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# ENGAGING THE NEXT GENERATION-

## PRACTICAL ADVICE FOR FAMILIES

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# 02

## ACKNOWLEDGEMENT

This paper is adapted from “Engaging the Rising Gen”, Northern Trust report 2024.

Northern Trust interviewed 55 families to learn from their experiences. They spoke with 28 future family leaders (ages 25 – 40) to understand their preferences for engaging with the family and the skills they want to grow.

## INTRODUCTION

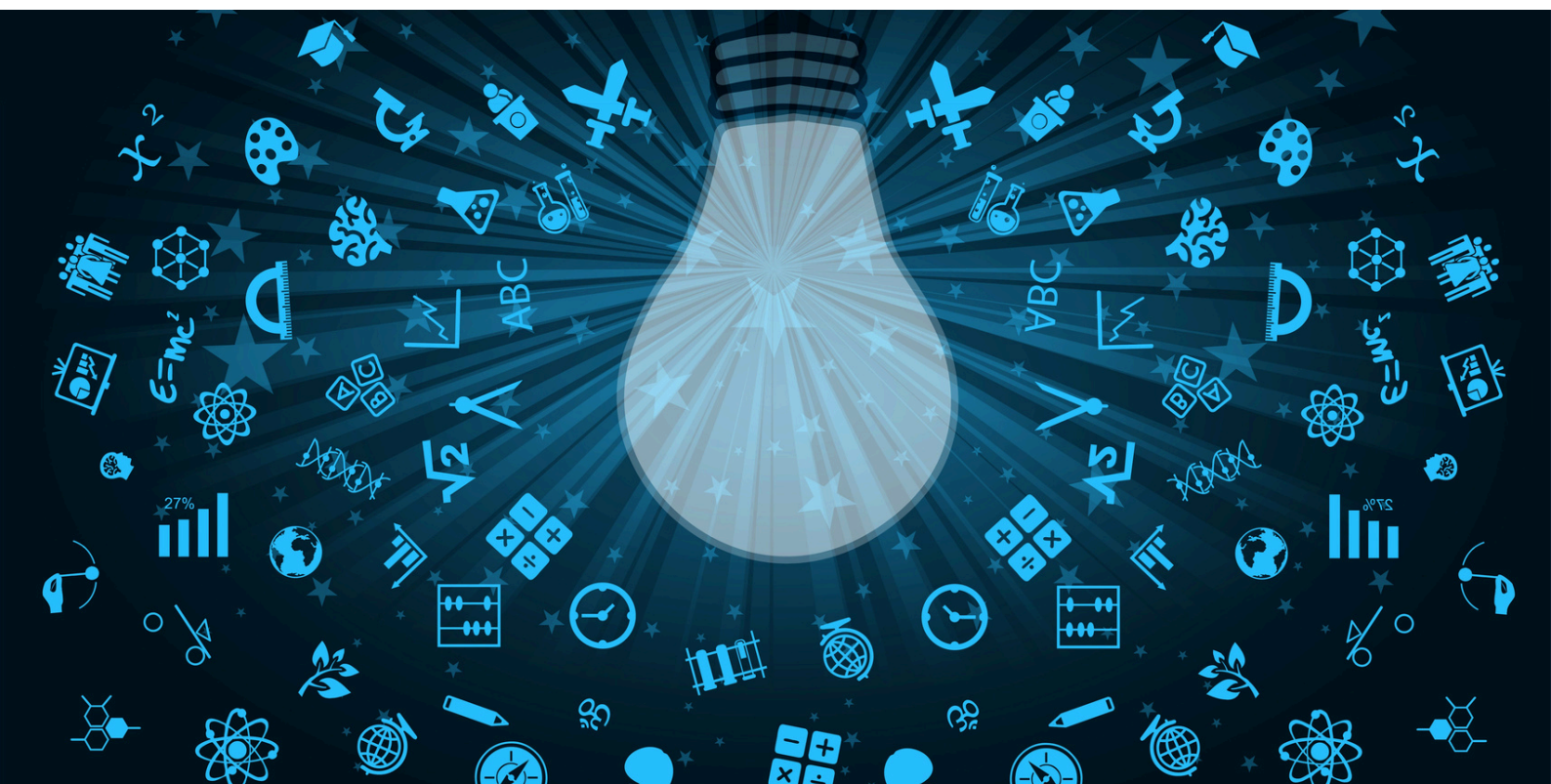
Engaging and preparing the rising generation is a topic that is a common concern amongst families and family offices. Whether it is parents worrying about how much information to share, or family office executives wishing that they had the time and resources to do more, the wellbeing of future family leaders is of great concern. What about the next gen? What do these future family leaders want and need to feel empowered to manage the responsibilities that comes with the family’s success and to create their own legacies?

