



BERNSTEIN

Wealth Beyond Measure

We are thrilled to present our key findings from Wealth Beyond Measure, a deep dive into the complex world of family, wealth and purpose. Bernstein's UHNW Team has worked extensively to bring you the highlights from our in-depth study, drawing on our decades of experience helping families navigate the transfer of wealth-related values and knowledge. Ultimately, we are here to answer the one question we hear most:

What are other successful families doing with their wealth?

CONDENSED RESEARCH

Executive Summary

We interviewed families from every major US region and all corners of the globe—many of whom had a family business, family office or global considerations—exploring the top-of-mind issues they wrestled with most.

40

interviews

\$100 Million
to
\$4 Billion
net worth

60%

have family
businesses

2/3

have a family
office structure
in place



Five of the most compelling revelations from our interviews include:

1 **Wealth is often isolating. About 75% of our** interviewees felt they couldn't confide their wealth concerns in family or friends. This helps explain their desire to learn from others.

2 **Complexity isn't always dictated by the size of your balance sheet.** Billionaires dominated the top quartile in terms of complexity, but other quartiles had a similar number. Formal governance structures were driven by factors like running businesses or blending families, rather than size alone.

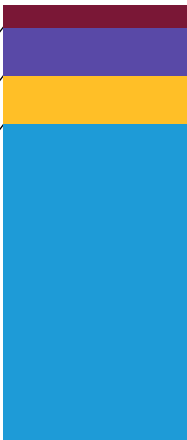
Do you feel you have people you can speak to about the complexities of wealth?

