Family Business Survey 2019/2020

Bringing in the younger generation
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Engaging the next generation for business-owning families has always been necessary; now it has the added context of increasing human longevity.

Our survey aims to reveal a range of insights into the challenges faced by families in their intra-generational planning.

The ‘younger generation’ while by definition ‘next’, may not be ‘young’ at all. They could well have their own grown-up children already established in their adult lives. This presents a new and growing set of challenges for families planning succession and preparing those who will inherit responsibility for the business: as shareholders or additionally with governance roles.

Effective leadership from the existing generation of family decision-makers must ensure clear governance structures and roles for family and professional management alike. They will only be able to inculcate the right values if they are accessible, take responsibility for nurturing the next generation of leaders and set an example to emulate. Our survey reveals a variety of insights into these challenges.

Establishing values is fundamental. ‘Values’ is an easy word to say but a demanding one to explain. Many of our responding families have endorsed work experience outside a family business, combined with educational programmes. While not surprising in itself, there was a noticeable range of approaches. It must be positive that families increasingly recognise the need to prepare for these issues and acknowledge that preserving a family legacy is both a long term endeavour, as well as one characterised by revision and change.

Furthermore, governance documents such as a mission statement or family constitution can be really effective, yet our survey reveals that only 27% had created one so far. The majority of those who did, also ensured it was aligned with the family business and some mentioned that the interactive process of creating a family constitution was likely to be far more valuable than the finished document.

Ultimately the families who kindly contributed to this survey showed by their participation that they are concerned with safeguarding their family values and their family business. Many feel that those two considerations are mutually reinforcing. Others are planning now for a time when they may feel compelled to sell their family business.

Our results show that such future-proofing might begin when the next generation is quite young, but needs to continue for much longer than ever before.

Rupert Phelps
Partner, Family Office Services
Executive summary

Many families will be familiar with the warning from history and experience: ‘clogs to clogs in three generations’. It exists in many forms, in many countries and through many ages. It should be a reminder of how few families manage the transition from generation to generation successfully. Survival statistics suggest only around 13% makes it to a third generation.*

Many family business owners remain keen or even determined to hand their businesses down to their younger family members, believing this to be the most effective way to preserve their family values. This may include retaining the vision of a more distant founder. In such a situation, all owning family members will have their shareholders’ responsibilities, and many will regard it as their duty to uphold the purpose of the company and any philanthropic or social capital role. Managing such a legacy is an evolving process, demanding of engagement and time. It also takes sensitivity and flexibility to educate the next generation with the right level of support, work experience and encouragement.

However, few believe in an automatic right of succession. The survey results make it clear that the right to succession requires both enthusiasm and merit. If there is no one within the family with the right blend of interest, skill and qualifications, the business may need to bring in external management. Some respondents do not want to place undue pressure on children to join the family business, and are more concerned with their children’s happiness and fulfilment.

Engagement takes time. Few business owners want to force participation on the next generation, but instead hope that ‘constant tender nudging’ should do the trick. The great majority believe that the next generation should start their involvement with the business relatively late, often having built skills and knowledge elsewhere. They want to encourage a sense of stewardship, rather than entitlement.

Nevertheless, instilling the right values, whether of the family or even the original founding member, starts early. Family businesses are conscious of ‘trust fund syndrome’ and do not want to deprive the next generation of the opportunity to thrive on their own merits. One family member said: “I was told that there would be no inheritance until I had proved I could work and knew the value of money.” Many encourage work and entrepreneurship early on to build a sense of responsibility. Participation in the business should only come once those values are built.

A key point on which our respondents agree is the responsibility that comes not only with managing wealth but in passing it on to the next generation in a way that means they too will accept the duty of preserving the family’s heritage and wealth for generations to come.

I was told that there would be no inheritance until I had proved I could work and knew the value of money.

Only 13% of family businesses make it to the third generation.

