

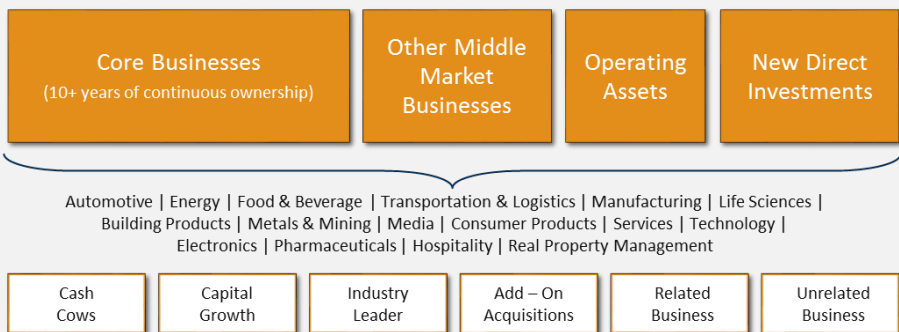
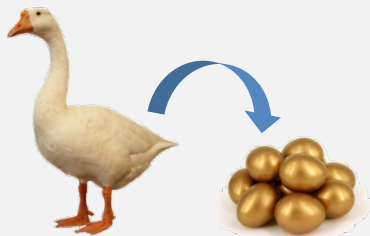


EFFECTIVE FAMILY GOVERNANCE AND ASSOCIATED STRUCTURES

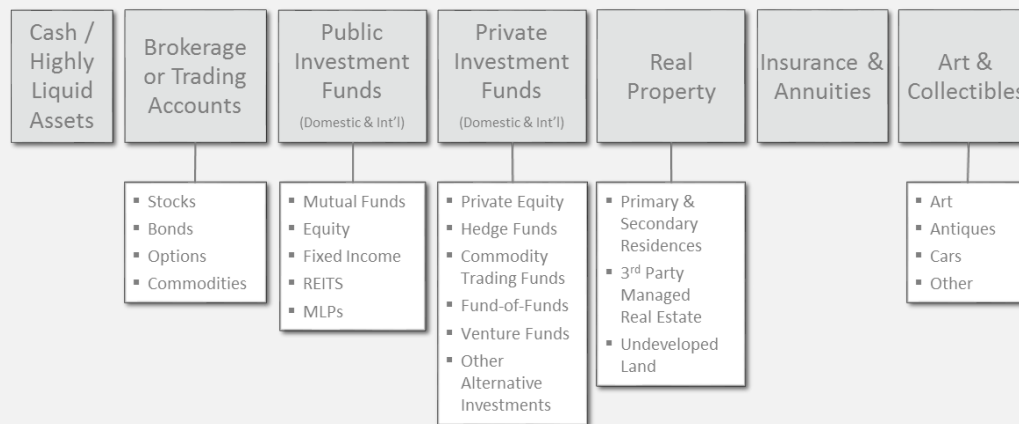
- for Families and Family controlled Businesses

TOTAL FAMILY WEALTH

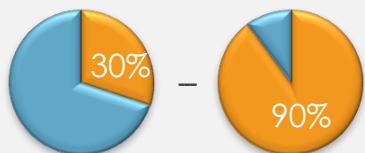
Operating Businesses



Other Investments

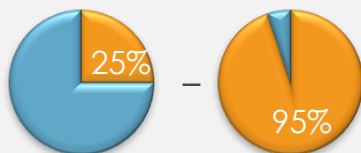


Family Net Wealth



Business Equity Value =
30%-to-90% of Personal Net Wealth

Family Income

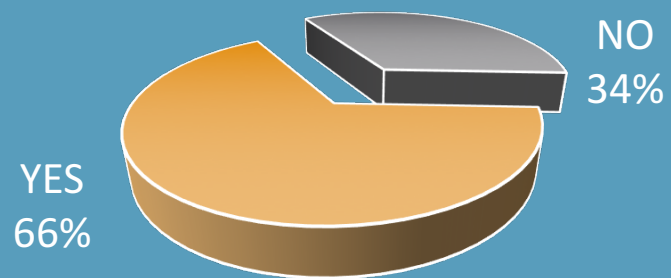


Business Generates
25%-to-95% of Annual Income

Source: Moosmann & Bly; Governance and Generational Transition Processes

A CLOSER LOOK AT GENERATIONAL TRANSFER STATISTICS

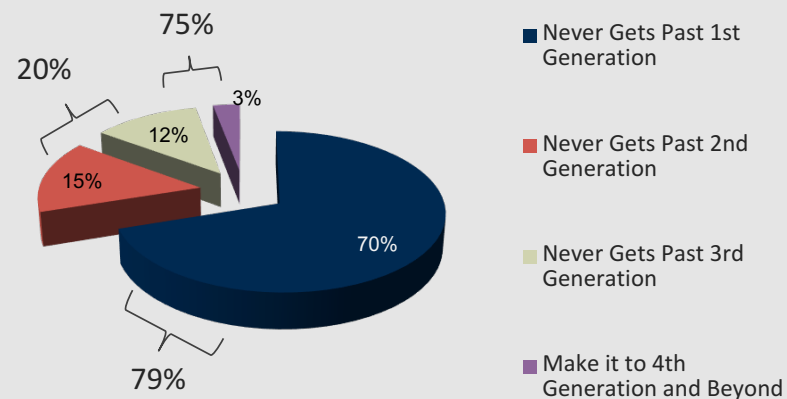
Plan to Keep Ownership in the Family for the Next Generation



