

Towards More Purposeful Trusts

Passing Value Is Not Nearly as Significant as Transferring Values

Unfortunately, the focus all too often is entirely on the assets being transferred rather than the enduring values which have helped build the family's wealth. Here is such an example:

Special Instructions for the Family Business Asset: If for any reason one or more assets of this trust should go through a change of control, participate in a merger, acquisition or any other business combination or reorganization, I specifically authorize the trustee to treat the successor entity or the proceeds obtained from such liquidation, change of control, merger, business combination or reorganization as if it was still a family business interest and at its option and in its sole discretion to form one or more successor family business entities even though to do so would otherwise violate the traditional rules of investment diversification. The trustee is authorized specifically to accept a reduced participation in equity, voting or other rights or preferences in any successor entity or successor family business entity, including a reduction in voting rights which results in less than voting control of the successor entity or successor family business entity.

Do you understand why some beneficiaries can read such legalese and become convinced the grantor was much more concerned about his "favorite asset" than

about the welfare of his family? It isn't unusual where we see such expert drafting and emphasis on the family business that some of the beneficiaries may regard the "pet asset" as a sibling they are competing against for their parent's attention and affection.

Now let's contrast that traditional document with a Legacy Trust where the emphasis was on transferring the values which helped build the wealth rather than on protecting or passing the assets themselves.

Values. Perhaps the most important purpose of establishing this trust will be to ensure that the wealth we have been blessed with during our lives doesn't destroy that which we consider to be of greatest worth: our family's values and our family's unity. Therefore, we want the trustee to administer the trust so that it encourages and assists our family in expressing the following values in all phases of their life:

(a) *stewardship* - recognition that all one owns should be viewed as received from God, in trust, to be used in His service. This attitude of stewardship should always manifest itself in gratitude for the abundance we have been blessed with and with a strong desire to share our abundance appropriately in enhancing the physical, emotional and spiritual well-being of those who come within our sphere of influence; the antithesis of this stewardship attitude is an ownership mentality where we begin to view our wealth as a product of our own energy, initiative, prudence, etc. without consideration for the "true ownership" of wealth.

(b) *enterprise* - creativity, initiative and willingness to take prudent risks to foster self-reliance and add value to the larger economy;

(c) *personal growth* – building what Jay Hughes refers to as “human and intellectual capital”. This enhancement of our family’s human and intellectual capital will come through the pursuit of one’s calling and mission in life as well as the development of the gifts and interests each beneficiary has been blessed with;

(d) *unity* – interdependence, as Stephen Covey has defined it, which promotes individual and family growth through the strength of a united and harmonious family. This is also part of our family’s human capital in that it is the foundation upon which are family’s relationships with each other are built. To have true unity within our family there must be deep and abiding love and respect for each individual members of the family, no matter how different and diverse we are.

(e) *dependability and personal integrity* – being honest and upright in all our dealings; meeting our financial obligations on their due date or prior thereto; being someone whose word is as good as his or her bond; making a habit of punctuality and fulfilling every personal commitment we make; establishing a reputation as one who is trustworthy and whose loyalty is unquestionable.

(f) *thrift and prudence* – we have always endeavored to wisely spend our money, to avoid foolish and wasteful consumption, and to be prudent in our personal and business decisions. We hope our descendants will always avoid unnecessary debt and exercise extreme caution in incurring debt. Prudence doesn’t suggest, however, that one has to be a miser. Money values which promote stinginess or miserly behavior can be just as detrimental as spendthrift tendencies. We hope our

descendants will develop prudent money values and enjoy an abundant life, both temporally and spiritually.

(g) *respect and tolerance* – courtesy, compassion, appreciation for kind deeds done as well as for the free agency given to all men. Remember this wisdom: “We claim the privilege of worshipping Almighty God according to the dictates of our own conscience, **and** allow all men the same privilege, let them worship how, where, or what they may.” We should not only be respectful and tolerant of others who do not share our beliefs but strive to fully live the Lord’s commandment to love all mankind.

(h) *Victorian values* – hard work, perseverance, and ambition. These are values which Margaret Thatcher, former prime minister of Great Britain, suggested. These are the same values I saw in my parents’ lives and they are values worthy of emulation by all our descendants.

(i) *Enjoy Life!!!* – remember that “man is that he might have joy”.

It is unreasonable to expect there won’t be problems or that none of our descendants will fall short at some point in their lives. Nevertheless, what truly counts the most is the direction the Beneficiaries are moving as they seek to emulate and incorporate these values into their lives. Our hope and expectation is that the trustees, advisors, consultants and coaches our family members choose to work with will educate, train and mentor our children and their descendants to integrate these core values into their lives. And the trustee and trust protector should carefully reflect on the impact of the decisions they make in exercising their duties and powers with respect to the Trust to insure that the trust will not become a force that destroys rather than promotes these values.