

## Q & A with Erik Daniels

### Q. What are the biggest challenges for families of wealth?

The challenge of effectively transferring wealth generationally remains very similar to past generations. The American adaption of the universal proverb “shirtsleeves to shirtsleeves in three generations” is still relevant. The Williams Group conducted a study in which they asked more than 3,250 families who had lost their wealth, “What specifically caused the failure in wealth transfer?” Sixty percent replied that it was lack of communication and trust in the family, 25 percent said that their heirs were unprepared for the wealth, and less than three percent mentioned that poor planning and investments had brought about the loss of wealth.\*

*\*Preparing Heirs – Five Steps to a Successful Transition of Family Wealth and Values by Roy Williams and Vic Preisser, Copyright 2003.*

### Q. Most wealth management firms talk about “special services” for Family Office clients. What is the difference at Ronald Blue Trust?

You wouldn't be talking to a family office group if you weren't realizing the complexities of significant wealth and the need to coordinate your financial planning across several generations. Certainly there are many firms who provide wealth management services with excellence, but our focus is to help create *families of excellence*, and then nurture and serve them. Services provided with excellence is a core value at our firm, but we believe that few wealth management firms put as much focus on working closely with a family to help them define and share their values, beliefs, and vision – for each member and the entire family. We understand the distinction between the “family business” and the “business of the family,” and how both elements must be integrated for the family to thrive. The “business of the

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family” only works if the family works. That is why we are intentional about driving a process that helps build communication and clarity among *all* family members, so that relationships are transparent and trustworthy, and the family mission and culture are properly defined and perpetuated.

We believe you have to go beyond just describing the family, and what it values as one cohesive unit, because that family is made up of very unique individuals. What is the “gift” that one particular person brings to the family? How does the family view and value this gift? How do they support this person in nurturing and realizing this gift? That’s one reason we believe family meetings that include all generations are so important, as are developing and sharing the family’s stories, creating a family governance plan, and providing education and knowledge to prepare the next generation. People frequently ask us about the ultimate “outcome” for Family Office services. While it’s certainly effective wealth management and wealth transfer plans, our *process* could really be considered the outcome, because it’s an ongoing engagement with multiple generations as they move through life.

### **Q. Why is the biblical world view important?**

It’s only important if you value using biblical wisdom to shape your views and use of money – and that’s why most of our clients are here. They are hungry for more than just “services.” One example we use when talking about the biblical world view is that clients sometimes ask, “Why is wealth transfer so difficult?” It’s not that it’s difficult from a technical standpoint – there are numerous, very sound ways to pass assets down to children and grandchildren – but the difficulty often seems to be not fully understanding the difference in God’s ownership of wealth versus our stewardship of that wealth. That is a key component of our biblical world view, along with other principles such as generosity, wisdom versus wealth, and money as a tool, test, and testimony. For affluent Christians who come to us searching for a different approach to wealth management, they find the biblical world view the “missing piece” in other offerings. It becomes the cornerstone for wealth management within their family – it includes passing on both wealth and wisdom.

**Q. You have quite a few clients with closely-held family businesses. How do they “fit” into the Family Office division?**

Families with a closely held business have very unique challenges, and not necessarily all related to how they will transfer the business down to the next generations, or what the best investment strategy is for their wealth. For one, they typically have very concentrated wealth, often with very few “investable” assets. Consequently, the bigger issue often times concerns how they will define the family if they do decide to sell the family business. This is a very acute consideration when the family’s entire identity has been tied to the business. There is also the issue of a significant liquidity event and how that affects all the generations. If we can help families set aside, in their discussions of family vision and mission, the *financial* considerations of maintaining, passing down, or selling a family business, we can help them focus on different definitions of wealth – wisdom, generosity, living life with purpose, making an impact.

**Q. What is the process of working with the Family Office division like?**

We’re proud of our low client-to-advisor ratio. Each senior family office advisor has only six to 10 client families. You really can’t serve Family Office clients with excellence if the ratio is higher, especially if your goal is a very focused and intimate relationship with multiple members of multiple generations, which ours is. And while we draw on the expertise of various groups around the firm, our strength in understanding and working with families is centered within this division. We have a core group of professionals with a deep appreciation for helping families with *significant wealth* become families with *wealth of significance*.