Source: Mass Mutual survey of 3,000 family business CEO's

On average, 50% of Generational Transition Plans Fail

U.S. Generational Transfer Statistics



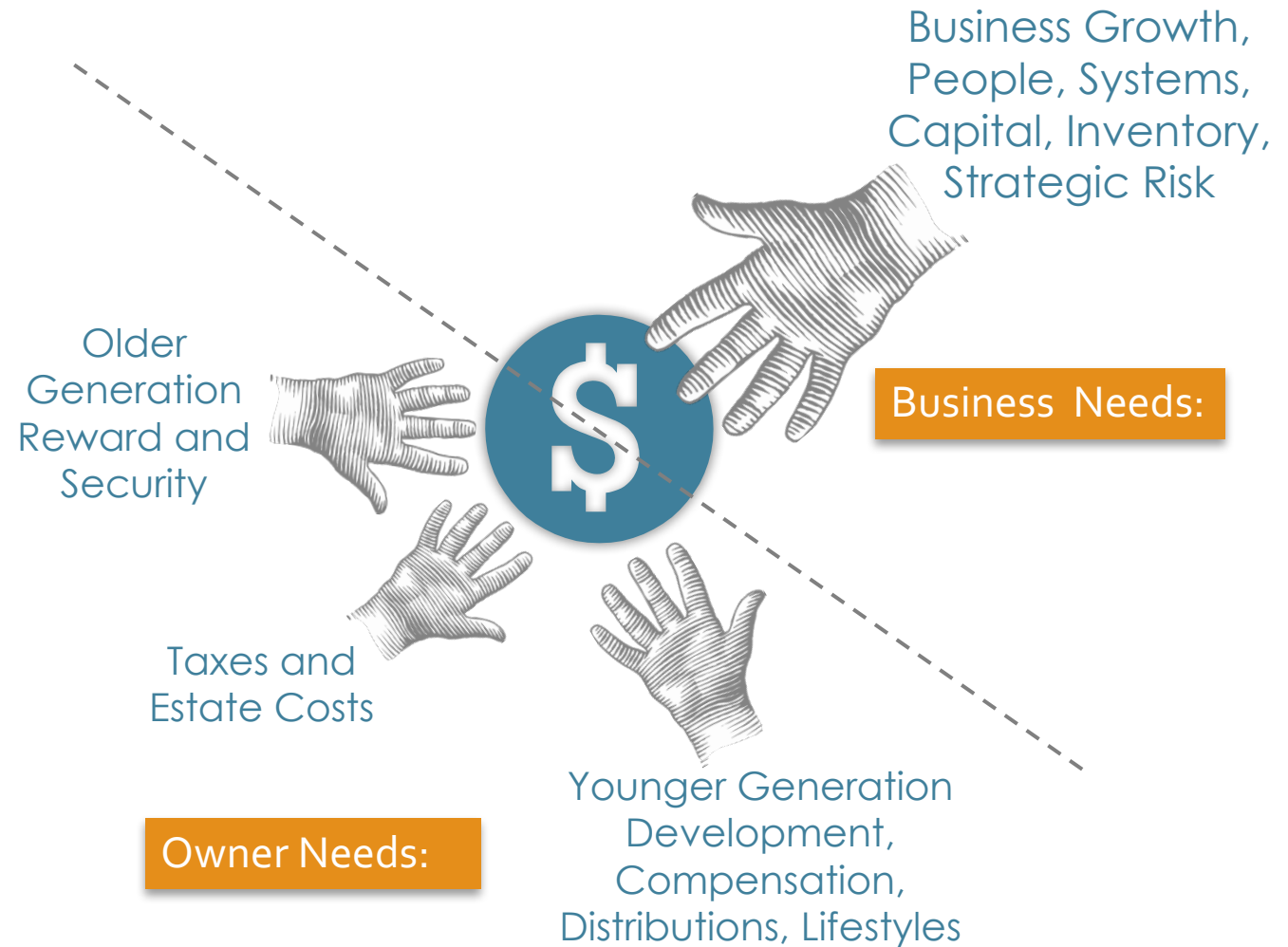


WHY THE HIGH FAILURE RATE FOR GENERATIONAL TRANSFERS?