KEY FINDING

*https://www.familybusinessmagazine.com/critical-look-survival-statistics
The findings
1. Engaging the next generation with the business

The automatic right of succession has become an archaic concept. Having worked hard to build a business, family business owners usually have little desire to hand their business to someone without the enthusiasm, skills or qualifications for the job, even if they are family.

That said, many are keen to bring in future generations and recognise the need for careful preparation. That drives a strong and consistent belief across our respondents in the need to instil a work ethic before any handover occurs. There should be no ‘free lunches’.

We counter any tendency towards a sense of entitlement with day to day mentoring; fostering the understanding that what the family has or does comes from careful business development and not because of luck or inheritance.

Engagement cannot be forced and should only happen when the next generation show an interest. This may be slightly different in an agricultural setting where engagement has happened at an early age, or if in addition to farmland the family business includes an historic house, which may be open to visitors.

One approach was very clear: “One, set an example. Two, arrange internships and exposure to work at a young age. Three, restrict income to encourage paid work. Four, associate with others who work.”

Most believe it should be a choice rather than an obligation: “Personally, I think that the next generation should have a childhood and adolescence free of involvement in the family business and should be allowed to enter it later if that is their choice.”

The right age to engage?

The younger generation are less and less likely to be ‘young’ when they inherit, but in middle age, given shifting demographics and reluctance of most entrepreneurs to ‘let go’. Nevertheless, starting to instil the right values early is important for many family businesses: 52% believe the process should be in motion before the next generation hit 18.

At what age do you think it is sensible to start engaging the next generation about the business?

- Before they are 16: 29%
- Before they are 18: 23%
- Before they are 21: 10%
- After completing university: 12%
- After the age of 25: 3%
- Depends on each individual: 3%
The process of getting the next generation on board would ideally start well before they’re 16, in terms of their knowing where the cash comes from, internalising family values; in terms of ‘talking turkey’ about the business itself I’d probably say between 18 and 21.

Royal dynasties can offer notable examples of next generation family members serving a lengthy apprenticeship.

Engagement when the next generation are ‘interested’ is key, rather than forcing the issue. Most believe more serious engagement should start after university, but given the long lead time, it should not distract a family member from embarking upon a career outside the family business, both to gain professional experience and possibly to acquire some financial independence.

The most popular response was “at or after the age of 25”, followed by “after completing university”. Only 3% thought it a good idea at age 16. Other answers included that the family’s trust deed provided guidance; that property purchase, especially first home, merited support, but that no income from the business should be forthcoming other than by employment.

Naturally, the process needs to retain some flexibility to accommodate the age, maturity and skills of different individuals. Regardless of when they joined, more than 75% thought it was important to encourage the next generation to be involved in the business.

75% of family businesses thought it was important to encourage the next generation.

**Strategic business advice**

Your family business may have been formed many years ago by a previous generation. Many, if not all shareholders, have inherited their shares. If this is the case, does the business meet your needs and expectations? These may be very different from those of your predecessors.

It is important periodically to reassess what shareholders require from their shareholding and to challenge the Board to set a company strategy that will meet those needs. With such a strategy in place, the management team can devise a business plan aimed at delivering that strategy and so help in maximising opportunities and resources that the shareholders have invested in the business.

Of course, not all shareholders will have the same needs. For example, maximising short term dividends may be important to some whereas others may be more focused on capital growth. Equally, some shareholders may be prepared for the company to pursue a higher risk strategy than others.

And then there are those shareholders that may feel that too great a proportion of their overall assets is locked up in the family company and would like to realise part or all of this wealth for lifestyle reasons, or to balance their portfolio risk.

In our experience, companies that ignore these issues often end up being sold for the wrong reasons at below what they are worth, simply to satisfy shareholder discontent or meet varying shareholder agendas.

We regularly help businesses such as yours face these challenges, whether it be through strategic and business planning advice, or organising share buy-backs.

Philip Moody
Director, Corporate Finance
Developing ‘business awareness’

Assuming a receptive audience, many family businesses work hard to build awareness of how they run the business and the responsibilities it entails among future generations. There was a degree of consensus about the more effective approaches: mentoring was most popular; while the vast majority encourage internships, 74% to the family business and 80% outside. A significant proportion (69%) also looks to create secondments for family members to non-family companies.

