Horizons

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Issue 08

How to Do a Prenup

Without Shooting Yourself in the Foot

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The Wait Is Over!

Issue 8 of Horizons: Family Office & Investor Magazine is out, starting with a BANG. Continuing our **Family Office ANONYMOUS** series, the Principal of a family office with merchant roots dating back before the French Revolution (1789) explains **How to Do a Prenup Without Shooting Yourself in the Foot.** *But before even thinking of a prenup,* make sure you have gone through **Whitney Tilson's 12 Questions to Ask Before You Marry Someone.**

If you are blessed having children, you will find **Jason Ma**'s reflections on **Preparing Your Children for College Admissions, Life, Career, & Personal Success** exceptionally helpful.

Dr. Thomas Oberlechner spent 25 years researching human behavior not only academically at Harvard and MIT but also in the finance domain, conducting studies with hundreds of decision makers at the world's leading financial powerhouses. His **BehaviorQuant** platform helps investors master the most complex aspect of investing: human behavior, with striking efficiency.

Chris Addy introduces Castle Hall's DiligenceExchange platform which has revolutionized operational due diligence on investment managers.

Dr. Michael Dixon, the medical doctor for King Charles III., reveals in a conversation with Dr. Bogdan Chiva Giurca how everyone and entire societies can stay healthy without breaking the bank. **Dr. Tobias Reichmuth** and **Marc P. Bernegger** believe that longevity is a mega trend not to be missed and invite you to their **Longevity Investors conference** in Gstaad.

Octavian Graf Pilati is a descendant of a princely house that can be traced back 1000 years. His essay **How to use Design Thinking in Succession Planning** is one of the best pieces I've read on this subject. In **Managing Family Risks Systemically, Dominik von Eynern** explains why the greatest risk to family wealth is the family itself and presents new methods to quantify this risk. **Patricia Woo,** a leading fund, trust and tax lawyer showered with awards and recognitions offers new perspectives in **Self as Process and Implications Family Offices.**

As always, please contact me to reach out or share your feedback.

Matthias Knab
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How to Do a Prenup Without Shooting Yourself in the Foot

Family Office Anonymous is a column in Horizons: Family Office & Investor Magazine that respects the confidentiality of our interview partners and contributors.

The following text is a transcript of a talk at a private family office gathering. The principal of this family office has signaled his openness to have a dialogue and exchange with peers (no lawyers or other solicitations ;-)). Please email Matthias Knab using Horizons@Opalesque.com, your email will then be confidentially forwarded.

I come from a very old French-German family of merchants and entrepreneurs. We go back lots and lots of decades. During the French revolution we kept our heads on, which was good, but today I want to speak about legal constructs of the 20th and 21st century: prenuptial agreements and family charters. I do have a legal background, but I'm not here to share any legal advice on prenuptial agreements or family charters. I'm just telling my experience from a wealthy family's standpoint. And this also typically involves a controversy between oxytocin and the in-house legal counsel when a relationship starts to go towards a marriage and a prenuptial agreement is wanted.

Oxytocin is the hormone your body produces when you fall in love. Imagine you have a family member bringing in a new person into that family, completely in love in most of the cases, not on both sides always, but let's put it that way.

And on the other hand, you have the family legal counsel who is going to draw up a draft version of a prenuptial agreement that you and I and everyone in this room should be thinking hard about signing because it's going to be completely pinged onto one side, protecting that family member. And that is exactly the problem because classical prenuptial agreements carry the fundamental risk that once it goes divorce and to court, it could be kicked out of court because it is visibly tilted towards one side, and that is not what a judge would accept. So that's a very real risk.

If you look at prenuptial agreement 40 or 50 years ago, these could include clauses saying that if you leave that person, you will get no support for the common children or for yourself. These things won't be accepted in the courts anymore. So what has been my personal experience? I was married for some time and now I'm the first one in the family for generations to get divorced. But already when I got married, my idea back then was *how can I do a prenuptial agreement that is safe, that is safe for me, that is fair for my wife and in the end good for the family as a whole?* Maybe I had the attitude like that old Arabic saying that states that **"a good contract is when both sides are equally unhappy."**

> **"A good contract is when both sides are equally unhappy."**

So that's what we did by going for a **reward-based prenuptial agreement.** My first aim was to give a bit more to my wife to create a better balance so that the prenuptial agreement might not run into a problem with a divorce judge. And then, I also wanted to make my wife as much independent as I could. And thirdly, reward the time of being married. Most prenuptial agreements are compensating the loss of your marital status and that is not really smart because you sort of compensate something you don't really want to happen when you're still in love and on your honeymoon.

Also, back to the legality of prenuptial agreements, there are also certain ways to make them void when a marriage goes sour. For example, a prenuptial agreement has to be notarized, so one party could be drunk or drugged being at the notary and getting that testified afterwards and therefore making this prenuptial agreement void, maybe needed years later.

That's one trick. Another one is claiming inexperience, for example in families where the children marry very young. If one of the person is maybe only 18 or 19, they could claim later that they didn't know what they were signing there. This sometimes works with a divorce judge. So make sure that both parties are sufficiently legaled up.

You may have heard of a Russian oligarch's wife who moved from Moscow to London and then filed for divorce there. According to the prenuptial agreement she had with her Russian husband, she would have only gotten 84 million Euros or Pounds out of the divorce. But then, as I said she moved to London, filed for divorce and wanted 3.2 billion Euros. However, the divorce judge kicked her out of court and said this is divorce tourism, we're not going to do that. So in that case, that trick didn't work.

Let's look at **post-marital alimony,** do you have any idea how that is calculated? Usually, the judge looks at the last couple of years of your living standard. So, if you are spending a ton of money and then get divorced, it could be very expensive for you. If you buy a Ferrari every year, a yacht, whatever, the person that is getting divorced from you as the family member then can easily say, "Hey, I'm used to that standard, I want this too." That will be an expensive divorce.

Therefore, cost of living is very important. You want to get divorced because you don't love your spouse anymore, be smart, you might want to look at cutting down your cost. What you can't regulate in a prenuptial agreement is children support and custody. This doesn't work. You cannot say things like, "I'm willing to pay that much for child custody and I want the kids." Don't get into a situation like Brad Pitt and Angelina Jolie and their six kids, for example. These type of fights just make the lawyers rich and it's going to break your family apart, your children are going to suffer, and you and your spouse too. You don't want that.

Be Fair

Here is my point: **Be fair,** that is pretty much in a nutshell what I'm trying to tell you, and that the prenuptial agreement should reflect that. And that you need to be aware that there are legal and illegal clauses that lawyers sometimes still try to put into them. As I said, with the children and the custody, you cannot put strict rules around that in clauses. But there are certain legal clauses you can put in. For example, you can sort of limit the possible alimony. You can say that if that spouse is divorced and is working and is making that much money, that should be calculated in a potential alimony to pay.

Illegal is anything that has to do with behavior. That might include clauses about potential drug abuse, you can do that to a certain extent, but I would certainly refrain from so-called "intimacy clauses" you can sometimes see in the US trying to fix how often you have sex, sometimes even down to "mandatory practises".

So, you want to stay away from illegal clauses. You can sign them but they won't work. At the end, what you want is, you want a separation of your assets, right? There's the chance, or the risk, that the person that comes into your family could be more interested in your money than maybe in you as a person. It could be. So you have to prevent bad outcomes there and establish a separation of property during and after your marriage.

My aim has been to protect the family wealth, but still being fair and open and supportive to my wife. Back to my case, when we got divorced, what has really helped with the divorce judge was that the judge said, "That is a fair prenuptial agreement, so it is valid." And otherwise, you have a joint ownership of property and that makes it extremely different splitting that up. For example, if you have joint ownership in a company, you may have to sell the company to pay out the other person. That is probably not a good outcome.

Marriages and divorces have become even more complex today as more people marry someone with a different citizenship, or if you marry in one country but live (and divorce) in another one. Different legal systems can be very different in how they handle a divorce. You may need to get educated on those aspects too.

Family Charters, Voting Rights and Black Sheep

I want to turn now to family charters. As I said, I come from an old family. Our family charter is about 300 years old and, as you would imagine, there's a lot in there stemming from bad experiences in family life and in marriages. For example, that family charter says I'm not allowed to marry a dancer because some of my ancestors must have married a dancer and had a bad experience.

A great deal of our family charter is about managing how new family members are coming in and maybe leaving the family through death or divorce. In most family charters, only those being born into that family become principals. Anyone who is coming from the outside usually is not a principal, which is not always smart because maybe some of your relatives might bring in someone who is very very supportive, active, and valuable to that family. So how do you handle the rights and obligations?

Some families manage it through pro-rata ownership into a family wealth. I am not sure if this is a good idea. In our family, since many generations, we look at family wealth per capita. By the age of 18 you become a principal and you have voting rights. Even if you don't know what you're talking about, you have a voting right.

The second thing we have is a simple majority rule. I think that helps too. Some families have very complicated voting rights, but my recommendation would be to make it as simple as possible. When you are writing up a family charter, look at it several times and make sure that the rights and the obligations are as simple as possible.

Then, you have the so called black sheep clauses. As you can guess, we have that too. The problem on that side is not really about some form of morals but when someone is not able to take their obligations and their rights. For example, because someone is addicted to drugs or otherwise psychologically unstable. These things happen in life and in any family, so we want to be prepared upfront and not when we're forced to deal with a certain situation. We did that too, simply because some of my ancestors were black sheep. But when everyone then sticks to the family charter, these situations can work out well, even for the so-called black sheep.

Let me come back to the per capita voting principle, I think that's always good. Plus, it puts some of the responsibility on your younger principals. I think if you are at the age of 18, 19, 20 and you're able to have the same voting right as the senior principal, this does have an effect on both the younger and the older generation. As I am standing here, let me also share that in my family I'm starting to become more and more the senior principal, so the other ones in my family tend to be younger. This creates a very interesting dynamic. Personally, as I said, I think everyone should have the same vote. And in most of the cases, the others tend to be more right than I am.

I mentioned we have a voting principle of simple majority, and with that we always keep an odd number of – not principals, but voting rights. We want to avoid deadlocks in the form of even decisions because you have to come to a conclusion in your votes and decisions.

Mediation and Legal Guardians

Another thing that may become more important as your family grows is mediation. You need that once in a while. Maybe there are two different family stems or family origins or “alliances”. We all have or know about such cases: Once the fractions don’t like each other anymore, the fight starts. You don’t want that, and a mediator can help here. But, the mediator shouldn’t be a family member, and it shouldn’t be the legal counsel either. It should be someone from the outside, as independent as possible, with a clear objective of what that person can do and what not.

My last point today refers to a legal guardian as a representative of a principal. That is a question that’s been going on and on. Some say, “My children are not grown up enough to manage that kind of wealth. They are going to go to the next Ferrari dealer and spend most of the money. I don’t want that.”

But my point here is, do you really want a legal guardian? Some external person becoming an executor of the estate? I’m not much in favor of that. What I do with my children, and the same was done with me, is bringing in the kids as early as possible into the responsibilities. And, trust me, there are more responsibilities than advantages in serious wealth. The second thing is train them from the very beginning that you are sure that they are able to take over, even at an early age.

Again, this is not in any form legal advice but a sincere sharing what I have learned over many years, and what worked well for me personally, my children, my former spouse, and the larger family. Thank you for your attention.

The 12 Questions to Ask Before You Marry Someone

by Whitney Tilson - an excerpt from his latest book, The Art of Playing Defense: How to Get Ahead by Not Falling Behind.

Whitney Tilson

Whitney Tilson is the founder and CEO of Empire Financial Research, which launched in April 2019 and provides advice, commentary and in-depth research and analysis to help people become better investors. The business now has seven newsletters and 100,000 paid subscribers. He has also (co-)authored several books on investing (including Poor Charlie's Almanack).

In the year prior to launching Empire, he founded and ran Kase Learning, through which he taught a range of investing seminars around the world and hosted two conferences dedicated solely to short selling.

Mr. Tilson founded and, for nearly two decades, ran Kase Capital Management, which managed three value-oriented hedge funds and two mutual funds, with assets that peaked at over $200 million.

Tilson graduated *magna cum laude* from Harvard College with a bachelor's degree in government in 1989. After college, he helped Wendy Kopp launch Teach for America and then spent two years as a consultant at the Boston Consulting Group. He earned his MBA from Harvard Business School in 1994, where he graduated in the top 5% of his class and was named a Baker Scholar.

1. Are they a warm, kind, and good-hearted person, both toward you and others? Do they have a mean bone in their body? How do they treat people like employees, waiters, and taxi drivers? Do children and dogs like them?

This is so important—and it's so easy to be fooled because, of course, the person you're dating is going to be on their best behavior around you. That's why it's critical to watch how they treat others, especially those they don't perceive to be peers. Children and dogs are often much better judges of character than you are!

2. If you weren't romantically interested in each other, would you be close friends? Do you make each other better?

Over time, when the passion and romance aren't so intense, there had better be a solid foundation of friendship, or you're in trouble. You want to be with someone who gives you frank feedback and smooths your rough edges—as Susan regularly does with me!

3. Do they have high integrity? Are they a stable, solid, predictable person who you can count on 100%? Do you trust them completely? Are there any issues with anger management, violence, narcissism, alcohol, or drugs?

There can be no compromise in this area. If you don't trust someone with your life—if you're not 100,000% certain that they would never cheat on you or knowingly hurt you, directly or indirectly, in any way—then RUN! If you find yourself rationalizing, "Well, he's great most of the time, but sometimes when he's had too much to drink..." RUN! One of my friends who's dated a lot of people told me that many of them can't "relax and be themselves" until they've had many drinks. If you observe this, RUN!

4. Do you share core values, e.g., self-improvement, giving back/philanthropy, meritocracy, humility, life balance, spirituality, thinking before acting, looking for win-win solutions?

Every person's list here will be different. I thought about adding "political views," but you'll have to decide that for yourself.

5. Are they intelligent and intellectually curious? Do you find them interesting?

This isn't code for "did they attend an elite college?" My dad is from a prominent family in Connecticut and went to a private high school before attending Yale, while my mom is the daughter of a Seattle fireman and went to public schools all the way through the University of Washington. So what? They're both smart, intellectually curious, and interesting—and have been happily married for more than 58 years!

6. Do they like to do fun things and have a zest for life? Are they a happy and optimistic person? Do they have a good sense of humor and make you laugh?

There are so many people who look great on paper—they're nice, went to a good school, have a solid job, etc.—but are just, well...boring. You don't want to be married to someone like that unless that's what you're looking for, of course!

7. Do they have a strong work ethic and a purpose?

Initially, this question was "Do they have a good job or career," but I changed it because some people choose to do things like write books, raise kids, or do volunteer work—and they're very happy and are wonderful spouses. The point of this question is that if you're a driven person and your spouse is a lump, your marriage isn't likely to last.

8. Do they come from a stable family? Do you want to spend time with them (because you will!)?

The first part of the question here is tricky because it seems unfair to hold it against someone if they happen to come from a messed up family. But I'll be honest: I'd rather see my daughters marry guys whose families are similar to ours—filled with deep, long-term, loving relationships.

9. Do your friends and family like them?

Similar to the dogs and children question, someone may be able to fool you…but they're unlikely to be able to fool all of your friends and family. Ask people close to you what they think—and listen carefully!

10. Do they have similar views on big issues such as where to live, children (how many, what religion, how will child-rearing duties be split), whether one of you will stop or cut back on working to raise the kids, and finances (spending habits, lifestyle, debt, the importance of having a lot of money)? Will they be a good parent?

As your relationship deepens, you'll want to think about these things—and have some conversations about them, however difficult that might be.

Regarding religion, I remember on my first date with my wife, I told her we could raise our kids Jewish. It was certainly premature—I said it with a smile—but it's a critical conversation to have if you and your potential spouse are from different religions. (I wasn't raised religious, so it wasn't a sacrifice for me—and I'm delighted that my daughters are Jewish, as I fully embrace the values of the religion.)

Another huge issue is balancing both of your careers with the demands of raising a family. A lot of guys have the sexist assumption that their wives will sacrifice their careers once kids come along, which can lead to anger, resentment, and, eventually, divorce.

11. Have they had long-term relationships in the past? How have they ended? What would previous boyfriends or girlfriends say about them?

When deciding whether to raise children and spend the rest of your life with someone, you should be less concerned with how someone is 99% of the time than with how their worst 1% looks like. Observing or talking to ex-partners is a good place to start.

12. Do you think they're attractive, and do you have a wild, passionate sex life?

A good sex life is an important element of a healthy marriage, but I have deliberately listed this as the last and least important question in part because so many young people seem to put it first. I know a number of guys who are trapped in miserable marriages with women who are mean, shallow, or otherwise unpleasant—but, boy, were they hot and sexy when they were younger! To quote the old adage, these guys let their little heads think for their big ones…and have been paying a big price ever since.

I am not saying that you need a perfect answer to every one of these questions. Every person might have a slightly different set of questions, prioritize them differently, and think differently about what flaws can be overlooked. For example, can you live with someone who occasionally smokes marijuana? Or has very different political beliefs? Or spends money more freely than you? What if you want to raise the kids in your faith, but your potential spouse wants to let them decide for themselves? There are no easy answers to questions like this.