FIVE PRINCIPAL CAUSES FOR UNSUCCESSFUL GENERATIONAL TRANSITIONS

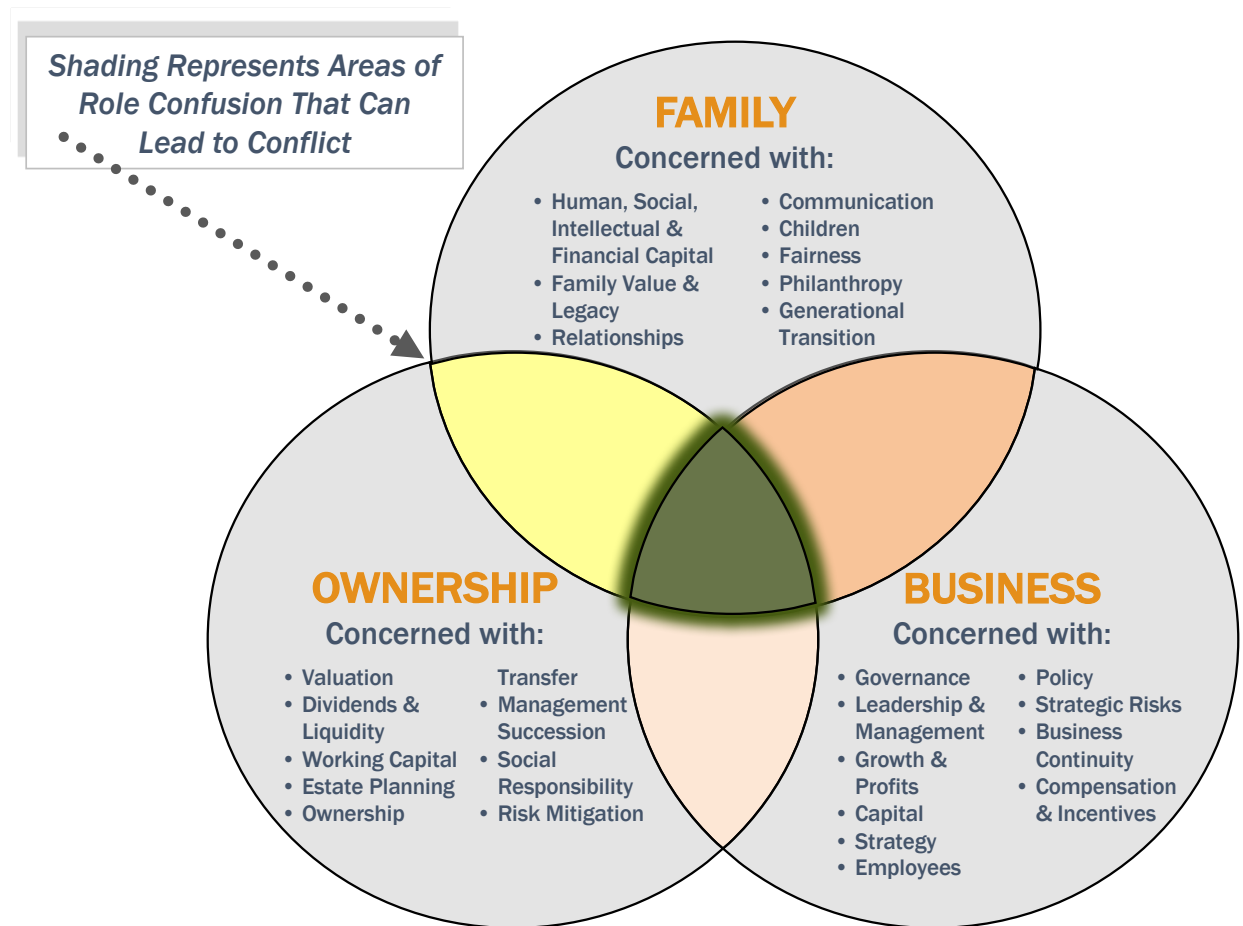
1. Uncoordinated Financial Demands on Business Profits
2. Unclear Boundaries
3. Lack of Non-Financial Capital Development
4. Inadequate Operating Business Oversight
5. The Elephant in the Room – Internal & External Risks

1. Uncoordinated Financial Demands on Business Profits



2. Unclear Boundaries

BOUNDARIES BLUR WHEN FAMILY MEMBERS SERVE IN DIFFERENT ROLES



3. Lack of Non-Financial Capital Development

SUCCESSFUL GENERATIONAL TRANSITIONS REQUIRE A BROADER UNDERSTANDING OF CAPITAL

Sustainable Wealth Preservation lies in accepting the correlation between the growth of a family's human, intellectual, and social capital and its financial capital:

HUMAN CAPITAL

The knowledge, talents, values, passions and aspirations of an individual family member

INTELLECTUAL CAPITAL

Alludes to the individual's learning aptitude and the family's capabilities to communicate, resolve conflicts and make joint decisions

SOCIAL CAPITAL

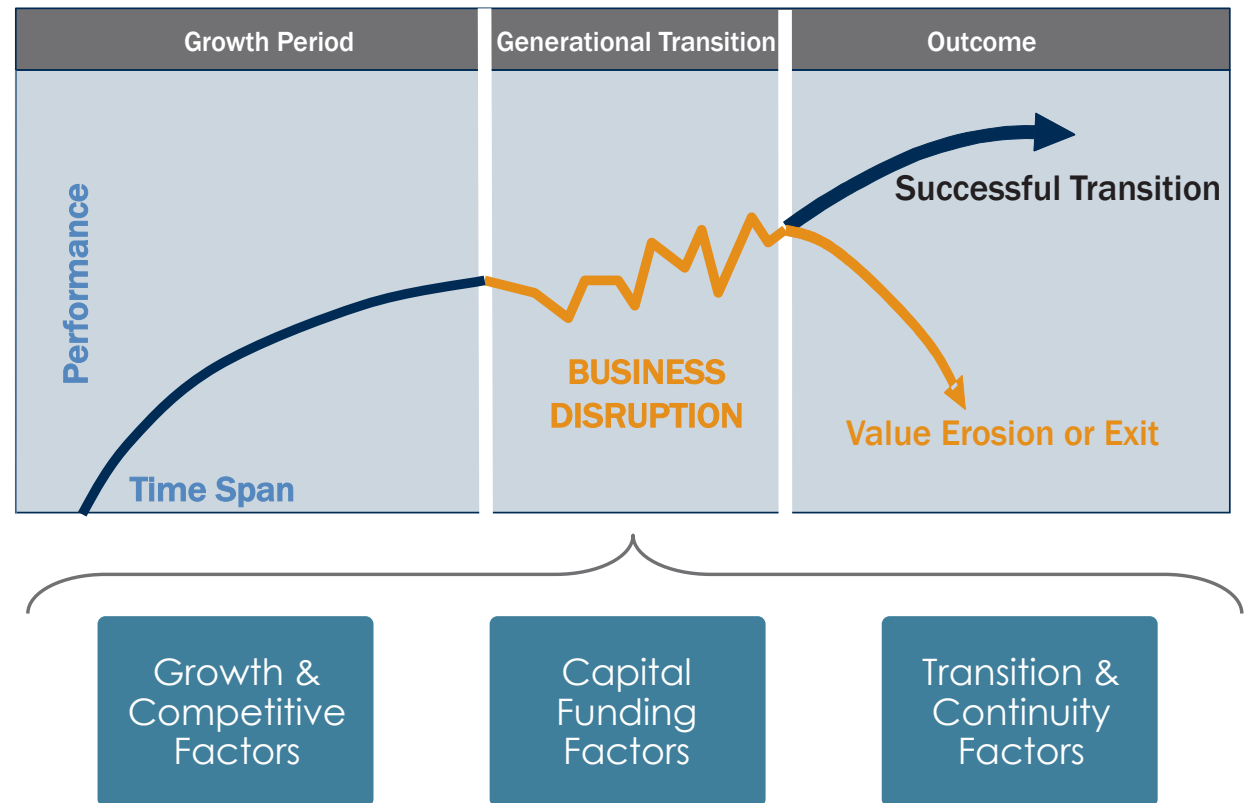
The networks of relationships among people who live and work in a particular society, enabling that society to function effectively

