

Ryan: what can even small family businesses do that haven't quite built to maybe that huge valuable asset stage yet? Just be really aware of investing equally in your family as you are in your business. That is a challenge. We have to be realistic here. You can't build a successful family business and be in perfect balance with your family as well. You can't spend 50% of your time with the family and 50% in your business. I just don't think that's realistic. So, it's just back to maybe two things. One is recognizing that you're only human and so the stresses and the strains and the pressures of that family business day, this applies to anyone even if you simply employed. Going to work, to a job and back, that all of that and that stuffy dealing with the work that you are going to bring their home. So, the first thing here is is how can you put some boundaries in place and know which hat you're wearing? How can you transition between the business and the family home? So, you're not bringing the stresses and strains of the business into the family home. And I think that works in reverse. Whatever's happening in the family at that time, how can you contain that and not bring that into your workplace or your family business?

Narrator: Welcome to the Unfair Advantage Project - unique perspectives, practical insights, and unexpected discoveries directly focused on giving you the unfair advantage. Introducing your hosts Nadia Hughes and Terence Toh.

Terence: Hi and welcome to the Unfair Advantage Project. I'm Terence Toh, director and founder of StrategiQ Corporation. I'll be one of your hosts today. We've got Nadia today as well.

Nadia: I'm Nadia Hughes from Smart Business Solutions and I'm very very happy to be here.

Terence: And so, Nadia is our co-host on the Unfair Advantage Project. Great to have you here too Nadia. And our guest today is Ryan Morgan. Good morning Ryan. Great to have you here.

Ryan: Thank you.

Terence: So, Ryan is a, let me get this right, family business and wealth psychologist. He has previously worked with some of the richest people in Australia. Some or wealthy people will say.

Ryan: True.

Terence: And consulted with companies like PricewaterhouseCoopers and now is the owner of Family Legacy Builders.

Ryan: That's right.

Terence: Welcome.

Ryan: Thank you. Thank you.

Terence: And today we're going to talk a lot about the business succession planning. And we were having a little bit of a pre discussion around. When you think about business succession planning, you just think about, well this really applies to the wealthiest people. This applies to the people who have built successful businesses already, and who have real assets that they've got to they've got to plan

around. And they've got to look at who's going to take on the business and operate it well and successfully. And where we've got to is that really one of the things you gotta do is start planning for this earlier. You've got to start planning before you actually, your business actually become successful.

Ryan: That's correct.

Nadia: So, the way you introduced that kind of, one of those explaining, it's a bit boring. Don't take it too personal Terence. But for me this session is all about how each people cry too. That's all it's about. So real accountants business coaches, we all coaching our clients to be successful, build a lot of wealth, enjoy their wealth and everything. Apparently there is a big problem people do not think enjoy their wealth later on, they build it but then whether they run out of time themselves and they want to pass it on to kids the wealth, or they just find themselves are struggling with wealth. So don't know what to do with it. Is it correct?

Ryan: That's great. Yes, absolutely.

Nadia: So, rich cry too?

Ryan: Yes, they certainly do.

Nadia: Oh wow!

Ryan: They certainly do. And probably at a higher rate than maybe what we are even aware of.

Nadia: That's what I want this podcast being about. It's not me sitting here rubbing my hands. Yeah. It's more about understanding how other side of the world lives. Because it's only... What's the percentage of the rich people in Australia? What... Really we're talking about extreme case of rich people. Do you know how many of them?

Ryan: It's less than .5% I think really. Surprisingly, there are a substantial amount of wealthy people in Australia. I think there is a 2% level of income earners who are sitting in that over a couple of million level, I suppose it depends what you class as wealth as well. But certainly you're mega wealthy. Anyone who's probably about...

Nadia: We're talking about filthy rich, fat cat. Everybody who hates them but want to be them.

Ryan: Sure. We're looking at about sort of a .5% of.

Nadia: We're looking at .5 and we're looking from point of view of a small business owner. We're talking about meeting business owner, sitting out out there and dreaming - dreaming to be this person. That's what we're going to talk about. What it's like to be this person. What problems this person have? And whether, when you dreaming to be the most successful businessman in the country, you are bringing upon yourself a bit of trouble.

Ryan: Exactly right. You are, yes.

Nadia: Okay let's do it.

Ryan: Good.

Terence: Alright. So, tell us a little bit about what you do and how you do it. I guess. Start there.

Ryan: Yes. It's always the million dollar question, isn't it? One of those hard things to explain. What is a family business and wealth psychologists? So, maybe to put some context around what I was born out of. Essentially, family businesses themselves are run by and grown out of family members. And quite often than not, it's quite accidental that family business has become somewhat of a success as family members as individuals are just learning and stumbling over themselves as they try and grow their business. And so, through the process of doing that, they're not focusing very heavily on building in some of the good infrastructures that you might see in a say publicly listed company. They tend to be the HR manager. They tend to be the bank manager, the accountant. You tend to be all things when you're starting a family sort of business. So, I think through that process and through how family businesses are generally born and grown, there are many things that tend to potentially fall by the wayside. And the big thing is often it's family relationships. And so, that sort of really why the psychologist part sort of comes in because we've recognized that the very things that Nadia was mentioning, those future consequences of now having a successful business or having a lot of wealth, those future consequences tend to be more so on the tops of relationships that exist within a family. And it's a conflict that actually ends up causing major issues in the family business itself. So, family business and wealth psychology really is about trying to understand that interaction of a family member and family team who are interacting with a business and how the one can impact on the other, and finding ways to build good structures, I suppose we call them governance structures, into that family/business world to help them separate business from family. And again that's another reason why you're finding the space particularly internationally. A lot of psychologists have actually gotten involved in doing this work.

Nadia: And that's an interesting one because what you think about family business that usually starts with one person and you call it patriarch.

Ryan: Usually the patriarch.