Preparing Your Children for College Admissions, Life, Career, & Personal Success

By Jason Ma, CEO and Chief Mentor, ThreeEQ

Jason Ma

Jason Ma is Founder CEO and Chief Mentor of ThreeEQ, a family-owned, premier education, global business, and family office advisory firm. He has counseled 1-on-1 hundreds of students who were admitted to all of the 8 Ivy League institutions (Brown, Columbia, Cornell, Dartmouth, Harvard, Penn/Wharton, Princeton, and Yale), Stanford, MIT, Caltech, UChicago, Duke, UC Berkeley, Georgetown, and ALL other elite universities and liberal arts colleges in the U.S., as well as Oxford, Cambridge, Imperial, and others in the UK. He also authored the book "Young Leaders 3.0: Stories, Insights, and Tips for Next-Generation Achievers".

All loving parents, especially wise (U)HNW ones, want their children to be happy and have a bright future. As fellow parents, we crave sound family relationships and peace of mind. Driven families want to see their kids become, grow, contribute, and connect as positively impactful leaders and human beings over time.

This article gives actionable advice on what it takes to effectively prepare the younger ones of our Next Gens—the high school students—for competitive college admissions, leadership, university life, career, and personal success with well-being.

This article is based on a practical talk that I gave to high-achieving parents in a special event enthusiastically co-sponsored by Harvard Business School (HBS), Harvard, Stanford Graduate School of Business (GSB), UC Berkeley Haas, and Wharton alumni clubs.

(NOTE: In this article, the word "college" includes both private and public research universities and liberal arts colleges. Some private high schools outside of the U.S. include the word "college" in their names. However, to be clear, these are high/upper schools, not colleges.)

Let's look through the forest for the trees

For most driven high school students and their parents, getting into a great, best-fit college is typically a primary goal. After that, the goal is to thrive in amazing careers and live fulfilling lives. I would also say that building up their "personal operating system," soft skills, and direction early on is just as important as getting into a good college—which I'll elaborate on below.

Having guided holistically and successfully 1-on-1 hundreds of mainly high-achieving teens and young adults (my own two kids included) these past 14 years (in my 38 years in the education, technology, and investment industries since my Berkeley Engineering degree), I celebrate all of the worthy outcomes coveted by many. That said, they are not easy to achieve without quality preparation.

These days, most young people feel angsty or lost, and high achievers are often stressed and anxiety-ridden. Given a plethora of digital distractions and the pressure to succeed, high schoolers are struggling to find their way in today's highly competitive landscape. Why? The vast majority of college applications from driven students get denied by most elite colleges.

During the past college admissions season (2021-22), the Ivy League schools and other elite colleges and universities have reported their lowest admit rates in history. Columbia University (in NYC)'s freshmen admit rate was a hyper-competitive 3.73%. Columbia is one of the 8 Ivy League universities [Brown, Columbia, Cornell, Dartmouth, Harvard, Penn (including Wharton), Princeton, and Yale]. The admit rates of the Ivies and other super elite universities, including Stanford, MIT, Berkeley Engineering, Caltech, Duke, UChicago, were in the single digits.

From an elite college's perspective, booksmart high schoolers with lots of extracurricular activities are a dime a dozen (common). Unfortunately, the Ivies, Stanford, MIT, Berkeley Engineering, and other very elite schools can accept only a small fraction of their highly qualified applicants (e.g., Harvard's latest freshmen admit rate: under 4%). I have uncomfortably seen some amazing kids—valedictorians with a perfect SAT or ACT score, a 4.0/4.0 unweighted GPA with strong curriculum rigor, lots of extracurricular activities, and many honors/awards—get flatly rejected by a top Ivy or Stanford.

But those students who do get into a top college must be fine, right?

Actually, many students who attend Ivy League and other highly competitive colleges face high stress and anxiety—or even depression—as well. (Read "Penn ranked highest out of the Ivy League for mental health—with a D+." Also, view "The myth of the Ivy League.")

Back in high school, these students and their parents shortsightedly worried about college admissions.

However, they didn't build strong emotional, social, and leadership intelligence ("3EQ") with high-quality, third-party guidance. Many students and parents were obsessed with the college admissions hype. We call this "college admissions myopia." Now these students face incessant competition and feel lingering "imposter syndrome."

I believe that college ISN'T your kids' destination but is PART of their journey. As I will discuss further, it is essential to think longer-term THROUGH college, NOT shortsightedly just AT college! College is a stepping stone to your kids' greater career and personal success and growth for decades to come!

So, just what does it take to get admitted to top colleges, enjoy college life, and prepare for life and career success with well-being?

It's about the QUALITY of your academic and personal story, character, and storytelling that match the target schools' mission and goals. As mentioned above, gaining admission to fiercely competitive U.S. elite colleges is difficult. There are many booksmart students with strong grades, high test scores, and lots of activities who compete for the same outcome. Given this highly competitive landscape, what students need is trusted, third-party, high-quality guidance to unleash their full potential, actualize their best selves, and achieve the greatest outcomes.

With over 20,000 hours of successful coaching, mentoring, writing, speaking, and applied research experience under my belt, I would say that, besides academic and standardized testing performance, some of the high school success ingredients include the following:

1. Starting early with trusted, third-party, top-notch guidance.

One of the worst and common mistakes by various families is to start LATE, believing that their kids' academic and nonacademic performance and activities thus far and/or their attendance at private schools are sufficient. They don't realize that most school and independent counselors actually have LIMITED skills and sophistication in the world. These include both private school counselors and certainly often overloaded, even less-skilled public school counselors. And at that point (e.g., right before the high school senior year), their children's pragmatic emotional, social, and leadership intelligence ("3EQ") and other vital ingredients actually aren't that strong, competitive, and differentiated.

Frankly speaking, once they awaken to this fact or realize that the elite college process and criteria are (far) more complex and demanding than expected, stress hits. These students and their parents then sense opportunity losses. Sadly, we can't change a student's history. Time and time again, I've seen these scenarios in families.

A critical success factor is for families to use a trusted, third-party, top-notch guide—early on.

2. Building good habits and a growth mindset

Truly successful, high-achieving students have built sound habits and a growth and contribution mindset. The humility to continuously learn and improve is key. I value integrity, contribution, growth, connection, and a passion for excellence, and help instill these values in my students. They have developed not only time management skills and an ability to focus (despite online distractions), but also a few sustained, genuine interests ("passions") pursued through the bulk of their high school years. They built strong character traits and a skill set that would add value to and help inspire the community of peers, faculty, and other souls in high school, in college, and beyond.

Allow me to add that you can find a wealth of short stories and actionable insights on habits, mindset, soft skills, (school year and summer) activities, student leadership, the elite college planning and application process, and the transformation of various exemplary students in my *Forbes* and *Impact Wealth* articles on https://threeeq.com/media/

articles/. These include:

- Why to Start Preparing for College in Sixth Grade
- College Apps: Stanford, Anyone?
- What It Takes to Get Into UC Berkeley
- Advice on Applying to Top U.S. Colleges via Early Decision or Early Action
- When to Say No to Harvard
- How to Handle College Admissions Rejections

3. Finding an inner voice and expressing it powerfully.

My successful students are coachable and committed, and we have helped them learn and improve on listening and expressing themselves effectively. This includes writing cogent college app essays, building good relationships with key people, and garnering outstanding third-party recommendation letters. Of utmost importance, essays and rec(ommendation) letters are key opportunities to communicate a student's values, attitudes, and goals. They give the applicant a personality and facilitate the admissions staff to choose the students they want. To produce authentic, high-quality writings that stand out from the crowd, a student must have life experiences upon which he/she has done deep reflection, emotional maturity, and lots of practice thinking critically and communicating orally and in writing with a helpful support cast.

These days, applying to ten or more colleges is common. High school seniors (and college transfer students) end up writing dozens of essays, as well as short takes and detailed college app forms, and engaging in some private school interviews during the college app season. "So stressful" are words I hear often from under-prepared college applicants (especially those who start building their stories and skills late)—while they also attack a heavy senior year course load, AP or IB exams, purposeful activities, and if still not done, the SAT or ACT.

Teen achievers must learn how to realize their authentic best self, while navigating the complex and often stressful college planning and application process. My perspective is that college should be an integral part of a much longer journey. Once again, I encourage families to wisely think THROUGH college (with long-term gains), and NOT just AT college (short-sightedness). It is vital to help kids understand both themselves and the world, express their individuality and passions both in writing and in speech, and develop their mindsets and soft skills—early on.

The ThreeEQ Approach

"I got admitted to Columbia, Mr. Ma!! I am extremely happy. Couldn't sleep all night. I am incredibly grateful for all your guidance and believing in me from the start! I'll never forget that. Thousand thanks to you (and Team ThreeEQ)!!!?"

This is an excerpt of a dear student's texts. With a successful CEO dad, she was accepted into Columbia with an imperfect transcript, no "hooks," and no SAT/ACT scores. The latter was especially unusual for high achievers. Yet, Columbia saw in her a superbly strong fit.

How was I able to contribute to this success? You could say that I have hacked the secrets to mentoring and coaching teen and young adult achievers for

notable success and well-being. We specifically focus to:

● Hone their growth and contribution mindset, academic and nonacademic strategies and execution, soft skills, and talent for GREATER impact and short-to long-term benefits, even among their driven peers.

● Help them build an attractive story, prepare authentic storytelling, and present highly competitive and compelling college applications that maximize their chances for admission to their dream schools, all while minimizing stress, confusion, and anxiety.

"4S" and "3EQ" are my mentorship framework and techniques we apply to achieve these outcomes:

4S:

● Visionary Story (including character, which is the sum of all habits and choices),
● Emotional and mental State of mind,
● Strategies (academic and non-academic, etc.)
● Soft Skills (in addition to hard skills) and talent,
● Execution

3EQ:

● Pragmatic Emotional, Social, and Leadership Intelligence. This is more profound and powerful than just "EQ". Hard skills may become obsolete over time. Strong soft skills stay with you a long time.

Elevating the "4S" and "3EQ" in my students empowers them to enjoy GREATER life-cycle impact, relationships, and peace of mind with parents, in high school, in college, in communities, and in companies (i.e. internships), while enabling them to mitigate risks of future (painful) opportunity losses in our turbulent, ever-changing world.

In UHNW families, this also eases succession planning—with sound family values and without the usual stress, anxiety, and sleep deprivation. In my experience, personalized 1-on-1 coaching is by far more effective and profound than group coaching and "mass-market" webinar or product training.

Conclusion

Building a strong character and story takes years. It can't be conjured up "just in time" during the high school senior year. Learning to think, speak, and write effectively is a slow-cooking process, not popcorn-quick microwaving.

Wisely support your kids to start early, reduce stress, achieve greater success, and live more happily, and consider working with a trusted, third-party, top-notch mentor by their and your side. You and your children can do this!

Dr. Thomas Oberlechner: The Era of Behavioral Financial Technology Is Here

Finance is, in the end, about people: The minds and hands that manage or account for assets and make investment decisions are human. That's the premise of BehaviorQuant founders Dr. Gerlinde Berghofer and Dr. Thomas Oberlechner, who started their university education in the cradle of psychology, Vienna. In the following 25 years, these two PhDs laid the foundation of an unique and industry-leading technology based on research at Harvard, MIT and Columbia University, and their studies with hundreds of decision makers at the world's leading financial institutions, from JPMorgan Chase to Merrill Lynch to Goldman Sachs.

BehaviorQuant integrates systematic knowledge obtained from several thousands of financial decision makers – from executives at the world's largest banks, top Wall Street traders, asset managers, fund managers, institutional investors, to advisors and their customers. BehaviorQuant's solutions integrate the highest levels of expertise in science, behavioral finance, personality and decision research, team dynamics, education, and coaching.

This means that for the first time ever, allocators are able to objectively evaluate the people and teams behind financial decisions and transactions. BehaviorQuant gives decision makers predictive knowledge of the asset managers, investors, clients, and customers you work with – and even about yourself and your own teams, all based on hard, objective data.

The same technology also allows investment professionals themselves to focus, analyze and eventually master the most complex aspect of their own decisions: Human behavior. BehaviorQuant's Performance Coach allows you to compare yourself to hundreds of other investment professionals and receive tailored recommendations to optimize your processes and outcomes.

Horizons readers can email request@behaviorquant.com to schedule a free demo.

Dr. Thomas Oberlechner

Dr. Oberlechner is an internationally recognized expert in decision psychology and behavioral science. He completed his studies in Europe and the US and holds a psychology doctorate and three Masters' degrees in law, psychology, and consulting psychology from Harvard University and University of Vienna.

Dr. Oberlechner has researched and taught at Harvard, MIT, University of Cologne, and the University of Vienna. His research has widely been published in academic and professional journals and in his books The Psychology of the Foreign Exchange Market (Wiley Publishers) and The Psychology of Ethics in the Finance and Investment Industry (CFA Institute).

Prior to founding BehaviorQuant, Dr. Oberlechner spent 6 years in Silicon Valley creating behavioral solutions for financial decision makers as Chief Science Officer of a FinTech company and as a consultant for his own company, FinPsy LLC (www.finpsy.com).

Matthias Knab: In one sentence, what does BehaviorQuant do for family offices?

Dr. Thomas Oberlechner: BehaviorQuant helps family offices master the most complex aspect of investing: Human behavior. It is an easy to use turnkey technology for making better decisions about families, professionals and investments. With BehaviorQuant, family offices make far more informed and successful investment decisions and have far more effective relationships to the families they serve.

Matthias Knab: Could you please tell me about your background in Europe and the United States?

Dr. Thomas Oberlechner: Personally, I have always been fascinated by the differences between people and the way they make decisions. I was trained as a clinical psychologist and psychotherapist in Vienna. As a university professor, my research has focused on how we make financial decisions. And the fact that we are all different financial decision makers.

My female cofounder, Dr. Gerlinde Berghofer, and I are PhDs with a strong background in behavioral science. We spent years doing research at Harvard, MIT and Columbia University. From academia, we then moved to Silicon Valley to develop behavioral technology for investment professionals.

Matthias Knab: How do your experiences on the West Coast differ from those on the East Coast, and how did you start BehaviorQuant?

Dr. Thomas Oberlechner: On the East Coast, new conversations always started with the question "Where do you do research? At what university?" In Silicon Valley, the question was, "What ideas are you turning into products? At what startup?"

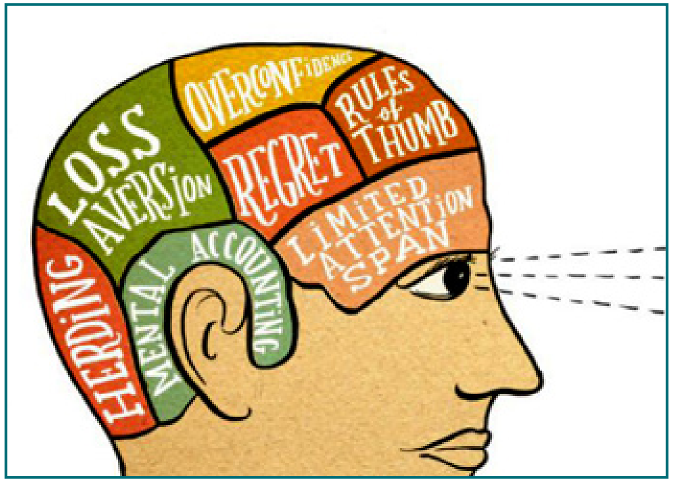
San Francisco offered us a fascinating opportunity to turn science into technology solutions. Solutions that provide investment professionals with immediate real-world support. Bridging these worlds continues to fascinate me. In 2018, we established BehaviorQuant in Austria. We received a generous government grant to realize our vision: To radically improve real-life financial decisions and combine decision science with machine learning for solutions that directly support practitioners.

Matthias Knab: How specifically did your research at Harvard and MIT pave the way for BehaviorQuant?

Dr. Thomas Oberlechner: As a professor, I have been fortunate to partner with dozens of the world's financial institutions for my research, from Goldman

Sachs to Merrill Lynch to UBS. I have worked with investment decision makers ranging from top traders and asset managers to family offices, investors and financial clients.

One thing I have noticed over and over again - a fundamental problem in the investment world: **There is no systematic knowledge about the decision makers behind investment decisions and visible returns.** And there is no systematic knowledge about how various professionals differ in how they actually make financial decisions. But knowing how a professional, how a team translates market information into decisions – well, that is critical.



As financial decision makers, we all have different styles, personalities, values, goals, and ways of making decisions. Before BehaviorQuant we had no systematic knowledge of these important aspects that determine how successfully you navigate your course through the rough waters of financial risks and returns. Markets are made of people.

Matthias Knab: Why do you think behavior and psychology are so particularly important for family offices?

Dr. Thomas Oberlechner: Lack of knowledge about the actual decision-makers is ubiquitous, but it particularly affects family offices. For example, when you hire a professional, you ask yourself: will this person really fit in and be compatible with us? In your relationship with family members, you will encounter very different personal styles. And how well you generate performance while minimizing investment risk as a CIO or investment team depends on your behavioral style. Psychological and behavioral issues are decisive for each and every aspect of family office operations. They form the basis for the decisions they make every day.

Matthias Knab: There must be high costs and negative consequences of a lack of systematic knowledge about decision makers. What are they?

Dr. Thomas Oberlechner: The list is longer than the interview allows! But let me name a few. For example, we know that wrong selection decisions for internal positions cost financial institutions three times the annual salary of the position. Three times that! Individual miscasts can actually be much more expensive, depending on the circumstances.

We also know that dissatisfaction of financial clients and client attrition is a big topic nobody wants to talk about. **Financial institutions lose 4-7% of their clients every year. The main reason for this? Lack of knowledge about client values and goals.** Moreover, that lack of knowledge about professionals' behavioral characteristics also leads to underperformance and missed profit opportunities.