Consequently, understanding and allocating your family's human and intellectual capital will allow you to sustainably enhance the family's financial capital:

Family Wealth = Human + Intellectual + Social Capital (+ Financial Capital)

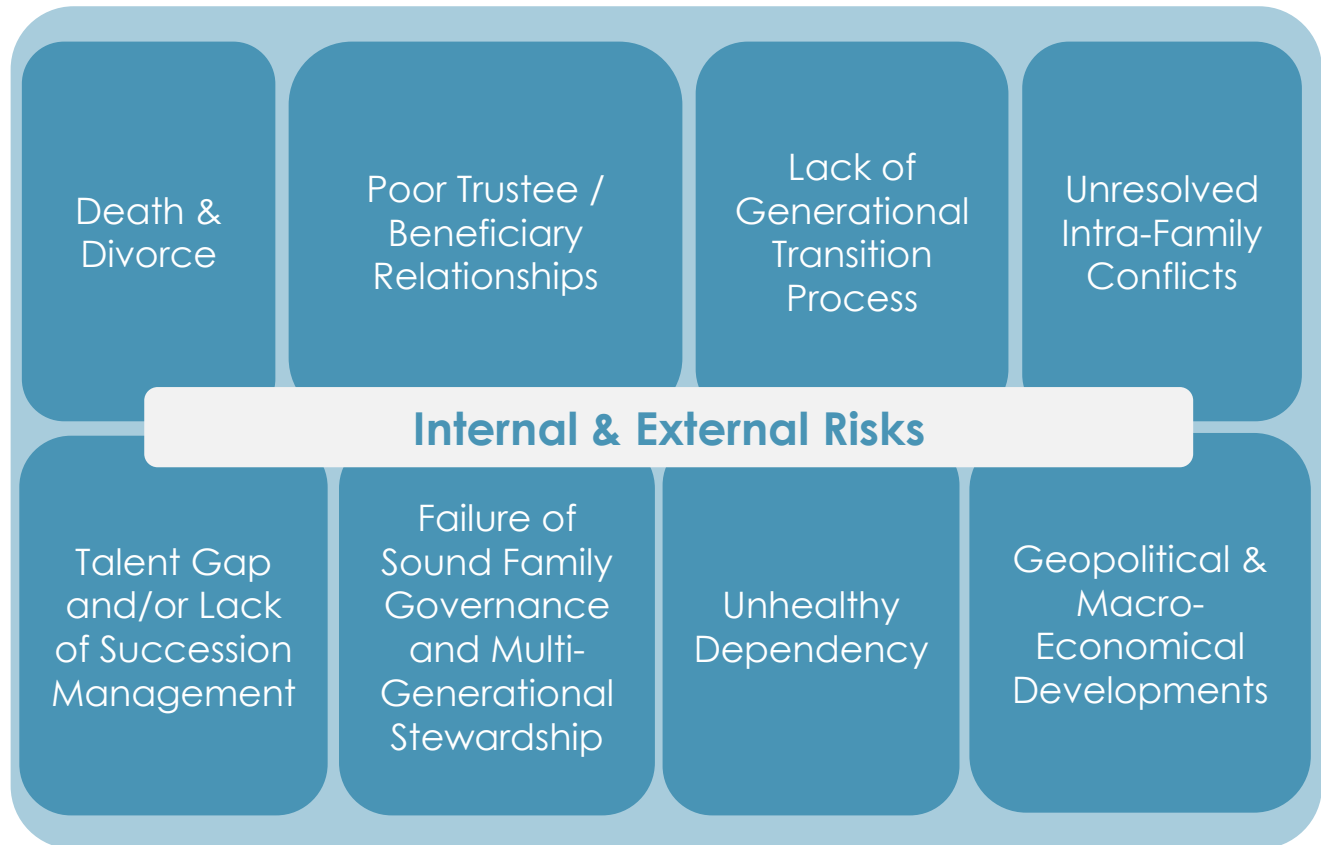
4. Inadequate Operating Business Oversight

GENERATIONAL TRANSITION OFTEN INCREASES BUSINESS DISRUPTION RISK



5. The Elephant in the Room

Successful Generational Transition for Entrepreneurial Families requires a Generational Transition Process that takes into account factors other than business profits, which can negatively impact the successful transfer of a business from one generation to the next:





HOW DO SUCCESSFUL FAMILIES BEAT THE ODDS?