5% Yes, I have a good network

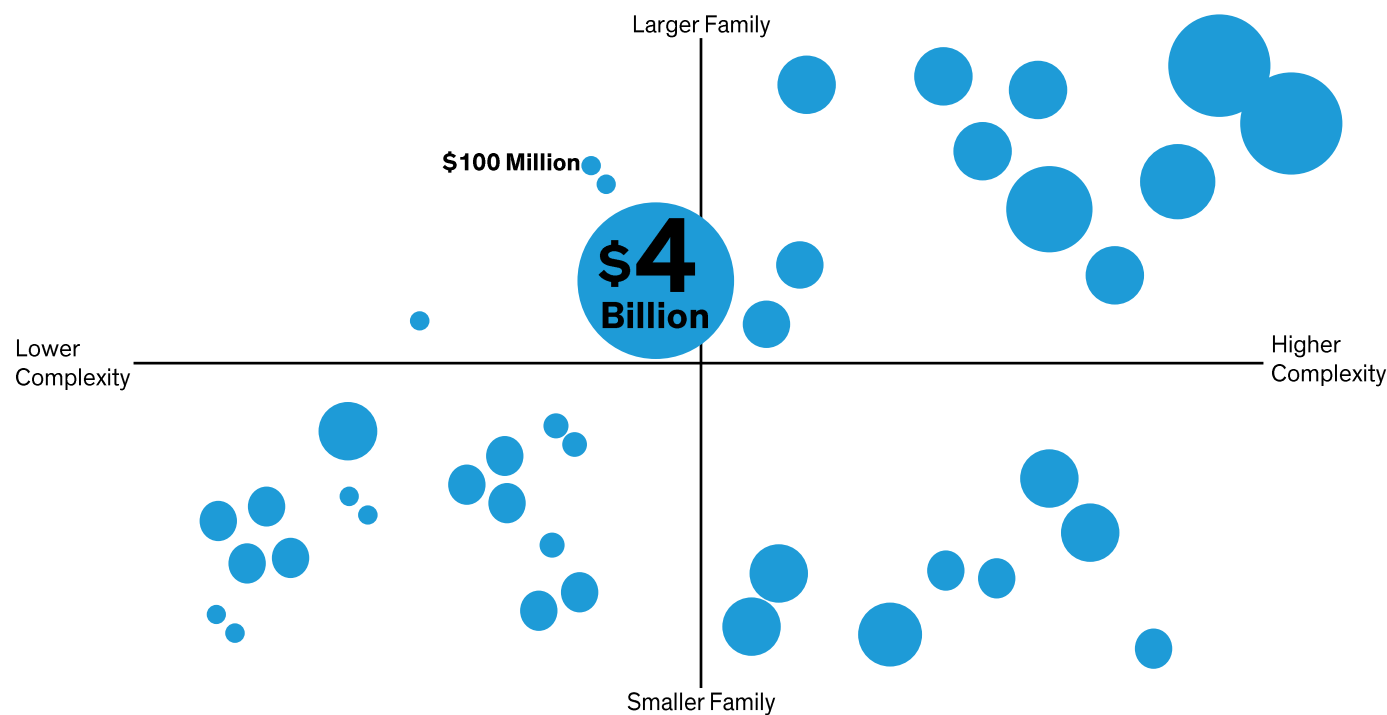
11% Only with my family

11% Only with professional advisors

73%
No, I feel very isolated



OUR INTERVIEWS REFLECT A WIDE RANGE OF COMPLEXITY



Source: AB



3

Conflict can sneak up from unexpected places. As families grow, the potential for discord multiplies. Yet just **one-third** of families integrate a conflict mitigation strategy into their governance structure.



4

This isn't your parents' family office. Successful families use a variety of structures to organize complex estate planning strategies and intergenerational dynamics. **About 70%** of the families in our study have some kind of family office, broadly defined.



5

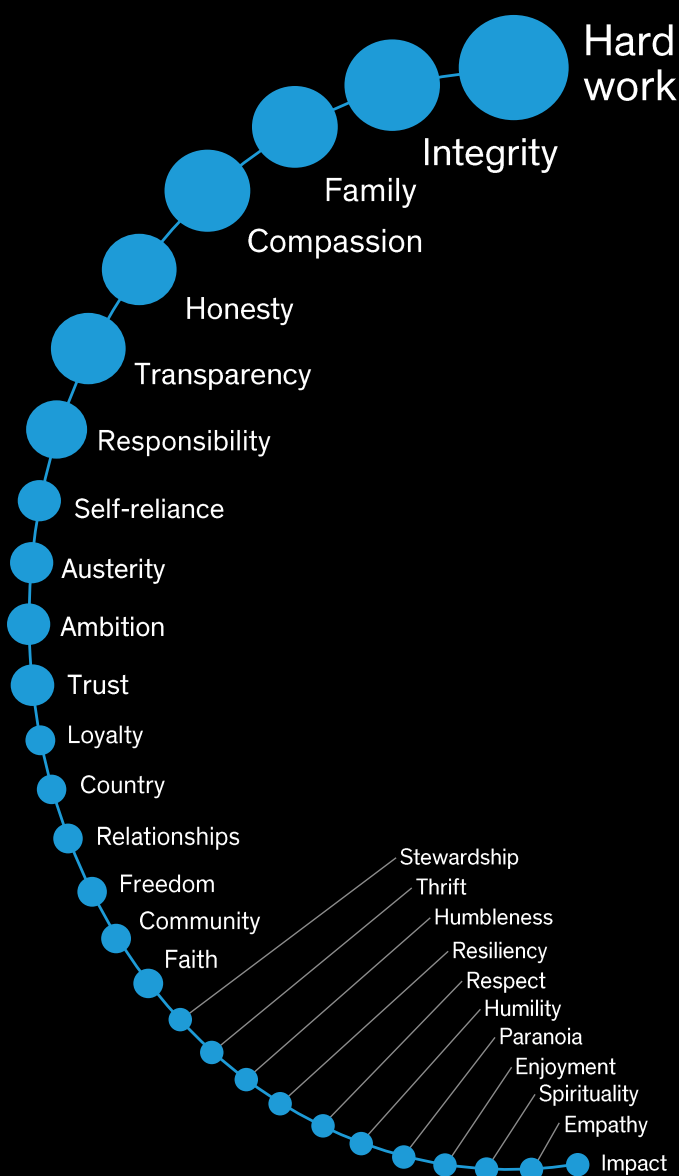
Some have cracked the code when it comes to running a family business. Nearly **two-thirds (60%)** of the families we spoke to own an operating business. The most successful ones center their business and wealth around well-articulated purpose and values.