How do we do it? Volunteering, philanthropy, mentoring, support for development of personal and life skills.

Many companies have gentle routes to engagement: joining a family Council, for example, informal social events or volunteering with charity partners. Some will be encouraged to spend school or university holidays working in the operations and getting to know staff members. “Always trying to encourage them to look around themselves at others working for the family and value what other people do, and how that effects them on a daily basis”.

Relatively few have formal educational programmes, 25%. Where these exist, they may be periodic gatherings of trustees and family members to consider the impact of family and its business in communities, objectives and threats. One has developed a family and corporate governance training program for all descendants of the family, which includes educational and practical engagement. However, this is rare, but perhaps offers a model that more families might be well advised to consider adopting.

How do you encourage the next generation to become business aware?

A significant proportion of respondents, 69%, look to create secondments for family members to non-family companies.

KEY FINDING
Receiving an income from the business

There was far less consensus about when the next generation should start to receive an income from the business. In general, most owners wanted to avoid a ‘trust fund trap’, whereby descendants received an income without having to work for it and agree that too much income could be demotivating. A distinction needs to be drawn between an income received directly from the business (whether for employment or otherwise) and dividend income from shares in the family business. The latter may be considerable and family members may receive it from a young age. In this situation there needs to be clear governance as to when they have access to such income and to what degree.

The older the better, with most believing the correct age to be ‘at or after the age of 25’, followed by ‘after completing university’. Only 3% thought it a good idea at age 16. In general, there was a reluctance to allow family members to receive an income from the business when they weren’t working in it.

There is clear concern amongst families as to the danger of an irresponsible beneficiary of family capital, the proverbial ‘black sheep’. While it would be administratively easier in many cases to standardise distributions from the business that are equal for all siblings, most owners want to retain discretion, and the ability to contain or remove disruptive family members from involvement.

Families are willing to work hard to counteract any sense of entitlement that being part of a family business can engender. Setting an example is vital, as is modelling responsible stewardship principles and practices. Also preventing discretionary access to cash before they have a sense of responsibility or an understanding of how money is earned. Approaches to this vary and may include the use of trusts, or the right choice of education. One commented: “Put them into a school where people aren’t excessively privileged and don’t give them any more money than their peer group”
Entrepreneurs

We work with ambitious people to build and grow brilliant businesses.

To do this requires intuition, skill and stamina; also vision, passion and a great team.

It’s tough. Which is where we come in. Entrepreneurs view Smith & Williamson as the go-to firm helping founders and their businesses to dream bigger. We go the extra mile for our clients, offering:

- a joined-up suite of commercial, financial and taxation services
- a dedicated team supporting entrepreneurs and their business interests
- carefully chosen strategic alliance partners to provide additional help and support
- connectivity through tailored introductions, regular networking and events

From start-up to exit and beyond, our unique ‘one-stop-shop’ of accountancy, tax, investment services and strategic advice has been developed to meet the personal and business needs of founders, management teams and their investors.

We’re different because we’re arguably the most active, visible and supportive professional and financial services firm operating in the scale-up ecosystem. We take this role seriously and are always looking at ways we can connect, inspire and challenge founders to achieve bigger and better things.

Nick Travis, Partner, Head of Entrepreneurs

Above all it is about fostering a culture of stewardship rather than ownership. “The most important way to demonstrate a strong work ethic is through leading by example. It is also encouraged that next generation members seek external and additional education and working experience, to enhance their business knowledge and happenings in society”.

Another contributor added how having family members join meetings, even if fairly early on as observers, could be helpful to their education. Buying a first home was a sensitive area: “My biggest mistake was to ‘give’ them a house each. If they had a big mortgage they would work a lot harder!” A delicate area is the perennial issue of ‘when to tell’ and then ‘how much’? One interpretation of this was “Make sure they do not think there is too much in the pot. Keep them hungry until such point as they value money, and how hard it is to make it and how easy it is to spend or lose it”.