BEST PRACTICES: Family & Business Governance Systems

FUNDAMENTALS OF FAMILY GOVERNANCE

PRINCIPLES

1

Family Vision
Mission
Values

POLICIES

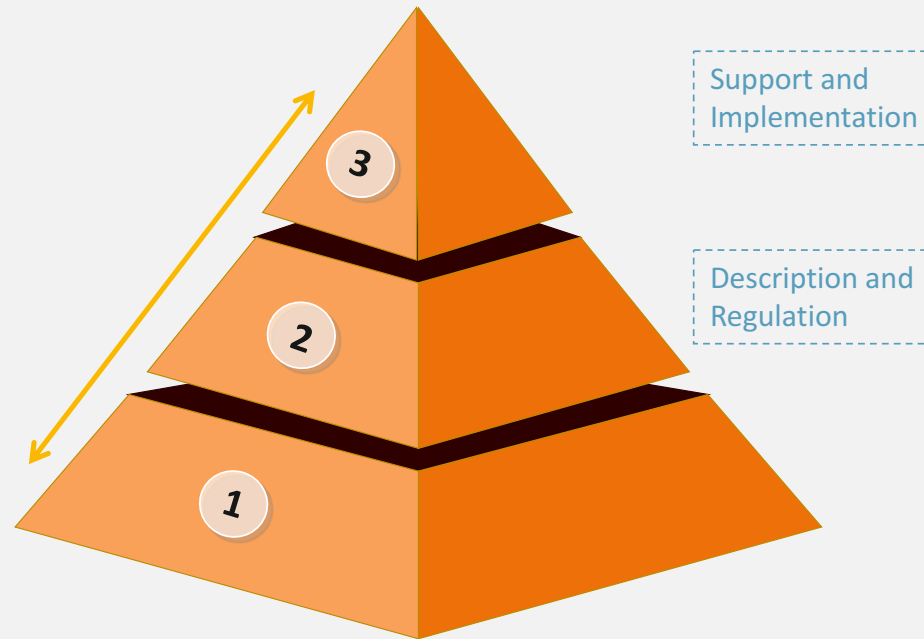
2

Family Constitution / Charter
Rules of Communications & Decision
Making Rules for Family Business
Expectation for Family Participation

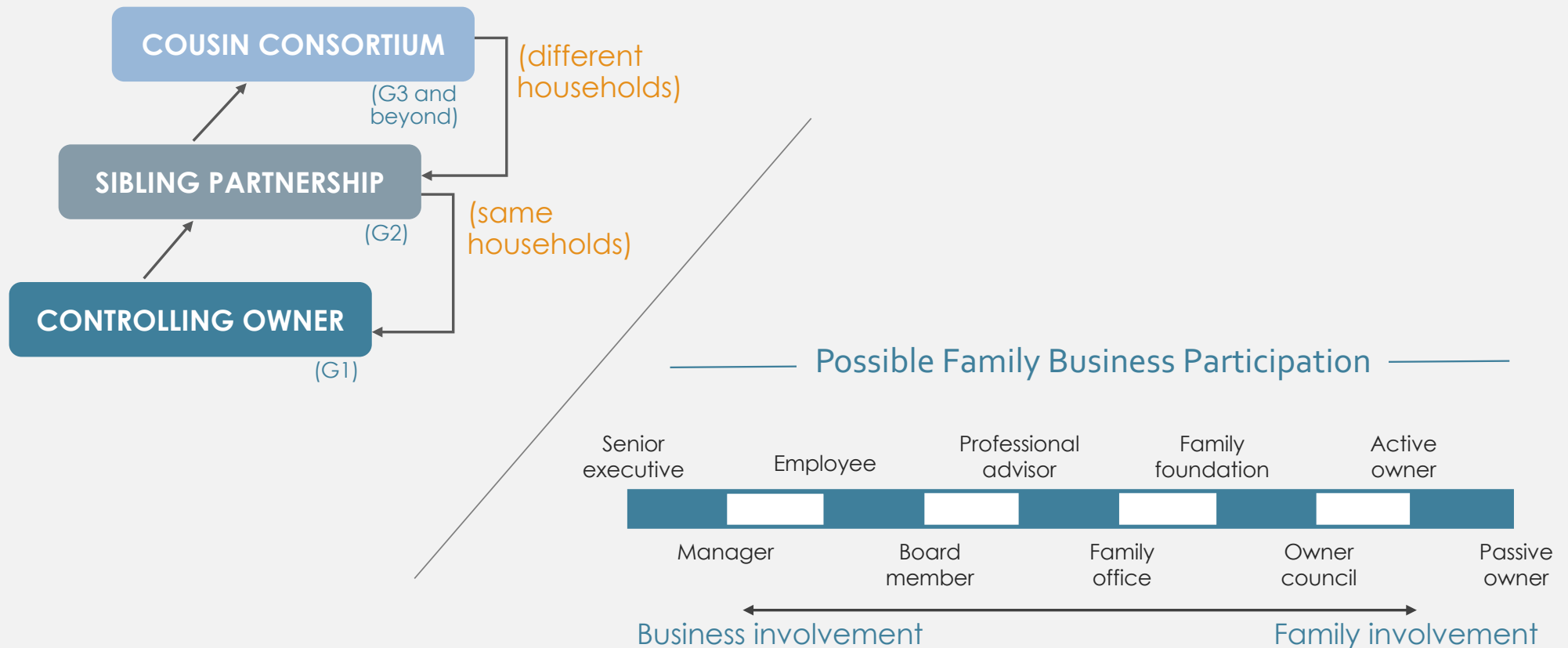
PRACTICES

3

Family Meetings & Committees
Family Office / Co-Ordinated Advisors
Family Wealth Education Programs
Charitable Giving