What we heard will challenge your assumptions—and reveal the extraordinary ways successful families use their wealth for lasting effect.

Digging Deeper

Beyond those key takeaways, we spoke to families at length about four key pillars: governance, estate planning, investments and philanthropy. What we learned can help families turn financial stumbling blocks into meaningful stepping stones.



Size of circles denotes how many times a topic was mentioned. The participants were not given topics to choose from—they cited them directly in interviews.

Values and Guiding Principles

"A big part of why our family has stayed together is because of the values we've got...we talk about them regularly and they're baked into our governance. They were really important to the previous generations, and they really lived them. It's one thing to memorialize them, but it's much more important to live them."

—Rising generation of a 7-generation family

During our conversations, we asked families to share their most cherished ideals. We were struck by how these values informed every aspect of their lives, from their governance plans to their family businesses, and even their day-to-day interactions. It was clear that when values were at the center, key decisions, structures and relationships were not only maintained but flourished.

Yet putting words to values is easier said than done. Families often benefit from a formal exercise to purposefully define their values in a hands-on way. By reflecting on their principles, they gain insight into what's important to each family member. Conveying ideals can also help establish common ground and reveal disparities. Once identified and communicated, these values can then be integrated into the family's governance, philanthropy, estate and investment strategies.

Family Governance

How do you maintain family cohesion, trust and open communication?



80%

use family meetings, assemblies, retreats



67%

articulate values, mission and vision



Several participants expressed fears of the unknown as they contemplated what the rising generation might do.”

“The winter meeting is adults only and spans over three days. The summer meeting consists of all the generations traveling into town and giving them time and space to reconnect, bond and catch up with each other while still being able to impart vital information about the business and family office. The meeting is four days in length and includes a robust schedule to maximize their time together. Each of these meetings provides great opportunities to have face-to-face communication with the family.”

–Family office, 5 generations

For many families who are early in their wealth journey or recognize the need for structure, calling a [family meeting](#) may be the first step in kick-starting the governance process. These meetings provide structure for important family conversations and decisions while also facilitating relationship building. They can also be used to disseminate valuable information, provide educational insights and create opportunities for social interaction and bonding. Many “first-time” families find it helpful to partner with an external advisor to facilitate the family retreat and ensure effective follow-up. Delegating that aspect allows families to unlock the magic of a transformative retreat while immersing themselves in the experience.

A family meeting also serves as a wonderful venue to workshop and refine family [mission statements](#), which were frequently cited as tools for family businesses or philanthropy. A family mission statement can lay the groundwork and drive the practical actions within the broader family governance structure. Additionally, it can inform and direct trusted advisors (e.g., investment, legal, trust and tax) as they advise on growing and preserving wealth for future generations.

Drafting a mission statement can offer family members the chance to communicate a shared vision, values and purpose for the family. Crafting the mission statement and regularly reviewing it at family gatherings can strengthen family bonds, provide a sense of meaning and identity, and establish the standards by which each family member should live and be held accountable.

"We figured out how we were going to make tough decisions before we had to make them...like selling the stock. That was a decision that could have been pretty contentious. So we said if we were going to start thinking about this, what would that look like and what sort of approval would we need to get from the regular family? And how exactly would that work? And then, a few years later let's look at the process and follow it when it was written in less of a pressure cooker environment."

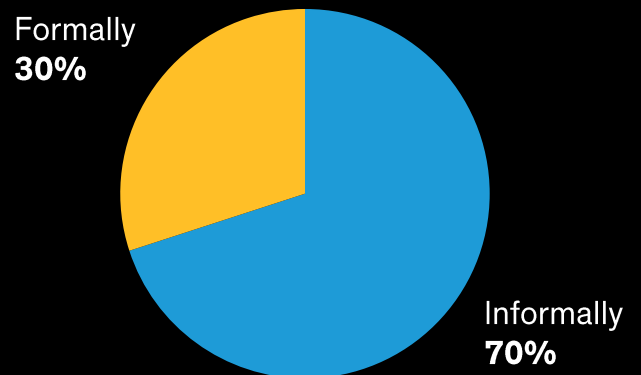
—Multigenerational family with a large, beloved concentrated stock position

Most respondents tend to avoid conflict, with nearly two-thirds handling disagreement informally. Conflict can be divisive, but it doesn't always have to end in destruction. In fact, some of the best learning and growth can come out of conflict. But it's essential for families to effectively manage dissension to prevent it from tearing the family apart. Families should identify areas where conversations and education are needed, such as setting expectations around beneficiaries of the estate or discussing the role of [prenuptial agreements](#).