Nick Travis, Partner, Head of Entrepreneurs
Family business owners are generally keen for the next generation to take on a role in the business, and are also optimistic that they will do so.

However, most would not prioritise family succession ahead of the proper running of the business. Some have chosen to opt out of having operating owners, where family members need to work in the business. Instead, they provide a supervisory role, monitoring the board and management through the family’s shareholding ownership.

At present, our family is discussing the possibility of no operating owners, in which family members will not necessarily need to work in the business. This is of course highly dependent on the capability of that family member. While at the same time, family members are encouraged to take on governance roles, more specifically leading from the board level.

There is always a possibility that the business outgrows the skills and capabilities of the family members and may need to bring in professional management to meet the needs of the business in future. When questioned whether the next generation would have the ability to take the business forward, 34% are ‘neither confident nor unconfident’ that the next generation would have right skills: which is not a ringing endorsement.

Speaking as the current next generation, I’m confident that I’ve got skills to head up the business as owner - we have a very good management team in place so I’m not unduly concerned about having business-specific skills, though I’m aware of needing to develop in terms of being able to lead the business and provide effective oversight.

For many, a complete separation between family and management is the way forward.

“How confident are you that one or more of the next generation will want to work in your business?”

- 46% of our respondents were ‘extremely confident’ or ‘quite confident’ that one or more of the next generation would want to work in the business.
- Only 19% were ‘not very confident’ or ‘very unconfident’ that they would not want to work there.

For many, a complete separation between family and management is the way forward.

“The family owns about 85% of the shares in the business, and is represented by the family shareholder council. The board is responsible for the governance and oversight of the business, and the council is responsible for articulating the family vision to the company. The council has no operational role in the business.”
The right age to join?
The age at which respondents wanted their children to join the family business varied greatly, but the direction of travel is definitely towards it happening later. This may be a demographic shift, or the well-documented reluctance among entrepreneurs to relinquish a business they have dedicated their life to building.

Either way, only 5% wanted the next generation to join straight from university. 26 to 35 was the most popular age category (35%), with another 35% suggesting it would depend on the individual.

Not everyone agreed as to the benefit of family involvement: “The family philosophy is that, to avoid sibling or cousinly rivalry, family members will not work in the business, but will take an interest and monitor the board and management through the family’s shareholding ownership.” A completely different approach was: “Our family constitution requires that the next generation work outside the family business for 8 to 10 years before consideration is given to them coming to join the family business.

The right distribution?
Family businesses can be the source of considerable rivalry. Should participation be on age, merit or divided equally? While most believe that it should be equitable, that isn’t always easy to achieve in practice. One respondent voiced a widely held view: “Depends, but it won’t always be appropriate for the equity holding to be the same, but probably the overall economic interest inherited should match (if possible, there may not be funds to make up the difference).” Another was adamant that “Equality doesn’t work if both/all are not in the business.”

Part of the problem comes when one works in the business and one doesn’t. Most are clear:

- The sibling managing the business should be compensated by the business with salary, bonuses and perks. Or The overall economic interest inherited should match if possible.

This is a subject that cuts right to the emotional core: “Bequeathing shares is a family social issue and should be equitable, just as parents try not to play favourites in other areas of life. The sibling managing the business should be compensated by the business with salary, bonuses and perks.”

Fundamentally, ownership and remuneration for a management role in the business should be considered as different things. Family members working in the business should receive fair commercial compensation for the role they perform, while shareholdings are separate. Equally, non-managing siblings should not be able to exert undue control.

Ownership and remuneration for management in the business are considered as different things. We would wish to remunerate family members in the business for the role that they are performing: market rate. Shareholding is a separate matter.