GOVERNANCE SYSTEMS & FAMILY INVOLVEMENT CHANGE



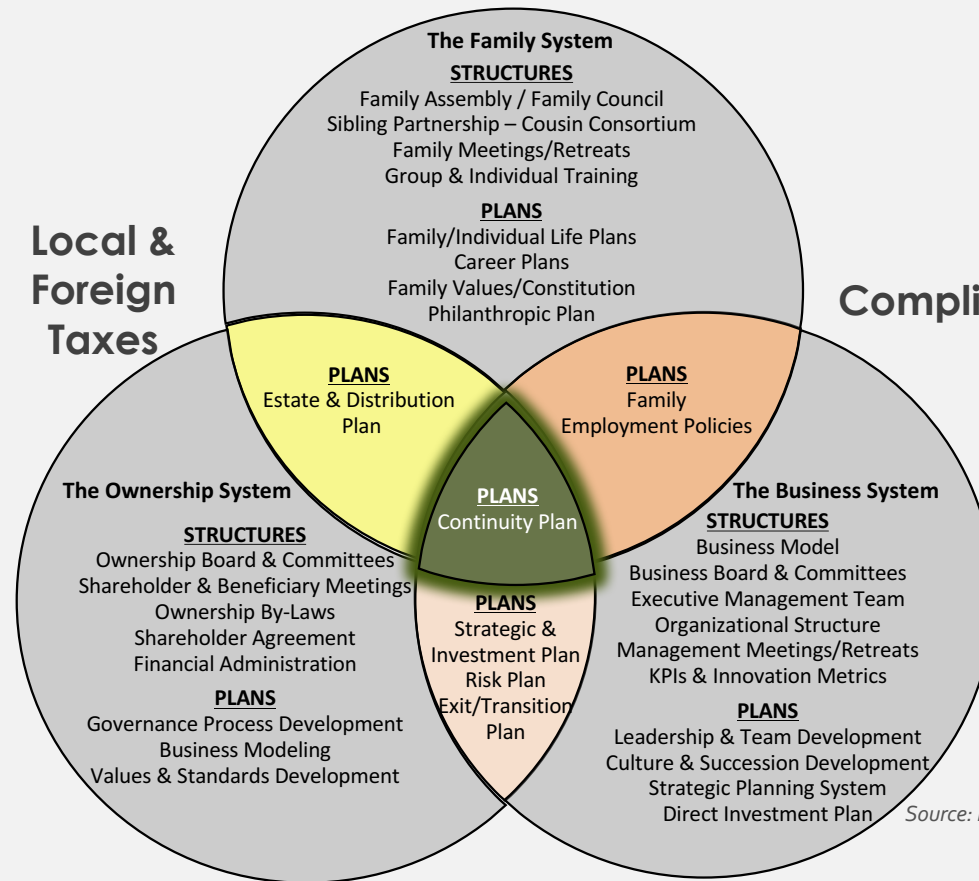
EXAMPLE OF GOVERNANCE SYSTEM STRUCTURES & PLANS

OWNERSHIP

Concerned with:

- Valuation
- Dividends & Liquidity
- Working Capital
- Estate Planning
- Ownership
- Transfer
- Management Succession
- Social Responsibility
- Risk Mitigation

Local & Foreign Taxes



Compliance

FAMILY

Concerned with:

- Human, Social, Intellectual & Financial Capital
- Family Value & Legacy
- Relationships
- Communication
- Children
- Fairness
- Philanthropy
- Generational Transition