Effective governance ensures the family follows established rules, which can prevent a breakdown in communication if family tensions arise. Integrating a conflict mitigation strategy—whether informal or formal—into the governance structure helps maintain peace among family members while safeguarding the family's assets during good times and bad.

Conflict Resolution

HOW IS CONFLICT HANDLED IN THE FAMILY?



Source: Bernstein



Most families are conflict avoidant, but like a crew sailing through a storm, families should be equipped to recognize it, manage it and navigate out of it."

"My biggest fear is creating trust fund babies."

—Business owner who valued hard work, and wanted to ensure that future generations remained productive despite the financial means afforded by the family's good fortune

Many family leaders grapple with revealing the family's level of affluence. They worry it could adversely impact their children or grandchildren's relationships—between siblings and with friends or peers—while potentially demotivating them from pursuing their own aspirations. Importantly, setting up heirs for success goes beyond just revealing the assets. It also means clarifying family values and conveying expectations for how such resources should be used. Some families find that implementing an education program for the younger generations can be an effective starting point.

In fact, roughly two-thirds of families we interviewed [incorporate educational programs](#) into the family governance system to prepare tomorrow's leaders. Sound financial skills lay the foundation for happiness, stability and independence—as well as a framework for dealing with future financial challenges and opportunities. It's crucial to carefully consider the appropriate program and structure. Often, enlisting a third party to facilitate instruction can add tremendous value. The program should be tailored to the learning styles of the participants and should aim to gain their buy-in to encourage continued learning.

Preparing the Rising Generation

How do you prepare the rising generations to be responsible leaders for the family?



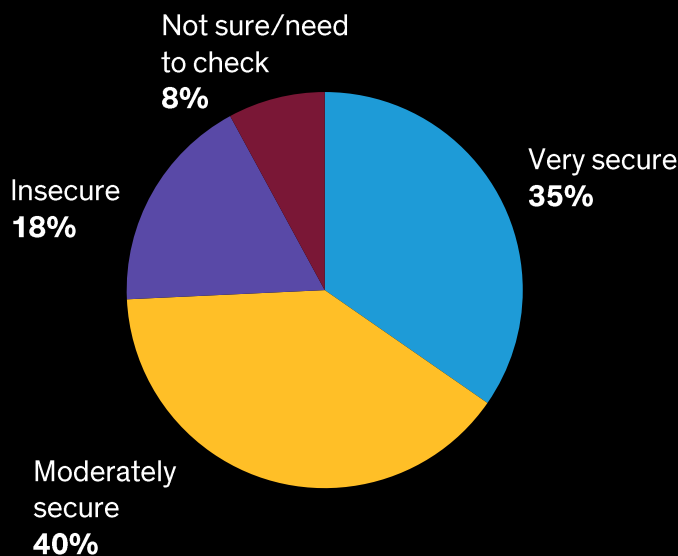
65%
incorporate educational
programs



While education is vital for the next generation, don't discount the learnings that come from sharing your struggles and things you've overcome."

Estate Planning

DO YOU FEEL SECURE THAT YOUR TRUST AND ESTATE PLAN IS WHERE IT NEEDS TO BE?



May not total 100% due to rounding.

Source: Bernstein



The feeling of being secure about your plan typically means you're on top of it, not because you're done with it."

"I think we've done a fair amount of the estate planning when we were selling the business... I would say my concern is that you're making decisions very far, far into the future. You know, you've made some decisions 10 years ago, and they could be decisions that play out 50 years from now. So that to me feels a little disconnected. I don't know if there's any way to connect them better. But that makes me feel uncomfortable."