Nadia: The founder and the wife would be there because they do have money, she will be producing a lot of heirs. And then, but patriarch won't be involved in raising those kids. He would be too busy building this success for them. That's the irony of it all. That the patriarch while he building this for his family, he doesn't enjoy the family life himself.

Ryan: That's right.

Nadia: And this sacrifice, you said that's comes with a sacrifice, and that's what I put on my paper. That their sacrifice at such extremes that he's not there is his family.

Ryan: That's right.

Nadia: And what you are going to basically, what you are doing, you're dealing with consequences of this extreme wealth. And at the same time huge gap between people, between our generation where patriarch is not known who he is. Children do not know who's their dad is, that's this stranger who is now, you said, dictates them how to live their life. And that's what you were consulting on. So, you effectively will rebuild relationship or creating bridges between the patriarch who was so remote from his kids and now wants to get involved in kid's life.

Ryan: Absolutely. Or it may be the complete opposite. Unfortunately there is a significant amount of conflict that has arisen in the family as a result of not having good strong relationships, a good strong foundation combined with a family business, who in many cases it's not a slow burn, it's many cases it's actually quite a sudden turnaround where the wealth gets realized. So, it's a bit of a sudden wealth syndrome combined with family not ready and not prepared for a lot of conflict so it's often getting involved to do conflict resolution and not even succession planning yet simply because the family are in such disarray.

Nadia: So, maybe as a psychologist will you explain it to me or one thing. Because everybody says we're all humans until money is put on the table. What is it about money makes people act like animals towards each other?

Ryan: Greed.

Nadia: Greed.

Ryan: Yes. And control. So, probably it comes down to what does money represent. The old saying that money is the root of all evil certainly isn't accurate. Money is just a means of exchange, a means of barter. I suppose it becomes the root of all evil depending on the hands in which it lands. So, we know there are many individuals who do enormous good with the wealth they have through philanthropy and of course that's another piece of good governance that hopefully we get to talk about today. But it really is what that money represents to the person that can cause the problem. And in many cases it's freedom, its control, its power. And we are naturally driven towards, particularly men I might add, we are naturally driven to dominate, to be in control, to be the powerful. Well it's the old hunt-together sort of mentality. The man being the hunter out there to dominate control, overpower the animal and kill. There's a lot of instincts in blokes that are driving this and I think that's why we've come to learn that money can equal that.

Nadia: What is it our brain makes us want this power? Apart from control.

Ryan: Survival. It's our basic survival instincts.

Nadia: On the bottom of it, it doesn't matter how we can surround ourselves with the more civilized things in the world but you will go to the core.

Ryan: Yes, absolutely. So, if you imagine just a little bit of biology that you might be interested in. When we're born, within two hours of being born, our social part of our brain is fully active along with our fight and flight centre, our fear center. And that's integral to human survival. And by age 10, that part of the brain is fully developed before the rest of the brains. It tells you something. Social

survival is obviously of vital importance. In fact, we even know that people who are socially starved can die. That's how huge it is. But what we can understand through neuroscience is that when any human being enters any situation that within a couple of milliseconds all information goes through the social emotional part of the brain first. And we get to determine a couple of things. One, am I free to be in charge or am I going to be controlled by these people? We were already trying to determine whether we have autonomy. Who's got the power? We're trying to determine do we belong in this group. So, do they look like me or are they different. All of these types of things are being determined within a millisecond before the rest of the brain actually gets to interpret it. So, our survival, our safety at the very root of our biological system is already saying are you're going to be in control in the situation? Are you going to be the person in a powerful position or will someone be exerting that over you? Do you have freedom of will? Do you belong? Are you the same or are you different? And you can sort of see that's our basic instinct. In some ways money is a bit of an answer, isn't it? Because...

Nadia: It's a resource.

Ryan: money means that I can always be, or wealth rather, can be I'm powerful. It can always sort of guaranteed it to some degree or at least we perceive it can. Or it doesn't matter if I don't belong with you because I'm wealthy and that comes with social status. So, I don't have to be accepted by you in a sense. So, it actually sort of is a bit of an answer to a lot of these deep survival fears that we have here. And that's why I think we tend to be driven to acquire it in such large amounts.

Nadia: Okay. What I would like you to start with is this saying you said about short sleeves?

Ryan: Shirtsleeves to shirtsleeves.

Nadia: What does it mean?

Ryan: So, there are many sayings and I can't remember right now around the world what they all are. But shirtsleeves to shirtsleeves has been a very old saying. Really the aim of that was to try and capture what we've now come to see through research in the lives of family businesses and wealth. In that your first generation generally starts with nothing but their shirt sleeves rolled up and getting their hands dirty and absolutely building the business from scratch. And some may get to realize by the end of their first generation that successful business and net wealth. You think it's passed on to that second generation who then tend to enjoy the benefits of that wealth to such a level that by the third generation there is virtually nothing left and the family or back to their shirtsleeves. And so, that's why certainly shirtsleeves to shirtsleeves within three generations.

Nadia: They started with nothing, they finish with nothing. And generation in between enjoyed it. They usually this, what they call it lifestyles they're having? Playboy.

Ryan: You know why? Yes. Yes, yes.

Nadia: So, between two hard working people we have a playboy in between.

Terence: What are the main drivers of that?

