

CALAMOS[®]

WEALTH MANAGEMENT

Want to improve family dynamics? Create a family mission statement that reflects your values.

Even if you remain skeptical about mission statements in the corporate world, open up your mind to the possibility that a family mission statement could help you—and your family, across generations—to engage with harmony and shared purpose.

Many families deal with family issues due to lack of structure and communication. In the corporate world, most companies create mission statements as a unified expression of what their business is about. Sometimes, these mission statements are too generic, cliché or obsolete, leading to comments like:

- > “I didn’t even know we had a mission statement.”
- > “What a waste of time.”
- > “That doesn’t even sound like us.”

But every so often, a corporate mission statement really shines. Why? Because memorable words that capture the essence of people’s values can help guide the hard work they do in support of those values. The best mission statements, in my view, are like road signs with arrows on them. When the way is clearly marked, arrival at the destination is nearly assured.

Now think about families. “Arrival at the destination” is actually more important to most people with respect to their family life than in their professional work. People want family harmony. They want a sense of togetherness. And, critically, they want the next generation to understand the values that family traditions—and perhaps wealth—are founded upon.

So, even if you remain skeptical about mission statements in the corporate world, open up your mind to the possibility that a family mission statement could help you—and your family, across generations—to engage with harmony and shared purpose.

There is good news: unlike corporate meetings, where you have to spend a day or two with consultants doing “missioning” exercises, creating a family mission statement can be fun and will bring family members together. In fact, you

may already know the key points of your own family’s mission statement, even if you’ve never written those points down.

I worked with a young family with small children who love to travel. Their family mission statement stated “our family loves adventures and we are committed to travel the world, learn from other cultures and open our minds and hearts to accept and create new friendships.”

As you can see, this short and simple text captures their goals and how they plan to experience life through what’s important to them. This family framed their mission statement on their living room wall and added photos of their travels and people they met, serving as a constant visual reminder of what keeps the family together.

A poignant hypothetical

Imagine a hypothetical business called the Smith Industries, founded forty years ago. Ten years ago, the original founder, Robert Smith, passed the reigns to his one child, Steve Smith. The business thrived. Robert passed a few years later, but he lived to see Steve branching out into new and promising avenues. When Robert passed, he left the entire business to Steve. Now, as the business reaches its 50-year anniversary, its on a growth trajectory, in part, due to Steve’s innovative strategies.

Steve began to feel a little out of his depth managing what is now a large and more sophisticated enterprise. At just that time a much larger competitor presented a very generous offer to purchase the business. Steve, who grew up frugal just as his father before him, had never contemplated selling the family business. After negotiations, Steve decided to accept the strategic buyout.

Steve is proud, of course, of what he and his father accomplished. But he's also nervous about what this suddenly liquid asset will mean for his own family life, raising a myriad of questions:

- ✓ How does a family that's always lived frugally handle a sudden inflow of wealth in the low eight-figures?
- ✓ Steve knows the value of hard work. But, will his four children—the eldest now in high school—come to know it, too?
- ✓ Will the legacy of their grandfather and father's work be a blessing for these four young people, and their own families in the decades to come? Steve hopes so.

It's time for Steve and his wife, Katie, to figure out just what this family is about—and to document it. And what better, more inclusive way to start than by making a family mission statement that embraces the kids in its creation?



So just what is a family mission statement?

Now, don't wait for an eight-figure influx of wealth before considering your family mission statement! Chances are, you—like Steve—already have one that reflects the family history, values and principles that will guide the next generation. Simplicity is key in creating a mission statement. Remember that mission statements can be reviewed every so often to include new principles or focus for the family.

In Steve's case, central elements are his own, and his father's, embrace of hard work, keeping commitments, honesty, and thrift to the point of sacrificing certain creature comforts.

Interestingly—but not unusually—that "aggressive thrift" is paired in the Smith family with deep generosity.

The Smith family mission statement, then, might read something like this. Note: this is longer than most families would create, but by covering more ground there's more probability that at least a portion of it may resonate with you and spark thoughts about your own family.

The Smith family is a collection of individuals, each with individual interests and talents, but in addition we are a family. And part of what it means to be a family is awareness of certain core values that have shaped how this family came to be and the resources available to us to put to use.

These values include perseverance, open-mindedness, frugality, inclusiveness and generosity—especially to those with physical or mental disabilities.

We recognize that there are as many ways to express these values as there are people in this family. Indeed, that recognition is part of our core value of open-mindedness. And yet, simply by bringing awareness to these values and our desire to “live” them, we believe we can—in all our diversity—best support each other and make informed decisions about all life’s challenges and opportunities.

Those “challenges and opportunities” will surely come, as they do to everyone, whether the bank account holds eight dollars or eight figures. A statement like this can provide guidance to all members of the family, especially if it springs from an inclusive process.

Family mission statements in action

Let’s extend the Smith story a bit further and imagine the family mission statement as a guiding force in decision-making across a few different areas.

- > **Education.** Steve and Katie Smith are in a position to simply write a check for probably any level of education to which their children might aspire. But funding education through 529 Plans and the children’s own contributions may be a better fit, in the sense of both tax-optimization and “values-optimization.” The existence of the family mission statement—again, particularly if it comes from a process that includes the children—may help avoid resentment by those children that their parents don’t simply provide a blank check.
- > **Everyday expenses.** When you have plenty of money for the latest iPhone—but you’ve only had yours a year or so—do you buy it just because you can? Likely not, and certainly not if your guiding principles include thrift. Here, again, the family mission statement can help stave off resentment. Let the kids know about Grandpa’s rusty car that he drove 300,000 miles!
- > **Charitable giving.** In my experience, there are few contexts with more power to bring families together around financial topics than getting strategic about charitable giving. The family mission statement is the foundation. (In the Smith family, for example, the statement specifically embraces generosity toward those with physical and mental disabilities.) On that solid base is built a structure of governance that’s inclusive. Research bears out the value of this to family harmony. A recent study from the National Center for Family Philanthropy reports that those family foundations “that report being ‘very effective’ across the key measures of (a.) operations, b.) family dynamics, and c.) impact appear to place a much higher priority on governance.” They are, furthermore, “more likely to have formalized governance practices and written policies.”

In each of these ways, we see the power of a family mission statement to guide the next generation toward understanding what’s valuable. To help them avoid wasting money—and, just as important, time—on objects and experiences that may not be helpful.

Good family governance

If that kind of “togetherness” is at the heart of your more formal family governance approaches, then you are, in my view, likely to benefit from good governance across all four critical dimensions of: financial/spending, tax, emotional/harmony and profitability/impact.

I’d like to close with a few additional words about family governance—in recognition, that while a family mission statement isn’t a formal document in a technical sense, it has the potential to be as or more important than any legal document such as trust provisions or family foundation bylaws.

That’s because the family mission statement encourages good governance by bringing people together at the level of family, in a much deeper sense than wealth, on its own, can do.

In each of those four dimensions, there are stresses that can pull families apart or bring them together. Good governance makes the latter much more likely, in my experience. And on the road to good governance, there is no better place to start than with identifying and capturing what the family is all about.

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