In my own research with many of the top Wall Street institutions, we found that **over 30% of investment performance depends on the behavioral dispositions of decision makers.** Take, for example, the unrecognized risks in manager selection. Research has shown that **fund managers with high scores in the "dark triad" underperform others by 33%.**

Matthias Knab: Dark Triad, that sounds mysterious. Please explain what it means.

Dr. Thomas Oberlechner: The dark triad is a clinical term for three highly destructive traits that can also be found in some financial professionals. Professionals who lack empathy and who are unable to see the world from somebody else's perspective, what somebody else is thinking and feeling. Professionals who have no conscience and feel no remorse. And finally, narcissistic financial professionals with a highly inflated ego that is highly destructive for the people surrounding them and the institution they work for.

Matthias Knab: These are impressive numbers and examples that show how much is at stake. Aren't decisions made about people, and by people, in family offices all the time?

Dr. Thomas Oberlechner: Exactly. People are always at the center of the decisions of family offices. For example, in the selection of professionals, in the interactions with the family, and in how investment decisions are made. Often, they make these decisions intuitively. And it is fantastic that often we can rely on our intuition. But there is also much evidence that shows that how biased we are when we make intuitive decisions, when we evaluate people, when we interact with others. Regardless of how experienced you are as a financial professional, you will always benefit from a system that gives you additional systematic, objective knowledge about people. Enhance your own intuition with this knowledge and you will make far better decisions -- whether you want to interact more effectively with family members, optimize your team's decision-making, hire promising professionals, or select compatible external fund managers. BehaviorQuant effortlessly makes you a master of these tasks.

Matthias Knab: Please tell me more about the different solutions offered by BehaviorQuant. How does BQ Advisory work?

Dr. Thomas Oberlechner: BQ Advisory helps family offices build highly efficient and sustainable relationships with each member of the families they serve. It shows the office how to best support their family clients given their unique financial personalities, and it lets them anticipate their reactions to market events. It provides the office with relevant insights into the key behavioral aspects of the entire family system – you can compare and contrast family members, and you can group family members by their important behavioral aspects. For example, BQ Advisory shows you at the click of your mouse which family members share the same core values. Who seeks stimulation and challenge in their financial lives, and which family members prefer their established, more traditional lifestyle?

Matthias Knab: Why do family offices need BQ Advisory?

Dr. Thomas Oberlechner: We find that family offices, even when they have worked with a family for many years, often know very little about the different values, preferences, and expectations of the various family members. They do not know the unique style of each individual, at least not in a systematic and objective way. What are their behavioral tendencies, and what are their main expectations of them as financial advisors? How will they react individually to sudden market volatility triggered, for example, by the war in Ukraine these days? Not knowing family members' behavioral preferences and styles will decrease the family's satisfaction with the office and may lead the family to look elsewhere for better services. Poor communication with family members regularly stems from a failure to accommodate their individual styles. This is where BQ Advisory comes in.

Matthias Knab: What exactly does the family office gain from using BQ Advisory?

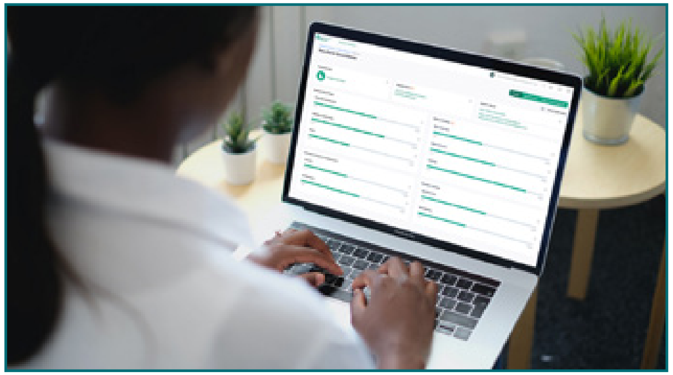
Dr. Thomas Oberlechner: BQ Advisory helps family offices build more satisfying and efficient relationships with family members. How? By providing the family office with systematic information about what makes each family member tick. Their personal goals, values, preferences, risk appetites, and their expectations for support from the office. In addition, predictions about likely future behavior. For example, what is the risk that they will switch services? Who needs immediate support when markets become volatile? Last but not least, BQ Advisory gives the family office tailored recommendations for efficient communication with each family member. This creates successful relationships, increases satisfaction, and prevents unexpected changes in the relationship with the family loss.

Matthias Knab: What does BQ Performance Coach do?

Dr. Thomas Oberlechner: BQ Performance helps CIOs and entire investment teams optimize their own decision-making processes. It provides comprehensive analysis of professionals' decision making, and delivers results that lead to better investment decisions and measurably higher performance. As a family office, you clearly see the dispositions and decision tendencies of your investment team. BQ Performance reveals the aspects of your team's interaction and decision-making that drive investment performance and identifies the characteristics that reduce investment performance or threaten returns. It also provides strategic recommendations against harmful behavioral patterns so you can improve your decision-making processes. The technical term for this is debiasing – providing targeted information to avoid distortions in your decision-making process. This leads to significant improvements in your results and investment performance.

Matthias Knab: And finally, what about BQ Performance Select?

Dr. Thomas Oberlechner: As the name suggests, family offices make far more informed selection decisions with BQ Performance Select. For example, when the office hires a new team member or when it evaluates new external fund managers. With BQ Performance select, the office can easily identify those professionals who are truly compatible with its culture, its existing team and its goals.



You can also easily identify those fund managers who have the greatest potential to outperform in the future. Before BQ Performance Select, family offices largely relied on peer recommendations, past performance data, and past track records to select fund managers. However, we all know the limited predictive value of extrapolating past results. **If, on the other hand, one has information about the behavioral tendencies of managers and of teams, then one has information that is highly predictive of future performance.** How the manager, how the team translates information into investment decisions – that has great predictive value for future returns. Example: we know that investment teams lacking diversity in terms of how their members make decisions perform significantly worse than teams whose members have diverse decision-making styles.

With BQ Performance Select, family offices can easily and systematically compare individuals and teams and receive clear selection recommendations. And they can identify warning signals and invisible risks early, before they materialize. Often these are risks that would otherwise go undetected, as in the example of a family office that hired the Wall Street expert with the highest technical expertise. Only much later did it turn out that the expert they hired was not acting in the family office's interest, but in his own.

Matthias Knab: So how does a family office actually use BehaviorQuant? Is it very complicated to learn?

Dr. Thomas Oberlechner: BehaviorQuant's solutions are turnkey and very easy for practitioners to use. Our customers can invite any person, any team they want to analyze, even themselves, with emails that the system sends automatically. All the invited person has to do is click on a link in their invitation email. Then the system takes them by the hand and guides them through a series of fully automated questions, game-like tasks and decisions. Immediately upon completion, our customers see all results and recommendations in their online results dashboard.

To help them use the full power and functionality of BehaviorQuant, we provide initial in-person training. In addition, online manuals guide our users through each step of the system. But we usually hear how self-explanatory the system is, so many users don't even open the manual.

Matthias Knab: What evidence do you have for the efficiency of BehaviorQuant's results?

Dr. Thomas Oberlechner: Of course, all of BehaviorQuant's solutions are scientifically sound and we have empirically tested their results. For example, in one study we tested the predictive power of BQ Performance with several hundreds of asset managers and other portfolio decision makers. **While their average annual performance was about 10%, those the system identified as outperformers achieved an annual performance of 30%.** To give another example, a study of over 600 wealth advisory clients demonstrated BQ Advisory's superior quality. The system identified clients at risk of churn with 90% accuracy. Compare this to the 50% accuracy without BehaviorQuant!

Matthias Knab: What do your customers say about their experience with BehaviorQuant?

Dr. Thomas Oberlechner: We are indeed receiving enthusiastic feedback from users on both side of the Atlantic. They tell us that BehaviorQuant should be a mandatory tool in any decision-making process. They stress how BehaviorQuant's solutions help them to make better decisions in a systematic and sustainable way. And they love how it helps them deepen their client relationships.

Just recently, we received a message from a US family office that uses BehaviorQuant as a risk management tool embedded within their asset management. They write that they captured another 40bps of pure alpha over a full market cycle by using it.

Matthias Knab: How does a family office get started with BehaviorQuant?

Dr. Thomas Oberlechner: Just email request@behaviorquant.com and we'll schedule a demo with you.

Protected by the highest security standards, all solutions are available in the cloud, so you can use them anytime, anywhere. BehaviorQuant does not require installation. As it's web based, BehaviorQuant works immediately on any computer, laptop, even your mobile phone.

Get a Life: When FinTech Meets Operational Due Diligence

Chris Addy, CFA FCA

Chris is the Founder and CEO of Castle Hall, where he leads a team of almost 100 professionals conducting operational, ESG, risk and cyber due diligence on behalf of 200+ asset owners worldwide.

Chris is one of the industry's very first operational due diligence professionals.

After audit experience with both Deloitte and PwC, Chris began his due diligence career in 1997 with the Atlantic Philanthropies (a multi billion dollar foundation and early hedge fund investor). Chris then joined UBP (2001) and co-founded Amber Partners (2004).

Chris is an advocate for enhanced best practices across the asset management industry. In addition to his work at Castle Hall, Chris served for 6 years as a member of the CFA Institute Capital Markets Policy Council, acting as Chair for a maximum three-year term.

Matthias Knab: Chris Addy is the founder and CEO of Castle Hall. Castle Hall has been since 2006 a global leader in operational Due Diligence on alternative investment managers.

This year, Castle Hall has also introduced a revolutionary platform called **DiligenceExchange** which offers amazing benefits for both investors but also investment managers, and we'll go into this in a moment. The platform has already been adopted by some of the world's largest investors, but before we go there, Chris please introduce yourself and give us some background about Castle Hall.

Chris Addy: Castle Hall was founded in 2006, and over the 15+ years of our history we are very proud to have been able to work with more than 200 investors worldwide and become the largest diligence firm that is dedicated to supporting the diligence efforts of investors across the industry.

We're very pleased to have built a global footprint; our headquarters are in Montreal, we also have coverage across Europe, the Middle East and into Australia. Our overall team has grown to be more than 90 professionals and we're certainly looking forward to reaching the 100 professionals mark.

Originally starting just with hedge funds, we now **cover all asset classes across both public and private alternatives, as well as long-only traditional stocks and bonds.**

Our coverage of Due Diligence exposure to asset managers and GPs is considerably **more than 2000 managers worldwide.** So, we have quite a lot of experience and footprint of seeing where the industry is, seeing what is a leading practice, seeing where asset managers are lagging, and helping our clients ultimately **deliver better investment**

outcomes through more effective Due Diligence.

Matthias Knab: How has Due Diligence changed or evolved over all those years you have been doing it, or where are we now, and what's left to do?

Chris Addy: Diligence has changed a lot. I did my first Due Diligence review in my career, before Castle Hall, back in 1997, so I think it's been 25 years asking asset managers questions about their operational controls and procedures.

And, of course, the key watershed moment was the global financial crisis in 2008. Before 2008, operational Due Diligence was focused on hedge funds in the aftermath of Lipper, Lancer, KL, Bayou, etc., and it was very much optional. Some investors were focused on ODD and others didn't include that into their investment process.

We all remember that in 2008 there was a gentleman called Bernie Madoff, and as a result Due Diligence on public market hedge funds has really become a mandatory, well-established, and I think relatively mature process over the past 10 to 15 years since the GFC.

There have been some other significant changes, though. **Due Diligence was traditionally a static, point-in-time process that was really based on a report.** So, at the point that an investment was made, a new manager was proposed for introduction into the portfolio, we would say, "well do we have the Due Diligence on that manager when we're underwriting that new investment?"

One of the key changes for Due Diligence is to **move to a process of active ongoing monitoring.** Due Diligence is, first of all, not only about completing diligence when a new manager is introduced into the portfolio, it's about monitoring and maintaining oversight over all of the existing relationships, and then maintaining an appropriate cadence and frequency of how frequently should I be aware of things that are evolving and changing with respect to a manager's circumstance, their fund, their operations, their business.

I always like to say the first rule of Due Diligence is: **Don't be surprised.** So, it's a really good idea to be able to keep in touch with what's happening with an asset manager, what is changing. So I think point one is **diligence has moved from static to dynamic, it's moved from point in time to continuum.**

The second major change in Due Diligence is an **expansion of asset classes.** So, again, traditionally, Due Diligence was about hedge funds, it was a narrow domain in the specific niche of public market alternatives.

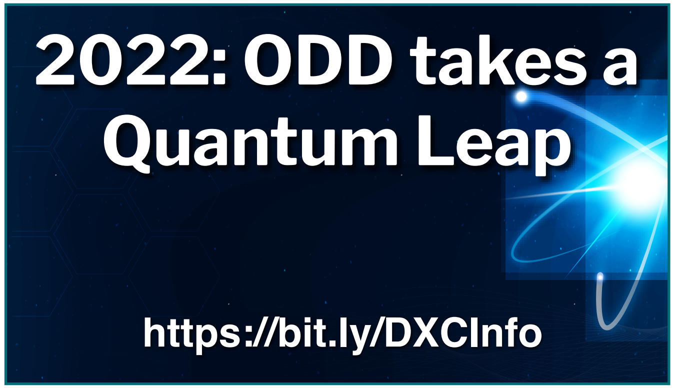
But ultimately, for an asset owner, for a large institutional investor, a pension fund, a sovereign wealth fund, a superannuation fund, ultimately they are a fiduciary, they are delegating their asset management process when they elect to invest with a third party asset manager. And irrespective of the asset class, the asset owner needs to have an understanding and an ability to make sure that they are not being exposed to undue risk as a result of their investment with a particular asset firm, wherever they may be in the world.

So, from Due Diligence being just about hedge funds, Due Diligence is now **across all asset classes,** and at Castle Hall we now complete a majority of our work on private market funds, both private equity as well as real estate, infrastructure, venture capital, and private credit.

We also do an increasing amount of work with respect to **long-only structures,** either through public or private funds as well as through managed accounts. What a multi-asset class approach does require is flexibility, because clearly the risks of a long-only managed account held at your global custodian are potentially different than a co-investment with a large private equity firm or an allocation to a venture capital fund. Clearly, the risk of a portfolio with complex derivatives is very different from the risks of a portfolio holding farmland investments. I think there is need for a calibrated flexible approach to Due Diligence, and that's a further move away from that traditional one-size-fits-all of "where is my report".

And, I think, the third element that's changed really brings together those two themes. Traditionally, Due Diligence could be done from anywhere in the world as long as you had a copy of Word and a spreadsheet and a laptop. It was a very manual, boutique process. What we need when we are completing Due Diligence on potentially hundreds of asset manager relationships across multiple asset classes is technology. So, where Castle Hall has really moved our business over a probably a decade-long initiative is to think about how we can **adapt FinTech** and **bring in technology solutions to support every aspect of Due Diligence,** from the initial allocation through to the ongoing monitoring, through to the identification of risks. *We really believe that that FinTech technology is the key to a modern forward-looking Due Diligence approach.* Ultimately, it's the institutional approach to Due Diligence.

So while we may have worked as accountants – I've worked for many years on spreadsheets and writing Word documents – we feel that the technology solution really brings on board **the power of database analytics,** that's really the forward-looking approach that investors are now requiring when they maintain their oversight over portfolios as a fiduciary.



Matthias Knab: Can you describe DiligenceExchange and the benefits the platform offers to investors and investment managers?

Chris Addy: DiligenceExchange **leverages technology in two ways.**

First of all with respect to the efficiency in the Due Diligence process, and then with respect to the intelligence, the insights that can come from the conduct of Due Diligence.

With respect to **efficiency,** at the moment there are many hundreds of investors in the world that will use their own Due Diligence questionnaire, request for proposal, request information from asset managers. And in many instances, that process is manual, it could be with spreadsheets, it could be with an online survey tool, but it involves gathering information on a very individual, bespoke and inherently duplicative basis.

What DiligenceExchange does is allow Castle Hall to **gather consistent standard reference data on thousands of different fund entities and managers, GPs,** as requested by our client base. And what we do is work with a consistent database, a consistent structure of data, gather data the same way, and inherently bring efficiencies and economies of scale to the data gathering and data collection process on behalf of our clients. And instead of spreadsheets and Word documents and manual follow-ups, we have a centralized research database that allows our clients to gather information consistently, on the same scope and methodology for every asset manager and general partner and fund in their portfolio, irrespective of asset class.

That's really the purpose of bringing efficiency and leveraging a database, leveraging a standard data structure, to support the Due Diligence process.

When we come to **data intelligence,** Castle Hall's benefit of course is that we work on behalf of a consortium of more than 200 clients and that gives us exposure to several thousand fund entities across the industry.

If every investor works individually, they can of course gather a picture of their own portfolio. But what Castle Hall can do is bring together a standard approach that aggregates the collective investment footprint of all of our clients and consequently gathers consistent information on a much larger data set, a much larger portfolio of information.

So, the other aspect of our technology – we first of course use database and consistent data gathering techniques to get that standard data set – but then with our technology we can then apply a set of **proprietary algorithms.** And what our algorithms do is **identify risk factors** that are in place with respect to every asset manager and every fund.

So we can say, for example, has this asset manager had a cyber security breach? Have they changed a service provider? Do they not have a dedicated chief compliance officer? Do they not have a fund administrator? Do they not have a valuation committee? Have they changed their ownership structure? In total there's more than 200 analytical factors that can be triggered by our algorithms. For any individual manager and fund that a DiligenceExchange subscriber looks at, they are able to identify and gather insights to what is the risk profile, what are the risk characteristics of a particular manager or fund.