—Brothers, 1st generation, post business sale

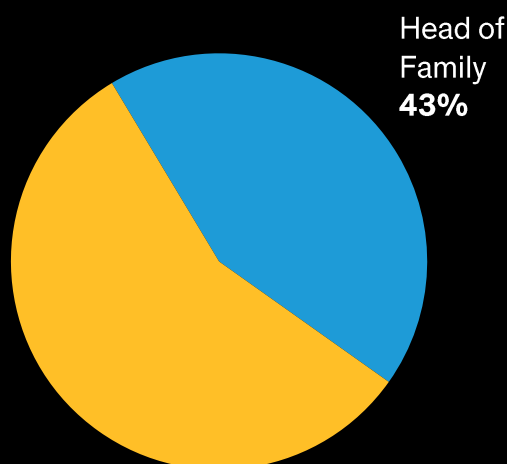
The 35% of families who felt very secure in their plan offer valuable lessons to others. To meaningfully increase the sense of security around an estate plan, families should consider the following factors:

- 1. Flexibility:** Putting estate plans in place for an event that may be far in the future can be a daunting task. Families may wonder how the structures will hold up given the family's ever-evolving needs and changing regulations while allowing for optimal tax treatment at death.
- 2. Trusted professional guidance:** Having the right team in place is important since families will need to consult with their trust and estate attorney and trusted advisors to keep their estate plan relevant and adaptable. To ensure that assets are distributed in a manner consistent with the family's wishes, it's crucial for the family to work with a trusted professional who can help them think through their estate goals and integrate a governance structure with the plan.
- 3. Clear communication and expectation setting:** Families with differing opinions on when and how much wealth to reveal can benefit from family meetings or educational programs to equip younger generations with the fundamentals of finance, estate planning and family values.

[What's the right amount of wealth to transfer?](#) There's more to the story than taxes when evaluating potential strategies. An estate plan must be able to address unexpected situations, which makes an overly rigid plan impractical. Centering the plan around your underlying beliefs and principles will create a plan that is both flexible and focused.

Investing

HOW DOES YOUR FAMILY MAKE INVESTMENT DECISIONS?



Family Office/Investment Committee/Family Vote
56%

May not total 100% due to rounding.

Source: Bernstein



No matter who is making the decisions, documenting the rationale is vital.”

“I sat down with the boys for the first time, and sort of laid out the books, as it were...so far, we’ve decided there will be a quarterly meeting. And I will not make large investments, or longer-term less-liquid investments, without their concurrence. What I see evolving over the next few months is thinking about things like, ‘Should I give them each a pool to look after? Or do we keep it all together?’ It would be a shame to break it up, so I’m thinking over the next five years or so they might take the lead in managing it and then there’s potential for that to go down the generations. Because they’ve got day jobs.”

