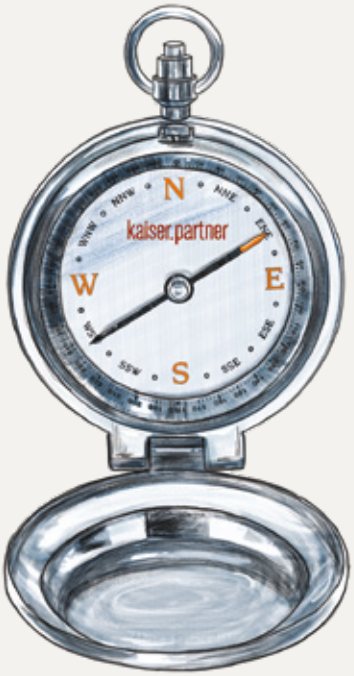
The importance of a proper Plan B



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Life's most important rehearsal

It's natural to want your family to be protected should something unexpected happen to you or your wealth, like a sudden illness or economic downturn. And to believe the plans you've made are robust and comprehensive.

But life, as we all know, doesn't happen on the drawing board. Life, as John Lennon said, is what happens when you're busy making other plans.

Take the story of the Vanderbilts— or, as it's sometimes known, 'The Fall of the House of Vanderbilt.' When he died in 1877, Cornelius Vanderbilt was worth $100 million — or, in other words, more than was held by the US treasury. Cornelius passed control to his eldest son, William Henry, who proved an astute businessman, doubling the family's wealth to $200 million.

But what initially seemed a wise decision proved short-sighted, when William Henry died just eight years later. So began the decline of the Vanderbilts, as their business interests fractured, and their wealth dispersed across dozens of family members. Because while Cornelius Vanderbilt had a clear vision for business governance, he ignored (or underestimated the importance of) family governance.

To build a truly robust contingency plan, you need to look at every aspect of your wealth governance — including your business interests, your investments, and your family.

Life is full of uncertainties. By rehearsing for every contingency, you can build a plan to protect loved ones for years to come.

A deep examination

Contingency and succession planning cannot be done superficially. It requires a deep examination of your values, principles, and what you want to put in place for your family. Because remember, as one of my friends says: „No plan is still a plan." Even if you do nothing, something will happen to your wealth and family.

Think about Pablo Picasso. He left behind 45,000 unsold artworks, three homes, two chateaux, $4.5 million in cash and $1.5 million in gold. All told, his estate was estimated at $250 million — although some experts believe it was actually worth billions more.

The one thing Picasso didn't leave? A will. Which meant dividing his estate took six years, cost $30 million, and sowed disharmony between his various wives, partners, children and grandchildren. Even today, resentment still exists.

So right now, you have the power to shape what will happen to your wealth and family. In the future, you won't. And remember what it is you're passing on to your dear ones. Some entrepreneurs struggle to assess their wealth objectively. For them, wealth is such a complex web of emotions and achievements that it's hard to take a step back.

But consider what wealth will mean for your family, and for the people who work for you and your businesses. Consider it as a tool — a tool which, for good or ill, will shape relationships for generations to come. So while you're preparing your wealth for your family, you also need to prepare your family for your wealth — with the people and governance to help.

Enter the conductor

In my experience, poor contingency planning comes as a result of three key mistakes. First, a plan is unbalanced, and does not cover every aspect of an entrepreneur's wealth.

Imagine your plan is overseen by someone whose primary focus is tax. In this case, your plan will undoubtedly accom-

modate your tax concerns — but will it also cover your family governance, or your business interests? Will it prepare your family for obvious risks, like an economic downturn, but leave them exposed to more hidden ones?

To build a plan that accounts for every aspect of your wealth, you need a conductor. An advisor with a holistic perspective, capable of orchestrating the different elements, and bringing in the right expertise to oversee them. And this conductor shouldn't just have strategic expertise, but also the practical experience to implement plans from start to finish.

The second mistake is to settle for an 'off-the-shelf' product. While these products may appear attractive (and cost-effective), they usually fall short of accounting for all of life's complexities. Think back to Vanderbilt and Picasso. What off-the-shelf product could possibly accommodate such a diverse set of considerations and challenges? Even worse, these products may not be intelligible to your trustees and successors. Will they understand what you intended with a particular product, and how it should work?

And will they have the resources to manage these products? After all, a plan is worthless if you cannot afford to implement it. Each of us have unique, complex circumstances, which no readymade product can account for. For your plan to work, it should be tailored specifically to you.

As your wealth grows more complex, no single individual can provide everything you need.

Finally, the third mistake: to think you may delegate the planning responsibility. It is critical for families to understand their own asset protection and succession plan – and in a world of complexity, few do. To build a plan that truly works for your family, it needs to reflect your needs, values and principles. So while advisors can be invaluable in asking you the right questions and guiding you through the planning process, you need to be in the driving seat and own the content. Otherwise, you cannot be sure you are composing the symphony you want to see in place when the music stops for you.

Finding the right people

The risks are clear. And the solutions? We believe your loved ones need two things in your absence: to be surrounded by the right people, and guided by the right governance. Experienced, independent advisors who can help manage your succession. And robust, rigorous governance for them to follow.

As your wealth grows more complex, no single individual can provide everything you need. This is where a conductor can be so valuable, by building a bespoke team of advisors, each with a different and essential specialism.

At Kaiser Partner, we call this team 'The Wealth Table' — your hand-picked network of wealth specialists and experts.

Building the right governance

To be truly effective, your governance needs to be two things: comprehensive, and continuous. As your family moves through different generations of wealth, your affairs will undoubtedly become more complex. New members, new asset classes, new ambitions: each will call for specialist knowledge.

And secondly: your plan is a snapshot, taken at a certain moment in time. Like any snapshot, it can quickly age. What was right as you built your business will almost certainly not be right as you prepare to pass it onto the next generation, or to sell it. Regular, detailed examination of your plan is essential.

An independent perspective

At Kaiser Partner, we have decades of experience in handling the transfer of wealth from one generation to the next. We do this for entrepreneurs and families, together with their advisors.

Few things are as important, or emotive, as planning for life's uncertainties. We're committed to using our independence, perspective, and expertise to help.

A brief manual to contingency planning

1

Thinking about your dear ones.
Your wealth is a tool which will – for good or ill – shape relationships for generations to come.

- Is your family prepared to access and manage the family wealth tomorrow?
- How is your family protected, should something unexpected happen to you or your wealth, like a sudden illness or economic downturn?
- What is the objective of your overall succession plan? Does it embody and pass on your values and principles?
- What are the roles and responsibilities of your dear ones?

2

Thinking about your wealth.
Who is the conductor of your overall wealth and succession plan?

- Are all relevant aspects of family governance, business governance and investment governance properly balanced?
- Find the right people, and a conductor with a holistic perspective, who works with your bespoke team of advisors, each with a different and essential specialism, covering from start to finish.
- Build the right governance, with proper checks and balances, so all elements of your wealth and succession plan operate as planned and desired.

3

Here's some advice: Stay healthy.
But carefully plan for contingencies.

- Life is what happens when you´re busy making other plans.
- Don't settle for off-the-shelf products and services.
- Remember: "No plan is still a plan."

Stefan Liniger

Chief Executive of Kaiser Partner Wealth Advisors

Stefan helps families and entrepreneurs solve their strategic wealth challenges - including family, business and investment governance.

stefan.liniger@kaiserpartner.com

+41 44 752 51 70

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