But because the information is gathered consistently we can then roll that up to look at a portfolio. And by using technology we can then interrogate the data, mine the data across a full portfolio to say, *"Well, how many of my managers use a particular service provider, how many of my funds have an expense ratio in excess of a predetermined limit, how many of my private equity managers have broken deal fees? Is a risk triggered in a way that is expected, or is a risk triggered to say that's something a little bit unusual, I wasn't expecting that. Let me then compare that to other funds in the portfolio."*

With such a tech platform, we can see a risk factor and then check which other managers or funds in my portfolio have the same characteristic. But, I have to say that the real benefit of using a standardized approach and technology is to roll then everything through to **industry benchmarks.** If we gather data in the same way for thousands of fund entities, we can have a picture of the overall ecosystem and industry best practices across all of those different risk factor dimensions. So, our clients using DiligenceExchange, first of all can see the risks for an individual manager and fund secondly they can see how that rolls up to the risk profile of their overall portfolio, and then they can compare that to the Castle Hall's proprietary DiligenceExchange benchmarks.

Matthias Knab: That's fascinating. Tell us more, also how DiligenceExchange works for investment and fund managers?

Chris Addy: What a DiligenceExchange subscription provides to allocators is access to our entire research database. We certainly believe that is the largest research database that's available in the industry. It's significantly more than 2,500 fund entities closing in on 2,000 different manager or GP structures.

The first thing that a subscriber sees is the list of the asset managers that are under coverage. And the way that DiligenceExchange works is that each subscriber looks at a manager and sees a fund entity which is in their portfolio or of potential interest for future investment and then they raise a connection request with the asset manager in the **LinkedIn style,** the connection request is approved, and at that point they then have access to the DiligenceExchange report on that particular asset manager and fund.

And every DiligenceExchange report first of all is our standard reference data on the manager and fund entity. It's not just purely a Due Diligence questionnaire where a manager just supplies data – a key part of our process is we complete a range of **'trust but verify' checks.** Those include service provider verifications, they include verification to public domain information such as regulatory and corporate registration sources. We think it is very important when looking at data to make sure it is verified as a core anti-fraud check, so we may say we check a to b, b to c, c to d and d back to a to make sure that the representations made by the asset manager can be verified in the public domain, again, as a key protection against fraud. And with the verified reference data then our clients receive the results of our diligence algorithm, and the algorithm, as we mentioned a few minutes ago, provides first of all a list and a matrix of risks for a particular manager and fund that can then be rolled up to a portfolio level and then compared to the aggregate DiligenceExchange industry benchmark.

And it's really there that the insights come: What are the risks for my particular manager, is that an outlier in my portfolio, and then, how does my portfolio stack up to the aggregate industry? Again, our clients are **fiduciaries,** so a key part of running a portfolio, an institutional pool of assets as a fiduciary investor is really to have that sense that there is a *clear understanding and oversight over asset managers, we're aware of our risks, we're not taking unknown and unexpected risks where we have a particular concentration or exposure that clearly is an outlier an out of line of expectations and out of line with the overall risk parameters that we are prepared to accept.*

An important part of DiligenceExchange, obviously we have several thousand asset managers and funds already completed based on the aggregate investment footprint of the consortium of Castle Hall clients, obviously, this is a huge industry there are tens of thousands of asset managers. Now, DiligenceExchange already includes **information on about 30,000 asset managers** which is based on information we've pulled from the Form ADV and U.S. regulatory filings, but irrespective of the asset manager and fund, if a client subscriber has an allocation to another manager that is not currently under coverage, a standard subscription allows unlimited capability to add additional managers to the portfolio to make sure that a portfolio view is complete. As an accountant, I always do like to make sure that ultimately every investment in a fund, in a portfolio, has the appropriate Due Diligence, I can tick them all, I can tie them to the balance sheet, it's internal audit, external audit, compliance, risk... A regulator comes in, we're not negligent, our process is compliant, we have consistent information for every manager and every fund to which we've deployed capital.

Matthias Knab: I understand that for the first time in the diligence domain the DiligenceExchange platform allows to aggregate data intelligence and benchmarks across the entire industry. Tell us, why is that so revolutionary?

Chris Addy: Well, from my side, I think I mentioned at the beginning of our conversation that I've personally been doing Due Diligence for about 25 years, and I think **the holy grail is really to bring more transparency** to the industry.

We work in alternatives, in an industry which is opaque, where data is difficult to gather, and I'm sure there are other Due Diligence practitioners listening to this conversation – *we've all been told by asset managers that we are the first to ask a question. That we are the only investor that is raising a concern, all of our other investors are happy, and I don't think there is a simple answer to a complex question but to be able to bring evidence to a diligence discussion, it moves it away from a qualitative view of experience and preference, to a tangible evidenced data point of industry behaviour.*

So, let's take something very simple as: Do I have a **valuation committee?** Do I have a valuation committee which is separately constituted and meets on a regular basis to look at the valuations of the portfolio? In many instances, in the private equity space for example, there isn't a valuation committee, but there may be a portfolio investment committee, a portfolio governance committee, a management committee, so a forum typically or primarily of investment professionals who amongst their responsibilities will take account of valuation every month or every quarter as appropriate for that portfolio.

And it's very difficult to have a conversation with an asset manager, to challenge or provide an alternate perspective that the way that works for them in the sense of how they operate their business and think about their investment process. It's typically difficult to challenge that.

What we can do with DiligenceExchange benchmarks is to say, *if we are thinking about standardized controls and procedures, what are best practices, what are the expectations of investors who are deploying their capital to a third-party asset manager, what procedures are in place? And in my mind, and the DiligenceExchange data would support this, it is best practice to have a separate valuation committee, because that allows valuations to be considered separately, as distinct from combined and rolled into an aggregate discussion about the portfolio as a whole from an investment perspective.*

And importantly, it creates a risk governance and compliance forum that's separate from the investment process, creates a degree of segregation of duties, or at least a degree of separation of intent and purpose in how the valuations are going to be reported to investors, to LPs in a in a private equity fund. And I picked that example at random, DiligenceExchange has, once more, **several hundred data points where analytics are being generated.** But it empowers allocator to be able to have an evidenced discussion with an asset manager, to **move away from individual opinion to an objective benchmark** as to industry behaviour, and identify asset managers not necessarily in case of being right or wrong, but certainly a case of being able to identify who's leading and who's lagging.

Matthias Knab: We've seen that the benchmarks and the intelligence that can be derived through the DiligenceExchange platform is truly unique. But in addition to that I think that there are also fundamental gains in terms of operational efficiencies for both investors and investment managers, right?

Chris Addy: Correct – we really do think diligence is very duplicative. Investors sending their own data, gathering questionnaires, again, excel spreadsheets or using one of the various online survey tools that allows data to be gathered, but it's extremely time consuming.

A large manager could have a hundred investors asking for questions; it's extremely time consuming for the asset managers / GPs of course, who need to responding and provide information. Now, we certainly firmly believe that every investor has higher value questions that may well be unique to their

organization, but that's where we'd like to help our clients spend and focus their time. *In other words, spend 80% of the time on the 20% of issues and facts that matter, not spend 80% of the time getting to those 20%.*

To rephrase that – when we work with a client, how can that investor use the work that our team performs to help them do their job better? And that really comes back to what's the highest and best use of time, how can our clients **move up the value chain** to be able to bring higher value oversight and insight to the understanding, the diligence profile of the asset managers that they are looking at?

While in every DDQ there are meaningful questions that really are getting to the crux of risk, on the other hand, at least the first 50% of Due Diligence, it is the same for everybody. *What is the asset management company called at a corporate level, what are its affiliates, where does it have its offices, what's the biography of the chief compliance officer, who's the auditor, who's the administrator, who's the valuation service provider, what's the percentage of the assets in level three, what accounting system do they use, have they had a cyber security breach? These basic questions can be gathered in a more effective manner if they are gathered externally.*

In some ways, Castle Hall is acting here as an **industry utility** to gather information on behalf of that consortium of 200 plus clients. And the feedback we very consistently receive is that instead of having one, two, three, four junior analysts who are really responsible for that process to reach out for questionnaires, to follow up, make sure responses are provided – it can take hundreds of hours for larger clients; that's simply not the highest and best use of time for that internal team.

We want the internal team to start their Due Diligence process already halfway through. They've got the data, they can log into DiligenceExchange, see the DiligenceExchange report, the immediate risks that have been identified, the trust but verify work that has been completed, and they're kicking off with a clear understanding of the framework, the baseline of the asset manager, and can immediately move up to say, "What are the issues that I want to dig into in more detail that are going to materially impact my investment decision? Is there a risk here which makes me uncomfortable? Are there risks that I can mitigate, or can I demonstrate that this is an entirely suitable manager that really meets our profile and is going to generate great alpha for our portfolio?"

Investors as well as investment managers can get free access to Castle Hall's DiligenceExchange here:

https://bit.ly/DXCInfo

The Social Medicine Revolution: Staying Healthy Without Breaking The Bank

Dr. Michael Dixon

Michael Dixon LVO, OBE, MA, FRCGP is an English general practitioner and healthcare leader. He is Co-Chair of the National Social Prescribing Network and **medical doctor for King Charles III.** Dr. Dixon served as chair of the NHS Alliance from 1998 to 2015 and is a past President of the NHS Clinical Commissioners. He also chairs the College of Medicine. He is a visiting professor at University College London and the University of Westminster and National Clinical Champion for Social Prescribing (NHS England).

Dr. Bogdan Chiva Giurca

Dr. Bogdan Chiva Giurca is the Founder and Chair of the NHS Social Prescribing Champion Scheme (2016-2021) consisting of thousands of UK junior doctors and medical students. Over a four-year period, the scheme has delivered over 700 teaching sessions in all UK medical schools, as well as developing a National Consensus for Teaching Social Prescribing. His work has influenced national healthcare policy and has driven key changes within the medical school curriculum, contributing to several peer-reviewed publications and policy documents.

Doctors to prescribe less pills and more ballroom dancing, museum visits, art classes, nature walks, and gardening

A conversation between Dr. Michael Dixon, Chair, College of Medicine UK, and Dr. Bogdan Chiva Giurca, Lead, Global Social Prescribing Alliance

Dr. Michael Dixon: Did you know that right now we treat over 10% of our population with antidepressants or tranquilizers, every day of their lives? And all of that might be okay if we would actually be achieving anything, but we're not. At the moment in the health service, we have an ever increasing rate of long-term disease of mental health problems – diabetes, obesity, just about everything – which we are failing to contain.

If we look at our adolescents, 25% of every 14 to 16-year-old girls are at any one time is self-harming. 40% of 11-year-olds in London are obese. Modern medicine is not sorting out these problems. What we want to convey today is the fact that we need to change, we need to change absolutely and radically. Otherwise, if we're taking cues from the U.S., our health system will be using 100% of our GDP in 40 years' time if we carry on as we are. With that we need to recognize that the physical and social environments are actually fundamentally important for our health services to provide, and that we need to start investing in that.

Dr. Bogdan Chiva Giurca: We have a lot of research going on in medicine, but when it comes to the actual application, the treatment of people, it has pretty much degraded to a culture of fixing what's already broken, sticking a plaster on someone and sending them back home into the local community to what made them sick in the first place. Prescribing (and often overprescribing) yet another pill without having the time to understand what really matters to the individual, when the root of their problem might be financial, psychological or social in nature, for example.

So, Michael, how did we get here in the first place? How did we get to this 'sick-care model' over the years?

Dr. Michael Dixon: Well, I think, because we're focused on short-term acute care and are always patching up. **Over time, we have designed the health service as a disease service rather than a proper health service.** There is also a vested interest in the system to carry on as it is. The pharmaceutical firms and doctors – they're all in it together, in a way. As you well know, in America, the sicker you become, the more wealthier we become as doctors. So, there wasn't a real push towards preventative medicine and keeping people healthy in the first place.

Dr. Bogdan Chiva Giurca: And did you know that in 1948 there was a definition from the World Health Organization which said, **"Health is not the mere absence of disease. Health is a state of complete physical, mental and social well-being and not merely the absence of disease and infirmity".** So it's not just pills, it's about mental, psychological and social wellbeing. That was proposed in 1948. We're in 2022 and we're still not practicing what that definition stated in the first place. So, Michael, tell us a bit about where this has taken us and why it is becoming impossible to continue in light of recent demographic changes and challenges.

These are some of the newspaper headlines that we're seeing in the UK: The workforce is on its knees, doctors are threatening to leave, there's an overwhelming amount of patients on waiting lists: In England alone, seven million people are waiting for surgeries because there's not enough doctors, there's not enough service to provide because we are all acting in a reactive way.

<u>We focus on the one-third of people who are sick at a given time, and we are leaving behind the two-thirds of people who are healthy now, but who will become sick in the future.</u> That includes you and me. Most people don't seek health or engage to prevent disease, until we have a disease. That's what we have been taught: You have a disease, you go to the doctors. But what about the concept of 'creating health', what about developing values and beliefs to encourage each and every single one of us to create health at home and in the local community, before illness strikes. Tell us a bit Michael, why can't we continue with reactive 'sick care'?

Dr. Michael Dixon: Part of it is because it's not working. We're just having an increasing cost, increasing yield population in spite all the efforts you made so far.

I've had three Secretary of States over the last three years who promised there will be more GPs. The first said 4,000 more GPs, the second said 5,000 more GPs, and third 6,000 more GPs. The truth is that over the last 10 years the number of GPs has gone down by a 1,000 in spite of all these promises. Therefore, because we're facing a shortage in doctors, nurses, or hospital resources, we've got to think differently.

Dr. Bogdan Chiva Giurca: Absolutely, and just to touch a bit upon the topic of overprescribing. Did you know that one in five (20%) of the individuals we see in the hospital are admitted due to side effects from unnecessary drug prescriptions that should have never been prescribed in the first place?

One in five individuals I see in the emergency department have been admitted because an unnecessary drug was prescribed to them. The chief pharmaceutical officer in England did a report that showed that 10 to 15% of all drugs prescribed in hospital are not only useless and unnecessary, but also cause side effects and harm to our patients and individuals. That's the national chief pharmacist making these suggestions based on evidence. So, I think if he says 10 to 15% we can probably double that number!

But slowly, we have started to move toward the solution that Michael has been working on for many years, even when there were lots of naysayers around. It's called **'social prescribing'.** This is a model where you prescribe something for the healthy, a model where we prescribe something that will keep people well and live as best as they can over time. Tell us more, what is this new concept of 'social prescribing' that we're talking about, Michael?

Dr. Michael Dixon: It's about using local assets, the physical and social environment to keep people healthy and to heal them. And a few of us a few years ago struck on this. There was a precedence called the Peckham Project in the 1930s and 40s where two GPs started a gym, and swimming pool and ball room in their own surgery. Unfortunately, they lost their funding. And then, a few years ago, some of us were finding the patients who are getting better for all sorts for odd reasons. A friend of mine in Newcastle found that fishing groups were helping young men to get jobs and to socialize and not be depressed. Another friend in another region where people die earlier than any part of the country found that giving people job experience and volunteering opportunities was better than giving them Prozac.

In my own surgery we work with many groups and organizations, but things like reading groups, green exercise, et cetera, is part of being what it is, but it's more complex. What's essential to the social prescribing worker is doing more or less what I did 40 years ago as a family GP when I had more time: Getting under the skin of that person who can't lose weight, who can't get a job, and feels completely demoralized in order to try to understand things from their perspective, what their hopes, wants, beliefs and challenges are, and then adopting a program which may start with benefits, advice, and housing, employment, but eventually can go much further, up to helping people to find meaning to life.

So, it's a very simple idea, like all good ideas, but it can be very powerful. When we succeed, it's because we've increased what we call the patient activation index that puts them in a different place in terms of control of their lives.

As a society and medical community, we tried a lot of things, and many haven't worked. For example, we have a five a day program nationally for people offering vegetables, didn't change a thing. But here is something that worked. Together with a friend, David Dunman up in Stockport, we took 140 - 150 diabetics and we gave them such social prescriptions, and within nine months, a third would no longer die of diabetes. Just think of the improvements of those people's lives, but also in terms of cost or money saved. All through social prescribing.

I also found that 20% of the people who come to see me are coming for social reasons. They are lonely, they want to talk to someone, and that someone speaks with them. That someone cares, has an interest in them.

Dr. Bogdan Chiva Giurca: <u>So, 20% of the patients that come to see us are due to drug side effects and then another 20% we mentioned for pure social reasons.</u> There's also estimated evidence suggesting that 40 to 60% of people who turn up to the emergency department are there with the mental health problems.

As things are going now, these problems are on the rise. By 2050, we will double the amount of people living over the age of 60 and above. This may be reason to celebrate given the increase in lifespan, but for me, Dr. Dixon and the hospitals, this is also a bit worrying as we fear being overwhelmed by people who collect diseases over time. 70% to 80% of funding in the health care system is spent on the long term conditions that we collect over time such as diabetes, obesity, lung diseases and many others.

I once met an elderly lady in clinic. She was on 11 different medications when I saw her in my practice, 11 different pills. She had Parkinson's disease, so she would walk very slowly as somebody would have the Parkinson's gait. She would be on anti-depressants, she would be on four different pain killers, antiemetics because she was having side effects from the pain killers. My colleagues pointed to the fact that she comes to see us every single week and were wondering if there is something more happening in her life, but they never had the time to find out. So they suggested that I, as the junior doctor, should go ahead and get to understand her case better.