One day the next gen will inherit substantial wealth. Will they be prepared to inherit such wealth?

## 03

## KEY LEARNINGS

- Allocating funds for family meetings and training opportunities that foster competence, connection and independence is one of the best investments in the family's future that you can make. The health of the family's relationships and connections between branches and across generations is the ultimate predictor of continuity.
- Future family leaders (ages 25 – 40) want practical, actionable training that they can use in their lives, along with transparency about the senior generation's succession plans and vision for the future.
- Start early. Exposing the rising gen to the information and skills they need to feel the ownership of their wealth (not actually owning it) and allowing them to learn by doing and, at times, failing, builds competency and confidence.
- Honour the next gen's varied communication preferences. Invite their input on meeting agendas and offer a mix of 1:1, virtual and rising gen-only gatherings.
- This is hard work, but you're not alone. Leverage your trusted advisors and the resources that are available.



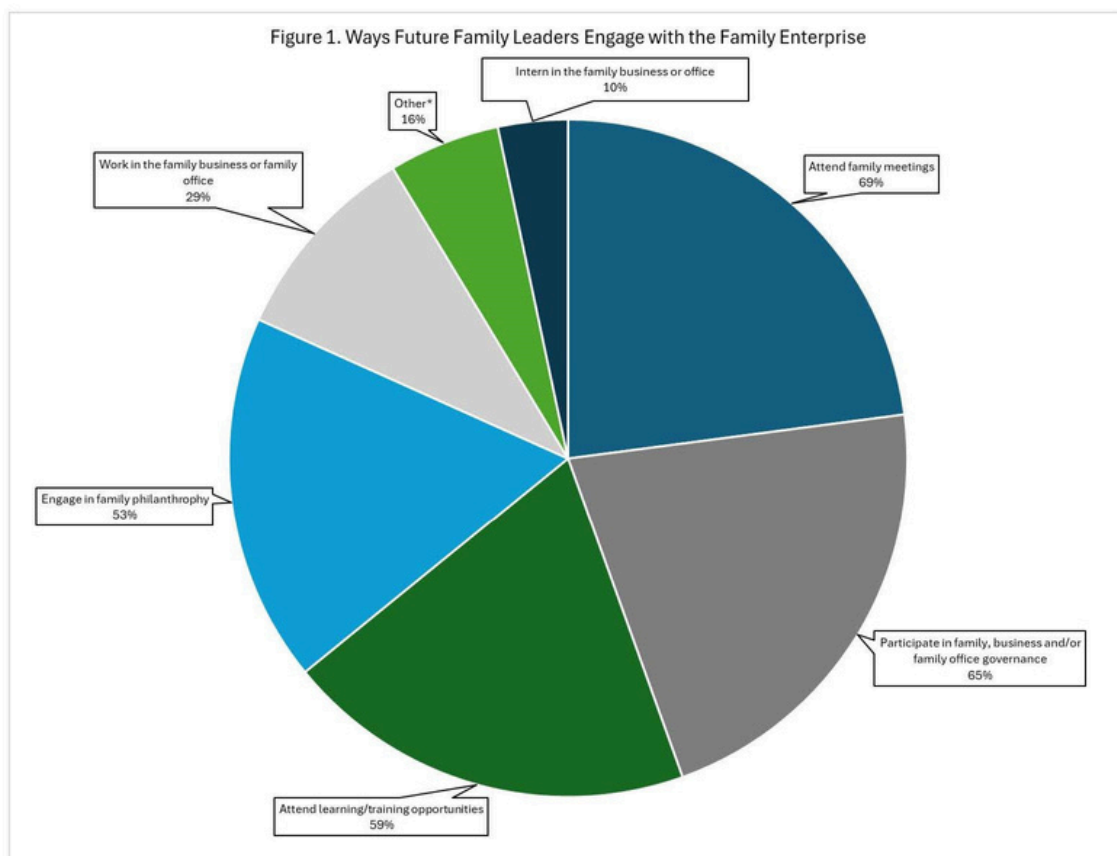
## 04

## OPPORTUNITIES TO PARTICIPATE IN THE FAMILY ENTERPRISE

Figure 1 below shows the most common ways that next gen family members can participate in the family enterprise. Attending family meetings is often the first point of entry and is the most common way to get engaged.

Many families offer on-the-job governance training in the form of attendance and/or service in the family business, family office or foundation governing boards and committees. These experiences offer insight about family dynamics, how decisions are made, how budgets are managed, boardroom etiquette, and the requirements of different roles to allow the rising gen to determine the best way to contribute their skills and talents to the family enterprise.

Those who work in the family office or family business find that this experience has given them a much broader understanding of the family enterprise. These family members often serve as translators or ambassadors for others in their generation who aren't as involved.

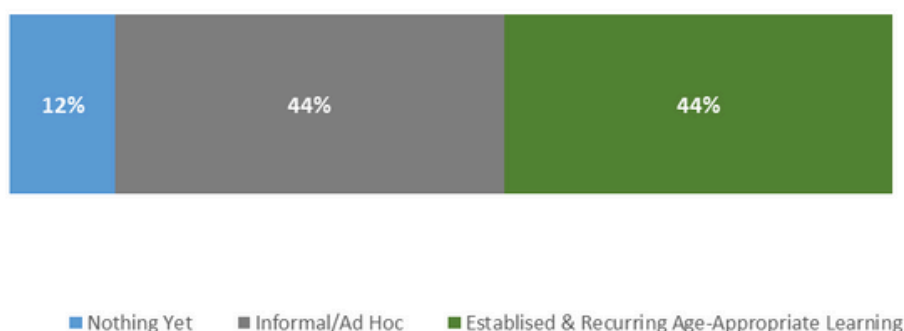