—1st generation global family in the process of establishing a family office

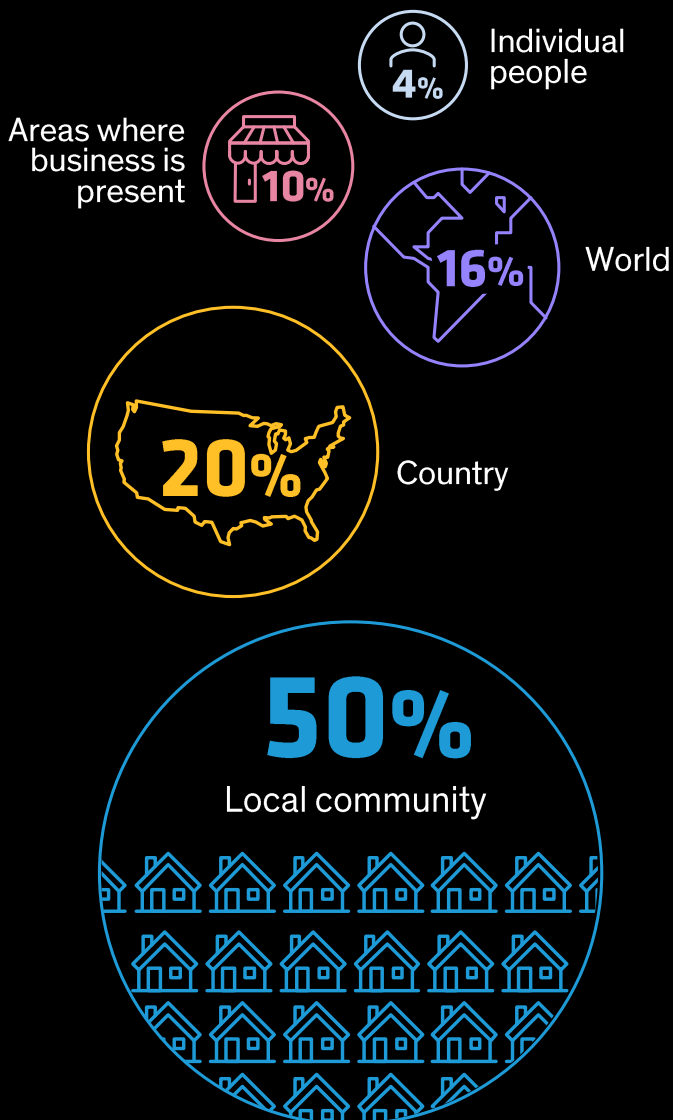
More than half of the families we spoke with centralized their investment decisions within a family office structure, through an investment committee or via a less formal family voting system. For the remainder, the head of the family took charge.

No matter who is making the decisions, documenting the rationale through an [investment policy statement](#) is vital. An investment policy statement, or IPS, is designed to address the objectives, constraints, unique circumstances and wider oversight processes that govern the family’s investment-related activities. Crafting one can be an opportunity to educate, inform and involve other family members.

Among the key elements in a well-written IPS is a target asset allocation, which defines how the family’s assets will be apportioned among asset classes. Here, it’s essential to treat asset allocation as a journey, rather than a singular destination. That means setting long-term, aspirational targets that go beyond providers and products—and allowing for fine-tuning along the way. Ultimately, successful families create an IPS that is flexible, dynamic and adaptable, enabling them to respond to changing personal circumstances and opportunities that arise.

Philanthropy

WHAT ARE THE TARGET LOCATIONS OF YOUR GIVING?



Source: Bernstein

"We give a lot to the community around us, which is heavily tied to our company. For a company our size, I think we probably give a disproportionate amount of money back into the community. It always follows the business interests—industry associations, etc."

—Founder who aligned his philanthropic efforts with his business' focus population

Developing a [strategic philanthropic plan](#) brings intentionality to giving. To design a successful plan, families should engage in open dialogue to identify their values and areas of interest, with an eye toward defining their priorities and a common philanthropic vision. This process can be enlightening and bonding, revealing common interests and new possibilities for advancing the greater good.

Roughly half of the families we interviewed said that philanthropy was deeply embedded in their family. And while philanthropy is inherently personal and varies from one family to another, we benchmarked where our 40 families focused their philanthropic efforts. Community development and education were the two top areas, cited by 15% and 14% of families, respectively.

To round out their plan, families must also pinpoint where they wish to make an impact. Targets range from helping an individual or local community to an entire country or even the world. For instance, half of the families we interviewed prioritized supporting their local community.

With so many ways to give back, it can be overwhelming for donors. When evaluating their options, families should consider how their shared values and goals can be achieved with the right giving structure while assessing the projected financial impact of various giving strategies and spending policies over time.



The Heart of the Matter

While no two perspectives on wealth are the same, one consistent theme emerged from the families we spoke to—that nothing else matters if family values, governance and relationships aren't at the heart of a comprehensive family wealth plan. Starting with values and aligning investment plans with them increases the chances of success and shared purpose. Good governance ensures seamless wealth management and transfer, while community support from trusted advisors and conversations with others facing similar complexities can provide comfort and confidence. With the help of dedicated advisors, families can navigate the growing complexities of wealth and ensure it becomes a catalyst for stewardship and unity across generations.

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