So, I spent a good hour with her and eventually I learned that her husband died one year ago. She had no relatives, no friends, no siblings, no one to spend time with or to support her with house duties. The only time she was leaving the house was to see us in the hospital. She even said, "I quite enjoy coming here every week because you're the only people I see." At which I smiled but of course I also realized how ironic that was. *This was a patient that was coming in every single week with a headache and throwing up and we were stacking her with more medications and pills, when in fact the problem was not medical.*

We're not saying we should get rid of all the pills. We know the power of modern medicine, but we just have to give them to the ones that truly need them, not to such individuals whose problem is social or psychological in nature.

We referred this lady to social prescribing and asked her "what did you use to do when you were young?" She said she was salsa dancing, and so she was referred to a salsa dancing group. We didn't see her for six months. And when she came back, she was only on her Parkinson's medications. She was no longer on pain killers or on antiemetics. They got rid of all those medications and she stopped seeing us. From 11 medications to just two medications, it was incredible to witness the change.

Until, one day, she turned up again after a period of almost a year. This time she looked brighter, happier. We saw her in the waiting room and she had another friend sitting next to her. She introduced him as "Jeremy". Jokingly, I asked "Who's Jeremy?" And she said, "This is my new dancing partner. And we go out every single week. We're not married, but we like to say we share our world now." They were both 81 and 76 years old respectively.

And that is the power of social prescribing. **Health does not start in hospitals;** it doesn't start with us wearing white coats with pens lined up our pockets, telling people what to do and prescribing pills. It starts with the creation of health within the local community and at home. That's something that we as a society and every one of us should strive for.

Evidence suggests that social prescribing leads to a reduction of 4.5 million doctor appointments in the UK alone, estimated to save approximately £350 million to the English healthcare system. Together with the WHO, United Nations and partners, we have launched the Global Social Prescribing Alliance, supporting over 23 countries across the world to implement social prescribing.

We truly hope we'll shift values and beliefs once and for all, to go beyond pills and procedures, to look at social and psychological support and health that starts with prevention within the community.

Longevity Investors Aim for the Double Dividend

Dr. Tobias Reichmuth

Tobias is building companies since he has been 21 years old. He exited his first start-up in 2003, thereafter built Europe's leading climate-change infrastructure fund SUSI Partners, co-founded Crypto Finance Group and The Singularity Group and has invested in more than 20 start-ups. In 2020 he has launched the Longevity Investors Conference together with Marc P. Bernegger. Tobias is a "lion" at Switzerland's TV investor-Show "Höhle der Löwen" (Shark-Tank) and aims at a healthy 120 years of life.

Marc P. Bernegger

Marc P. Bernegger is a serial-tech entrepreneur who has been following developments in the field of longevity since 2009.

Besides co-founding the longevity company-builder Maximon and the Longevity Investors Conference, he is involved in the crypto hedge fund AltAlpha Digital and is among others in the board of CfC St. Moritz and the Swiss Blockchain Federation.

Marc explored Bitcoin in 2012 and was a founding shareholder and board member of Crypto Finance Group (acquired by Deutsche Boerse in 2021).

Marc started his entrepreneurial journey by founding the party platform usgang.ch right after college (acquired by Axel Springer Media). He is also a co-founder of amiando, a ticketing platform, which was purchased by Xing and named "Global Technology Pioneer" by the World Economic Forum (WEF).

Marc holds a master's degree in law from the University of Zurich and is an alumni of the Singularity University.

Matthias Knab: What can investors expect from your upcoming Longevity conference September 28-30 in Gstaad, Switzerland?

Dr. Tobias Reichmuth: The Longevity Investors conference is going to be a wholesome experience. Firstly, they can expect education: as you have seen on the schedule, we were able to secure some of the most relevant scientists as speakers who will help the conference participants to build and expand their understanding of what longevity really means.

As the only "investors' " conference in the longevity space, we put a lot of emphasis on the networking aspect and we have created a lot of touchpoints throughout the 2 full day experience where like minded investors can connect and build long lasting relationships.

Finally, let's not forget that we will also be talking about **measures to actively prolong your life** – what can you take or do already today in order to stay healthy and to live longer? We will also co-host a Longevity Lounge, where the attendees will have the privilege of experiencing the latest trends in longevity therapies and treatments.

It's an investor conference where, whoever you talk with, you can really meet other investors on eye-level. That's exactly what the Longevity Investors Conference stands for.

Matthias Knab: Can you give us an idea what type of investors will be joining?

Marc P. Bernegger: The number of participants is limited and curated to 150, ensuring high quality networking and community building in a unique setting. There are more and more traditional investors joining the longevity space, which creates massive investment opportunities. The special setup of this year's conference enables not only knowledge exchange but also effective community-building, which is very unique for the industry and has never happened before to this extent.

The typical investors we aim to attract to our conference aren't really looking to become longevity experts and investors who will then go very deeply into the individual business case and look at individual startups, but would probably rather focus on identifying the right experts to do this job. And so from that perspective, we ultimately want to present other investors and ideally the most respective ones at our conference.

Matthias Knab: Will you also present actual investment opportunities in longevity at the conference? And if, how do you select those?

Marc P. Bernegger: The first day of the conference will partly be focused on investment strategies and recognizing the current opportunities. Some of the biggest experts will share their advice, such as Michael Greve, the Founder of Forever Healthy Foundation, who will be part of a fireside chat on the topic of "Longevity: The Investment Opportunity". Later on, there will be an Investment panel discussion with Robin Lauber (General Partner at Korify Capital), Sebastian Pünzeler (Partner at Apollo Health Ventures), Miri Polachek (General Partner at quadraScope) and Phil Newman (Editor in Chief at Longevity Technology), as well as a keynote speech **"How to invest in longevity while avoiding biotech risk"** by Tobias Reichmuth.

We will also co-host a Startup showcase, where we are only welcoming a few selected startups to present in front of the guest investors, as well as the aforementioned Longevity Lounge.

Matthias Knab: You are entrepreneurs at heart, what attracted you to the longevity space? And what is your personal approach to invest in that domain?

Dr. Tobias Reichmuth: Marc met Aubrey de Grey at a conference in Geneva back in 2009 and was fascinated by his insights about extending human life- and healthspan. Later we both got exposed to Singularity University in Palo Alto in 2016 seeing death not as something inevitable but more of a combination of sicknesses which you can actually fight.

If people get 120 years old and stay healthy until they die, everything changes, our entire social systems will change. This also means that we will see many huge investment opportunities in different industries and sectors. There are also some interesting venture funds out there, some of which are also speaking at the Longevity Investors Conference.

This topic is one which moves people. Next to making a nice profit, they share the interest of staying healthy and living longer. With their investments, they support research we will all benefit from. Longevity investments therefore provide a **double dividend,** not only a financial return, but also support scientific progress. I think this is the motivation of many of the investors in that field.

Matthias Knab: What is your vision for the Longevity Conference going forward?

Marc P. Bernegger: The longevity industry will be one of the biggest investment opportunities during the next decade — expected to be worth at least $600 billion by 2025. It is experiencing great momentum, and this is the ideal time to use it in favor of educating and spreading information to investors. In a sea of science-oriented conferences, a professional and global investor-focused longevity conference such as LIC will provide an opportunity for the industry's top investors and innovators to get acquainted with recent developments and breakthroughs.

Matthias Knab will attend the Longevity Investors Conference September 28-30 in Gstaad, Switzerland. More information, registration: https://www.longevityinvestors.ch/

Octavian Graf Pilati: How to use Design Thinking in Succession Planning

Octavian Graf Pilati

Octavian Graf Pilati comes from a family (Khevenhüller) whose history dates back to before the year 1000. He studied mechanical engineering at the TU Vienna. In the years 2015-2018 he managed the crisis in the family business stemming from a failed investment.

Every family has to deal with succession planning in some form or another. No matter if you own very little or if you are incredibly wealthy. By using Design Thinking the succession planning process can be enhanced to reap better results. Design Thinking puts the involved family members at the centre of the process and evolves around their needs. This way succession has the potential to bring the family closer together and to ensure long term stability.

The longer a business or wealth has been in a family and the more generations it has been around for, the more people are usually involved in a succession. Multigenerational businesses often have several hundred family members. And it is to no surprise that in many families the topic of succession is a gunpowder keg, and any member owns a tinder box. It is no wonder, that in many families one or two members may decide at some point to put a match to the keg and see what happens. Even though this is not really in the interest of the family, it happens far too often.

In over 90% of cases, where a family loses wealth, it comes down to the family itself. Of which 25% alone are due to a badly managed succession and 60% due to a breakdown in communication and trust. (Vice Preisser, Preparing Heirs).

What are the reasons when a succession plan fails? What makes a succession successful? What do we need to consider when planning a succession? These are just some questions we will try to explore.

Succession is a people problem

There is so much more to a succession than just the assets that are to be inherited. There are relationships to inherit, there is a legacy to inherit, and there are values to inherit. Not only this, but the next generation needs to find their own way with what they inherit. If they even want to inherit from the previous generation.

From my own experience and from what I see around me, succession more often than not is a painful process for a family. It comes with disputes, hurt feelings, a sense of injustice and broken relationships. Some families manage to recover, and others do not.

Succession is a people problem and not something you can solve with contracts and complicated structures. The people who are the problem are the ones that should be responsible to find a solution. And when I mean "the people who are the problem" I mean everyone involved. We usually believe the others are the problem and that we are the only sensible ones. However, when there is a dispute, it takes more than one person to create one. As it is a human problem, the best way to solve the issue is to use human-centered design.

Succession is a problem that needs to be solved for each family individually and a succession plan is the product, which solves the problem. Each family is different: they have different relationships, number of members, assets and values. All of these make succession a highly complex and unique problem. Every succession will need its own unique succession plan. There is no right and wrong in general terms; there is only whatever is right for a certain family.

Family members have different believes and needs and with these come different roadblocks. *Often there are year old emotions from growing up together, which are sealed away somewhere and then erupt during the succession process.*

Sometimes there are secrets, which are discovered or exposed during succession. And as you might guess, all these issues have the people involved at its root.

How to approach succession from a human-centered perspective

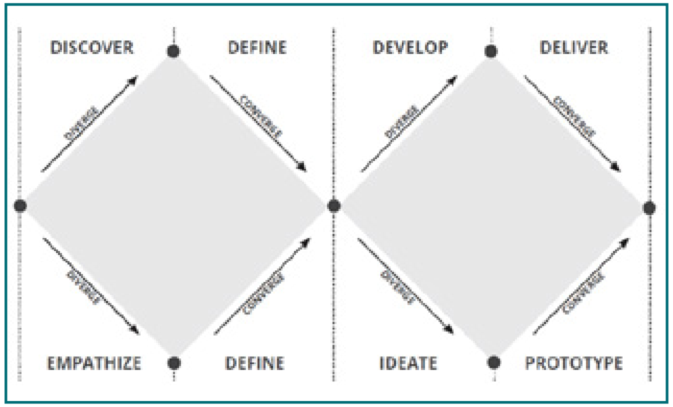
We as a family – my family - failed in our last succession, which led to me pondering upon the topic and looking into our last three successions. I found that the same mistakes have been repeated over and over again and I could not stop thinking on how this could have been avoided.

The topic of succession can lead to much pain and suffering in a family and can be a topic for therapists to work through with members for years. *Many families pay lawyers and tax advisors a lot of money to create tax and inheritance law efficient succession plans, to later find out that family members don't agree. Patriarchs often believe they know how succession should be, but never speak to the next generation. The next generation often believes they know what succession will be like, but never speak to the generation in charge about it. No surprise then, that family members end up depressed when these expectations are not met.*

Anyway, as an engineer I love to solve problems and create products. This is where **human-centered design** and essentially **design thinking** come in. Human-centered design means that when we try to solve a problem and create a solution, the solution should evolve around humans. Humans have needs and would like these needs to be met. So, any solution needs to be centered on humans and their needs we want to meet. As succession is a people problem, the humans should be at the center of the solution. Design Thinking (DT) is nothing more than a human-centered approach which was created to explain how designers and engineers think when trying to solve a problem and design a solution.

Design thinking in a nutshell

There are several DT processes out there, and I personally like to use the Stanford DT process as a guideline and for laymen I like to use the 4D Diagram by the British Design Council.



DT is an iterative process using divergent and convergent thinking. In simple terms: **if you want to reduce options to find the right one, you first need to create as many options as possible.** This is often where people take a wrong turn in problem solving. We try from day one onward to find the perfect solution and we spend way too little time creating many solutions without judging them.

Also, the iterative part of problem solving is often misunderstood. Only in rare cases will you be able to seamlessly follow through the process without backtracking your steps here and there. It is not unusual to have to start again once you have reached halfway through and you realise some of your assumptions and hypothesis turn out to be incorrect. It is disastrous to continue with a false hypothesis.

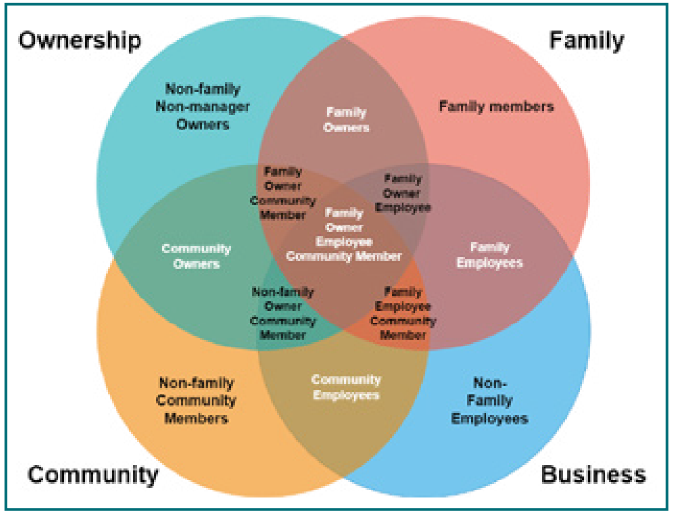
Looking at the DT process as an example: it can be the case that when you are in the ideation phase you realise that you defined the problem badly, so you need to go back to the define phase and see what went wrong. Then you realise that you lack some information and back you go to the empathy phase. It doesn't mean your work was for nothing. Maybe you just lack some bits and pieces, or you were completely off course.

Before we dive into the five phases of the Stanford DT process it is important, that we understand families, family businesses and successions better.

Four circle model of family businesses

In general terms a wealthy family or business family consist of subcomponents and is part of a larger system. By looking at the "three" circle model (I added a 4th out of experience) we can see that each person can be part of several different systems or part of all of them. Any individual which is embedded in the family can be part of the other three systems or not.

Often family businesses have external shareholders, such as managers or employees. Families often have trusts for philanthropic efforts or other community projects and often are deeply embedded in the local communities of where their family or business is situated. Not every family member can or wants to be operationally involved, some won't even want to own shares.



What makes a succession great?

What is a succession? Essentially it is a transition from one generation to the next. In this transition many different things are moved. Not only wealth, but also values, purpose, legacy, relationships, people (for example employees) etc. Not every generation will put the same value to each of these "assets", which can light the gunpowder keg.

We see a lot of issues and problems in succession, which poses the question: **What actually makes a good succession?** After sitting for a while and pondering upon it, I decided to ask my network and I have gotten a host of different answers from family members and advisors. I have to admit I posed the question not so clearly, which actually ended up being good. Some people focused on the process and some on the outcomes. While some themes were recurring, there were others which came up only once. And there was not a single point, which I would see as bad advice. Below I will list an excerpt of some of the answer I got:

• *Open and honest communication.*

• *Honest assessment of skill and interest, preparation, recognition, and management of egos.*

• *Shared values and a common understanding of the family purpose.*

• *Ensuring that standards are maintained during and after the succession process.*

• *I would like to add empathy. We need to listen everyone.*

• *I'd say that purpose is near the top of the list. Individuals with purpose—and families with a shared purpose—seem to thrive through adversity and challenge. Purpose is a wonderful gift, but cultivating it is hard.*

• *Start early!*

• *The estate of one of my best friends has the truly great tradition of getting out of the way once you are retiring ...meaning the older generation is moving not only to the dowager house but to a completely different town not too far away to be able to meet regularly - but somewhere where they can't see what's going on at the estate on a regular basis ... that enables a clean break and a smooth transition I think because each generation has to re-invent the estate for their times.*

• *What makes a succession great is if everyone is satisfied in the end. Not necessarily getting everything they want, because that isn't always possible, but at least satisfied and the family unit intact. How that happens, when that happens and with whom is completely subjective to the individual family. Each one is different with its own nuance. But if I can walk away after the succession, and everyone is still hugging each other (or at least still talking to each other) then I feel it was a great succession.*

Reading through the opinions above, we can see that not everyone has the same definition of a great succession. If you ask me, all the mentioned above are parts of a great succession. If all the above is met, then the succession was truly great.

My favourite there is that **if everyone in the family is satisfied and the family is still intact, then the succession was successful.** This goes really well with the Harvard's negotiation project. A succession is nothing more than a negotiation between generations, between people essentially. And you should always aim for a solution which does not only satisfy your interests, but also leaves the relationship intact. Even better if the relationship improves though a succession, which a succession has the power to do.

One aspect which is incredibly important is also the timing. When should you start with a succession? On the day your children are born! That is when you need to start planning: What do they need to learn? How do I empower them? How can they build their own identity within the family and business? What are our family purpose and values?
The criteria that make a succession great boils down to the family and what their unique situation and needs are. If the family is not intact prior to a succession, we can use a succession to try and repair relationships. That would make it great in this specific scenario.