The following remark sums up the reality for many families: “It is very difficult for siblings to share and manage a business, but if the business is sold the sibling who is not involved in the management should be able to share the sales proceeds. When shareholdings get divided, often for tax reasons, the managing shareholder can be under pressure to produce dividends at times when the business may not be able to afford them due to market conditions.”
Dynamic businesses are always looking to the future, recognising trends in their sector and seeking strategies to profit from opportunities and minimise risks. Our transactions partners help business owners and investors shape their strategy, identify acquisitions or disposals which make sense for their long term plans and assist in delivering the transactions. We cover:

• Corporate Finance — A relationship driven team comprising highly experienced professionals helping clients across the full spectrum of mid-market projects including M&A, debt and equity fund raisings and strategic advice.

• Transaction Services — A skilled and knowledgeable team providing tailored and insightful support in mid-market transactions, including financial and tax due diligence, sale and purchase agreement advice, reporting accountant services in relation to IPOs, and financial modelling.

• Valuations — we have deep experience of financial reporting valuations, tax valuations and commercial valuations and a national team that is well placed to assist you.

We are an advice-led relationship driven business and our clients are entrepreneurs, business owning families, private equity and single family office. Individually or together our three service lines help our clients clarify and implement their goals.

Philip Quigley, Partner, Transaction Services

Only 5% wanted the next generation to join straight from university.

KEY FINDING
Almost 80% of family business owners believe it is either extremely important or quite important for family members to be involved in the business. That said, few want this to be a burden for future generations, and those involved must have the ‘heart and drive’ to persist.

How important is it, to encourage able next generation family members to become involved in the business?

- Extremely important: 30%
- Quite important: 48%
- Neither important nor unimportant: 8%
- Not very important: 11%
- Not at all important: 1%
- Don’t know: 2%

Is the business likely to be sold if you can’t find the right family members to take over?

- Business will (probably) need to be sold: 19%
- Business is sustainable under outside management: 11%
- Sustainable but business ownership model may change to facilitate external investors coming in: 6%
- Don’t know: 6%

For most businesses, it is not critical that a family member has the skills and interest to take over. It is always a risk that there is no appropriate family member to work in a business at a senior management level - especially a large business. 64% felt the business would still be sustainable in these circumstances and only 19% would elect for a sale.

We have specifically structured things so that it is not essential to have family members running the day to day affairs of the business. This reduces the level of pressure and expectation on the next generation.
How important is it for the next generation to have business or professional qualifications?

- Extremely important: 2%
- Quite important: 8%
- Neither important nor unimportant: 9%
- Not very important: 41%
- Not at all important: 37%
- Don’t know: 3%

What are the right qualifications? Over 80% believe that qualifications are important, but many believe that these are better gathered outside the company, which helps family members make a better contribution, giving them more credibility and better judgement.

Involvement as responsible stewards/owners is critically important to sustain involvement, interest and engagement. Involvement as managers should depend upon their suitability for taking a role in the business.

80% believe that qualifications are important, but many believe these are better gathered outside the company.

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Private client tax (domestic & international)

We work with clients on pragmatic tax planning, whether on the sale of a family business or property, or on passing on their assets to the next generation. We determine carefully the exact wishes of the family, their individual circumstances and their personal approach to tax and succession.

Our firm has been looking after individuals, families and their tax affairs for generations, and has a deep understanding and expertise in UK tax rules and their interaction with the tax laws in other countries worldwide. This is supported by the localised knowledge of our colleagues in the various international firms that make up the Nexia network, of which we are a founder member. We understand the importance of a holistic approach to tax, irrespective of the location of the family members and their assets.

Smith & Williamson offers one of the largest personal tax practices in the UK, with specialists in the different taxes that impact individuals. We advise unlisted family businesses on their corporate tax and accountancy issues and individual family members on a wider range of personal tax, trust and succession planning matters. Where confidentiality allows and there is a collective wish, we can also give a rounded view on these areas for a family group. We keep abreast of developments both in the tax laws themselves and, almost more importantly, in the attitude of HMRC and the courts to tax mitigation, and we ensure that our clients comply fully with all their reporting obligations.

This collaborative offering is enhanced by working closely with our colleagues in the investment and financial services teams to make sure that we integrate this advice.