## 05

## THE BEST INVESTMENT YOU CAN MAKE

Financial education begins in the home. Whether parents realize it or not, how they value and behave with money is what they are modeling for their children. Little practical financial education is provided in school, so many families (88%) rely on the family office to supplement any learning that is happening at home.

Figure 2. What Education/Training has been Provided?



In terms of the types of education and training that has been provided, responses ranged from ad hoc 1:1 meetings with parents and family office staff to quarterly meetings with trusted advisors and attendance at industry gatherings and conferences. Field trips to family businesses, projects with practical outcomes and impact related to investments or philanthropy and opportunities to learn with siblings, cousins and peers received high marks.

Training topics include everything from basic financial literacy, cybersecurity, and investments to career planning, governance, how the family office works, and more.

As a guide for family learning topics, ask your rising gen about their plans for the year ahead as there can be many practical learning opportunities.

## NEXT GEN PERSPECTIVE

Most of the rising gen are currently actively engaged in and contributing to their family enterprise. This isn't always the case, so we asked them about their motivation for participating the way that they do. Their responses below convey a mix of feelings of responsibility, guilt and gratitude combined with a desire to use their skills to create positive impact for the family and the broader world.

FIGURE 3. WHAT MOTIVATES YOU TO ENGAGE AND CONTRIBUTE THE WAY THAT YOU DO?

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1. I don't work for the family business, so I see my work for the family office/enterprise as **a way of giving back to the family that has given me so much.**
  2. I do feel some **guilt about a need to contribute**, as my family has a longstanding tradition of working FOR the family.
  3. I **love my family and enjoy spending time working with them** and optimizing our family enterprise.

Our generation was given the gift of the wealth and **the responsibility to pass it along to the next generation.** I want to have ownership of that and be able to **help steward the family in a way that would honor the wishes of those who have provided for us.** The more that I can learn, the more I can enjoy the process, instead of it being a black box that gives me things.