Typical Roadblocks in Succession

Succession comes with a few roadblocks, which make the process hard and often painful. Before we dive deep, I would like to thank Dominik von Eynern for his research and support on this topic.

There are many different roadblocks in a succession and again they are individual for each family depending on their circumstances. Grouping them in general terms you have **financial, operational environmental and behavioural roadblocks.** Financial and operational roadblocks tend to be much simpler to solve as they usually need technical solutions. Environmental roadblocks involve things like the environment the family is in, societal changes, market changes etc. Behavioural roadblocks are however the most common problem to find in succession and in my opinion the most difficult to get around. Therefore, we will focus more on those in this article.

Timing

The first big issue is timing, which overarches all groups in a sense. We need to realize that timing is never perfect. When is the best time to start with making a succession plan? When should you act out the succession?

With this we stand in front of a big change that has occurred in the last 100 years and raises the complexity of succession: people live longer. These days it is not unusual that in a succession we need to take three living generations into account. And as we continue to grow our knowledge about the human body, we will soon enter territories where we have four living generations in a family.

Therefore, in my opinion succession is now a continuous process. Every time a new family member is born you will have to adapt your succession plan. People tend to have several careers these days. It is not unusual that an heir starts out with one career, which has nothing to do with the family business. And at a later point in time decides to get involved in the family business. Rigid and static structures may inhibit this.

Governance, rules and regulations

Each family has their own governance structure, some lack one completely. The governance structure may be helpful in succession or may not. Again this depends on the family and the structure.

In general, however, we can say that a static and rigid structure causes problems. We tend to forget that a family is a collective group of individuals and that the group members did not choose to be part of the family. You may say that spouses did, while in reality spouses chose a certain individual before the family (unless we talk about “gold diggers”). The next generation may not agree with certain rules or values. The values and rules may be outdated and not workable in the present time.

The better the family members are aligned in terms of purpose and values, the smoother the succession. Keep in mind though, that the likelihood of getting 100% of the family aligned is quite slim, especially the larger the family grows. This is something families often have a hard time to deal with as we sometimes just need to accept that a family member is different. Diversity is a strength not a weakness.

The patriarch and matriarch

Often it is the patriarch or matriarch who are a roadblock. The reasons can be multiple. Some have narcissistic tendencies, some may face an identity crisis, while some lack the trust in their children.

In the typical patriarchal family system, the patriarchs decides what happens and how things are done. Especially if it is the first generation, their strong willingness was probably a part of why they were so successful. When it is time for succession this can lead to them trying to impose a plan on the family. After all this is how they always did it. Succession is then often the point where the next generation finally stands their ground. Often their agreement to the plan is required, and this gives them a certain position of power against the patriarch. Then things get emotional and a dispute occurs.

The issue of trust can be for similar reasons. The patriarch and matriarch spent most their time working on the business and left the parenting to employees. The first seven years of our lives are very formative, especially concerning our parents. If our parents are not present in our childhood, we do not form a bond of trust with them. This is vice versa. Our parents then later become business partners for us. While a strong trust bond can be extremely valuable in business, due to the typical upbringing it is not present. On top of that, if the parents are strong willed people, the children tend to become people pleaser. They have to follow rules imposed on them. When the children are older, the parents – the generation in charge - are surprised by the outcome and feel that their children are not competent and strong enough to lead the business in the future.

It is also common to have patriarchs enter an **identity crisis** when succession planning starts. They are the business and the business is them. Letting go the reigns can mean they lose their identity. This needs careful consideration, they need something to look forward to after letting go. If you do not take this into account, you might make a succession plan that then never gets acted out till the patriarchs dies. After a certain age we start to lose our decision making capabilities, the world changes faster than we can keep up with. This is why many family business enter a crisis: the people making the decisions are past their prime time. Their experience is invaluable and should be a resource to the next generation standing in front of the steering wheel.

Childhood Trauma

While the patriarchs themselves are often a roadblock, the next generation is not innocent either. Often the next gen is battling with childhood trauma. Here we are not in general talking about extreme events such as physical abuse. Simply certain behaviours the parents showed them in growing up will lead to trauma. Toxic behaviours are adopted in childhood and carried on. We do not develop our own true self, if we are not in the right environment for it. We tend to copy others and who is closer to us than our parental figures. Now, if you parents are not present enough you will not only have your parents as parental figures but also the people who took care of you; many different people with varying values and behaviours. I can tell you from my experience this is really confusing.

Childhood trauma can lead to a host of problems. The problems can even become physical with health issues like chronic fatigues and MCAS. The traumas can result in a lack of boundaries and a lack of accepting boundaries. You are confused inside with who you are. Resentment and hate for the world and your family usually sets in. Some people drown their problems in addictions, from alcohol, to drugs, to sport. When a family has a strong legacy it can inhibit the next gens development, as a legacy comes with expectations. These expectations can carry a heavy weight, especially if our inner self wants to do something different.

Communication

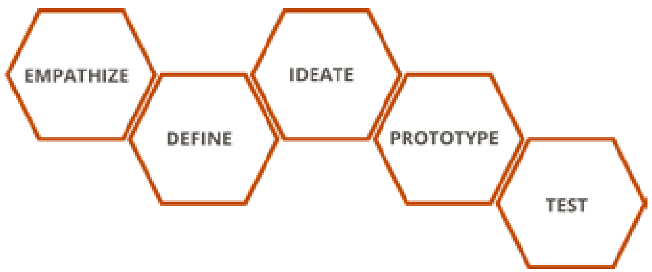
Many families lack the communication skill that are required. The reasons for this often lie in childhood. If we never learn to communicate properly, we have a problem. If we never learn to listen to others or be empathetic, we cannot understand other people's actions and intentions. If we do not learn to communicate our boundaries, they are constantly overstepped. If people do not communicate their boundaries, then we constantly overstep theirs. Without communication we have expectations of others, without them knowing. NO wonder then we are disappointed constantly. If we do not communicate our perspectives and how we see things, others will not understand how we see the world. This goes on and on.

With open and honest communication, we can mitigate most problems. If we are open to the world in general, it is easier to accept differentiating points of view. Accepting doesn't mean we have to agree, it means we understand.

I had great communication problems with my parents. Their behaviour triggers me in many ways and the roots lie in childhood. Behaviour of certain members can trigger emotions such as anger, angst, sadness etc. When the family behaviour is generally dysfunctional, then members are not equipped to deal with these emotions. These emotions then inhibit communication. If you feel angry, the other person senses the anger and will be invested with anger themselves. I used to start shouting or walking out of meetings with my parents. These days I can deal with my emotions and keep calm. Any conversation will need a calm person to spread the calmness. If you have no one in the family, you will need an outside party to facilitate conversation.

A final word to roadblocks: we need to keep in mind that most of the family members are oblivious to these issues. They often neither recognise them in others and especially not in themselves. Do not expect to find open ears at your first attempt to address roadblocks. Denial is a defensive mechanism our brains like to use to protect us from harmful events. Just by denying something is not true or existent the pain of realising is kept away. At least consciously it is, the unconscious damage will still be present.

Applying Design Thinking on succession



The Stanford Design Thinking process, which we now apply on succession - consists of five phases: **empathise, define, ideate, prototype and test.** While the empathise and ideate phase are divergent stages, the define, prototype and test phase are convergent. Divergent means we try to increase the number of options and convergent we decrease the number of options.

Empathise Phase

As the title suggests, in the empathise stage we are empathetic. To start off we first need to understand what empathy is. The term is thrown around a lot without really being understood. Empathy is *"the ability to understand and share the feelings of another"* – Oxford Dictionary. Especially in the topic of succession, which involves lots of emotions from family members, getting empathetic is important. If you need to read a book on how to become more empathetic I can recommend you "Humble Inquiry: The Gentle Art of Asking Instead of Telling" by Edgar Schein.

<u>When you are empathetic, you do not have to agree with the feelings of the other, that would be sympathetic.</u> We do not aim for that. Family members will have all kinds of feelings and there will be feelings that you do not agree with, or other family members agree with. Understanding where

these feelings come from and understanding the logic or trauma behind them is of great importance in this phase. As we have gone through already, childhood trauma plays a huge role in family dynamics.

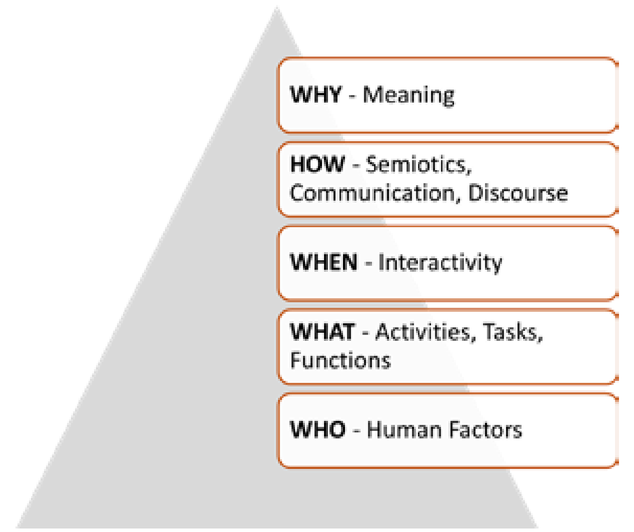
In the empathy phase we want to find out the agendas and interests of everyone involved - family members, management (as we know the management of the company may not consist of family members), other stakeholders like creditors etc. As usual each family and family business has its own unique situation and constitution, so there is no standardized list for this.

Now there is one thing to be incredibly wary about and this is that people's intent and their actions often do not align, the same applies for their interests and positions. *People may say they want something, but in reality, they want something different.* From own experience this happens a lot in families. Members are afraid of communicating their needs, believes, wishes and they hide behind a certain position they take. For example, the sibling wants the wealth to be split 50/50 with his other sibling, no matter if it makes financial sense. In reality though, the sibling feels unfairly treated by the parents and wants to leverage the succession to finally get treated fairly. As a rule of thumb I recommend to use the five-Whys-method (https://www.mindtools.com/pages/article/newTMC_5W.htm) from Sakichi Toyoda, where you ask Why? at least five times to get to the bottom of the issue.

We want to gather as much information and data that we need for the succession as possible. This does not only include emotional issues from the family. You should look into competencies the family members have, you should look into what makes financially sense, you should look into where the economy might go etc.

Below you can see the human-centered design pyramid, which will give you a good guideline for understand people. It is important to ask Why?, How?, When?, What? and Who? in order to solve a human problem. A little tip from Simon Sinek is, that humans have a hard time to answer Why?, so try to package any Why-question behind a How? or What?. This will get answers that you would not get in a Why?. The human mind is not made to think in Why?. This is a lot to investigate, so do not worry if you do not find everything. DT is an iterative process, so you can come back to this phase and add things any time you find them.

Regarding the typical succession roadblocks, you should be able to identify all the roadblocks in the empathy phase. The first step to mitigate any problem and to improve is to actually be aware of the problem. Most family members will not be aware of the issues, especially the ones regarding themselves. Sometimes making people aware of issues can already be the solution to it. However, I would not bet on it being the case. Just the exercise of trying to understand each other and the whole family situation, will bring everyone onto the same page. In neurological terms it should help with getting the family better synchronised.



Define Phase

In the define phase we try to define the problem. This might seem a little silly, because our problem is the succession, so what needs defining. This is not such a simple matter as it seems. In the define phase you want to concise the issues down to specification points that you can then solve. From the empathy phase you will have found a bunch of feelings, characteristics, facts and interpretations, which will need sorting. It is very difficult to solve all the wishes all the members have. Essentially succession is a negotiation and there might be some win-win solutions. However sometimes we will need to settle for compromises. The aim is to have the family intact afterwards and decide on a course of action to transfer the family's wealth.

The first thing you want to try and do is to write a problem statement. This is a simple sentence that describes the issue at hand. "Transferring the family's wealth, while leaving the family intact." seems like a good start, but try to get a little bit more specific. As mentioned multiple times, each family is different. Then you want to sort through all the information you gathered and see what the sub-problems are you want to solve. Each family member will have wishes, interests, needs and hopes they would like satisfied. Try to list them all. Then you will try to identify the vital points - the musts haves, and the nice to haves; the wishes.

What I then like to do is to weight the points accordingly using a scale of 1 to 5 or 1 to 3. It is unlikely that you will be able to design a solution that will satisfy all "must haves", so you want to weigh them. Wishes I tend to weight with one point as they are a "bonus". Later we will use the specification to judge ideas and concepts. Remember though, judging is not done till the prototype phase. Also don't get tempted to judge people's interests.
If something is of great importance to a family member, then it is important to them. Be careful in the weighing here and take into account what you found out. *You are not to judge the importance of family member needs; each will have communicated this to you clearly in the empathise phase*.

The family coming together to define the succession issue and to decide on the roadblocks that need to be addressed – ideally with the help of a designer/ mediator - is a crucial part for alignment. Agreeing on the goals that are to be set should help the family members move in the same direction. In an ideal scenario the family can together overwork their family purpose and the values they live by. Or if those are non-existent, they should end up defining them for the first time.

Ideate Phase

Now - in the ideate phase - we actually get into creating ideas for the succession. I recommend using an **open innovation approach,** which means that we include the family members in the process of generating ideas.

In this phase it is crucial that we do not judge any ideas. Not ever. The aim is to create many ideas, and the ideas do not have to have "substance". Ideas usually do not have substance, and when they do, they are a prototype already. Sadly, our society and often family culture insists on immediately judging everything, especially members who seem to have no experience or knowledge. Often the best ideas however come from these people, as they are not constrained within their box of thinking.

Thus, I recommend for all the ideation session that you have a **"referee"** whose sole purpose is to mediate and to make sure the rules are kept. Any attempt of judgement no matter from whom is shut down immediately by the referee. This should not be a family member as they should be involved. If the family does not want to involve an outsider, family members can take turns. I do still recommend using an outsider, as the aim behind this is not to have a social experiment. If you want to see if for example the patriarch shuts up when his nephew who at the moment is the referee tells him to, feel free to try.

The most common ideation method is brainstorming. There are many more methods out there, which in my opinion yield better results. There are whole books and articles on ideation methods and before you get into the ideation phase you should either read these or have a designer who can help you through these processes. **Getting the methods right makes a massive difference.** My favourites are brainwriting, the seven thinking hats, wild ideas question, the morphological box, nature inspiration and SCAMPER. Here you find a good resource on ideation techniques: https://www.interaction-design.org/literature/article/introduction-to-the-essential-ideation-techniques-which-are-the-heart-of-design-thinking

In the ideation phase you can also invite lawyers, tax advisors and anyone you feel will bring value and their own ideas to the table. Outside perspectives are of great value. However, the same rules apply to experts as to anyone. No judging, just ideas!

A lack of trust in the family is a very common problem, especially if the family business was the most present focus of the parents. Thus, creating ideas together can improve the psychological safety of the family. Finally, everyone gets to have ideas and not be immediately judged. Judgement coming later and by using methods such as the "Wild Ideas Question" can take away the fear of failure. This gives creative family members who might be portrayed as black sheep the chance to show their skills. People pleasers have a change to put forward ideas without trying to please anybody, with no judgment there is no pleasing as such. Strong characters learn to listen and to speak when it is their turn. As a final reminder I want to stress again, *that these positive effects will only arise when ideation is done right. It is important to get the loud, judgemental, and narcissistic family members under control, or to build work groups which "protect" the integrity of the process.*

Prototype Phase

To start of the prototype phase, we need to select the ideas that are worthy to become a prototype. We already prepared a framework for this using our specification from the define phase. You just go through your ideas and give them points for each specification point. Keep it simple, which means an idea either meets a point or not. You can then apply the weighing of these and go ahead with the top three. If you wish you can also add a "wild card" idea into it, which is the family's favourite.

People's feelings may change throughout the process and due to working together on this as a group the family might have moved closer. You could say they have become better synchronized (as my college Domink v. Eynern would say).

The prototype phase is where you get together with subject matter experts to develop concrete plans. This can be legal contracts, new company structures, working out philanthropic endeavours etc. Maybe a company evaluation if one of your succession options is to sell the business and disperse the wealth. Maybe a restructuring plan to make space for the next gen in the family business. The prototypes are as diverse as there are ideas. In simple terms, you try to make your ideas into a more concrete plan, that could be executed.

With the prototype the family gets to see, what they - with help - managed to create. *For some families this may be the first time the family worked on something together and have an actual outcome. Seeing this can create trust levels.*

Test Phase

In the test phase you usually test a product by trying to actively break it. In software you will have test versions like an Alpha and Beta Version that first customers can test. Physical products have to go through a myriad of tests where their application, features and their physical properties are tested to the extreme. The same applies for a succession plan. Test what you can. Try to find ways to test out the prototypes and parts of it, without making any irreversible steps.

If you decided your youngest daughter should become CEO, then let her give it a shot, while the current management is not too old to take over again. Or you add an extra CEO where she works alongside the current manager. Same applies to the idea of getting an external manager. Get one and try it before it is too late to reverse. Let children sit on the board of a company and experience what being a shareholder is like. Give them the possibility to make decisions. Some plans you can try to test through role play. Have family members play through scenarios - their new positions of management or ownership - and see what happens. Is it likely to work or is it a total disaster?

As a small piece of advice: *remember that a plan is only good till the first point of contact. Your succession plan should be an iterative plan, just as the process is iterative.* Things will change, you will discover things you have not seen at the start. At a conference, where I was part of panel on family office structures and succession, I remember a great point of a fellow panellists. He said that you cannot plan love, you can make all the best succession plans and then your son falls in love with an American woman and relocates to the US and all your plans are down the drain.
As the family created the plan together, the family learns to fail or succeed together, rather than through individual efforts.