Sure. So, I suppose the good thing is we've now done a little bit of research in the field looking more broadly at countries like the US and Europe for that matter. In Australia, we're still very young in terms of our generational wealth transfer. In a by and large, we really are from a first to a second generation and maybe a second to a third. Very rarely do we see any third generations passing on wealth. Whereas in Europe they're on their 8th, their 9th, their 12th generation. They're certainly well ahead of the curve. So, having a look at those countries the question has been why after so long have family still been realizing this shirtsleeves to shirtsleeves syndrome if we can call it. And what the research found was that essentially from the first to the second generation about 70% of family businesses and wealth transitions actually fail. So, really what they mean but fail is it's passed on. And that second generation will probably blow it all, be it wealth. Or they will be the wrong person nominated to actually take over that family business as a successor who's not the right person not adequately trained or prepared and as a result will manage that business into the ground as well. So, having a look at that the question was well why is that? I suppose our common assumption is it's because of maybe the climate of the time, the economics or it was for business reasons such as bad tax advice or bad financial advice. And generally we found that that was actually really small percentage of the reasons. It was less than 15%. The bulk of that reason, so, about 60% of the reason for why these these fags occur was actually due to a lack of communication and trust. Another 15% was due to a lack of adequately training and preparing years to take over the family business and/or to manage their wealth in a in a responsible way. So, you can see that a substantial percentage of that reason for failure was for family reasons and not for business reasons. And that's not a surprise when you look at this again from a psychologist and I think this is where psychology has been helpful. We use a systems theory approach to understand what's going on in a family unit. There are individual family members who all have their own world views and they're all interacting with each other. And so, if one family member is not doing too well, it puts a lot of stress on the rest of the family and that's what systems theory is trying to show us. When one part of the system is going out the rest of the system suffers. You really go focus on fixing this. And so, when you use that theory and you apply it to sort of the family business enterprises as you see that if you can imagine three inter-linking circles we actually have these three systems. We have a family system. You have the business system but you also have, in a sense, the owner system. So, what I mean by that is there are certain family members in the family circle be that the patriarch in the beginning but it might be patriarch matriarch and it might even be one or two of the kids who start in the family unit. You then got the business system that might involve the father or mother only sort of building that business as they grow. They might get one or two of their kids involved in that business. But then who's the actual owner of that business? Who's the shareholder? That may only be the father even though all these multiple people are involved. So, the idea here is that we can see that we've got these three interlinking systems and in a sense it's as if some family members are wearing different hats. So, the key is for us to look at oh what's going on in the systems model? If something's going on in the family system is it affecting the business? If there's something going on into the owner, how does it actually affect the family and the business? So, in short as an example, you know, if a father in many cases, and this isn't to be sexist but of course in many cases it is the patriarch who's building these businesses. He's not been present he's not been home so he's the owner. He carries that burden as the 100% shareholder or owner of this company, equity owner. But he's also a family member trying to be a family member. And he's also trying to be in the business growing the business. And so, by wearing these three different hats they all get a little bit overlapping confused. So, this is where we start to see this inter-system conflicts occurring. And that's the reasons why businesses actually start to fail. So, families fail for business reasons too. The business can be struggling and the pressure of that because again you've got the

patriarch wearing that hat. He will not be able to take that hat off. He walks into a family home and he brings all of that back home. And of course they can affect the family. You can then see what happens in the family they're going to be a turmoil that gets dragged back into the business. So, once we look a little bit more closely and looked at this issue of systems you understand well what's the solution? Well in any system, it's about trying to draw distinct boundaries between the systems firstly and recognize that there are different systems. And once you start that, you're really well on your way. The second part would then be to say well how do I put in structures that can actually ensure that those boundaries will remain in place between those sort of three inter-linking systems? And in short, that's what family governance and succession planning is. That's ultimately what it is. It's working with families and businesses to put in rules of the game or strategy. Build strategy that actually forms a boundary between each of those different areas. So, it helps the family members if it's just a father or it's now multiple family members know. When I'm in a certain domain, which Hat am I wearing? Am I family member now that I'm home? Am I a business manager because I'm home or am I acting as an owner, as an equity shareholder? And that's yeah, that's in short that's what good governance is.

Terence: And it sounds like a lot of it comes down to preparation.

Ryan: Yes. To be very much so.

Terence: Actually being prepared in the initial stages as we kind of alluded to earlier before you actually end up with a successful business.

Ryan: Yes very much.

Nadia: It's appears to me when you go into the business, you need to get your support team right? You have to get your background, not only your finance sorted. But you also need to get your personal stuff sorted as well. And you need to get this reassurance that one system, well in fact it's one becomes one total system. But elements of this system is congruent. That's what you do. You'll align it all. What usually happens husband goes and does a business to prove his wife that he can do and capable of something doing. Therefore he doesn't get killed by him. It's more like quite often happening. I'm taking just an isolated cases here and I'm keeping them in mind. Then what we're having, we're having a position okay fine, she's an observer there rather than participant in this activity. And then what we have later on disjoint. She is raising kids. He is bringing bread. But they never ever sat down and put together what are we doing all together. What my role, what is his role? And it's quite often I see this happening when husband passes away. Wife was left dealing with their very complicated affairs which she was not privy to. And I see it over and over happening. It's quite often happen a wealthy individual will bring always his wife. I won't profile anybody any closer but it's a very common. And then always sees his wife a lack of language, lack of any skills or literacy, I'm talking about financial, is left to deal with the rest of their family. And I see a lot of these cases. That's why I wanted to bring you in to just point it out.

Ryan: Yes.

Nadia: That we can build as big business as you would like to. But it doesn't guarantee success and wealth transition.

Ryan: You're absolutely right Nadia. It's not just... We often talk of a lack of preparing and training that next generation but it's also the current generation. We find in many cases the spouse themselves is not ready and prepared to take over when the patriarch passes away. And it may simply be financial literacy. We know. We know in this country that women do suffer from a lack of financial literacy. It is something on the radar that the groups are calling for better training, better education. But you're absolutely right. And those again all of those reasons are all family reasons. And it comes down to those reasons we talked about earlier that were uncovered which is a lack of communication and trust. And in the second was a lack of adequately training and preparing the heirs and all the spouse to be able to manage and handle and take over all of that. So, the solution doesn't lie in the business. We say the solution lies 100% within the family. And focusing on getting the family into a place where they are communicating in an open and honest manner. We're nothing's kept secret from even the adolescent and young adult children. That they get to be exposed to the finances, to what's going on in the business. But more so, what's actually going on in the family itself. So, the focus needs to be on what can we put in place to improve the way family members communicate with each other. Why is there a lack of trust? I mean it's the second part of that and often it's simply because, as I said earlier, when the founder's building the business they're not around. So, how do you build a trusting relationship if you're actually not present in the life of your child? I'm certainly not saying to... Patriarchs and matriarchs trying to build their business they're, well you need to be at home and present in your children's lives all the time. If that was the case then the family businesses would be built and wealth wouldn't be built. I think that recognition is that it is going to have to come with a sacrifice. But how can I do that better? It's not about being present in the lives of your children 100%. It's about making the most of the time you do have to be open and honest and build strong bonds that way. And I think that's the missing piece that...

