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BOOK REVIEW

Family Wealth Management: 7 Imperatives for Successful Investing in the New World Order

GREG N. GREGORIOU

GREG N. GREGORIOU is professor of finance at the State University of New York in Plattsburgh, NY, and a lecturer in finance in the Department of Continuing Studies at McGill University in Montréal, QC, Canada. greg.gregoriou@plattsburgh.edu

Managing wealth is difficult. Familiar culprits routinely chip away at family wealth: inflation; taxes; growth in the number of beneficiaries; mismanagement and behavioral errors in investing; predatory advisors; undereducated, disengaged, or divided families; and, of course, the wide range of portfolio risks inherent in global capital markets. These factors make families vulnerable to the old curse of “shirtsleeves to shirtsleeves in three generations.”

Financial crises add a further challenge. Despite the run-up in most stock markets of late, a look back to the recent global financial crisis can serve as a reminder that times are not always so rosy and that successful family wealth management means managing through calamities as well.

In the last crisis, many private and family investors lost faith in traditional, primarily institutional, models of investment that did not work well in a family context—and were particularly ineffective when the catastrophe hit. Many of the old rules didn't seem to

provide reliable guidelines for correlation between assets, definition of risk as volatility, assumed sources of liquidity, and other long-standing truths of investment. This has raised the stakes even further for those who fail to take into account all of the integrated challenges of modern wealth management.

In their new book, *Family Wealth Management: 7 Imperatives for Successful Investing in the New World Order*, published by John Wiley & Sons, Mark Daniell and Tom McCullough offer a fresh and comprehensive look at the challenges and opportunities facing family investors, taking into account both the *best practices* of the past and the *next practices* necessary for a successful future. They also provide a helpful review of the harsh lessons learned by many families over the years and useful advice on how to avoid the failures and costs of outdated approaches to financial management.

The book is a particularly welcome addition to the literature on family wealth management because it addresses both family and finance on an integrated basis.

From opposite sides of the world (Daniell from Asia and Europe, and McCullough from North America), both authors had come to the same conclusion: There had to be a better model for family wealth management, one that was centered on the needs of each family and incorporated better investment and risk management tools.

The authors are well qualified to opine on these topics. Daniell is the author of seven previous books on wealth and strategy and is an advisor to a small cadre of mega wealthy families, and McCullough heads a leading North American multifamily office and is an adjunct professor of finance at the University of Toronto. The result of their collaboration is impressive and will be of great value to family wealth managers and their advisors, both for those newly wealthy and those who are long-standing citizens in the land of wealth.

Family Wealth Management is well structured, thoroughly documented, and the key points are clearly presented. This is not, by any means, a book for the get-rich-quick crowd; this is a thoughtful and comprehensive approach to family wealth management. It also does not offer any one-size-fits-all answers; nor does it promise an easy path. But it can help families and their advisors develop coherent, disciplined, and sensible plans that focus on the family's needs.

Through the seven-imperatives framework, Daniell and McCullough describe the depth and breadth of the challenges facing wealthy families and how family investors and their advisors can address each individual challenge successfully. Specifically, the book shows how families can establish clear family vision and goals, develop a practical, integrated investment framework, set a long-term family wealth strategy, draft an annual investment policy statement, and effectively monitor performance. It also shows how families can select and manage advisors and how they can engage and educate the family to preserve and enhance financial wealth and human capital over generations.

In particular, the book challenges many of today's mainstream investing perspectives. It argues for a better balance between family and finance. The prevailing practice in the investment industry entails a focus on the performance of capital markets. This can mean that the goals and values of the family get lost in the shuffle as investors try to react to the markets. This book helps families develop a coherent, sensible plan that puts fami-

lies and their needs back at the center of the wealth management equation, where, presumably, they were always meant to be, and gives them a clear road map to navigate the often treacherous economic and capital markets environments. From another vantage point, the book underlines the merits of goal-based investing and suggests increased consideration be given to the management of the liability side of the family balance sheet (e.g., goals and spending plans) versus a single-minded focus on growing assets.

The book also argues for increased attention to the myriad of risks facing family investors rather than a narrow focus on returns. The authors define the critical family financial risks as cash-flow based (i.e., not having the funds you need at the time you need them), not simply volatility.

The authors also demonstrate the benefits of an integrated approach to family wealth management (i.e., investing, taxes, family law, behavioral finance, estate planning, family values and goals, administrative procedures, and so on.). They contrast this with a typical silo methodology, implemented with individual products by autonomous advisors with little coordination among them. The authors explain the unique and beneficial role of an integrated advisor or a family office in the lives of wealthy families.

Finally, the book suggests that wealthy families pay particular attention to the legacy value of their wealth (not just the current balance) and how and when it will be passed to future generations. It addresses both how to prepare the money for the heirs and, equally, how to prepare the heirs for the money.

I was impressed with the book's comprehensive approach to family wealth management, linking family and finance issues in an integrated way. This seemingly obvious strategy, absent in many comparable books, is more likely to ensure that wealth is managed to serve multiple family purposes and to last across multiple generations.

I was also pleased to find insightful guest essays sprinkled throughout, written by leading wealth management thinkers. They brought another voice and a discerning perspective to the issue at hand. Equally helpful were the many practical examples, cases, and templates that provided additional understanding and utility to each of the imperatives.

Daniell and McCullough describe well the challenges facing wealthy families and how they can practically address them. *Family Wealth Management* is full of useful information and wise advice and is a must-read for those managing family assets over multiple generations, including family leaders, family members, and advisors to those families.

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