Succession planning starts the day your children are born! Do not wait till it is too late. In my opinion successors are not born. But it is for the family to educate the next gen properly, while giving them enough space to form their own identities and try out what they would like to do and who they would like to be. Following a structured process by creating a succession plan together gives the family a chance to improve their communication. The plan is ideally revisited regularly and steadily carried out.

Dominik v. Eynern: Managing Family Risks Systemically

Dominik von Eynern

Dominik v. Eynern is a founding member of Family Hippocampus and comes from a business family which is now in its 5th generation. He holds a BSc in Economics and a MSc in Finance, worked in the international investment banking industry, and co-founded a family office.

His research is inspired by insights from behavioural economics, cognitive neuroscience and dynamic complex system and chaos theory.

FAMILY HIPPOCAMPUS
learning • sharing • developing

Family businesses and enterprises are the oldest form of business organisation, which to this day is of systemic relevance. Family dynamics exert significant influence on business performance and the socio-emotional wealth of a family (Family Effect), which has profound ripple effects. Family Hippocampus is a NPO aiming to contribute to the preservation of the business family culture by supporting family dynamics, helping families to use the advantages of the Family Effect while reducing the associated disadvantages.

Business Families

Business or enterprise families consist of individuals that are bound by bloodline or alternative (quasi) legal bonds like marriage/life partnerships that exert significant influence on- and make collective decisions about mutually owned assets respectively are exposed to the associated risks. Assets may be held in an operating family business *or* in a financial portfolio e.g., wrapped in trusts. When family members are working in the family business or enterprise it adds complexity. The main task at hand is to manage *all* associated risks *in conjunction.*

Family Risks

Family wealth can be depicted as a non-linear utility function of socio-emotional and financial wealth, which a family seeks to maximise. But where there is light, shadows can be expected. We call this 'family risk'. A family office typically assists the family with risk identification, risk analyses and optimal risk responses to mitigate family risks across all risk domains.

Let's adopt this functional view for the matter of this article:

'Family Office ≝ Family-Risk Manager'

Typical family risks are a non-linear combination of Financial Risks, Operational Risks and Behavioural Risks – the three family risk domains I will briefly discuss in this article before I contemplate possible solutions to the problem.

Financial Risks:

In essence, this is an asset-liability problem. The family and individuals have short, mid, and long-term expenses that need to be financed by the current asset total base. To preserve financial wealth, the asset base must be invested to produce sufficient risk and inflation-adjusted returns with suitable liquidity profiles.

Financial risk-management includes the management of cash-flows of investments and the planning for contingent liabilities. Investment activities are to be coordinated to introduce true diversification based on risk-behaviours rather than on narratives.

A coordinated risk overview and the utilization of economies of scale leads to risk- and cost efficiency and thus, supports the family to meet their financial goals.

Operational Risks

The process of how assets are invested or divested, especially in the non-liquid / non-standardised domain such as real estate and private equity must be carefully managed. Where assets are held is important in terms of security, tax efficiency and legal compliance which usually is offered by custodians, tax advisors and law firms. Ex-ante planning and ex-post management is crucial, but so is monitoring, on the private as well as on the family-business side. Tax and legal provisions change, and people are globally mobile, moving and changing jurisdictions for educational, professional, or personal reasons. The implications are manyfold in terms of legal & tax compliance, respectively the operational efficiency of investments.

Operational risk management also includes the creation of transparency i.e., the overview of all assets, locations, jurisdictions, returns, risks, and costs etc. across all levels in a convenient manner, including the book-keeping and record keeping for further reference and generations (document management). Another aspect of operational risk management is the physical and cyber security from a technical standpoint. However, most issues regarding this matter belong to the behavioural risk domain.

Behavioural Risks

It is the greatest risk exposure of all and the hardest to manage. Studies show, that failed transgenerational wealth transitions are caused by behavioural risks in over 90% of the cases. 60% of the families call a break-down of trust and communication the reason for their demise, 25% claim it was the lack of preparedness (succession planning) and another 10% think it was a lack of common vision[1]. Thus, behavioural risks are the biggest risk any family has, and it is asymmetric in time: families build socio-emotional as well as financial wealth over centuries and decades, but they only need a short period of time to destroy family wealth!

Family Risk Management [FRM]

Families are different, but they all must deal with the three family-risk domains that are highly interrelated and interconnected. We can view 'family risks' as a portfolio of risks that in general a family is exposed to.

A family office needs to hedge the family risk portfolio by constructing a suitable portfolio of services that *dynamically* mitigates the family risk portfolio with error δ:

$$\boxed{\delta = \frac{1}{T}\sum_{t=1}^{T} \mathit{Risk\ Portfolio}_t - \mathit{Service\ Portfolio}_t}$$

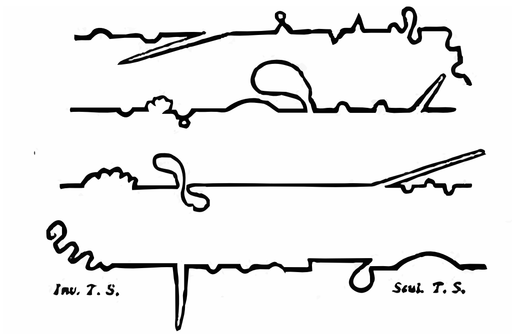
With $\delta > 0$ under-hedged, i.e., services are not rendered but are required leaving the family with risk exposure, and $\delta < 0$ over-hedged, i.e., services not required are rendered, leaving the family with unnecessary costs.

A perfect hedge is difficult to achieve, so a family office should work towards a satisficing condition i.e.,

δ should converge to zero: $\boxed{\boldsymbol{\delta \to 0}}$

[1]Preparing Heirs: Five Steps to a successful Transition of Family Wealth and Values; Roy Williams, Vic Preisser

A Non-Linear View



For $\delta \to 0$ we first need to understand the dynamics of the family risk portfolio and adopt a holistic, non-reductionist view. It is a departure from what we have been indoctrinated with since the French philosopher and mathematician Rene Descartes separated mind and matter which was later expanded by Isaac Newton. This reductionism follows the belief that all aspects of complex phenomena can be only truly understood by reducing them to their smallest constituent parts. Systems are broken down to the smallest units to analyse and arrange these in their logical order.

However, this leads to system errors, which is associated with solving the wrong problem precisely, because the problem formulation occurs out of context and ignores that the whole is greater than the sum of its parts. We need to adopt this holistic view of which Aristotle was an early proponent.

Social systems such as families are dynamic, complex social systems that consist of many hierarchically organised, nested sub-systems (fractals and holons). The individual is the smallest sub-system that iteratively connects with other individuals and patterns of relationship emerge on a micro-level according to the self-organizing principal. The patterning morphs into a structure (macro-level) that recursively influences the pattern of relationship on the micro-level. This interplay fundamentally describes complex system dynamics.

All patterns of relationship are path-dependent, irreversible, reflexive, and self-referential with reinforcing (diminishing) feed-back-loops. Because of individually different mental models of the world and the associated, distinct realities, pattern-dynamics build up tensions, which is followed by tension-releases, followed by tensions etc. We tend to ignore incremental changes, so they often compound to symmetry breaking quantum changes, i.e., impulses come in bursts through oscillations with increasing (decreasing) amplitudes, which can reach breaking points that initiate qualitative system-changes. As a result, dynamics don't seem to be continuous but come in fits-and-starts.

Social systems are prone to chaos because they are closed, as they feature very limited freedom degrees through social norms, which is more profound in business families than in other social systems. Cause and effect are not clear and when we think we understand the system, it has already changed. It is like going through a maze and the walls rearrange with every step you make. However, causal knowledge is central to our ability to analyse, make predictions and plan.

These patterns of relationship are not confined to the Behavioural Risk domain but extends to the other family-risk domains and extends to the service provider portfolio, which a family office must curate to mitigate family risk.

So, to converge $\delta \rightarrow 0$ is a tall order since we humans are limited in our ability to grasp and process information that is needed to manage dynamic, complex systems consisting of human beings. It requires a tremendous amount of data and intelligibility along the time continuum to understand the dynamics of the system. This is important, because when we look at a system, we only can see a snapshot of it that seemingly *looks* static. The logical second after the observation point, the system has already changed. On top, observers are inevitably part of the system they observe and thus, influence system-dynamics.

Another challenge is, that we are dealing with 'inert matter', because it's human nature to resist change, even though there is nothing more constant in life than change.

How can we overcome inertia and achieve $\delta \rightarrow 0$?

Risk Identification, Measurement & Analysis

Behavioural Risk is the *key system-leverage point:* It is the dominant risk factor which propagates through all other risk domains that feed-back to the behavioural risk domain. Thus, the greatest risk to family wealth is the family itself!

Like in any corporate risk management approach, we need to identify and analyse risks. But family heads often resist dealing with behavioural risks in detail because it is not tangible.

Risk identification, measurement and analysis is well established in traditional risk domains which we can model, but not so much on the behavioural risk side in the context presented here. To quantify and benchmark behavioural risks on a social-system level we could calculate a Value at Behavioural Risk [V@BR] that gives a dollarized indication about the potential loss related to materializing behavioural risks. The measurement of current antagonistic respectively synergistic forces in the family system could be performed with a model we develop and call 'Behavioural Risk – Applicable Monitoring System' [BRAMS]. The inputs are derived from questionnaires and a multiplayer 'Serious Game' family members play on their home computer.

Once family heads understand what's at stake, they can choose to accept or mitigate the behavioural risk inherent in the family system. But the V@BR should convince the staunchest m/patriarch to hire a 'behavioural risk manager' to mitigate the behavioural risk exposure, since losing money feels twice as bad as it feels good to make it, as Daniel Kahneman et. al established with their Prospect Theory[2].

BRAMS can help to overcome the inertia to act, as I illustrate with the Miller family in the example box below:

[2] https://en.wikipedia.org/wiki/Prospect_theory

EXAMPLE BOX: The Millers

The Millers have been in the shoe business for 2 generations. Arthur Miller started the business as a cobbler in Nottingham. His trademark was to be very friendly, reliable, and service orientated. His speciality was that he always made sure customers paid the best price available. They expanded from a one-shop trader and opened several other stores. After the war, cheap shoes were in high demand, and he started to mass-produce shoes.

When the second generation took over, they started to produce shoes in cheap labour counties and massively scaled up the business, but sadly, the 2nd generation was forced to sell the business to a strategic investor.

The 3rd generation was distanced from the original business ever since and couldn't convey much of the business story to their children. Since then, the family has pooled the financial wealth in a family office.

They meet once a year for the AGM, but not everyone shows up, especially the next generation. Some even block decisions, just for the sake of it. They don't have a family constitution, but a family head called Antony 'Ant' Miller who is calling the shots and holds most of the capital and he derives some entitlement from this fact.

Ant met Jane Parker in May 2015, a family advisor who was introduced by their family officer who met her at a conference.

Ant would listen to her stories, where business families similar in size and wealth disintegrated and lost a great deal of money to lawyers and courts. The socio-emotional wellbeing was eroded. All because there was a lack of cultural cohesion. Family members did not care to work with one another, were free-riders and harmed each other e.g., by blocking agreements against their own interest.

An economic crisis struck and tipped the family system into a transition phase which ended in chaos. The family couldn't handle the transition phase, and everyone was playing the blame-game. After many painful and expensive years, a considerable amount of assets had to be sold at low prices, split up and individually invested after the courts gave green light. The several financial institutions and advisors re-invested the assets at higher prices, i.e., in fact, the family paid high bid-offer spreads, and on top, had to pay higher service costs (loss of economies of scale). In addition, most family members suddenly couldn't get access to the good deals, because they lost the 'AUM fire power' they had previously (opportunity costs).

Ant thanked Jane for her illustrations and replied: 'trust me my dear, we are very different as a family, and I have everything under control'.

Jane asked if Ant would be happy to put it to the test. Convinced that he would win this argument, Ant consented and the whole family went through the BRAMS process within the comfort of their homes. After the family played a multiplayer – 'serious game', they answered a questionnaire and immediately saw the result in £ simultaneously: They had reported a financial wealth of £1bln which was weighted with the outcome of BRAMS – a pseudo probability ϕ of losing wealth linked to materialised behavioural risks.

According to the result from BRAMS, the family had a 65% probability to lose their wealth, which amounts to and expectation value of -£650mln! The behavioural risk adjusted wealth of the family was only £350mln. Even though the result was hypothetical, it starkly remined them on the family Jane has spoken about.

Ant hates losing money, more than he likes to make it. Other family members also didn't like the prospect of losing that much wealth to behavioural risks and found their behavioural risk adjusted wealth discomforting.

Ant has now a choice which he did not have before. Knowing what he knows now, he can choose to either accept or to mitigate the behavioural risk, however, he can neither avoid it, nor can he hedge it in the insurance market.

This is important because family heads are used to having choice and make strategic decisions.
But if Ant wants to preserve the family and himself from losing a significant part of it, he needs to act and mandate Jane to help him.

He called Jane after the summer and mandated her with the required behavioural-risk mitigation. Jane's social system intervention started with making the family system more congruent before formal family governance documents like a family constitution and ancillary documents where discussed.

Today, everyone feels more connected and secure. All are content with a positive change in their socio-emotional wellbeing, feel mutually accepted and more resourceful as a result.

Everyone comes to the AGM and the family officer is happy to have a more synchronised family she serves. Now it is possible to get everyone's agreement after *constructive* discussions on short notice that allows her to act with agility, which is essential in a world of VUCA.

The improved family dynamics will lead to greater socio-emotional and financial wealth Now the family system has sufficient adaption capacity to bounce back from shocks, respectively to come out stronger at the other end for generations to come.

This story is fictional, names are invented. Any resemblance with real events is coincidental.

As illustrated in the example, once the inertia to act on behavioural risks is overcome and mitigated by transforming the antagonistic patterns of relationship to predominantly synergistic dynamics, more efficient social-system outcomes are possible. The danger is to adopt a static view. Behavioural risk mitigation is an ongoing process, must be managed time dynamically and embedded in constantly changing contexts of financial- and operational risks.

The next question is how to operationalise family governance, bring it alive and manage all 3 family risks along the time continuum?

Integrated Risk Management of Complex Social Systems

Managing dynamic, complex systems i.e., achieving $\delta \rightarrow 0$ requires an integrated, iterative approach, because of the non-linear nature and the many emerging properties that may arise. All family risk domains must be addressed, combined, monitored at a micro level and at a macro-level as a portfolio of risks, because it is essential to work with the non-linear *dynamics* within a risk domain and the non-linear, *relational* dynamics *between* the risk domains, respectively the various impacts on the family system.

I always wished for an integrated, systematic approach to manage complex social systems with the various, constantly moving and covarying parts systemically.

At one of the great Prestel & Partner Family Office Forums, I came across the DECOMPLEX model. Like BRAMS, it is in development and will support the enactment of formal family governance and takes frequent family-system temperature checks which allows for a dynamic risk mitigation i.e., $\delta \rightarrow 0$.

The combination of DECOMPLEX and BRAMS aims to systematically support the systemic management of family risks and to iteratively engage family members to strengthen synergistic forces for greater cohesion. It will reduce perceived information asymmetries (the main reason for conflicts!), support expectation management and increase the perceived transparency in the system. Furthermore, it will make unstructured information laid out in the family constitution operational and provide information about the emerging state(s) of the family system respectively family members for predictive maintenance. It aims to empower the family *system* to learn and stay integrated during transition phases.

Both – DECOMPLEX and BRAMS are work in progress and we'd invite family members to learn more about what we are building, and we are open for your input to make sure, we have a full set of information of the complexity across all levels that need to be managed.

Summary

Family risks are a non-linear system of Behavioural Risk, Operational Risks, and Financial Risks with complex dynamics intra- and inter risk domain, that need to be congruently and dynamically hedged with dynamic portfolio of suitable services.

To influence the outcome of a system, we need to understand its dynamics and start with the greatest system leverage i.e., Behavioural Risks which need to be identified, measured, and analysed e.g., with the help of BRAMS and mitigated by social-system interventions.

The outcome of social-system interventions is a more synergistic family system plus a family constitution that needs to be continuously enacted. It is essential to analyse relational system dynamics intra- and inter risk domains. The enactment and monitoring could be facilitated with the help of IT through e.g., the DECOMPLEX model.

A combination of the BRAMS model and the DECOMPLEX model will allow for a sustainable achievement of $\delta \rightarrow 0$, because both models will efficiently support the management of dynamic, complex social systems.

Patricia Woo: Who am I? Self as Process and Implications for Family Offices

Patricia Woo

Patricia Woo is Partner of Squire Patton Boggs in Hong Kong where she is also co-head of the firm's global family office cross-practice team with around 60 partners from different offices. She is a fund, trust and tax lawyer noted for her practice in helping global ultra-high-net-worth families set up, restructure and operate investment-centric, service-centric, and comprehensive value-centric family offices.

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Evan Thompson (2015) has written that "self is a process, not a thing or an entity.... [It] is a process of "I ing," a process that enacts an "I" and in which the "I" is no different from the Iing process itself, rather like the way dancing is a process that enacts a dance and in which the dance is no different from the dancing" (pp. xxxi & 325).

Are family offices "all about the process"?