Nadia: It's the quality of presence rather than quantity of presence.

Ryan: Absolutely.

Nadia: So, when you are present, you are so invested in this moment.

Ryan: That's it.

Nadia: And it creates really good and trust and communication between them.

Ryan: And you said it, being fully present. And back to those circles, can you imagine if dad comes home or mom comes home and she's been building and working and slaving away in this business? Most often than not, it's really a challenge to be able to switch that off and then be fully present in the family. And as I said earlier, you're bring all of that day's missed into your family. And often you just take it out of them. So, I think that is not leading to quality time. So, it's actually just wasting what time you do have that could be used to actually build a really good relationship, close relationships.

Terence: This really resonate with me a lot. And I think I've been fortunate to have built and actually been able to sell and exit businesses. And my opinion before doing that would have probably been a lot different. And it wasn't for me. A lot of the realization of how much I wasn't doing at home came after I actually exited the business and realize all the stuff that I was kind of missing out on.

Ryan: Yes.

Terence: And also, the other thing that I like to kind of do with my clients is to look at the business through the lens of exiting the business. So, when you actually first start up with your business, part of your preparation is to look at it through the lens of an exit or a sale or whatever it is. Because that really changes. Well, a lot of the things that you do in a business. So, if you're trying to be a job owner for instance or a business owner. So, and I call them job owners because lots of people go out and they just build themselves a job. And that's not really a salable asset at the end of it all. But building something which is a business that can work independently of you and that actually provides you with some form of freedom at the end of it, I think really should be the end goal for most of us. And that to me is also probably part of the preparation of your succession plan. Because it gives you the time and the space to be able to do the other things that you need to do. To spend some time with the family. Actually, get some understanding of them. And I think one of the other things that you said was that they really need to understand what you do...

Ryan: Yes.

Terence: and be prepared for the fact that if they're going to move into this. I mean it all looks pretty easy and pretty simple from the outside, right.? But if you're someone who's grown a business from nothing to multiple millions of dollars or perhaps more than that in revenue or whatever, there's a lot to that. And there's a lot of knowledge gained along the way that you can't just learn overnight. So, that really kind of resonates with me. What I'm interested in, and I've got some understanding is from my point of view but, what kind of strategies do you really look to implement to ensure that there is succession? The business continues. And are you only focusing on succession planning within the business or does this work for to bring someone else in from outside the business so the business continues as well?

Ryan: Absolutely. I mean all and above, I think ultimately it's about what's going to work best for the family. So, there is no one size fits all. In essence I think that's where for many many years we went wrong. Governance was always seen as the solution. Building a family constitution was seen as a bit of the solution. And more often than not, families would work to their lawyer or their accountant. They would have a nice template and they would start to build this template out which would put in place the rules that would govern this business. So, what type of plan are we going to have in the business? Will it be directors? Will it be an independent board? Will it be a family board, an advisory board? They'll determine that. And then talk about who's then going to be the shareholders. How are we going to transfer that equity and how are we going to vote? So, what's the voting rights and how do we make those decisions? Or how are we going to pay distribution? They're all good things but it was very much a business approach to building a constitution and the hope was that rulebook would now solve all our problems.

Nadia: So, what you're telling me they were building middle link. What they were doing, they were taking entire system, pulling it apart and just building one particular element of this system, not the entire system.

Ryan: That's right. Yes. It was a plaster. It was...

Nadia: Yes.

Ryan: Well what works in the corporate world is well they've got very clear boundaries and rules and distinct roles. And so, we'll just pull that in and put that into a family business in the form of a constitution. And so we've done that. And we've done it for years. And we found that these failure reason still occurred. So, the thing was we weren't asking those questions which you were talking about earlier which is what's the purpose of the source? In many ways I'll work through retrospectively with families so there are much further along the spectrum. But obviously all of this is applicable to families who are building their business to be more prepared and start to do things early. So, their first question is why are we building this? What's the point? Do you see this as just having a job or do I want to build something that's saleable? And what will my exit strategy be? I mean what's the purpose of all of this? And when you start asking some of those important, bigger questions, and you start from that level and then you start to focus on looking at well if that's my purpose. In fact we, I might just change tact here. If you can imagine a pyramid and at the top of the pyramid I would put governance. But what sits below that is family communication and family relationships. But what sits below that is actually values, vision and purpose. So, ultimately the foundation becomes what's important to us as a family. What do we really believe in? What do we hold dear? What are our values? And so, what is our vision for the future? What is this all for? What's the point of all of this? Sellable business, supply funds for generations to come, what's the point? What's this future vision? And I think once you've got that sort of who we are as a family, where are we heading with this whole family business thing in the future, you can then start to build your strategy. And it's those types of conversations, and it's that area that you focus on. If you imagine if that's what family's spending most of the time doing, they're starting to build that second part of the pyramid which is good family communication, good bonding relationships, open and honest communication. That's going to naturally come out of that first process of just engaging with each other. And we believe that once you've got that dynamic happening at good family communication happening and you understand your values, you understand your vision and purpose of the soul, it's out of that that your constitution should be born. Most of it is already written once families have actually gone through those sort of foundational stages. And so, then what we have is a document or a constitution or a rulebook that is aligned with the heart of who this family is rather than a cut and paste document of typically accepted rules and a constitution that enforced on a family. And we believe that that's why those ones fail. It's not a legally binding document. It requires people to honor and respect the governance rules that are inherent in it. So, if it's born out of family members, if they've shaped that, they own it, the chances of them honouring it are substantially higher. And as a result, that's where we can see that next generation is probably gonna be better prepared and more likely to preserve the wealth into the third, fourth and fifth and sixth.