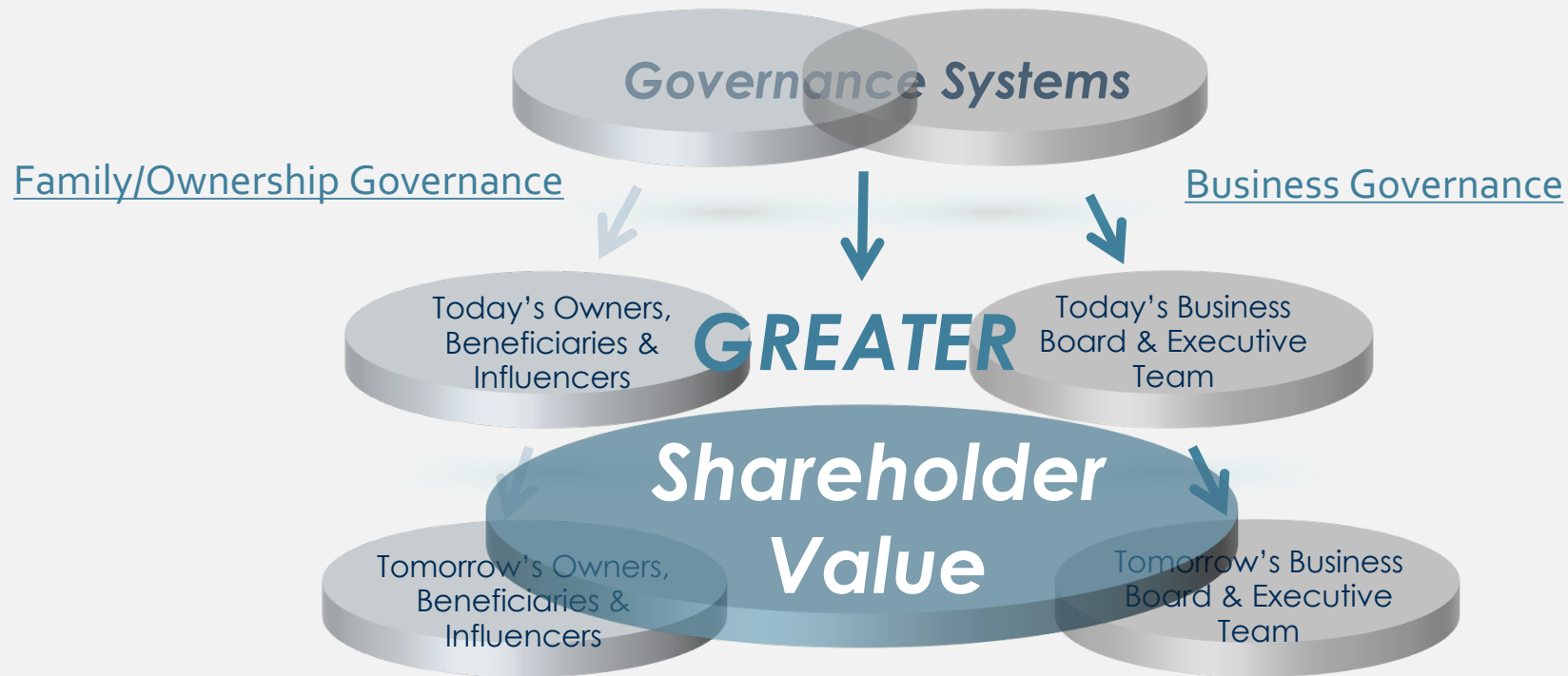
BUSINESS

Concerned with:

- Governance
- Leadership & Management
- Growth & Profits
- Capital
- Strategy
- Employees
- Policy
- Strategic Risks
- Business Continuity
- Compensation & Incentives

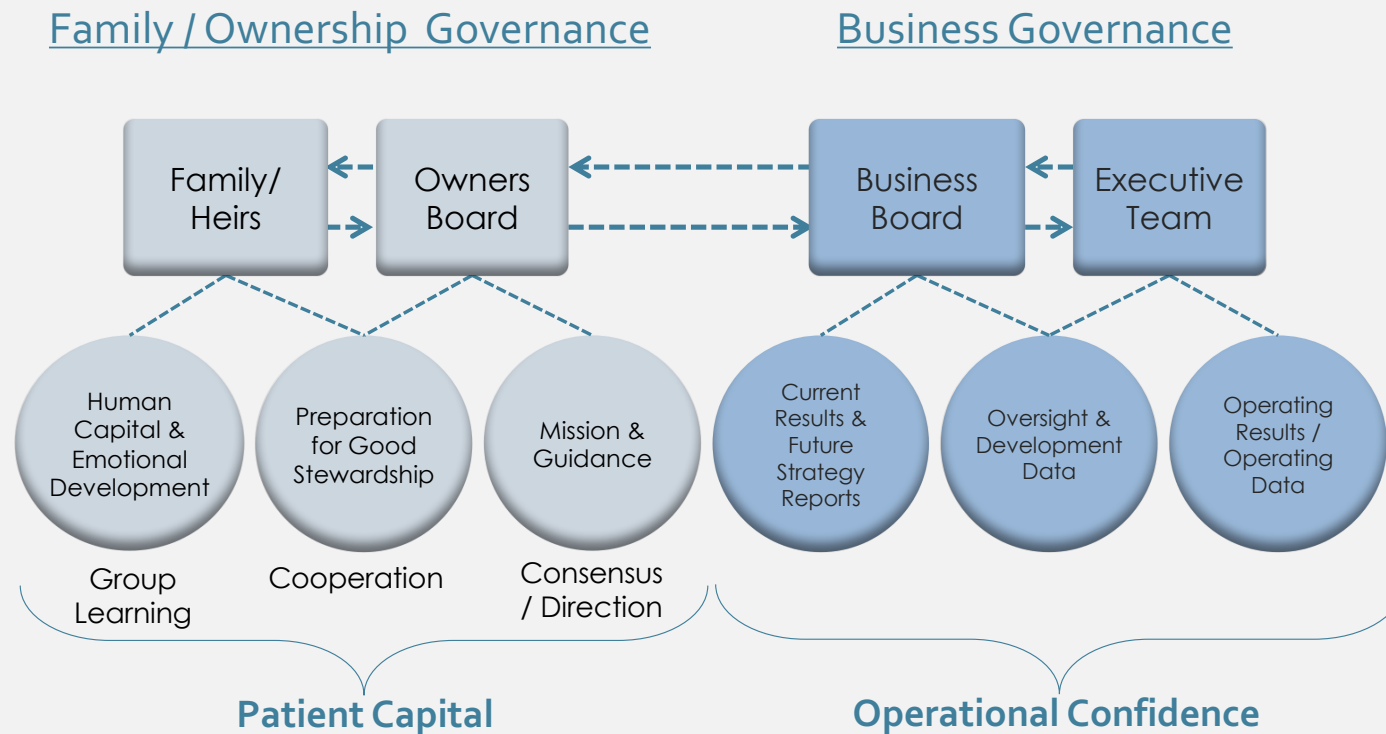
Source: Moosmann & Bly; Governance and Generational Transition Processes