My biggest WHY is to **leverage my resources to create a larger impact.** It kills me to see it go to waste (not being managed effectively) when it could be **doing more good in the world and for the family.**

I believe that belonging and connection are what keep us alive. **I have a reverence for my ancestors who created this space for us.**

- It is **rewarding, professionally and financially.**
- It is **a way to contribute** to my family.
- I really **enjoy it.**

In part, **out of a sense of obligation or duty to the family.** I've got cousins, aunts, uncles who wouldn't be able to do it themselves, and I think **I can help them achieve a better outcome. And, in part out of self-interest.** If I can have an impact on the net, after-tax return, then I'll be better off myself.

## 07

## DESIRED SKILLS AND TRAINING

Practical, actionable training that the next gen can put to use in their lives – along with transparency about the senior generation’s succession plans and vision for the future – is paramount for preparation for the next gen’s role in the family office. As you can see by the words below, there are some dominant themes that the next generation want from a skills and training perspective.

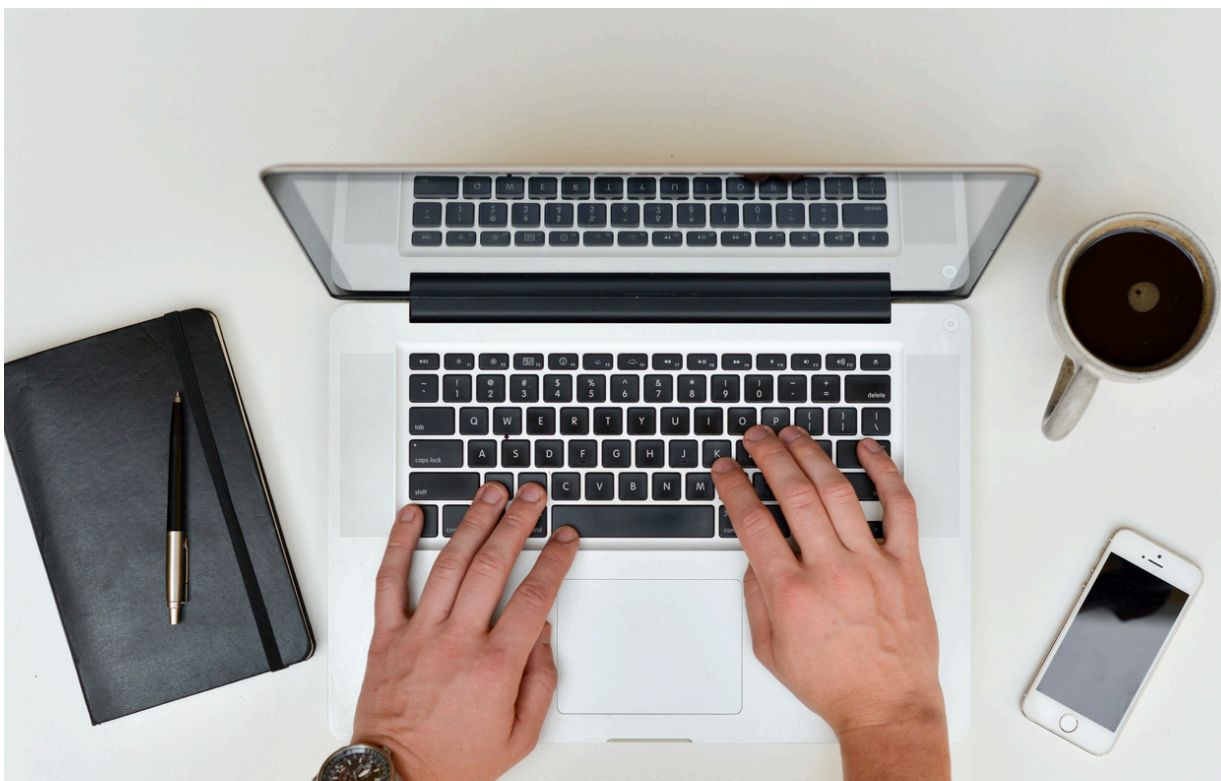
FIGURE 4. AS YOU THINK ABOUT YOUR FUTURE ROLE IN THE FAMILY, WHAT WOULD YOU LIKE TO LEARN?