Terence: Yeah that's great. To me there's a bit of a visualisation there when you said look at the pyramid. And we're talking about building foundations upwards...

Ryan: That's right.

Terence: rather then, if you say that you're trying to build a governance first, you're trying to build the top of the pyramid first and then build down from there which just doesn't work.

Nadia: The problem with it is what are you governing if you don't have a base? It's actually what the meat of your governance. And you are coming to the absolute core, principles of building any good business as well. Any business should start with purpose. Why are you doing it?

Ryan: Yes.

Nadia: The same is with a family unit, that's no different. Why are you doing it? And Ryan, now can you please take us through the most exciting case you have been consulted, and consulting for and involved in? I want to know real case scenario how do rich people, what's their struggle?

Ryan: Yeah, sure. Sure.

Nadia: When you were brought in, why you brought in and what lessons our listeners effective mind can learn from it?

Ryan: And just to echo what you said Nadia, ultimately Simon Sinek. I think many people would have heard of him. He runs a lot of sort of videos on YouTube and it has a lot of lectures. And he's looking at businesses primarily saying that you need to start with the why. And then you can sort of cast that vision forward and you'll know sort of the what you do. And then the third bit is and how are you going to do it? And that's ultimately what we were just saying. You start with your values, you cast your vision forward and then once you've got that, you build your strategy. And your strategy is building a family constitution. That's one of the pieces of it. Because there are many components that make up a family constitution that maybe will get to expand on later. But they are pieces of your strategy puzzle. So, as I said we often do this or personally I often do this with families very retrospectively so they come to us mostly on the stage or the age or transition. Most are in their late 60s, 70s. Many founders are now wanting or driven by their idea of a legacy. That's often the real motivation here is I've built this thing and it's my legacy, and I want to leave it, I want to shape it. And as a result, as I said, many might go down that path of trying to secure it through enforcing structures until their death. And then of course what happens is the family finds out about it in the will. They find out about the plans and intents and wishes of say the patriarch in this case, and they don't like it. And so they sue. And we see this every day. I mean we're seeing it in the newspaper.

Nadia: We're just now know a new legal term came - class of disappointed beneficiaries.

Ryan: Absolutely.

Nadia: It's just existing. And lawyers make a lot of money from disappointment of the family members.

Ryan: Exactly.

Nadia: So do accountants.

Ryan: Yes. And I cannot remember the name unfortunately of the family now in WA. But they are quite a well-known public family I think worth about 1.2 Billion. He was a mining magnate. But he's been in the newspaper for the last three years since his death. He was on his second or third wife. I don't think he was married to his third wife. They were very sort of recent and new. But upon his

death he did this. There was no pre-conversations. There was no exposing of the will and showing exactly what his intents were and actually having the family engaged with that which is actually something I encourage. No surprise that should be in the will. All family members need to know exactly what's in there. Well before. And as a result was all rolled out. Not only do we have the most recent wife in court, her sons, the step sons in court trying to get his share. We've got the ex-wife in court trying to get her share. We've got the grandchildren in court trying to get their share. We've got cousins in court trying to do their share. So, it is an absolute disaster. And I remember the aged article writer he sort of ended it saying If only there was some love in this family or something like that. But he was really capturing the heart of this particular family example that there was no committed relationship. There was no healthy bonds between these family members. So, yes unfortunately that's the stage I'm often getting involved. you know is post-death or slightly before death.

Nadia: We created mess, please clean it up for us.

Ryan: Yes. Absolutely yes. So, somebody samples...

Nadia: Well you're involved in the politics of it.

Ryan: So, I might give one example of a family who I've been working with. A fairly well well-off family where when the patriarch died he left equal shares to sons and a daughter in later age. Now they're in this sort of 60s around there. Two of the family members are still involved in the family enterprise. One of them isn't. And this daughter, I mean their share was roughly around 300 million each so, there's substantial wealth here. And I was asked to get involved because her daughter and her were quite estranged from each other. I have a good enough relationship in her terms. Daughter lived out of the country. And this mom was saying to me I want to see my grandchildren. And unfortunately if I don't give my daughter money, I don't get to see my grandchildren. And so what came out in the wash was that their relationship had been daughter raised by nannies. Mom had always supplied the ones to do this and to support her daughter who wasn't actually living in the same country as her. And supported her to the tune of, now are the daughters I mean who sort of 40s, to the tune of about 30 or 40 thousand dollar allowance a month. But the daughter was spending closer to about 90 thousand dollars a month using mom's credit cards and just living a very good high life. And so, of course if mom was upset her tool or method was to pull back some of the money or to threaten the money and then of course the daughter would come with the grandkids to visit and then they would stop the clock again. This was the sort of type of dynamic. And so, yeah I was asked to get involved to try and see if we can improve this relationship. And ultimately, our focus was to try and get control of the finances first. Because in this case, this is a clear example of a family who haven't built relational bonds. They've built bonds on how to relate through money. This is our relationship. It's always been you supply the funds and that's what looks after me. Not that you're actually present in my life. So, a clear example of the absent parent in a way. Now the moms wanting to have this relationship but she doesn't realize she doesn't have that bond with her daughter. She actually hasn't earned that bond with her daughter. And her daughter doesn't see her mom that way. She sees her as the cash cow. Truly the cash cow because she can be a bit of a cow.