MOST SUCCESSFUL MULTI-GENERATIONAL FAMILY BUSINESS ENTERPRISES DEVELOP PARALLEL GOVERNANCE SYSTEMS



Source: Moosmann & Bly; Governance and Generational Transition Processes

"BEST PRACTICES" RELATIONSHIP BETWEEN FAMILY / OWNERSHIP GOVERNANCE & BUSINESS GOVERNANCE SYSTEMS



Source: Moosmann & Bly; Governance and Generational Transition Processes

SELECT YOUR BOARD MEMBERS WISELY



"My dear George, you failed as a salesman and got fired as the head of marketing, you've been a lousy accountant and a failure at human resources. Well, to make it short - welcome to the supervisory board!"

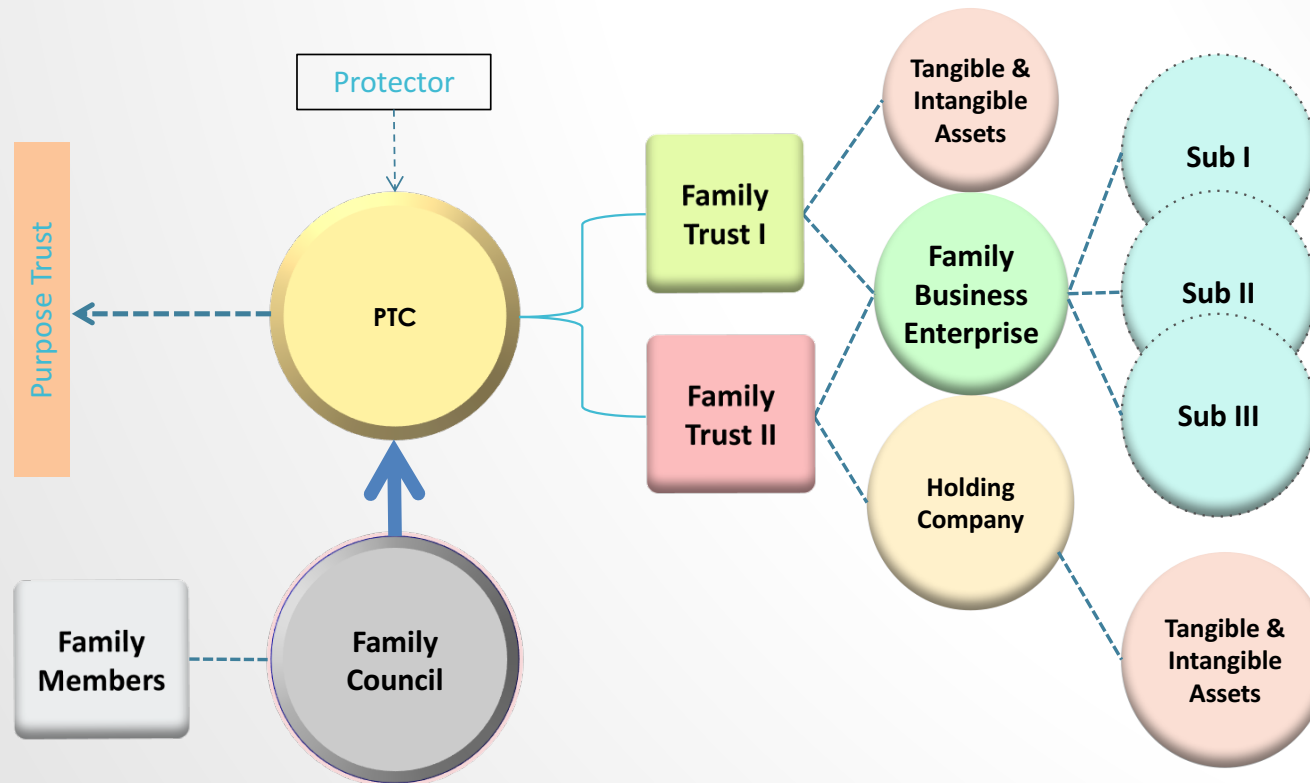


PRIVATE TRUST COMPANIES EMBEDDED IN FAMILY GOVERNANCE

PRIVATE TRUST COMPANY (“PTC”)

- Guided by the desire to control the family’s wealth beyond the use of individual trusts or similar estate planning structures
- Embedded in a Family Governance Structure it can play a vital role in providing for a professional *decision-making process* and a sustainable *wealth preservation*
- Legal entity whose sole purpose is to act as Trustee for one or few trusts of a family („connected trusts“)
- It’s unusual for a PTC to act for more than one family (hence „private“), thus it doesn’t publicly solicit trust business
- Generally set up in a form of a limited liability company, although in some jurisdictions the use of a Foundation/Anstalt is admissible (e.g. Jersey, FL)
- Typically, but not necessarily, the shares of the PTC are owned by a *Purpose Trust*
- PTCs have to be tailor-made – **there is no boilerplate solution!**

PTC EMBEDDED IN A FAMILY GOVERNANCE SYSTEM



PRIVATE TRUST COMPANY (“PTC”)

“... though private and focused on the well-being of a single family, a PTC is a business operating within the highly complicated and regulated world of finance. It needs to be managed as a business with appropriate counsel and oversight if it is to achieve its desired objectives.”

- Hartley Goldstone. “Family Trusts.” (2015)



THANK YOU!

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