Louise Somerset, Partner, Private Client Tax Services
What concerns you most?

Respondents’ greatest concern looking forward was that there would not be a suitable family member to run the business. They were also clear that they did not want the family business to direct them down a path that was not of their choosing and that the business might put undue pressure on them. “The principle is simple, but the timing can be difficult. Ideally, the next generation member should come to the family business having acquired business skills elsewhere first.”

What concerns you most about the next generation taking over the business?

- That there may not be a family member with both the ability and inclination (24%)
- The possibility of employment in the family business may contribute to it being taken for granted (16%)
- The possibility of employment in the family business may take them down a path not of their choosing (17%)
- The pressures of family expectation may prove a heavy burden (17%)
- The pressures of family expectation may be damaging if they are not suited to it (14%)
- Once in the business they may feel obliged to stay (5%)
- Don’t know (3%)
- Other (3%)

Investment process

The firm’s core ethos — to treat all clients as individuals and to recognise that it is, after all, their money not ours — has remained at the forefront of what we do. The investment processes built up over decades, incorporate clear parameters and controls but, critically, allow for individuality and particular client requirements. We are pragmatic not dogmatic, and invest across a wide range of asset classes and investments.

The culture of our partnership is expressed in the collegiate nature of the investment process. We don’t have a Chief Investment Officer as we believe that no one person has a monopoly on good ideas or gets everything right all the time. Most of our portfolio managers are, or have been, involved in the research and asset allocation decisions.

There are regular opportunities to challenge and test such decisions. In short, we believe our approach to managing investments makes for a more rewarding working environment, which helps Smith & Williamson attract and retain better quality people, and allows them to take better decisions, ultimately resulting in better outcomes for our clients.

Charles Gowiland, Partner, Investment Management
Conclusion
Conclusion

Managing succession is among the most significant challenges for a family business. Ensuring the values that have built and sustained the business continue to drive it in future is both demanding and unending. Continuing family ownership of a business through generational change does not guarantee that these values endure.

Our survey shows that family businesses are acutely aware that succession cannot be left to chance. Whilst that might sound self-evident, many families find that, in effect, that is the result of delayed planning and preparation. Most are keen to involve future generations and understand the necessity of devoting time and resources to nurturing the right skills in the next generation, potentially when a child’s age is in single figures.

In doing this, most are taking a broad, rather than a narrow focus. They recognise the importance of a life beyond the business, building work experience within and outside the business. Most suggest that involvement in the business should start from a young age, but responsibility should come later and be based on merit, rather than an automatic right of access and success.

Most importantly, the next generation should want to be involved and if they don’t, the family should not try and force enthusiasm. Most businesses could survive transition to external management, even if many want it to remain in family hands. Our survey suggests that increasing numbers are taking active steps to bring the next generation into the fold. ‘Constant tender nudging’ is the preferred strategy.

Strategic international services

We have an intimate understanding of International Finance Centres and their relationship with the UK. A real strength is our ability to collaborate with family representatives and service providers to identify the right outcomes with your goals and values in mind. We can guide you in your search for an offshore lawyer, trustee or fund provider, and we can help you move structures or people and navigate complex or difficult operational banking relationships for family or business.

We are independent of major banks and research houses, and we have more resources and buying power than the majority of family offices. Depending on the scale and complexity of your needs, we provide a dedicated team to augment the capabilities of your investment decision-makers; we work with you to design segregated mandates focused on a specific theme or a broad strategy, or we can assist with the design and implementation of a private fund or investment company.

Clients are also increasingly choosing to use our combined investment, tax and accountancy services where we can collaborate with a range of third party investment managers for one client outcome at a low relative cost.

Aidan McAvinue, Director, Investment Management International
Smith & Williamson specialise in financial and professional advice for business-owning families.

We are an independent, partner-led firm. Since we were founded in 1881, we have been dedicated to offering a range of complementary services to individual private clients and families with business assets.

Uniquely in the UK, these combine accountancy and tax advice, as well as investment management and strategic advice. A wide range of international families use our services in conjunction with their local professionals.