Nadia: And she's controlling as well. But mom in this equation is not an innocent one. It's too little too late.

Ryan: Well mom has caused this and she recognizes this and she's actually quite open and honest. But she's not capable of change herself. So, you can see where the challenges lie. And so, our process was ultimately to work through their family office set up. There is a family office set up to put in some rules. And this might be the first part of the family constitution is to try and put in some rules around what is the agreed amount of money here. Let's actually commit to that. And once we've committed to that as a family unit we can then put in things in place to prevent the bad behavior. The way of accessing funds such as getting your hands on mom's sort of credit cards. And for us, we started the family meetings. We started at a round table where we try to talk quite openly about the issues. And unfortunately in some cases, that's too soon with some families because they don't have enough structure in place to actually help them cope with the fallout of those types of conversations. So, this is probably a good example where we had to maybe do a slightly different strategy which is let's actually go and build some things, some structures in place to give them something to hold on to because they themselves emotionally don't have anything to hold on to. Traditionally we wouldn't do this. We get families getting together regularly - learning how to talk, opening up about their issues, trying to find a common values. Building those connections and then start to problem solve and deal with the conflicts and build the solutions. Here we had to sort of try and get in and remove the money as a weapon, as a tool...

Nadia: Tool of manipulation...

Ryan: to get it out the way. And so, we went in pretty hard and we got some boundaries. And look, this is a case where I think I've even alienated the daughter because obviously I'm doing something that she's not happy with. I'm stopping her money-gravy train. But the surprising thing is is that the mom and the daughter are actually talking. And they're not talking money. And that was the ultimate goal of this first stage was I'm quite happened to be a bit of the enemy here for the sake of pulling money...

Nadia: You unite them against you?

Ryan: putting some boundaries around it. In a way yes. Because it means that the commitment between the mother and daughter is the daughter knows I can't ask mom for money because it's now been pulled out of the mom's hands. We've written it in such a form that she doesn't control the distribution. So, the daughter can't go to the mom. And so, the mom now is not able to throw that back at the daughter either. Will say oh I'm going to just pay you now and I'll bribe you back into our relationship. Well no. Because this has been signed off by all of your family members and it's now been taken out of your hands. And we've got separate accounts controlling things. So, there's probably a good case example of where there's getting some good structures in early are very helpful.

Nadia: How many times mom has seen your grandkids since then?

Ryan: Once.

Nadia: That's not a big achievement.

Ryan: It's better than nothing. Which it was in the past.

Terence: My insight there, money is not a substitute for life.

Ryan: No.

Terence: Money is not a substitute for love.

Ryan: Yes.

Terence: It's not a substitute for a relationship.

Ryan: Exactly. You're right.

Terence: In fact, it's not really a substitute for anything.

Ryan: It is simply a commodity.

Terence: Yeah.

Ryan: That's it. A tool for bartering. And that's why I said earlier, in the wrong hands is where it becomes a problem. It's our attitude, it's our psychology that we bring the money that causes that to be the root of all evil. It is not in and of itself a bad thing.

Terence: Yeah. So, I'm kind of interested so, let's take someone like me for example or someone like Nadia where in the process of building a what we hope to be a successful business and our listener out there in the process of building a successful business and working hard every day. And no doubt making some sacrifices. They possibly prefer to be doing some things differently. And what advice can we give them? Some strategies may be of how they can kind of think about this succession planning or at least improve the chances of even having better relationships?

Nadia: How can they make their wealth work for them instead of against them? Because in a wealthy family, it's appears to be that it's tearing them apart. I don't want any business owner to go through this because it's the most torturous experience. Losing your loved ones not to death but to alienation.

Ryan: Yes, sure. Look, I think it doesn't really matter where you are in the stage of the game but prevention is better than cure for sure. So, I think that's a really good question is what can even small family businesses do that haven't quite built to maybe that huge valuable asset stage yet? Just be really aware of investing equally in your family as you are in your business. That is a challenge. We have to be realistic here. You can't build a successful family business and be in perfect balance with your family as well. You can't spend 50% of your time with the family and 50% in your business. I just don't think that's realistic. So, it's just back to maybe two things. One is recognizing that you're only human and so the stresses and the strains and the pressures of that family business day, this applies to anyone even if you simply employed. Going to work, to a job and back, that all of that and that stuffy dealing with the work that you are going to bring their home. So, the first thing here is is how can you put some boundaries in place and know which hat you're wearing? How can you transition between the business and the family home? So, you're not bringing the stresses and strains of the business into the family home. And I think that works in reverse. Whatever's happening in the family at that time,

how can you contain that and not bring that into your workplace or your family business? And there are many things that you can do. I mean that's certainly what a lot of life coaches do, and psychologists in terms of stress management where they teach strategies of how you can transition between the two. I would simply say don't do work at home. And if you have to, have a separate office maybe even outside of your house where you can literally walk out, go and do some work and then come back into the home. There are things you can structurally do to demarcate when I might work and when I'm at home. You can set this up with your partner as well where you can actually have your wife, your husband hold you accountable for what do we talk about in the family home. Let's allocate every Wednesday night for one hour. We talk finances or we talk business. So, we allocate time to fight over things like that for that matter. But I think by trying to compartmentalize it, you can actually very effectively build some good healthy boundaries and it actually helps a human brain transition. Here now this is who I am but now I'm the father or I'm the mother and I need to be that person.

Nadia: What do they say? Well Paul to pay Peter or what the saying goes? And that's how the merging between those compartments. When I'm doing work at home, what I do see that I'm not with kids...

Ryan: Yes. Yes exactly.

Nadia: 100%. I'm just 10% with them probably. And I'm not 100% at work as well because I'm paying attention to what my kids are doing. And I'm just hush hush, just let me finish this phone call. What I should be doing is just giving them very clear guidelines. Give me 15 minutes and I'm back on them again and I'm just going to be managing it.