## COMMUNICATION PREFERENCES

How does this generation prefer to communicate? The most common response is via text. Group texts with the family office team and with siblings and cousins are common. When it comes to learning, a multi-media approach is now the norm. Not long ago, the most common form of communication was a printed quarterly financial statement delivered through the mail. Today, learning happens in 1:1 conversations, video meetings, podcasts, 2-minute videos, and electronic newsletters shared on the family portal. This generation wants access to information 24/7 on their phones and craves transparency.

While most reported feeling well-informed about their own and the family's financial situation (often because of their role in the family office, family business and/or governance), many expressed a desire for greater access to information sooner.



## BEST AND WORST LEARNINGS

The best learning is co-created and meets the needs of each member of the rising gen having regard to where they are at in their stage of life. It is delivered in a way that aligns with their interest, aptitude, preference for learning, and – ideally – it is fun. The examples below outline experiences that generated meaningful outcomes. Whether it is planning the annual retreat with your relations or spending your summer taking a custom- designed master class in all things family office, the investment of time feels worthy. Many noted that connecting and learning with peers helps them feel less alone and provides perspective on situations that they don't feel comfortable discussing with their friends.

It is no surprise to learn that the worst learning experiences are mandatory presentations full of technical language and jargon. As advisors, we can all do a better job of taking time to understand the audience and share information in a way where they all feel safe to ask questions without judgment (conversation vs. lecture). To ensure this level of comfort and safety, one family office created an “Awkward Questions Committee” where anyone can submit questions (with complete anonymity using Survey Monkey) that are answered at quarterly meetings. Everyone learns from questions they may not have known, or want, to ask.

FIGURE 5. BEST AND WORST LEARNING EXPERIENCES

BEST	WORST
Planning the annual family retreat and patriarch's surprise 85th birthday	Powerpoints and lectures on financial topics
Working with siblings and cousins to determine how to allocate \$50k from the family foundation	Anything that feels like school
Structuring deals and raising capital for one of the family's direct investments	Technical presentations with jargon
Learning from and with peers	Training on topics that aren't relevant for their life stage
Custom summer learning program developed for a family member to address her financial questions	Too much content too fast and/or too soon

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## SPOUSES/PARTNERS

Members of the rising gen (ages 25 – 40) are the busiest cohort in every family.

They are starting to build their careers and families. Welcoming spouses and life partners to the family and preparing them for the realities of the family's success is top of mind.

The old chestnut question. Should spouses be involved in family board meetings? Short answer in the view of this author is No. Incorporating spouses into family board meetings can bring a particular dynamic which may not be positive. Some families have incorporated spouses into family office meetings with success, but extreme caution should be exercised in this regard.

How much information can be shared by the family member with their spouse? We understand and appreciate that a family member cannot keep all family matters confidential from their spouse. If they do keep all matters confidential from their spouse, can create resentment and an element of a secret society. In many cases the family member may want to seek the counsel of a spouse.

Whatever approach is decided, it needs to be clearly articulated and abundantly clear amongst all family members (and spouses) as to what can be shared with the spouse and what should not be shared with the spouse.

For one family, the rule is everything discussed at family office meetings is on a confidential basis unless specifically stated that it can be shared with the spouse.