We advise unlisted family businesses on their corporate tax and accountancy issues and their individual family members on personal tax, trust, pensions and succession planning matters.

Where confidentiality allows and there is a collective wish, we can also give a rounded view on these areas for a whole family. In a similar way, our investment management business advises individual family members and family groups.

Our financial planning services include corporate pensions, cash flow forecasting, estate planning and asset splitting on divorce. Our experts work closely with each other, across these specialist disciplines, where required, and always mindfully of confidentiality within families and between family members.

Our strategic advice offering includes strategic governance structures and supporting documents (e.g. terms of reference, family mission statement, constitution), forming family assemblies and or councils, next generation preparation, setting up single family offices and advising on the role of philanthropy.

Our strategic business advice for family businesses includes: installing internal share markets, advice on share buy-backs, creating or reviewing business structures, tax efficient cash extraction, considering external capital or exit (whether by listing or sale). All of this may be provided from our tax and accounting specialists. We believe that one of our key differentiators is being able to integrate these complementary services from one firm dedicated to the sector of private capital.
Acknowledgements and methodology

We are grateful to all the family business owners who took part, in particular those who gave up their time to be interviewed and shared their insights and experiences so generously.

During April 2019 we invited clients of Smith & Williamson to participate in the survey. 69 responses were received. As well as the online survey, we also carried out telephone interviews with clients who added further depth and detail to the findings.

What is your role in the Family Office or business?

- Family member/shareholder: 61%
- Non-family senior manager/administrator: 29%
- Both: 4%
- Neither: 2%
- Other: 4%

How many generations old is the wealth underpinning the Family Office or business?

- 1st generation: 20%
- 2nd generation: 13%
- 3rd generation: 13%
- 4th generation: 25%
- 5th generation: 7%
- 6th generation: 2%
- 7th generation: 20%

How many shareholders are there currently?

- 1-5: 62%
- 6-10: 18%
- 11-20: 4%
- 21-30: 7%
- 31-50: 3%
- 51-70: 4%
- 71-100: 2%
Family assembly or forum
A gathering in which any family member can participate. Its terms of reference must set out who is to be considered a member of the family — something that is particularly important in this era of blended families, civil partnerships and children being born outside of marriage. Definitions may include descent from a common ancestor, in which case spouses may not be included. The assembly or forum usually meets once or twice a year and is an arena where views can be aired honestly and constructively.

Family council
A subset of the family assembly or forum, usually with five or six members. The council has an executive function, for example interfacing with the family business and/or overseeing the single family office. Council members may be elected and should serve defined terms. One of the members acts as chair, and ensures that meetings are run efficiently. The council has a responsibility to represent the views of the entire family and not merely its members’ own personal views.

Family constitution
Sometimes also referred to as a family agreement, creed or protocol, a family constitution is a succinct document outlining what the family stands for and what they hope to achieve. For example, is the family nurturing the business for future generations, or growing it in order to sell it? The document usually runs from half a page to two pages and can be written by a professional adviser, although it is essential that the content derives from within the family.

The constitution explains the mission, values and purpose of the family and covers every element of its activity. For example, which charities does it support and does its philanthropic activity contribute to its stated aims? It also defines roles and responsibilities — for instance, how many terms may the chair of the family council serve, and do they have a casting vote? Everyone who is expected to sign the constitution (which may be a condition of holding shares) must have had input into the document. The constitution needs revisiting at regular intervals to ensure it is still relevant and has the engagement of the next generation. It should also of itself contain the process for its own revision.

Mission statement
A brief statement of one or two sentences, encapsulating the overarching purpose and vision of the family.
If you would like to discuss any aspect of the topics raised in this report, whether for you, your family, your trusts or family business, please contact any of the people listed below. They will be delighted to hear from you and will advise who would be the most appropriate specialist to assist you from our offices in the UK, Ireland and Jersey.

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Investment does involve risk. The value of investments can go down as well as up. The investor may not receive back in total the original amount invested.

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