Ryan: Yeah. And I think other things you can do are to maybe start having family meetings early. We've got many families who are starting with the young kids in a very informal sense. They have once a week family meetings where the 5 and 6 year olds, they might be getting together with to talk about what's our next holiday or what are we doing on the weekends. And what you're doing is you're socializing your children into that. We get together regularly as a family and we talk about family stuff. Not business stuff, family stuff. And of course as you mature in your business and as your children grow and mature, you can start to bring not the business itself. The point of family meetings is not to talk about business strategy but it is about saying this is how the business is going and I'm stressed at work because of this reason and that's why I'm behaving this way at home and it just gives an opportunity for the family to talk about this family issues maybe in the context of the business and the wealth that's been developed and growing. And of course again at every stage of, as the children are ready and it might be later adolescence, you might start to bring the financials into those family meetings and start to share with them how well or how poor the business is doing. And get them educated up on how hard it's been. And money doesn't grow on trees. And just start to get them to see the inherent value of it.

Terence: And this comes back to their preparation.

Ryan: Absolutely. This is all the stuff that you can you just prepare the family as you go along.

Nadia: You're telling me that it's actually healthy to expose children to the stresses of adult experiences?

Ryan: Very much. I encourage...

Nadia: Because a lot of people do opposite.

Ryan: Exactly right.

Nadia: They shelter them. They think they deserve to have this type of childhood.

Ryan: Exactly.

Nadia: And they don't need to know this stuff.

Ryan: Yeah.

Nadia: Mom and dad will fix it. It's mom's and dad's problems.

Ryan: This is that failing to prepare and adequately train your heirs. The example that I've always sort of resonated with me was you wouldn't walk out the door and give your 18 year old child the keys to a Ferrari. Well he doesn't have his license. I mean you wouldn't do that. You would not go and say hey son or daughter, here's the key to a million-dollar car, an extremely powerful car. We know how dangerous this car is. I know you've had no lessons in driving a car, you don't have your license. But here it is. You just simply wouldn't do that. And that's actually what we're ultimately doing with this family business, this family wealths. We're not preparing the kids. We're just waiting when they're a little bit older to say here we go, now deal with it. So, a lot of parents say to me yeah but I don't want to talk about wealth, I don't want them focused on it. I know this is going to backfire somehow or it's going to make them greedy. And that's the complete opposite. It's not actually openly talking about money, about where it comes from, about the burden of paying debts and bills. I would even encourage family members out with their adolescence to sit down and go through their credit card statement together so the kids can actually see where all the money is going and how many expenses there are. Because this is what's preparing them for the real world. Keeping that away from them is not... Because the human brain doesn't just acquire this information out of nowhere. It has to be taught. It has to be imparted. And I would say to these parents wouldn't you rather shape and know that you're in control of what they know, and how much they know, and how accurate the information is than them acquiring through other sources?

Nadia: And I probably will zoom right on to it because it is a big deal. Sorry if I repeat myself. There are a lot of my clients shelter their kids and their wives from the stresses of the business, from the stresses of the finances which effectively they are exposing them later on to disaster.

Ryan: Yes. And of course sensibility should govern here. So, it's not exposing your 6 year old or your 10 year old to the fact that the business is failing and we're all going to starve. I think there are certain things you can reasonably protect your children from. It's about age appropriate revelation.

Nadia: And it's more with an angle what dad is working on at that point of time. It's all about what efforts are made in order to overcome certain problems. But problems are there, they're real. And this is what mommy or daddy are doing and therefore children can see what the sacrifice is that is why dad is not always there.

Ryan: So, we have many families where their adolescent boys are actually sitting around the table and this is where I see it being done really well where the father will actually be talking openly about the purchasing and selling of assets and what that could mean for the family. It means that there might not be able to go on the next overseas trip for that matter. And he wants to get the input from let say two teenage boys in this case. And you would simply be going are you crazy? They're teenage boys, why the hell would they even have a right to say? But what he's doing is he's teaching them problem solving.

Nadia: I've heard Lisa Stephenson, she's a speaker. She was speaking and then just forever grateful to hear that she'd done a wonderful episode for us. She actually came with three of her kids to tax consulting session. To show kids before they went to Italy, to show kids what it looks like on finances and why they can afford doing these things because of careful planning. Now I see another my really respected client, he's approaching me. He's asking me to involve his children in a discussion session. So, there is a bit of these happening at the moment. But they are very enlightened people.

Ryan: They are.

Nadia: They're actually kind of people who is thinking about they children.

Ryan: They recognise the importance of preparing their children.

Nadia: Exactly. And there is a saying... In Russia, we have a saying "the good parent is not the one who does everything for their children. The good parent is the one who is making sure when they're gone, the child can do the same thing as a parent would have done for him."

Ryan: And that's the other side of the coin. That's where well it can disable a child where everything is done for them. So, I recently presented at a workshop where I shared on some of the things we've seen that lead to the raising of spoiled children in a way. And they can be simple things such as in many of these wealthy families they will have a driver drive their child to school. They'll have a gardener. They'll have a house cleaner. They'll have a chef, someone cooking the meals. And the guard might even be watching in the cars outside the family. So, if you just look at everything that's been done. What does that child learn to do for themselves? They actually come out of their age of being reared with a mentality of other people do things for you. That's the conclusion. That's the only conclusion that that young human brain can learn. But that's actually disabling their child from actually learning what their own capabilities are. They've never got to test what they're actually able to do. But what they've come out is the solution lies in other people. So you can see there's no resilience that's been developed. And they are used to simply just paying others to do things for them. And so of course at the first sign of them having to get a job or do anything, perform, they don't cope very well at all. So, there's that dependency that gets fostered and developed on that wealth. You pull that away and the whole world falls apart. No surprises that we see people of wealth generally have almost twice the rates of depression than when compared to the clinical population.