I have a vivid recollection of an occasion where I have learnt a new way the concept of "process" can be relevant to my line of work as a lawyer specializing in building single family offices for the ultra-wealthy. It goes back to year 2018. I was speaking at a conference organised by a private bank. While I was sharing how to combine spirituality with my legal work, a fellow panelist, chief operating officer (COO) of a major family business who also runs the family's family office, said family office is all about the process. I see and treat family members as unique souls, so his emphasis on "process" alone gave me a feeling of being detached, materialistic or perhaps even a bit unhuman. After the conference, I never had the chance to speak with him about his perspective and the context that gave rise to it but what he said did leave a lasting impression.

On second thought, I started to see things from his perspective. As COO, his responsibility is to make sure family affairs are dealt with in a systematic way. To organize actions and keep track of progress, his view of a family office is understandably process-driven. The Cambridge Dictionary defines "process" as "a series of actions that you take in order to achieve a result". I always feels that this is a mostly (if not purely) mechanical, so here are my questions: What about the experience? What about the people?

Thompson's "self as a process"

As mentioned, Evan Thompson depicts "self as a process" and this provides a response to my questions from a fresh perspective. Like the COO, Thompson also uses the word "process" but the angle is completely different. He refers to "self" as an "experiential process" and holds that a self is enacted in the process of awareness. The self is therefore an experience and never a constant.

He divides consciousness into different stages: dreaming, sleeping, waking, dying etc. We all have a bodily self that handles manual tasks, but when the task becomes mentally absorbing, the bodily self recedes and is overtaken by the mentally imagined self of the past or future. When one goes to sleep, the sense of self (and the boundary of one's impression as an individual) disappears until it resumes in dreams, capable of experiencing from both the inside, first-person and the outside, third person-perspective. To Thompson, death is not only a breakdown of bodily functions and outer signs of consciousness but a subjective dissolution of the sense of self.

The essence of his "enactive" view of the self is that a self is an ongoing process that enacts as "I" and in which the "I" is no different from the process itself. The self depends and relates to the world by "finding and creating meanings" (Thompson, 2015, pg. 328) and seeks to form "a self-perpetuating whole in relation to the environment". (Thompson, 2015, pg. 325) In thinking and planning modes, the self shifts from the immediate present to the past as recollected or the future as projected. Such abilities enable I-making at "biological, psychology, and social levels". (Thompson, 2015, pg. xxxix)

Why is the concept of "self" relevant to the work of a family office lawyer?

One might ask: why and how is the concept of "self" relevant to the work of a family office lawyer? Although I handle funds, trusts and tax for the ultra-wealthy, I work with people. So it matters who these people are, what views they hold and how they see themselves, others and the world and beyond. Some clients come to me looking for solutions to protect, invest and pass on assets. Tangible arrangements can be made without taking a pause and revisiting who the wealth creator or the wealth holder is as a person. But with this overly-simplistic approach comes a gap that leads to disputes since family members do not understand why and how the decisions were made. Such understanding cannot be attained without an understanding of the decision-maker as a "self" by others and himself.

Successful planning can be taken to the next level with a sensitivity to the richness of the concept of self. Two clients, frustrated by the need to redo the legal structure due to complex tax issues, approached us for help. After two short meetings at public places, we had a long meeting at their home. Before we started, they asked to pray together. It was one of the most moving moments I have had in client meetings. "Lord, we know that although we appear to be owner of the wealth, we are only the custodian you have chosen." So they said in the prayer. "The wealth we hold matters, but what matters more is how we put it to good use. We now surrender the process of restructuring to you and asked for the best solution."

Another client, a Tibetan Buddhist, wanted to formalize the charitable efforts dedicated to education of young females in the Qinghai Area and she told me at various occasions that she knew the feeling of familiarity and the aspiration to this particular cause is the result of a past life connection. A discussion about past life issues took place with yet another ultra-wealthy individual who cold called for help with family governance enhancement to resolve family disputes. He was fully aware that the disputes should be first resolved at the energetic level before long-lasting results can be achieved.

What these clients have in common is an awareness of a "self" beyond the bodily, mental and relational senses. They are those who are open to and embrace religious and spiritual mystical influence in what we live, how we make decision and what we decide on. Such attitude and approach give deeper breadth and depth to succession planning as an important aspect of life.

Usefulness of seeing "self as a process"

Every family operates on both individual and collective levels but rarely conscious, inner understanding is gained. Not all clients and the family members are naturally intuitive and understand what is meant by "looking inward", so Thompson's notion of "self as process" provides a framework that helps one makes sense of his or her reacting to life events, decision-making, understanding the emotions and best of all communication with oneself and others.

Particularly, seeing "self" as a process of enacting makes one aware of the consequences of the Buddhist concept of dependency, especially conceptual dependence, arising. (Thompson, 2015, p. 330) When one tries to give meaning and explanation to things, it is a decision one makes to focus on certain conditioning relations that mutually specify each other. To give rise to a different meaning, another set of conditioning relations will have to be chosen. The view we hold will therefore depends naturally on the conditions we are cognitively aware of and the choices we make.

The Buddhist framework of the five aggregates not only supports a meditative exploration but also provides a systematic tool for one to develop awareness of his experience as "self". (Sills, 2009, pg. 93-94) Such a framework helps one become more attuned to the emotional changes in daily living situations, and encourages self-understanding. (Karunamuni, 2015, pg. 4)

Thompson (2015) described the five aggregates as five sorts of basic psychophysical activities that make up a person. The first aggregate (form) includes the body's sensory systems and the "registration" of the sensory qualifies. The second aggregate (feeling) represents the immediate experience of any event of sensory registration as being pleasant, unpleasant or neutral. The third aggregate (perception) amounts to "stereotyping". The fourth aggregate (inclination) relates to how one reacts in particular ways to the feeling arising in the second aggregate. The fifth (and last) aggregate is one of consciousness, implying one's inclination to give attention to one thing rather than another. (pg 336-338)

Each aggregate is a psychophysical process featuring experienced moments that are impermanent, arising, and perishing from moment to moment (Analayo, 2006 as cited in Karunamuni, 2015, pg. 3). An array of meditation-based psychotherapy methods such as insight meditation (Vipassana) and Dharma therapy have been developed applying the five-aggregate model. Many with Vipassana training and experience have been taught in the tradition of Goenka during a 10-day intensive meditation courses at a Vipassana Meditation Centre. This particular Vipassana meditative practice encourages one to focus the attention on subtle somatosensory awareness, scan and monitor the sensations throughout the body while remaining neutral as to mental or emotional reactivity. (Cahn, Delorme & Polich, 2010, pg 40)

Dharma therapy is a therapeutic intervention modelled after the Buddha's path to awakening. The clients are initially taught how to breathe peacefully and learn to enjoy and be mindful of their own breathing and subsequent other method and know-how of mindfulness so that they can develop a "spiritual oasis" where there is concentration, awareness and clarity, enhancing the ability to develop insight and deal with the problems. (Sik, 2004, pg. 10)

Multiplicity of selves

Though useful in helping one become aware of the subtle changes to the "self", seeing the "self" as a largely linear process has a blind spot where the multiplicity of selves and its therapeutic value are concerned. In this context, a discussion of "parts work", which suggests that an individual is consisted of multiple selves and/or sub-personalities rather than a single self, as described in Internal Family System (IFS), Psychosynthesis and Voice Dialogue Therapy, is warranted.

The IFS model holds that a person is an internal family with the Self as a leader and bearer of certain wholesome qualifies such as acceptance, compassion and clarity. There are also other parts that are protective in an extreme way or parts that are hurt, vulnerable due to past emotion injuries. These parts have lost "trust in the leadership of the Self". (Schwartz, 2013, pg. 808) Through a process of inner focus and dialogue, Internal Family System Therapy aims to help one with self-acceptance and reduce judging people with behaviors that resemble the parts of them they hated.

Psychosynthesis posits that our way of thinking, feeling and behaviors is "conditioned" by the environment. If a person faces a non-empathic environment, he would develop a survival personality which suppresses such experiences and suffer from primal wounding. To survive primal wounding, one has to "disown" the experience of pain and suffering by splitting it off from the ongoing awareness. Such hidden wound becomes a person's inaccessible lower unconsciousness. Not only the wounds but also the positive aspects rejected by the non-empathic environment, constituting the higher consciousness can become also inaccessible. **The key is to re-discover these disowned parts.** (Firman and Gila, 1997, pg. 163-165)

According to Voice Dialogue therapy, many selves emerge during development, but people become identified exclusively with the "primary selves hat have best served to protect them and reject or "disown" of other selves that do not fit what the environment demands. Different from IFS and Psychosynthesis, in Voice Dialogue, there is no "authentic self" or "higher Self," as all selves are deemed authentic just as they are. (Berchik, Rock & Friedman, 2016, pg. 91)

Self-transcendence

"Part work" advocates the benefits of acknowledging the multiple selves and sub-personalities and restoring them to the natural state and all approaches referred to above, though they may not provide an answer to what the ultimate selves are, aim to make each of us a more complete, better person. Sills (2019) offers an additional angle to "self as a process", seeing self as a process of creation and expression of an intrinsic motivation or urge-to-become, although such process of self-expression is both conditioned and conditioning. (pg. 85-86)

The developmental notion of the self becoming what it is destined to be might not fully address the self's potential and need to transcend and embrace the religious, spiritual and mystical aspects and perspective of life. Cunningham (2021) stressed the importance of the transpersonal aspect of self-development, referring to Maslow's later amendment of his hierarchy of needs to including the need of self-transcendence, a concept that goes beyond self-actualisation, which Maslow considered is not sufficient in explaining transcendent experiences and values. (pg. 189-190)

Thompson included such altered state of consciousness as lucid dream and near death experience as part of the self as a process, but the range of self-transcendent experiences available to human can be much broader as studied by Yaden et al. (2017). Such self-transcendent experiences represented by temporary transient mental states characterized by self-diminishment and increased feelings of connectedness. These states display a "unitary continuum" ranging from awe, wonder and psychological flow to full-blown mystical experiences, displaying varying degrees of intensity. One might feel the boundaries falling away between oneself and the surrounding environment to varied extents. (pg. 3) Many people report that their "sense of self" and/or self-boundaries temporarily disappear during their self-transcendent experiences, which are often reported to be profoundly positive. (pg 11)

Self, No-Self and connecting with the Universe

The core essence of Thompson's notion of "self as process" is the Buddhist concept of "no-self". By no-self, he does not hold the view of "neuronihilism" which sees self as an illusion constructed by the brain. (Thompson, 2015, pg. xxxix) Rather, he believes in dis-identifying from the concept of a constant, permanent self. Self-dependence arises when one clings to the idea of a self that does not change (which does not exist) and such an idea only leads to, as many Buddhist believes, suffering.

An alternative angle to look at the concept of "self" could be that of "self" as part of the Universe. It represents an enlarged concept of "self". Perhaps the ultimate goal of the "self" is to reach Taoism's

"Nothingness" and Buddhism's "Emptiness", which represent a state in which "the mind empty of self and its cravings, but does not mean the nonexistence of the mind". (Ho, 1995, pg. 123)

Self-liberation (from suffering) is a long process and the diminishment of self is where one starts the journey of detaching from the fixated concept of self and becoming more connected with the Universe and eventually reaching emptiness. Smaller, subtle shift in the sense of Self will help one find the path and pace that works. The Internal Family System, for instance, helps the spacious essence existing inherently in the individual to emerge. Schwartz (2013) calls such essence, usually characterized by a profound sense of calm, confidence, clarity, connectedness, and creativity, the Self and believes it corresponds to no-self in Zen. (pg. 809) Engler and Fulton (2013) illustrated the therapeutic potential of no-self by considering the use of Internal Family System and depicted the clinical meaning of self and no-self with a continuum. (pg. 179)

Welwood (2000) holds a similar belief of emptiness, which is a "larger dimension of mind – the presence of nonconceptual awareness, or nonthought" and that such "larger nature of consciousness has no shape or form". (pg. 49) The choice of word "larger" seems to hint a process of expansiveness, which could be achieved by practice.

Zen Master Sasaki Rosbi echoes the fluid nature of "Self" (and no-self). Instead of focusing purely on expansion, his idea of "self" is an awareness that "comes" and "goes" and therefore endlessly, repeatedly "expanding and contracting". When the opposite forces "unite" and become one, there is emptiness. Emptiness is not something static but is itself activity. (Puhakka, 1998, pg. 137)

Many ask whether the concept of self is still relevant in Buddhism and Buddhist psychology if no-self is the desired state. Yang (2019) citing Master Shen-Yen responded that transformation involves a process of self-knowledge, self-recognition, self-growth and self-dissolution. The first three stages and the construction and purification of the self are pre-requisite of reaching the state of "no-self". Without the progress accumulated during the first three stage, self-dissolution and ultimate enlightenment is just not plausible. (pg. 110)

Concept of self in families and spiritual lives

> Processes are useful in a well-organized family and family offices, especially for the super wealthy who need standard, procedures and reliable and predictable ways to handle their affairs. But how can we bring individual self and the collective together for sustainable betterment? Thompson's "self as process" offers the opportunity to incorporate individual, inner process to the overall process of the family. It will inspire families and its members to slow down and immerse in the conscious awareness of how "self" unfolds under varied circumstances. By becoming more aware, one is able to describe, understand and communicate the experience arising from family and personal events. Only when one is able to do so, one is able to appreciate not only the process going on within himself but also the process taking place in others in the family and the associated conditioning that comes with it.

Meditation-based psychotherapeutic methods are tangible tools that families can use to help their members under professional guidance to develop the ability to "look inward" and gain a deeper understanding in how one feels, reacts, thinks, makes decision and interact with others in the family.

Practices that develop mindfulness, according to Vago and Silbersweig (2012), can contribute to "changes across dimensions of self-processing, such as the development of self-other relations that transcends self-focused needs and increases prosocial skills like empathy and altruistic behavior". (Yaden, et. al., 2017, pg.4)

Exploration of multiple selves allow parts and/or sub-personalities suppressed in a family environment to be heard, understood and brought back to light. Giving the "self" including the multiple selves and/or sub-personalities the voice they deserve, and seeing and soothing them in a complex system such as an ultra-wealthy family (and the family office) might be first unsettling for patriarchs or matriarchs who want control more than anything in the family.

However, once the patriarchs or matriarchs understand the importance of the concept of "self" and the breadth and depth it encompasses, they will become more receptive to the benefit it can bring to the family.

A family and its members will only flourish if they are afforded the freedom and flexibility to adapt to the ever changing and evolving world (both inner and outside). The more one is capable of exploring the notion of "self" and how it relates to the higher dimension, one has a more profound understanding of what the wealth and position and every material attributes linked to being rich and powerful means. Only by doing so, these wealthy families are capable on putting their wealth to the best use and truly sustainable. A successful family office is one that supports not only family as a process, but also "self" as a process.

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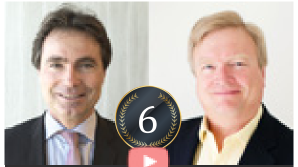

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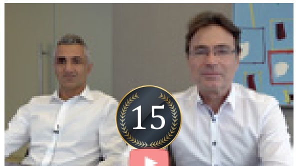

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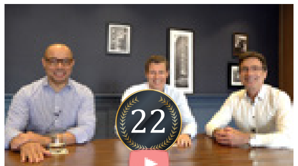

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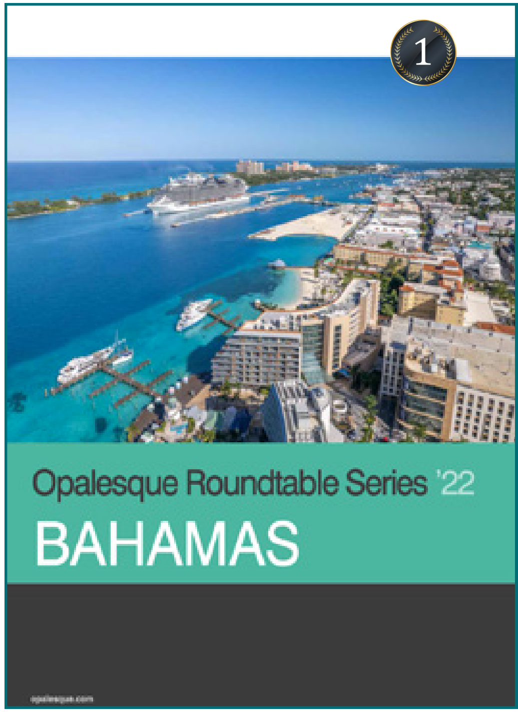

Opalesque 2022 Bahamas Roundtable

THE BAHAMAS' PIONEERING LEGAL GROUNDWORK FOR DIGITAL ASSETS INDUSTRY

The Bahamas' Pioneering Legal Groundwork for Digital Assets Industry

Roundtable & Interactive Webinar with Christina R. Rolle, Executive Director, Securities Commission of The Bahamas

In a previous Opalesque Roundtable we examined how "tiny" Bahamas was able to beat global giants in the Central Bank Digital Currencies (CBDC) race when in 2019 it launched its "sand dollar" - a digital version of the Bahamas Dollar and controlled by the central bank - effectively beating China's "digital renminbi" by six months. PricewaterhouseCoopers (PwC) has given the Sand Dollar the highest ranking - above even China's digital yuan - in a report ranking Central Bank digital currencies.

We have all witnessed the explosive growth of virtual currencies and the need for a jurisdiction like The Bahamas as an international financial centre with a considerable wealth management focus to equip itself with compliant and competitive legislation to participate in the digital asset space. In a consequential next step, the passage of the Digital Assets and Registered Exchanges Bill (DARE Bill) in 2020 has put in place the legal framework for a vital, well-regulated and compliant industry in The Bahamas for those interested in entering the digital asset space.

Document Disclosure

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