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## GREATEST CHALLENGES

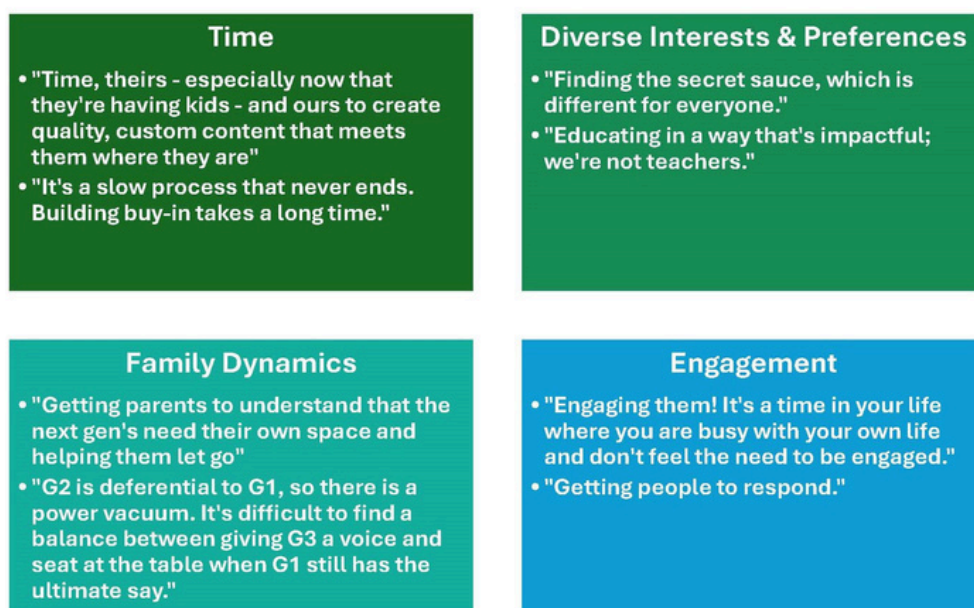
While engaging and preparing the next gen is some of the most rewarding and impactful work any family and family office can do, it's also really hard. The biggest hurdle for all involved is time. We've noted the nature of most rising gen family members' busy lives. It's also important to recognize that very few family offices have a dedicated person to lead this work. This means that family office leaders - who are not trained educators - are doing their best to curate compelling resources and provide the training that is needed alongside their full-time jobs.

Navigating the diverse interests and preferences across the family is a tall order, as well, not to mention the need to secure parental buy-in across branches that may have very different financial circumstances, preferences for transparency and values.

The other reality is that this work never ends. As the family grows and changes, their needs change. Progress is tough to measure and often painfully slow. When it comes to measuring success, most rely on attendance at family meetings, responsiveness to requests, and meeting evaluations.

The good news is that you are not alone in this work. Your trusted advisors should have natural educators on their teams who can speak at family meetings and supplement your efforts, if they don't seek this out.

FIGURE 6. WHAT IS YOUR GREATEST CHALLENGE RELATED TO PREPARING THE NEXT GEN?



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## ONE CHANGE TO HAVE THE GREATEST IMPACT & ADVICE FOR PEERS

The results of the magic wand question below outline the changes respondents would make to improve their efforts to engage and prepare for the next gen.

The rising gen responses reiterate the desire for transparency (information and ways to participate earlier) and agency or control over their circumstances. They echo the desire for the rising gen to have a voice in the family and family office along with the freedom to fail and learn from that experience.

Following are responses to, “What advice would you offer a peer who is just getting started?”

- Start small. Offering help with small things helps to build rapport and trust. When it comes to parental buy-in, ask: “What’s off limits? What do you NOT want?”
- Start young! Building trust with the family office and trusted advisors is critical.
- Co-creation is the only way. The challenge is helping the senior generation see this as non-threatening. There is a lot of fear. These issues are complex; privilege is a burden.
- Start early. Meet them where they are; no one-size fits all.
- There is a perception that ‘we’ve educated that generation, and we’re done,’ but it’s never over. It’s important to revisit things every few years because concepts you learn in your early 20s may need revisiting and may have different applications in your 30s, 40s. It’s critical to continually refresh and keep learning.
- Make it fun! They have very full lives; the family meeting should be something they are all excited to attend.
- Find ways to welcome all in to serve however they are able to and know that their involvement will ebb and flow with their lives. Mums with young children may take a pass today but make the best Board members when the children go to school.
- Don’t give up! Listen to them and keep trying new things. We’re all learning.

## CONCLUSION

In closing, undertaking this lifelong learning journey with your family will reap enormous rewards in the long term. Families who learn together stay together. By sharing these lived experiences, it may inspire you to try something new.

There is no one size fits all. Each family member and family group will approach this differently. There is no one proven model that will work for all families. Each family needs to devise a plan that will suit their style and what works best for them.

This is where Generation Private can assist. We have worked with many families to bring G2 and G3 into the family office.



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