Nadia: Here we are, dreaming about money will make them happy, holidays and everything. And we have clinical depression twice as...

Ryan: So, the key is we often say is how can you use this asset to empower your children? Or how can you use it to disempower your children and make them dependent? And that first example I gave of that mom and her daughter. In this case, both of them have been disempowered. She was made dependent. She was dad's little princess and he just spoiled rotten and she's never worked a day in her life. So, she's dependent on it. And her daughter is now just the next generation consequence of that. And that's the thing. Unless you stop this and break it, it'll just keep going for generations to come. So, you're getting in early and being able to actually expose your children to exactly how this has been earned, what's going on, the costs of this. Even getting them to actually make decisions and contribute to those decisions. If you are doing all of that in these early phases, if you get to that point where you now do have a fairly large business or a lot of wealth that sort of at stake, you've already got your family governance in place. In America you call them family council meetings. This is where you've now got a group of family members who all have an invested interest in the success of this business or the preservation of the wealth. They might not be shareholders, they might not all have voting rights but they get together on a regular basis to talk about how it's all going. But most, they also just talk about family issues. And by doing that, you now suddenly isolate family stuff within a family context and then the business will be governed by the Business Board. And so, they will only discuss business board matters. They will not discuss family matters. But what you'll have is maybe a representative of the family board who will come to your family council meeting and share what's happened there and vice versa. The broad decisions that the family meeting of the Family Council have made will be taken by the representative back to the board to say let me represent the wishes of the family. So, you've got a great connection between the two. But ultimately, you've taken what is a family and a business circles are two circles and you separated them out. There's still always going to be overlap and this should be but they're not one of the same. We're not confusing them. We've now built some good boundaries in place.

Nadia: Well it's all very interesting things even though a lot of these common sense things. But common sense is not that common anymore.

Ryan: No.

Nadia: It just goes out of that those a moment that large sums of money in front of you, the basic instinct kicks in and we just no longer act like humans towards each other. And what I do see, you have given us, you draw our attention to this important aspect of businesses which we don't look at. We're building middle link, we are not building entire system. System can, the elements can support each other. Whether elements are on its own, there is no symbiotic relationship which just gives this synergy. We just isolated and that's why the struggle comes. So, we're setting ourselves for failure by dealing just with one element at the time. We need to look at the overall system. Put infrastructure in place and put the rules of the game in place very early on. It doesn't matter how big or small you are, it's all the same principle applies because there is a merging of the roles that you play. With small business owners, it's the same. I actually teach them to recognise their hats. We effectively identify templates of one business owners wears within a business. I didn't even take the hats out.

Terence: Talk about identity confusion.

Nadia: I didn't even take hats outside of the business what they wear as a family unit. Therefore, what we do have is this ability to juggle those hats and outsource the hat to right people by enabling them to perform these roles under these hats. And what else I hear from you is you do have to expose your children, may be in a guided way, to stresses. You do need to expose children to the knowledge early on and make it as a normal everyday occurrence of open communication with what you're going through.

Terence: Build their awareness.

Nadia: That's correct. And the quality of time, doesn't mean the quality and quantity can be in reversed. You are sacrificing as a business owner a lot to build this business. Therefore, you have to... Now it's a responsibility on making these scarce time with your children, make as valuable as possible.

Ryan: Yes.

Nadia: And invest in activities which will make your children grow as a human beings as a functional members of any unit they are wishing to enter. So, prepare your children. Don't give them the fish, give them the rod. It's an old saying happening. And I love your sleeves to sleeves.

Ryan: Yes.

Nadia: It's happening. So, we have to somehow teach business owners to overcome this issue early on.

Ryan: We're in our biggest wealth transition period ever in our history here in Australia. And I think even internationally the estimates, I think it's about three and a half trillion dollars are going to be transferred to the next generation over the next sort of 10 years. That is this substantial wealth transferring. But for us in Australia, this is one of our first biggest periods of where we're seeing first to second generation wealth being transferred. So, I think it's going to become a more and more important issue. But as you've said, this doesn't just apply to that end of the spectrum. These are things that I think even to family members without businesses could probably employ. Having family meetings and doing financial literacy training.

Terence: I love the family meeting thing. I think I'm going to implement those.

Ryan: They're extremely effective. They're extremely effective.

Terence: And really, just build on the awareness. Because it's not, we don't have to go and have these direct conversations about money and...

Ryan: No.

Terence: make it... It's not about making it their problem,.

Ryan: No.

Terence: it's about building it into their awareness.

Ryan: That's it.

Terence: So, we've got ways to deal with it...

Ryan: That's it.

Terence: when it comes time.

Ryan: Exactly.

Terence: That's what we really can't try to go with it.

Ryan: Yes.

Terence: That's been really great.

Nadia: I think I need a bigger boat. All family unit will come.

Ryan: Exactly what you need. That's exactly how it looks for us. We can have ten people in a room. Ten family members in a room all working on whiteboard...

Terence: It's not actually hard Nadia.

Ryan: discussing and...

Nadia: I'm just looking at my catlity cost, my coffee cost.

Terence: Yeah. We'll let you deal with that. So, yeah. Ryan, thanks a lot for coming and sharing with us today. How can our listener connect with you?

Ryan: Look I think through Nadia, probably has my resources.

Nadia: We will put it all on your podcast? No, under podcast script. And basically Ryan has his email and...

Ryan: I do.

Nadia: websites as well.

Ryan: So, simply put it it's ryanmorgan@familylegacybuilders.com.au.

Nadia: I love it, family legacy builders.

Ryan: More than happy for listeners to pop me an email and we can get in touch that way and have a chat. Yeah, fantastic.

Terence: Alright.

Nadia: Huge thank you.

Terence: Thanks a lot.

Ryan: Thanks for your time.

Terence: Thanks.

Thanks for listening to the Unfair Advantage Project. For more curated resources, visit us at unfairadvantageproject.com.