Wealth Planning at HSBC Private Bank looking after international clients.

Paul: What issues can delaying conversations with the Next Generation cause?

Karina: It can cause a number of issues because the wealth creator may have in his mind, or her mind, that the family business for instance is going to pass on to the Next Generation. But the second generation may not want it and if they keep avoiding discussing these importance issues then it can eventually lead to discord amongst the family and eventually fragmentation of that family. So, it is very important that these difficult issues are dealt with.

Paul: What help do you need when you're working with the Next Generation?

Karina: You need to bring in professionals to facilitate these conversations. They are difficult questions and there is a reason they have been avoided. So, by bringing in professionals the difficult questions are dealt with so the two generations can be brought together to have a shared purpose and a common objective. Without this you can never move forward.

Karina: What's the purpose of a family constitution?

Paul: Over the last five years, the term family constitution, or family governance, has become increasingly used in the professional advice community. What it really means is putting in place a set of rules against which a family can co-exist, decide how they want to manage their wealth and against which they can measure their success.

Karina: And when you've got a family constitution and structures in place, do they need to be reviewed?

Paul: Absolutely. So just in the way, the same way, that we evolve as human beings family circumstances can evolve. Family circumstances change. There might be new additions to the family or people move overseas. So, what we need to make sure is that what we put in place today we know isn't going to work for the next 20 or 50 years, we just need to make sure that actually, it's updated to reflect a change in circumstance.

Karina: What is the process to start transitioning wealth?

Paul: So I mean the starting point will be for the wealth creator to have made the decision that the wealth they have created, in whatever form that might take, be that a business of something else, is something that they want to look at passing down to the Next Generation. And once that decision has been made, then that is just simply the start of the process.

Paul: Once the decision has been made, what should happen next?

Karina: The next thing is to develop the communication with the second generation in order to ensure that there's a common purpose and sufficient grounds between the two generations. Once they've achieved a shared purpose, then at that point it's educating and preparing the Next Generation for the wealth that they will be taking responsibility for in the future. So, it's just the start. It can be a long process, and it will depend on how united they are. The differences will need to be aired out and there will be compromises along the way.